

MATHIS INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2018



Lovvorn & Kieschnick
CERTIFIED PUBLIC ACCOUNTANTS

LOVVORN & KIESCHNICK, LLP

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MATHIS INDEPENDENT SCHOOL DISTRICT

DIRECTORY OF OFFICIALS

AUGUST 31, 2018

BOARD OF TRUSTEES

ANGIE TREJO	PRESIDENT
RICK CORTEZ, JR.	VICE-PRESIDENT
MELINDA BARAJAS	SECRETARY
SAMUEL SARATE	MEMBER
MOISES ALFARO	MEMBER
ABEL MONSIBAIZ	MEMBER
MICHELLE DAVILA	MEMBER

OTHER OFFICIALS

BENNY P. HERNANDEZ	SUPERINTENDENT
LACY DOBBINS	READING CURRICULUM INSTRUCTIONAL COACH
GAIL SHEPLER	FINANCE OFFICER
BO CAMACHO	ATHLETIC DIRECTOR
VERONICA GARZA	DIRECTOR OF SPECIAL EDUCATION

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Mathis Independent School District
Annual Financial Report
For The Year Ended August 31, 2018

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Introductory Section

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CERTIFICATE OF BOARD

Mathis Independent School District
Name of School District

San Patricio
County

205904
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) ☒ approved ___disapproved for the period ended August 31, 2018, at a meeting of the board of trustees of such school district on the 12th day of December, 2018.

Melinda Barajas
Board Secretary

Angie Trejo
Board President

If the board of trustees disapproved of 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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Lovvorn & Kieschnick, LLP
418 Peoples Street, Ste. 308
Corpus Christi, TX 78401

Independent Auditor's Report

To the Board of Trustees
Mathis Independent School District
P. O. Box 1177
Mathis, Texas 78368

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Emphasis of Matter

Change in Accounting Principle

As described in Note A to the financial statements, in 2018, Mathis Independent School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and budgetary comparison information and schedule of the District's proportionate share of the net pension liability and schedule of District pension contributions, and schedule of the District's proportionate share of the net OPEB liability and schedule of District OPEB contributions identified as Required Supplementary Information 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mathis Independent School District's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

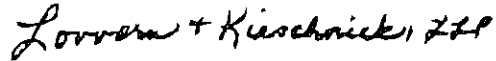
The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the 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 other 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 introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2018 on our consideration of Mathis 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 the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mathis Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in cursive script that reads "Lovvorn & Kieschnick, LLP".

Lovvorn & Kieschnick, LLP

Corpus Christi, TX
December 6, 2018

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Management's Discussion and Analysis

**MATHIS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2018
UNAUDITED**

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

FINANCIAL HIGHLIGHTS

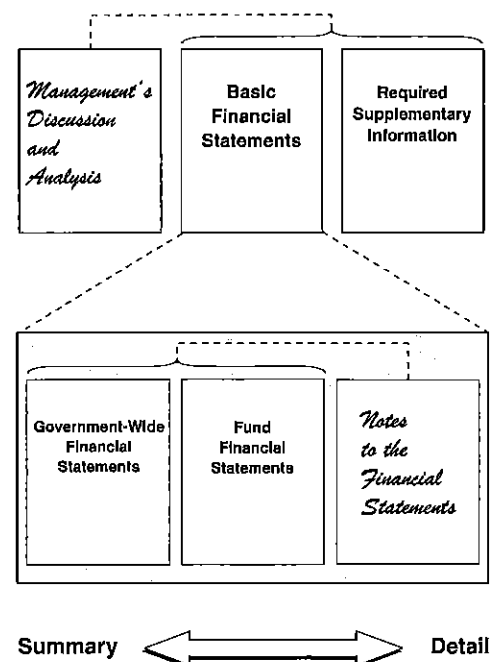
- The District's total combined net position was \$16,857,409 as of August 31, 2018.
- During the year, the District's expenses were \$2,897,331 less than the \$18,517,269 generated in taxes and other revenues for governmental activities.
- The general fund reported a fund balance this year of \$10,648,410.
- For the year ended August 31, 2018, the District adopted Governmental Accounting Standards Board ("GASB") Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*. The implementation of this standard resulted in a prior-period adjustment to net position of \$10,238,071 to recognize the net OPEB liability for the measurement period ending August 31, 2017.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the District:

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

Figure A-1, Required Components of the District's Annual Financial Report



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Government-wide Statements

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

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

- Over time, increases or decreases in the District's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District's tax base.

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

Fund Financial Statements

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

- Some funds are required by State law and by bond covenants.
- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has the following kinds of funds:

- *Governmental funds*—Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Fiduciary funds*—The District is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

Net position may serve time as a useful indicator of the District's financial position. The District's combined net position was \$16,857,409 as of August 31, 2018. (See Table A-1.)

Table A-1
Mathis Independent School District's Net Position

	Governmental Activities		Total Percentage Change 2018-2017
	2018	2017*	
Assets:			
Cash and Cash Equivalents	9,778,935	8,964,422	9.1%
Investments	1,126,645	1,110,382	1.5%
Property Taxes Receivable (Net)	1,514,379	1,387,376	9.2%
Due from Other Governments	2,314,027	1,961,645	18.0%
Other Receivables (Net)	9,800	9,800	0.0%
Other Assets	34,542	42,153	-18.1%
Capital Assets:			
Land	715,385	715,385	0.0%
Buildings, Furniture, and Equipment, (Net)	30,301,729	29,450,734	2.9%
Total Assets	45,795,442	43,641,897	4.9%
Deferred Outflows of Resources:			
Deferred Charge for Refunding	300,539	316,268	-5.0%
Deferred Outflow Related to Pensions	920,464	1,327,702	-30.7%
Deferred Outflow Related to OPEB	94,913	-	0.0%
Total Deferred Outflows of Resources	1,315,916	1,643,970	-20.0%
Liabilities:			
Accounts Payable	208,656	-	0.0%
Interest Payable	26,412	25,901	2.0%
Accrued Expenses	1,206,746	1,152,630	4.7%
Due to Other Governments	337,025	-	0.0%
Unearned Revenue	1,335	405	229.6%
Non-current Liabilities:			
Due Within One Year	1,289,902	1,149,678	12.2%
Due in More than One Year	15,309,974	14,749,876	3.8%
Net Pension Liability	3,052,861	3,671,616	-16.9%
Net OPEB Liability	5,828,098	-	0.0%
Total Liabilities	27,261,009	20,750,106	31.4%
Deferred Inflows of Resources:			
Deferred Inflow Related to Pensions	555,034	255,963	116.8%
Deferred Inflow Related to OPEB	2,437,905	-	0.0%
Total Deferred Inflows of Resources	2,992,939	255,963	1069.3%
Net Position:			
Net Investment in Capital Assets	14,740,133	14,582,832	1.1%
Restricted for:			
State & Federal Programs	1,039,014	651,106	59.6%
Debt Service	1,000,673	905,264	10.5%
Unrestricted	77,589	8,140,596	-99.0%
Total Net Position	16,857,409	24,279,798	-30.6%

*As permitted by GASB Statement No. 75, prior fiscal year was not restated.

The District continues to be fiscally conservative and has unrestricted net position of \$77,589. The unrestricted net position of the District has decreased by \$8,063,007 during the current fiscal year, primarily due to the implementation of GASB Statement No. 75.

Changes in Net Position

The District's total revenues were \$18,517,269. A portion, 27.8%, of the District's revenue comes from local taxes, approximately 41.5% comes from state aid, 28.4% from operating grants, 1.1% from charges for services, and 1.2% other.

The total cost of all programs and services was \$15,619,938.

Governmental Activities

Property tax rates were \$1.4347: M&O \$1.17 and I&S \$0.2647.

Table A-2
Changes in Mathis Independent School District's Net Position

	Governmental Activities		Total Percentage Change 2018-2017
	2018	2017*	
Program Revenues:			
Charges for Services	209,832	256,791	-18.3%
Operating Grants and Contributions	5,259,967	5,323,465	-1.2%
General Revenues:			
Property Taxes	5,154,796	5,046,728	2.1%
State Aid	7,682,386	11,064,959	-30.6%
Other Local Revenues	210,288	205,130	2.5%
Total Revenues	18,517,269	21,897,073	-15.4%
Expenses:			
Instruction	7,029,377	10,868,504	-35.3%
Instructional Resources and Media Services	255,458	304,715	-16.2%
Curriculum and Staff Development	89,753	241,992	-62.9%
Instructional Leadership	16,168	-	0.0%
School Leadership	864,721	1,144,059	-24.4%
Guidance, Counseling and Evaluation Services	260,893	395,888	-34.1%
Social Work Services	44,187	67,276	-34.3%
Health Services	141,790	204,083	-30.5%
Student Transportation	581,955	606,320	-4.0%
Food Services	1,430,859	1,618,885	-11.6%
Extracurricular Activities	691,521	772,969	-10.5%
General Administration	806,711	985,224	-18.1%
Plant Maintenance & Operations	2,375,065	2,715,409	-12.5%
Security & Monitoring Services	46,415	156,202	-70.3%
Data Processing Services	261,875	223,569	17.1%
Community Services	35,144	75,084	-53.2%
Interest on Long-term Debt	523,989	517,919	1.2%
Bond Issuance Costs and Fees	64,959	151,411	-57.1%
Capital Outlay	-	-	0.0%
Payments Related to SSA	-	-	0.0%
Other Intergovernmental Charges	99,098	84,730	17.0%
Total Expenses	15,619,938	21,134,239	-26.1%
Change in Net Position	2,897,331	762,834	279.8%

*As permitted by GASB Statement No. 75, prior fiscal year was not restated.

Table A-3 represents the cost of each of the District's largest functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what state revenues as well as local tax dollars funded.

- The cost of all governmental activities this year was \$15,619,938. (See Table A-2.)
- However, the amount that our taxpayers paid for these activities through property taxes was \$5,154,796.
- Grants and contributions \$5,259,967.

Table A-3
Net Cost of Selected Mathis Independent School District Functions

	Total Cost of Services			Net Cost of Services		
	2018	2017*	% Change	2018	2017*	% Change
Instruction	7,029,377	10,868,504	-35.3%	5,153,514	8,376,542	-38.5%
General Administration	806,711	985,224	-18.1%	767,984	913,688	-15.9%
Plant Maintenance & Operations	2,375,065	2,715,409	-12.5%	2,134,739	2,463,408	-13.3%
Food Services	1,430,859	1,618,885	-11.6%	(446,529)	224,565	-298.8%

*As permitted by GASB Statement No. 75, prior fiscal year was not restated. Fiscal year 2018 government-wide expenses were significantly reduced due to negative NECE expenses due to changes in benefits within the TRS-care plan. See Note A.3.j. on page 23.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$21,128,351.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget as necessary to cover unforeseen expenses. Staffing is budgeted for full employment throughout the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2018, the District had assets of \$52,175,509 in a broad range of capital assets, including land, construction in progress, equipment, buildings, and vehicles. (See Table A-4.)

Table A-4
Mathis Independent School District's Capital Assets
(in millions of dollars)

	Governmental Activities		Total Percentage Change 2018-2017
	2018	2017	
Land	0.72	0.72	0.0%
Buildings and Improvements	47.29	45.18	4.7%
Vehicles	2.45	2.45	0.0%
Equipment	1.72	1.63	5.5%
Total Assets at Historical Cost	52.18	49.98	4.4%
 Total Accumulated Depreciation	 (21.16)	 (19.81)	 6.8%
Net Capital Assets	31.02	30.17	2.8%

Long-Term Debt

During the year, the District issued \$1,900,000 Maintenance Tax Notes to construct, acquire and equip school buildings in the District. See Note F. to the Financial Statements for more detailed information. At year-end the District had \$25,480,835 in debt for bonds, capital leases outstanding and net pension and net OPEB liability as shown in Table A-5. More detailed information about the District's debt is presented in the notes to the financial statements.

As a result of the District adopting GASB 75 in fiscal year 2018, the District's proportionate share of the TRS-care OPEB liability is reflected as a long-term debt of the District at August 31, 2018.

The District had the following debt at August 31, 2018:

Bond Ratings

The District's unlimited-tax school building bonds presently carry "BBB+" from Standard and Poors underlying rating (SPUR) with outlook as Stable.

Table A-5
Mathis Independent School District's Long-Term Debt

	Governmental Activities		Total Percentage Change 2018-2017
	2018	2017	
Bonds and Notes Payable	16,412,937	15,619,138	5.1%
Capital Leases	186,939	280,416	-33.3%
Total Bonds and Capital Leases Debt	16,599,876	15,899,554	4.4%
Net Pension Liability	3,052,861	3,671,616	-16.9%
Net OPEB Liability	5,828,098	10,289,213	-43.4%
Total Long-Term Debt	25,480,835	29,860,383	-14.7%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The District's 2017-2018 total enrollment was 1,625, and the District's refined average daily attendance in 2017-2018 was 1,537. This is a .01% decrease in enrollment. However, the attendance rate has remained steady; therefore, the District will receive less state funding due to state funding cuts but not related to enrollment and attendance factors.
- The Appraisal values used for the 2018-2019 budget are expected to remain level with the 2017-2018 budget year. The District tax rate for M & O remained the same, \$1.17.
- Grant opportunities and the increase in property value will help the District close the financial gap in budgeting to allow for a balanced budget due to continual reductions in Federal Funding.
- The District is aggressively working on a 313 agreement with Pacific Wind Energy for construction of windmills.
- The District just passed a \$13.5 million bond to construct 25 new high school classrooms.
- Mathis ISD will conduct facility reviews to establish a working list of infrastructure repairs needed.
- Mathis ISD remains prudent in its spending while ensuring the students receive a quality education.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Business Office, Mathis ISD, 602 E. San Patricio, (PO Box 1179) Mathis, TX 78368.

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Basic Financial Statements

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

1

Data Control Codes		Governmental Activities
ASSETS:		
1110	Cash and Cash Equivalents	\$ 9,778,935
1120	Current Investments	1,128,645
1225	Property Taxes Receivable (Net)	1,514,379
1240	Due from Other Governments	2,314,027
1290	Other Receivables (Net)	9,800
Capital Assets:		
1510	Land	715,385
1520	Buildings and Improvements, Net	29,023,003
1530	Furniture and Equipment, Net	1,278,726
1990	Other Assets	34,542
1000	Total Assets	<u>45,795,442</u>
DEFERRED OUTFLOWS OF RESOURCES:		
1701	Deferred Charge for Refunding	300,539
1705	Deferred Outflow Related to Pensions	920,464
1706	Deferred Outflow Related to OPEB	94,913
1700	Total Deferred Outflows of Resources	<u>1,315,916</u>
LIABILITIES:		
2110	Accounts Payable	208,656
2140	Interest Payable	26,412
2165	Accrued Liabilities	1,206,746
2180	Due to Other Governments	337,025
2300	Unearned Revenue	1,335
Noncurrent Liabilities:		
2501	Due Within One Year	1,289,902
2502	Due in More Than One Year	15,309,974
2540	Net Pension Liability	3,052,861
2545	Net OPEB Liability	5,828,098
2000	Total Liabilities	<u>27,261,009</u>
DEFERRED INFLOWS OF RESOURCES:		
2605	Deferred Inflow Related to Pensions	555,034
2606	Deferred Inflow Related to OPEB	2,437,905
2600	Total Deferred Inflows of Resources	<u>2,992,939</u>
NET POSITION:		
3200	Net Investment in Capital Assets	14,740,133
Restricted For:		
3820	State and Federal Programs	1,039,014
3850	Debt Service	1,000,673
3900	Unrestricted	77,589
3000	Total Net Position	<u>\$ 16,857,409</u>

The accompanying notes are an integral part of this statement.

MATHIS INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	Functions/Programs	1	3	4	Net (Expense) Revenue and Changes in Net Position
		Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Governmental Activities
	Governmental Activities:				
11	Instruction	\$ 7,029,377	\$ 44,961	\$ 1,830,902	\$ (5,153,514)
12	Instructional Resources and Media Services	255,458	--	12,849	(242,609)
13	Curriculum and Staff Development	89,753	--	47,545	(42,208)
21	Instructional Leadership	16,168	--	595	(15,573)
23	School Leadership	864,721	--	66,152	(798,569)
31	Guidance, Counseling, & Evaluation Services	260,893	--	14,575	(246,318)
32	Social Work Services	44,187	--	2,439	(41,748)
33	Health Services	141,790	--	7,496	(134,294)
34	Student Transportation	581,955	--	22,189	(559,766)
35	Food Service	1,430,859	103,609	1,773,779	446,529
36	Cocurricular/Extracurricular Activities	691,521	61,262	5,175	(625,084)
41	General Administration	806,711	--	38,727	(767,984)
51	Facilities Maintenance and Operations	2,375,065	--	240,326	(2,134,739)
52	Security and Monitoring Services	46,415	--	1,963	(44,452)
53	Data Processing Services	261,875	--	11,719	(250,156)
61	Community Services	35,144	--	769,295	734,151
72	Interest on Long-term Debt	523,989	--	414,241	(109,748)
73	Bond Issuance Costs and Fees	64,959	--	--	(64,959)
99	Other Intergovernmental Charges	99,098	--	--	(99,098)
TG	Total Governmental Activities	<u>15,619,938</u>	<u>209,832</u>	<u>5,259,967</u>	<u>(10,150,139)</u>
TP	Total Primary Government	<u>\$ 15,619,938</u>	<u>\$ 209,832</u>	<u>\$ 5,259,967</u>	<u>(10,150,139)</u>
	General Revenues:				
MT	Property Taxes, Levied for General Purposes				4,210,087
DT	Property Taxes, Levied for Debt Service				944,709
IE	Investment Earnings				58,375
GC	Grants and Contributions Not Restricted to Specific Programs				7,682,386
MI	Miscellaneous				151,913
TR	Total General Revenues				<u>13,047,470</u>
CN	Change in Net Position				2,897,331
NB	Net Position - Beginning (restated)				13,960,078
NE	Net Position - Ending				<u>\$ 16,857,409</u>

The accompanying notes are an integral part of this statement.

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

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds
ASSETS:			
1110 <i>Cash and Cash Equivalents</i>	\$ 9,061,069	\$ 717,866	\$ 9,778,935
1120 <i>Current Investments</i>	1,036,799	89,846	1,126,645
1225 <i>Taxes Receivable, Net</i>	1,261,951	252,428	1,514,379
1240 <i>Due from Other Governments</i>	2,021,468	292,559	2,314,027
1290 <i>Other Receivables</i>	9,800	--	9,800
1000 Total Assets	<u>13,391,087</u>	<u>1,352,699</u>	<u>14,743,786</u>
LIABILITIES:			
Current Liabilities:			
2110 <i>Accounts Payable</i>	\$ 42,318	\$ 166,338	\$ 208,656
2150 <i>Payroll Deductions & Withholdings</i>	47,548	--	47,548
2160 <i>Accrued Wages Payable</i>	1,053,835	105,363	1,159,198
2180 <i>Due to Other Governments</i>	337,025	--	337,025
2300 <i>Unearned Revenue</i>	--	1,335	1,335
2000 Total Liabilities	<u>1,480,726</u>	<u>273,036</u>	<u>1,753,762</u>
DEFERRED INFLOWS OF RESOURCES:			
2601 <i>Unavailable Revenue - Property Taxes</i>	1,261,951	252,428	1,514,379
2600 Total Deferred Inflows of Resources	<u>1,261,951</u>	<u>252,428</u>	<u>1,514,379</u>
FUND BALANCES:			
Restricted Fund Balances:			
3450 <i>Federal/State Funds Grant Restrictions</i>	1,010,551	28,463	1,039,014
3470 <i>Capital Acquisitions & Contractual Obligations</i>	--	22,370	22,370
3480 <i>Retirement of Long-Term Debt</i>	--	774,657	774,657
Committed Fund Balances:			
3510 <i>Construction</i>	550,000	--	550,000
3545 <i>Other Committed Fund Balance</i>	650,000	1,745	651,745
3600 <i>Unassigned</i>	8,437,859	--	8,437,859
3000 Total Fund Balances	<u>10,648,410</u>	<u>827,235</u>	<u>11,475,645</u>
Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 13,391,087</u>	<u>\$ 1,352,699</u>	<u>\$ 14,743,786</u>

The accompanying notes are an integral part of this statement.

MATHIS INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AUGUST 31, 2018

Total fund balances - governmental funds balance sheet	\$ 11,475,645
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	31,017,114
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	1,514,378
Payables for bond principal which are not due in the current period are not reported in the funds.	(11,730,000)
Payables for capital leases which are not due in the current period are not reported in the funds.	(186,939)
Payables for bond interest which are not due in the current period are not reported in the funds.	(26,412)
Payables for notes which are not due in the current period are not reported in the funds.	(3,552,764)
Premiums on issuance of bonds to be amortized over life of debt.	(1,130,173)
Long-term note receivables unavailable to pay for current period expenditures are deferred in the funds.	34,542
Deferred charge for refunding is expended in the funds, but is amortized in the statement of net position.	300,539
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(3,052,861)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(555,034)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	920,464
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.	(5,828,098)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.	(2,437,905)
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.	94,913
Net position of governmental activities - Statement of Net Position	\$ <u>16,857,409</u>

The accompanying notes are an integral part of this statement.

MATHIS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	10	Other	98
	General Fund	Governmental Funds	Total Governmental Funds
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 4,474,670	\$ 980,855	\$ 5,455,525
5800 <i>State Program Revenues</i>	11,174,810	460,659	11,635,469
5900 <i>Federal Program Revenues</i>	2,487,826	1,549,531	4,037,357
5020 <i>Total Revenues</i>	<u>18,137,306</u>	<u>2,991,045</u>	<u>21,128,351</u>
EXPENDITURES:			
Current:			
0011 <i>Instruction</i>	8,027,586	1,500,883	9,528,469
0012 <i>Instructional Resources and Media Services</i>	319,799	--	319,799
0013 <i>Curriculum and Staff Development</i>	54,386	45,343	99,729
0021 <i>Instructional Leadership</i>	14,847	--	14,847
0023 <i>School Leadership</i>	1,159,439	19,284	1,178,723
0031 <i>Guidance, Counseling, & Evaluation Services</i>	360,964	--	360,964
0032 <i>Social Work Services</i>	60,343	--	60,343
0033 <i>Health Services</i>	184,753	--	184,753
0034 <i>Student Transportation</i>	549,836	--	549,836
0035 <i>Food Service</i>	1,501,323	19,395	1,520,718
0036 <i>Cocurricular/Extracurricular Activities</i>	736,676	39,397	776,073
0041 <i>General Administration</i>	958,320	--	958,320
0051 <i>Facilities Maintenance and Operations</i>	2,744,953	--	2,744,953
0052 <i>Security and Monitoring Services</i>	48,576	--	48,576
0053 <i>Data Processing Services</i>	290,469	--	290,469
0061 <i>Community Services</i>	23,343	13,544	36,887
0071 <i>Principal on Long-term Debt</i>	342,770	795,000	1,137,770
0072 <i>Interest on Long-term Debt</i>	101,247	468,407	569,654
0073 <i>Bond Issuance Costs and Fees</i>	806	64,153	64,959
0081 <i>Capital Outlay</i>	--	1,819,327	1,819,327
0099 <i>Other Intergovernmental Charges</i>	99,098	--	99,098
6030 <i>Total Expenditures</i>	<u>17,579,534</u>	<u>4,784,733</u>	<u>22,364,267</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>			
1100 <i>Expenditures</i>	<u>557,772</u>	<u>(1,793,688)</u>	<u>(1,235,916)</u>
Other Financing Sources and (Uses):			
7914 <i>Issuance of Non-Current Debt</i>	--	1,900,000	1,900,000
7080 <i>Total Other Financing Sources and (Uses)</i>	--	1,900,000	1,900,000
1200 <i>Net Change in Fund Balances</i>	<u>557,772</u>	<u>106,312</u>	<u>664,084</u>
0100 <i>Fund Balances - Beginning (restated)</i>	10,090,638	720,923	10,811,561
3000 <i>Fund Balances - Ending</i>	<u>\$ 10,648,410</u>	<u>\$ 827,235</u>	<u>\$ 11,475,645</u>

The accompanying notes are an integral part of this statement.

MATHIS INDEPENDENT SCHOOL DISTRICT

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

Net change in fund balances - total governmental funds	\$ 664,084
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	2,195,020
The depreciation of capital assets used in governmental activities is not reported in the funds.	(1,344,027)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	127,002
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	795,000
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	93,477
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	249,293
(Increase) decrease in accrued interest from beginning of period to end of period.	(511)
Collection of long-term note receivables do not provide revenue in the SOA, but are reported as current resources.	(7,611)
Amortization of bond premium and deferred amount is an expense in the SOA but not in the funds.	46,176
Proceeds of notes do not provide revenue in the SOA, but are reported as current resources in the funds.	(1,900,000)
The District's share of the unrecognized deferred inflows and outflows for the pension plan was amortized.	(69,751)
The District's share of the unrecognized deferred inflows and outflows for the OPEB plan was amortized.	2,049,179
Change in net position of governmental activities - Statement of Activities	\$ <u>2,897,331</u>

The accompanying notes are an integral part of this statement.

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

Data Control Codes		Private-purpose Trust Fund	Agency Fund
		Private-Purpose Trust Fund	Student Activity
	ASSETS:		
1110	<i>Cash and Cash Equivalents</i>	\$ --	\$ 96,910
1800	<i>Restricted Assets</i>	17,074	--
1000	Total Assets	<u>17,074</u>	<u>96,910</u>
	LIABILITIES:		
	Current Liabilities:		
2190	<i>Due to Student Groups</i>	\$ --	\$ 96,910
2000	Total Liabilities	<u>--</u>	<u>96,910</u>
	NET POSITION:		
3800	<i>Held in Trust</i>	17,074	--
3000	Total Net Position	<u>\$ 17,074</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

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

	Private- Purpose Trusts
Additions:	
Investment Income	\$ 29
Contributions	--
Total Additions	<u>29</u>
Deductions:	
Scholarship Awards	--
Total Deductions	<u>--</u>
Change in Net Position	29
Net Position-Beginning of the Year	17,045
Net Position-End of the Year	<u><u>\$ 17,074</u></u>

The accompanying notes are an integral part of this statement.

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

A. Summary of Significant Accounting Policies

The basic financial statements of Mathis Independent School District (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") applicable to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide ("Resource Guide"). The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

The Board of School Trustees ("Board"), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental reporting entity and there are no component units included within the District's reporting entity.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Financial Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

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

In addition, the District reports the following fund types:

Private-Purpose Trust Funds: These funds are used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments not reported in other fiduciary fund types.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

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

b. Measurement Focus, Basis of Accounting

Government-wide and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

3. Financial Statement Amounts

a. Property Taxes

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

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

b. Inventories and Prepaid Items

Inventories of supplies on the balance sheet are stated at weighted average cost, while inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Inventory items are recorded as expenditures when they are consumed. Supplies are used for almost all functions of activity, while food commodities are used only in the food service program. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded as inventory and deferred revenue when received. When requisitioned, inventory and deferred revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount. Inventories also include plant maintenance and operation supplies as well as instructional supplies.

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50
Vehicles	5-10
Equipment	5-20
Computer Equipment	3-15

d. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide Statement of Net Position and governmental funds balance sheet) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

e. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

Except for delinquent taxes, there are no significant receivables which are not scheduled for collection within one year of year end.

f. Interfund Activity

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

g. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

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

h. Data Control Codes

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

i. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's Board of Trustees. Committed amounts cannot be used for any other purpose unless the Board of Trustees removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Board of Trustees. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board of Trustees or by an official or body to which the Board of Trustees delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

j. Negative Operating Grants and Contributions - Statement of Activities

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

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

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

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

	Operating Grants and Contributions As Reported	Negative On-Behalf Accruals	Operating Grants and Contributions (Excluding On- Behalf Accruals)
11 - Instruction	\$ 1,830,902	\$ (1,426,534)	\$ 3,257,436
12 - Instructional Resources and Media Services	12,849	(53,880)	66,729
13 - Curriculum and Instructional Staff Development	47,545	--	47,545
21 - Instructional Leadership	595	--	595
23 - School Leadership	66,152	(241,649)	307,801
31 - Guidance, Counseling and Evaluation Services	14,575	(66,966)	81,541
32 - Social Work Services	2,439	(12,670)	15,109
33 - Health Services	7,496	(31,969)	39,465
34 - Student (Pupil) Transportation	22,189	(67,355)	89,544
35 - Food Services	1,773,779	(85,392)	1,859,171
36 - Extracurricular Activities	5,175	(68,551)	73,726
41 - General Administration	38,727	(137,351)	176,078
51 - Facilities Maintenance and Operations	240,326	(191,217)	431,543
52 - Security and Monitoring Services	1,963	(3,816)	5,779
53 - Data Processing Services	11,719	(32,046)	43,765
61 - Community Services	769,295	(2,879)	772,174
62 - School District Administrative Support Services	--	--	--
	<u>\$ 4,845,726</u>	<u>\$ (2,422,275)</u>	<u>\$ 7,268,001</u>

4. Pensions

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

At August 31, 2018 the District reported the following:

Net Pension Asset	\$	--
Net Pension Liability	\$	3,052,861

5. New Accounting Standards Adopted

In fiscal year 2018, the District adopted a new statement of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

Statement No. 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about support for OPEB that is provided by other entities.

This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB.

MATHIS INDEPENDENT SCHOOL DISTRICT
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The financial statements and note disclosures have been updated for the affects of the adoption of GASB Statement No. 75.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

C. Deposits and Investments

The Public Funds Investment Act (Texas Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The district is in substantial compliance with the requirements of the Act and with local policies.

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

1. Cash Deposits:

At August 31, 2018, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was 9,726,692 and the bank balance was 10,389,093. The District's cash deposits at August 31, 2018 and during the year ended August 31, 2018, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

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2. Investments:

As of August 31, 2018 the District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (In Years)		
		Less than 1	1 to 2	2 to 3
Investment Pools:				
Investment in TexPool	\$ 1,126,645	\$ 1,126,645	\$ --	\$ --
Total Fair Value	\$ 1,126,645	\$ 1,126,645	\$ --	\$ --

Interest Rate Risk - In accordance with state law and District policy, the District does not purchase any investments with maturities greater than 10 years.

Credit Risk - In accordance with state law and the District's investment policy investments in mutual funds, and investment pools must be rated at least AAA, commercial paper must be rated at least A-1 or P-1, and investments in obligations from other states, municipalities, counties, etc. must be rated at least A. The District's investments in investment pools were rated AAA.

Concentration of Credit Risk - The District does not place a limit on the amount the District may invest in any one issuer. The District does not have a concentration of credit risk.

Custodial Credit Risk - For an investment, custodial credit risk 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 does not have a custodial credit risk.

The local government investment pool such as TexPool is not evidenced by securities in physical form. They are managed conservatively to provide safe, efficient and liquid investments to Texas governmental entities. The pool seeks to maintain a \$1 value per share as required by the Texas Public Investment Act.

Federated Investors manages the assets, provides participant services, and arranges for all custody and other functions in support of TexPool operations under a contract with the State Comptroller of Public Accounts. The state comptroller maintains oversight responsibility for TexPool, including the ability to influence operations, designation of management and accountability for fiscal matters. Although TexPool is not registered with the SEC as an investment company, it operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. GASB 31 allows 2a7-like pools to use amortized cost (which excludes unrealized gains and losses) rather than market value to report net assets to compute share price. The fair value of the District's position in TexPool is the same as the value of TexPool shares.

Limitations exist for withdrawals in this way: ACH (Automated Clearing House) withdrawals from TexPool are restricted to the account designated by the direct deposit form currently on record. The current authorized direct deposit form designates only the District Depository Bank as the entity to use for deposits or withdrawals by ACH. The Superintendent must authorize any new or replacement direct deposit form that would alter or replace the depository bank.

Limitations exist for wire transfers in this way: A Wire Transfer to or from TexPool requires two signatures from authorized representatives in order to be processed.

MATHIS INDEPENDENT SCHOOL DISTRICT
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FOR THE YEAR ENDED AUGUST 31, 2018

D. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
<i>Governmental activities:</i>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 715,385	\$ --	\$ --	\$ 715,385
Construction in progress	--	--	--	--
Total capital assets not being depreciated	<u>715,385</u>	<u>--</u>	<u>--</u>	<u>715,385</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	45,180,021	2,107,135	--	47,287,156
Equipment	1,635,830	87,885	--	1,723,715
Vehicles	2,449,253	--	--	2,449,253
Total capital assets being depreciated	<u>49,265,104</u>	<u>2,195,020</u>	<u>--</u>	<u>51,460,124</u>
Less accumulated depreciation for:				
Buildings and improvements	(17,149,230)	(1,114,926)	--	(18,264,156)
Equipment	(1,102,293)	(88,348)	--	(1,190,655)
Vehicles	(1,562,848)	(140,753)	--	(1,703,598)
Total accumulated depreciation	<u>(19,814,371)</u>	<u>(1,344,027)</u>	<u>--</u>	<u>(21,158,409)</u>
Total capital assets being depreciated, net	<u>29,450,733</u>	<u>850,993</u>	<u>--</u>	<u>30,301,715</u>
Governmental activities capital assets, net	<u>\$ 30,166,118</u>	<u>\$ 850,993</u>	<u>\$ --</u>	<u>\$ 31,017,100</u>

Depreciation was charged to functions as follows:

Instruction	\$ 574,391
Instructional Resources and Media Services	20,977
Curriculum and Staff Development	7,334
Instructional Leadership	1,321
School Leadership	70,659
Guidance, Counseling, & Evaluation Services	21,318
Social Work Services	3,611
Health Services	11,586
Student Transportation	140,753
Food Services	123,326
Extracurricular Activities	57,281
General Administration	65,919
Plant Maintenance and Operations	217,488
Security and Monitoring Services	3,793
Data Processing Services	21,399
Community Services	2,871
	<u>\$ 1,344,027</u>

E. Interfund Balances and Activities

1. Due To and From Other Funds

There were no balances due to and due from other funds at August 31, 2018.

2. Transfers To and From Other Funds

There were no transfers to and from other funds at August 31, 2018.

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F. Long-Term Obligations

1. Long-Term Obligation Activity

On December 14, 2017, the District issued \$1,900,000 Maintenance Tax Notes, Series 2017 with an interest rate of 2.57%. The District issued the Notes to design, acquire, improve, construct and equip school buildings and to pay costs of issuance of the notes. The Notes are secured by ad valorem taxes levied on all taxable property located within the District.

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2018, are as follows:

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding 9/1/17	Issued	Retired	Amounts Outstanding 8/31/18	Amounts Due Within One Year
Unlimited Tax School Building and Refunding Bonds, Series 2010	2.00% to 4.50%	8,145,000	3,310,000	--	150,000	3,160,000	155,000
Unlimited Tax Refunding Bonds Series 2016	2.00% to 4.00%	5,185,000	5,090,000	--	465,000	4,625,000	480,000
Unlimited Tax Refunding Bonds Series 2017	2.00% to 4.00%	4,180,000	4,125,000	--	180,000	3,945,000	185,000
Sub-Total - Bonds			12,525,000	--	795,000	11,730,000	820,000
Maintenance Tax Notes Series 2008	4.95%	1,465,000	710,000	--	105,000	605,000	110,000
Maintenance Tax Notes Series 2012	3.50%	1,030,000	833,826	--	43,213	790,613	44,726
Loan STAR Revolving Loan Series 2016	0.25%	405,592	358,231	--	51,080	307,151	51,112
Maintenance Tax Notes Series 2017	2.57%	1,900,000	--	1,900,000	50,000	1,850,000	110,000
Sub-Total - Bonds & Notes			14,427,057	1,900,000	1,044,293	15,282,764	1,135,838
Bond Premiums on Refunding			1,192,081	--	61,908	1,130,173	61,908
Total Bonds & Notes			15,619,138	1,900,000	1,106,201	16,412,937	1,197,746

MATHIS INDEPENDENT SCHOOL DISTRICT
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Other Liabilities:

Capital Leases	280,416	--	93,477	186,939	92,156
Net Pension Liability	3,671,616	(305,835)	312,920	3,052,861	--
Net OPEB Liability	10,289,213	(4,391,437)	69,678	5,828,098	--
Total Governmental Activities	<u>\$ 29,860,383</u>	<u>\$ (2,797,272)</u>	<u>\$ 1,582,276</u>	<u>\$ 25,480,835</u>	<u>\$ 1,289,902</u>

2. Debt Service Requirements

Governmental Activity Debt service requirements on long-term debt at August 31, 2018, are as follows:

Year Ending August 31,	General Obligation Bonds			Maintenance Tax Notes and Revolving Loan		
	Principal	Interest	Total	Principal	Interest	Total
2019	820,000	444,556	1,264,556	315,838	105,354	421,192
2020	845,000	418,106	1,263,106	327,435	95,485	422,920
2021	865,000	388,406	1,253,406	334,086	85,184	419,270
2022	380,000	357,982	737,982	345,796	74,580	420,376
2023	395,000	343,956	738,956	362,564	63,541	426,105
2024-2028	2,215,000	1,487,430	3,702,430	1,001,125	206,432	1,207,557
2029-2033	2,660,000	1,032,962	3,692,962	865,920	62,604	928,524
2034-2038	2,860,000	461,000	3,321,000	--	--	--
2039-2040	690,000	41,600	731,600	--	--	--
Totals	<u>\$ 11,730,000</u>	<u>\$ 4,975,998</u>	<u>\$ 16,705,998</u>	<u>\$ 3,552,764</u>	<u>\$ 693,180</u>	<u>\$ 4,245,944</u>

General Obligation Bonds are paid by the Debt Service Fund. Maintenance Tax Notes and Capital Leases are paid by the General Fund.

Defeased Bonds Outstanding -

The District had \$2,150,000 defeased bonds outstanding as of August 31, 2018.

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions

Mathis Independent School District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Events Notices to the State Information Depository of Texas (SID), which is the Municipal Advisory Council. This information is required under SEC rule 15c2-12 to enable investors to analyze the financial condition and operations of Mathis Independent School District.

3. Capital Leases

During 2017, the District entered into a lease purchase agreement for the acquisition of three school buses at a cost of \$280,416. Beginning in 2018, the annual lease payment is \$97,484, payable in three equal annual installments at 2.850%.

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Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments from the General Fund as of August 31, 2018 as follows:

Year Ending August 31:	
2019	97,484
2020	97,484
Total Minimum Rentals	194,968
Less amount representing interest	(8,029)
Present value of future minimum lease payments	\$ 186,939

The effective interest rate on the capital lease is 2.850%

G. Risk Management

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

H. Pension Plan

1. 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.

2. Pension Plan Fiduciary Net Position

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

3. 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

MATHIS INDEPENDENT SCHOOL DISTRICT
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in the Plan description in (1.) above.

4. Contributions

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

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

<u>Contribution Rates</u>		
	2017	2018
Member	7.7%	7.7%
Non-Employer Contributing Entity (NECE - State)	6.8%	6.8%
Employers	6.8%	6.8%
District's 2018 Employer Contributions	\$ 303,312	
District's 2018 Member Contributions	\$ 820,575	
NECE 2017 On-Behalf Contributions to District	\$ 520,534	

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.

MATHIS INDEPENDENT SCHOOL DISTRICT
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- 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.

5. Actuarial Assumptions

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

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8%
Long-term expected Investment Rate of Return	8%
Inflation	2.5%
Salary Increases including inflation	3.5% to 9.5%
Payroll Growth Rate	2.5%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

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

6. Discount Rate

The discount rate used to measure the total pension liability was 8%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2017 are summarized below:

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Teacher Retirement System of Texas Asset Allocation and Long-Term Expected Real Rate of Return As of August 31, 2017			
Asset Class	Target Allocation*	Long-term Expected Geometric Real Rate of Return	Expected Contribution to Long-term Portfolio Returns **
Global Equity			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy & Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk Parity			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
Total	100%		8.7%

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

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

7. Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate 7%	Discount Rate 8%	1% Increase in Discount Rate 9%
District's proportionate share of the net pension liability	\$ 5,146,520	\$ 3,052,861	\$ 1,309,550

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

At August 31, 2018, the District reported a liability of \$3,052,861 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

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District's proportionate share of the collective net pension liability	\$ 3,052,861
State's proportionate share that is associated with District	<u>5,089,027</u>
Total	<u>\$ 8,141,888</u>

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

At August 31, 2017 the employer's proportion of the collective net pension liability was 0.0095478%, which was an increase (decrease) of -0.0001685% from its proportion measured as of August 31, 2016.

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

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

For the year ended August 31, 2018, the District recognized pension expense of \$779,037 and revenue of \$388,171 for support provided by the State.

At August 31, 2018, the District reported its proportionate share of the TRS' deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:
(The amounts below will be the cumulative layers from the current and prior years combined)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 44,665	\$ 164,637
Changes in actuarial assumptions	139,063	79,610
Difference between projected and actual investment earnings	--	222,485
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	433,424	88,302
Contributions paid to TRS subsequent to the measurement date [to be calculated by employer]	<u>303,312</u>	<u>--</u>
Total	<u>\$ 920,464</u>	<u>\$ 555,034</u>

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

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Year Ended August 31	Pension Expense Amount
2019	\$ (5,399)
2020	\$ 189,473
2021	\$ (20,371)
2022	\$ (77,418)
2023	\$ (14,607)
Thereafter	\$ (9,560)

I. Defined Other Post-Employment Benefit Plans

1. Plan Description

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

2. OPEB Plan Fiduciary Net Position

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

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

<u>Net OPEB Liability:</u>	<u>Total</u>
Total OPEB liability	\$ 43,885,784,621
Less: plan fiduciary net position	<u>399,535,986</u>
Net OPEB liability	<u>\$ 43,486,248,635</u>
Net position as a percentage of total OPEB liability	0.91%

3. Benefits Provided

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

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

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

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

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

* or surviving spouse

4. Contributions

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

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

Contribution Rates		
	2017	2018
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (NECE) - State	1.00%	1.25%
Employers	0.55%	0.75%
Federal/Private Funding Remitted by Employers	1.00%	1.25%
Current fiscal year District contributions		\$ 94,001
Current fiscal year Member contributions		\$ 69,270
2017 measurement year NECE contributions	\$ 86,543	

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to, regardless of whether they participate in the TRS-Care OPEB program. When employers hire a TRS retiree, they are required to pay to TRS-Care a monthly surcharge of \$535 per retiree.

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

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

5. Actuarial Assumptions

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

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

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

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

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

Additional Actuarial Methods and Assumptions:

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

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

**Includes inflation at 2.50%

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

6. Discount Rate

A single discount rate of 3.42% was used to measure the total OPEB liability. There was a change of 0.44% in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, there are no investments and the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those

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

assumptions, the OPEB plan's fiduciary net position was projected not to be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. The source of the municipal bond rate was fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of August 31, 2017.

7. Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate (2.42%)	Current Single Discount Rate (3.42%)	1% Increase in Discount Rate (4.42%)
District's proportionate share of net OPEB liability	\$ 6,878,603	\$ 5,828,098	\$ 4,983,730

8. Healthcare Cost Trend Rates Sensitivity Analysis

The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1% less than and 1% greater than the assumed healthcare cost trend rate:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of net OPEB liability	\$ 4,852,474	\$ 5,828,098	\$ 7,108,240

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

At August 31, 2018, the District reported a liability of \$5,828,098 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	\$ 5,828,098
State's proportionate share that is associated with the District	\$ 7,238,740
Total	\$ 13,066,838

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

At August 31, 2017 the District's proportion of the collective net OPEB liability was 0.0134022.

Since this is the first year of implementation, the District does not have the proportion measured as of August 31, 2016. The Notes to the Financial Statements for August 31, 2016 for TRS stated that the change in proportion was immaterial and therefore, disregarded this year.

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

10. Changes Since the Prior Actuarial Valuation.

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

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

The Affordable Care Act includes a 40% excise tax on high-cost health plans known as the "Cadillac tax." In this valuation the impact of this tax has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

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

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

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

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

For the year ended August 31, 2018, the District recognized OPEB expense of \$(4,377,453) and revenue of \$(2,422,275) for support provided by the State.

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

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

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual economic experience	\$ --	\$ 121,666
Changes in actuarial assumptions	--	2,316,239
Differences between projected and actual investment earnings	885	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	27	--
Contributions paid to TRS subsequent to the measurement date	94,001	
	<u>\$ 94,913</u>	<u>2,437,905</u>

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

Year ended August 31,	Amount
2019	\$ (321,564)
2020	\$ (321,564)
2021	\$ (321,564)
2022	\$ (321,564)
2023	\$ (321,785)
Thereafter	\$ (828,952)

J. Employee Health Care Coverage

During the year ended August 31, 2018, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$351 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

The contract between the District and the third party administrator is renewable September 1, 2018, and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for the Aetna are available for the year ended and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

K. Commitments and Contingencies

1. Contingencies

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

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

2. Litigation

No reportable litigation was pending against the District at August 31, 2018.

L. Due From Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2018, are reported on the combined financial statements as Due from Other Governments and are summarized below:

<u>Fund</u>	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>Other</u>	<u>Total</u>
General	\$ 1,789,989	\$ 231,479	\$ --	\$ 2,021,468
Special Revenue	12,092	217,699	--	229,791
Debt Service	--	--	62,768	62,768
Total	<u>\$ 1,802,081</u>	<u>\$ 449,178</u>	<u>\$ 62,768</u>	<u>\$ 2,314,027</u>

M. Unearned Revenue

Unearned revenue at year end consisted of the following:

<u>Revenue Description</u>	<u>Special Revenue</u>	<u>Total</u>
Grant Programs	\$ 1,335	\$ 1,335
Total Unearned Revenue	<u>\$ 1,335</u>	<u>\$ 1,335</u>

N. Fund Balances

The following is a summary of Governmental Fund fund balances of the District at the year ended August 31, 2018:

General Fund

Restricted:	
Child Nutrition Program	\$ 1,010,551

Committed:	
Construction and renovation	550,000
Capital expenditures for equipment	150,000
Technology	250,000
Storm replacement	250,000
	<u>1,200,000</u>

Unassigned:	<u>8,437,859</u>
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Total General Fund fund balance	<u>10,648,410</u>
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Other Governmental Funds

Restricted:	
State Textbook	28,463
Construction of facilities	22,370
Retirement of long-term debt	774,657
	<u>825,490</u>

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

Committed:	
Campus Activity Funds	<u>1,745</u>
Total Other Governmental Fund fund balance	<u>827,235</u>
Total Governmental fund balance	<u>\$ 11,475,645</u>

O. Food Service Operations Reported in General Fund

Beginning in 2011 fiscal year end, the District entered into a Provision #2 program with Child Nutrition, and such Districts do not charge students for meals. As required by the Financial Accountability System Resource Guide, revenues and expenditures for the Provision #2 Child Nutrition Program have been reported in the General Fund for 2017-2018. The following is a summary of the Food Service Operations included in the General Fund.

Data Control Codes		Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
		Original	Final		
	Revenue:				
5700	Local	\$ 82,764	\$ 82,764	\$ 107,240	\$ 24,476
5800	State Program	32,370	32,370	7,181	(25,189)
5900	Federal Program	1,765,661	1,792,248	1,892,943	100,695
5020	Total Revenue	<u>1,880,795</u>	<u>1,907,382</u>	<u>2,007,364</u>	<u>99,982</u>
	Expenditures:				
0035	Food Services	1,765,795	1,883,727	1,501,323	382,404
0051	Plant Maintenance and Operations	115,000	123,655	118,132	5,523
6030	Total Expenditures	<u>1,880,795</u>	<u>2,007,382</u>	<u>1,619,455</u>	<u>387,927</u>
7915	Operating Transfer In	--	--	--	--
1200	Net Change in Fund Balance	--	(100,000)	387,909	487,909
0100	Fund Balance - Beginning	622,643	622,643	622,643	--
3000	Fund Balance - Ending	<u>\$ 622,643</u>	<u>\$ 522,643</u>	<u>\$ 1,010,552</u>	<u>\$ 487,909</u>

P. Restatement of Net Position and Fund Balance

During fiscal year 2018, the District adopted GASB Statement No. 75 for Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. With GASB 75, the District must assume their proportionate share of the Net OPEB liability of the Teacher Retirement System of Texas. Adoption of GASB 75 required a prior period adjustment to report the effect of GASB 75 retroactively.

Also, during fiscal year 2018, the District issued a tax refund back to its largest taxpayer who reached a settlement with San Patricio County Appraisal District. The settlement was a result of a lawsuit protesting 2016 property taxes. Management also determined that payroll liabilities were overstated when TRS implemented a new software program.

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

	General Fund Fund Balance	Debt Service Fund Balance	Government - wide Net Position
Beginning equity, as originally stated	\$ 10,155,108	\$ 707,158	\$ 24,279,798
Restatement for refund of property taxes due to lawsuit settlement	(75,952)	(17,181)	(93,133)
Restatement for overstated payroll liability account	11,484	--	11,484
Restatement for implementation of GASB 75 related to OPEB	--	--	(10,238,071)
Beginning equity, restated	<u>\$ 10,090,640</u>	<u>\$ 689,977</u>	<u>\$ 13,960,078</u>

Q. Subsequent Events

On November 6, 2018, voters of the District approved a \$13,500,000 bond proposition to construct 25 new high school classrooms for the District. As of December 6, 2018, no bonds have been issued by the District.

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

MATHIS INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2018

EXHIBIT G-1

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Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
REVENUES:					
5700	Local and Intermediate Sources	\$ 4,254,261	\$ 4,254,261	\$ 4,474,670	\$ 220,409
5800	State Program Revenues	11,788,777	11,788,777	11,174,810	(613,967)
5900	Federal Program Revenues	2,111,161	2,487,977	2,487,826	(151)
5020	Total Revenues	18,154,199	18,531,015	18,137,306	(393,709)
EXPENDITURES:					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	8,577,074	8,535,154	8,027,586	507,568
0012	Instructional Resources and Media Services	379,420	379,420	319,799	59,621
0013	Curriculum and Staff Development	91,450	91,450	54,386	37,064
	Total Instruction & Instr. Related Services	9,047,944	9,006,024	8,401,771	604,253
Instructional and School Leadership:					
0021	Instructional Leadership	20,000	20,000	14,847	5,153
0023	School Leadership	1,199,753	1,199,753	1,159,439	40,314
	Total Instructional & School Leadership	1,219,753	1,219,753	1,174,286	45,467
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	370,802	375,802	360,964	14,838
0032	Social Work Services	68,229	68,229	60,343	7,886
0033	Health Services	190,245	195,245	184,753	10,492
0034	Student (Pupil) Transportation	563,167	563,167	549,836	13,331
0035	Food Services	1,765,795	1,883,727	1,501,323	382,404
0036	Cocurricular/Extracurricular Activities	795,464	839,964	736,676	103,288
	Total Support Services - Student (Pupil)	3,753,702	3,926,134	3,393,895	532,239
Administrative Support Services:					
0041	General Administration	946,961	984,461	958,320	26,141
	Total Administrative Support Services	946,961	984,461	958,320	26,141
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	2,221,586	2,774,595	2,744,953	29,642
0052	Security and Monitoring Services	133,108	133,108	48,576	84,532
0053	Data Processing Services	314,805	314,805	290,469	24,336
	Total Support Services - Nonstudent Based	2,669,499	3,222,508	3,083,998	138,510
Ancillary Services:					
0061	Community Services	62,490	62,490	23,343	39,147
	Total Ancillary Services	62,490	62,490	23,343	39,147
Debt Service:					
0071	Principal on Long-Term Debt	295,500	345,500	342,770	2,730
0072	Interest on Long-Term Debt	52,100	102,020	101,247	773
0073	Bond Issuance Costs and Fees	2,500	2,500	806	1,694
	Total Debt Service	350,100	450,020	444,823	5,197
0099	Other Intergovernmental Charges	103,750	103,750	99,098	4,652
	Total Intergovernmental Charges	103,750	103,750	99,098	4,652
6030	Total Expenditures	18,154,199	18,975,140	17,579,534	1,395,606

MATHIS INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2018

EXHIBIT G-1

Page 2 of 2

		1	2	3	Variance with Final Budget
Data Control Codes		Budgeted Amounts		Actual	Positive (Negative)
		Original	Final		
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	--	(444,125)	557,772	1,001,897
1200	Net Change in Fund Balance	--	(444,125)	557,772	1,001,897
0100	Fund Balance - Beginning (restated)	10,155,108	10,155,108	10,090,638	(64,470)
3000	Fund Balance - Ending	\$ 10,155,108	\$ 9,710,983	\$ 10,648,410	\$ 937,427

MATHIS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2018

	Measurement Year Ended August 31,			
	2017	2016	2015	2014
District's Proportion of the Net Pension Liability (Asset)	0.0095477644%	0.0097162229%	0.0102482000%	0.0073772000%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 3,052,861	\$ 3,671,616	\$ 3,622,602	\$ 1,970,552
States Proportionate Share of the Net Pension Liability (Asset) associated with the District	5,089,027	6,466,382	6,145,538	5,407,526
Total	<u>\$ 8,141,888</u>	<u>\$ 10,137,998</u>	<u>\$ 9,768,140</u>	<u>\$ 7,378,078</u>
District's Covered Payroll	\$ 10,109,296	\$ 10,350,557	\$ 22,327,598	\$ 21,554,555
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Payroll	30.20%	35.47%	16.22%	9.14%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	82.17%	78.00%	78.43%	83.25%

Note: Only four years of data is presented in accordance with GASB #68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

MATHIS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2018

	Fiscal Year Ended August 31,			
	2018	2017	2016	2015
Contractually Required Contribution	\$ 303,312	\$ 302,848	\$ 653,258	\$ 646,499
Contribution in Relation to the Contractually Required Contribution	(303,312)	(302,848)	(653,258)	(646,499)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 10,656,824	\$ 10,109,296	\$ 23,453,444	\$ 22,327,598
Contributions as a percentage of Covered Payroll	2.85%	3.00%	2.79%	2.90%

Note: Only four years of data is presented in accordance with GASB #68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

MATHIS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2018

	Measurement Year Ended August 31, 2017
District's Proportion of the Net OPEB Liability (Asset)	0.0134021639%
District's Proportionate Share of the Net OPEB Liability (Asset)	\$ 5,828,098
State's Proportionate Share of the Net OPEB Liability (Asset) associated with the District	7,238,740
Total	<u>\$ 13,066,838</u>
District's Covered Payroll	\$ 10,109,296
District's Proportionate Share of the Net OPEB Liability (Asset) as a percentage of its Covered Payroll	57.65%
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	0.91%

Note: Only one year of data is presented in accordance with GASB #75, paragraph 245. "The information for all fiscal years for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

MATHIS INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR THE YEAR ENDED AUGUST 31, 2018

	Fiscal Year Ended August 31, 2018
Contractually Required Contribution	\$ 94,001
Contribution in Relation to the Contractually Required Contribution	(94,001)
Contribution Deficiency (Excess)	\$ -
District's Covered Payroll	\$ 10,656,824
Contributions as a percentage of Covered Payroll	0.88%

Note: Only one year of data is presented in accordance with GASB #75, paragraph 245. "The information for all fiscal years for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

MATHIS INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED AUGUST 31, 2018

Budget

The official budget was prepared for adoption for all Governmental Fund Types. The budget was prepared in accordance with accounting practices generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data.:

- a. Prior to August 21 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
- c. Prior to the beginning of the fiscal year, the budget is legally enacted through passage of a resolution by the Board.

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

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

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

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

Defined Benefit Pension Plan

Changes of benefit terms

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

Changes of assumptions

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

MATHIS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2018

Year Ended August 31	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
2009 and Prior Years	\$	Various	\$	Various	\$	Various
2010		1.17		.18		234,665,407
2011		1.17		.256		247,130,645
2012		1.17		.255		241,201,895
2013		1.1314		.2164		277,122,125
2014		1.17		.2048		347,579,066
2015		1.17		.234		365,149,786
2016		1.17		.233		365,256,166
2017		1.17		.2647		343,341,495
2018 (School Year Under Audit)		1.17		.2647		342,647,104
1000 Totals						

10 Beginning Balance 9/1/17	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/18
\$ 299,505	\$ --	\$ 8,409	\$ 1,294	\$ 1	\$ 289,803
74,262	--	2,296	353	--	71,613
95,796	--	3,468	759	--	91,569
104,106	--	5,010	1,092	--	98,004
114,647	--	5,238	1,002	(13)	108,394
148,652	--	10,539	1,845	1,236	137,504
194,628	--	24,602	4,920	1,190	166,296
253,253	--	40,729	8,111	(130)	204,283
449,372	--	55,343	12,519	(108,955)	272,555
--	4,915,958	3,707,739	838,733	83,466	452,952
<u>\$ 1,734,221</u>	<u>\$ 4,915,958</u>	<u>\$ 3,863,373</u>	<u>\$ 870,628</u>	<u>\$ (23,205)</u>	<u>\$ 1,892,973</u>

Levies and Collections

Fiscal Year End	Levy Year	Tax Levy	Total Tax Collection	Percent of Levy
08/31/09	2008	3,104,863	2,993,308	96.41%
08/31/10	2009	3,167,983	3,082,956	97.32%
08/31/11	2010	3,524,083	3,424,899	97.19%
08/31/12	2011	3,414,930	3,344,464	97.94%
08/31/13	2012	3,727,794	3,637,059	97.57%
08/31/14	2013	4,748,081	4,562,856	96.10%
08/31/15	2014	5,083,776	4,969,731	97.76%
08/31/16	2015	5,121,721	4,944,565	96.54%
08/31/17	2016	4,928,900	4,781,759	97.01%
08/31/18	2017	4,999,424	4,734,001	94.69%

MATHIS INDEPENDENT SCHOOL DISTRICT**FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET (UNAUDITED)****GENERAL FUND****AS OF AUGUST 31, 2018****EXHIBIT J-2**

Data Control Codes	Explanation	Amount
1	Total General Fund Fund Balance as of August 31, 2018 (Exhibit C-1 object 3000 for the General Fund only)	\$ 10,648,410
2	Total General Fund Nonspendable Fund Balance (from Exhibit C-1 - total of object 341X-344X for the General Fund only)	--
3	Total General Fund Restricted Fund Balance (from Exhibit C-1 - total of object 345X-349X for the General Fund only)	1,010,551
4	Total General Fund Committed Fund Balance (from Exhibit C-1 - total of object 351X-354X for the General Fund only)	1,200,000
5	Total General Fund Assigned Fund Balance (from Exhibit C-1 - total of object 355X-359X for the General Fund only)	--
6	Estimated amount needed to cover fall cash flow deficits in the General Fund (net of borrowed funds and funds representing deferred revenues)	--
7	Estimate of two months' average cash disbursements during the fiscal year	2,913,000
8	Estimate of delayed payments from state sources (58XX)	1,802,081
9	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount	--
10	Estimate of delayed payments from federal sources (59XX)	449,179
11	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	--
12	General Fund Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9+10+11)	7,374,811
13	Excess (Deficit) Unassigned General Fund Fund Balance (1-12)	\$ 3,273,599

If Item 13 is a Positive Number

Explanation of need for and/or projected use of net positive
Unassigned General Fund Fund Balance:

The District will use the excess fund balance to continue with capital improvements throughout the District. In addition, the District will purchase new equipment and invest in transportation and infrastructure.

MATHIS INDEPENDENT SCHOOL DISTRICT
EXHIBIT J-3
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
	REVENUES:				
5700	Local and Intermediate Sources	\$ 904,132	\$ 904,132	\$ 937,952	\$ 33,820
5800	State Program Revenues	442,692	442,692	414,241	(28,451)
5020	Total Revenues	<u>1,346,824</u>	<u>1,346,824</u>	<u>1,352,193</u>	<u>5,369</u>
	EXPENDITURES:				
	Debt Service:				
0071	Principal on Long-Term Debt	795,000	795,000	795,000	--
0072	Interest on Long-Term Debt	468,406	468,406	468,407	(1)
0073	Bond Issuance Costs and Fees	83,418	83,418	4,106	79,312
	Total Debt Service	<u>1,346,824</u>	<u>1,346,824</u>	<u>1,267,513</u>	<u>79,311</u>
6030	Total Expenditures	<u>1,346,824</u>	<u>1,346,824</u>	<u>1,267,513</u>	<u>79,311</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	--	--	84,680	84,680
1200	Net Change in Fund Balance	--	--	84,680	84,680
0100	Fund Balance - Beginning (restated)	707,158	707,158	689,977	(17,181)
3000	Fund Balance - Ending	<u>\$ 707,158</u>	<u>\$ 707,158</u>	<u>\$ 774,657</u>	<u>\$ 67,499</u>

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Lovvorn & Kieschnick, LLP
418 Peoples Street, Ste. 308
Corpus Christi, TX 78401

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

Board of Trustees
Mathis Independent School District
P. O. Box 1177
Mathis, Texas 78368

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mathis Independent School District, as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise Mathis Independent School District's basic financial statements, and have issued our report thereon dated December 6, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Mathis Independent School 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 Mathis Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Mathis Independent School District's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,

A handwritten signature in black ink that reads "Lovvorn & Kieschnick, LLP". The signature is written in a cursive, flowing style.

Lovvorn & Kieschnick, LLP

Corpus Christi, TX
December 6, 2018

Lovvorn & Kieschnick, LLP
418 Peoples Street, Ste. 308
Corpus Christi, TX 78401

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Trustees
Mathis Independent School District
P. O. Box 1177
Mathis, Texas 78368

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited the Mathis Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Mathis Independent School District's major federal program for the year ended August 31, 2018. Mathis Independent School District's major federal program is 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 Mathis Independent School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Mathis Independent School 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 Mathis Independent School District's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of the Mathis Independent School 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 Mathis Independent School 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 Mathis Independent School 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 a 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 considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Respectfully submitted,



Lovvorn & Kieschnick, LLP

Corpus Christi, TX
December 6, 2018

MATHIS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2018

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200? Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
	Child Nutrition Cluster:
10.553	School Breakfast Program
10.555	National School Lunch Program
10.559	Summer Feeding Program
10.558	Child and Adult Care Food Program

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? X Yes No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

MATHIS INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2018

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
N/A - No prior findings		

MATHIS INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2018

Program

Corrective Action Plan

N/A

No corrective action required

MATHIS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2018

EXHIBIT K-1

(1)	(2)	(2A)	(3)	
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U. S. Department of Education				
Passed Through State Department of Education:				
<i>ESEA Title I Part A - Improving Basic Programs</i>	84.010A	1861010120	\$ --	\$ 946,602
<i>Title I 1003(A) Priority and Focus School Grant</i>	84.010A	1861012320590	--	74,485
Total CFDA Number 84.010A			--	<u>1,021,087</u>
 <i>ESEA Title I Part C - Education of Migratory Children</i>	 84.011A	 1861500120590	 --	 86,974
IDEA-B Cluster:				
<i>IDEA-B Formula</i>	84.027A	1866000120590	--	282,003
<i>IDEA-B Preschool</i>	84.173A	1866100120590	--	5,216
Total IDEA-B Cluster			--	<u>287,220</u>
 <i>Career and Technical - Basic Grant</i>	 84.048A	 1842000620590	 --	 29,903
<i>ESEA Title II Part A - Teacher & Principal Training & Recruiting</i>	84.367A	1869450120590	--	94,922
<i>Title IV Part B21st Century Community Learning Centers</i>	84.287C	1969502671100	--	27,717
<i>ESEA, Title VI, Part B, Subpart 2 - Rural and Low Income School</i>	84.358B	1869600120590	--	30,709
<i>Title IV, Part A, Subpart 1</i>	84.424A	1868010120590	--	20,841
Total Passed Through State Department of Education			--	<u>1,599,373</u>
Total U.S. Department of Education			--	<u>1,599,373</u>
U. S. Department of Agriculture				
Passed Through State Department of Education:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	00967	--	466,292
National School Lunch Program	10.555	00967	--	839,176
Total Passed Through State Department of Education			--	<u>1,305,468</u>
Passed Through Texas Department of Agriculture:				
Summer Feeding Program	10.559	00967	--	19,395
Total Passed Through Texas Department of Agriculture			--	<u>19,395</u>
Total Child Nutrition Cluster			--	<u>1,324,863</u>
Passed Through Texas Department of Agriculture:				
Commodity Supplemental Food Program	10.565	00967	--	85,508
Child and Adult Care Food Program	10.558	00967	--	501,967
Total Passed Through Texas Department of Agriculture:			--	<u>587,475</u>
Total U. S. Department of Agriculture			--	<u>1,912,337</u>
 TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ --	\$ <u>3,511,711</u>

The accompanying notes are an integral part of this schedule.

MATHIS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED AUGUST 31, 2018

Federal Assistance Reconciliation

Federal Grants and Contracts Revenues per Exhibit C-2	4,037,357
Less: School Health & Related Services (SHARS) reported in General Fund	<u>(525,646)</u>
Total Federal Revenues per Schedule of Expenditures of Federal Awards	<u><u>3,511,711</u></u>

Basis of Presentation

The accompanying schedule of expenditures of federal awards ("the Schedule") includes the federal grant activity of Mathis Independent School District. The information in the Schedule is presented in accordance with the 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"). Therefore, some amounts may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. These expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Mathis Independent School District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.