

**GODLEY INDEPENDENT
SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED**

AUGUST 31, 2018

GODLEY INDEPENDENT SCHOOL DISTRICT

Table of Contents for Year Ended August 31, 2018

<u>Exhibit</u>		<u>Page Number</u>
	Certificate of the Board	2
	Independent Auditor's Report	3
	Management's Discussion and Analysis	6
	<u>Basic Financial Statements:</u>	
	Government-wide Financial Statements:	
A-1	Statement of Net Position	16
B-1	Statement of Activities	18
	Governmental Fund Financial Statements:	
C-1	Balance Sheet	20
C-2	Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	23
C-3	Statement of Revenues, Expenditures, and Changes in Fund Balance	24
C-4	Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	27
D-1	Statement of Net Position – Proprietary Funds	28
D-2	Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	29
D-3	Statement of Cash Flows – Proprietary Funds	30
E-1	Statement of Fiduciary Net Position – Fiduciary Funds	31
E-2	Statement of Changes in Fiduciary Fund Net Position – Fiduciary Funds	32
F-1	Notes to the Financial Statements	33
	<u>Required Supplementary Information:</u>	
G-1	Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual - General Fund	68
G-6	Schedule of the District's Proportionate Share of the Net Pension Liability - Teacher Retirement System of Texas	69
G-7	Schedule of District Contributions - Teacher Retirement System of Texas	70
G-8	Schedule of the District's Proportionate Share of the Net OPEB Liability – Teacher Retirement System of Texas	71
G-9	Schedule of District Contributions for Other Post-Employment Benefits – Teacher Retirement System of Texas	72
G-10	Notes to Required Supplementary Information	73
	<u>Combining Schedules:</u>	
H-1	Combining Balance Sheet – Nonmajor Governmental Funds	76
H-2	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	80
	<u>Required Texas Education Agency Schedules:</u>	
J-1	Schedule of Delinquent Taxes Receivable	84
J-4	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Child Nutrition Program	86
J-5	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Debt Service Fund	87
	<u>Report on Internal Control, Compliance and Federal Awards:</u>	
	Independent Auditor's Report on Internal Controls Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	90
	Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	92
	Schedule of Findings and Responses	94
	Schedule of Status of Prior Findings	95
	Corrective Action Plan	96
K-1	Schedule of Expenditures of Federal Awards	97
	Notes to the Schedule of Expenditures of Federal Awards	98

CERTIFICATE OF THE BOARD

Godley Independent School District
Name of School District

Johnson
County

126-911
Co. – Dist. Number

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

Signature of Board Secretary

Signature of 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)

KIRK & RICHARDSON, P. C.

Certified Public Accountants

Tom Kirk, CPA		Don Richardson, CPA
7559 John T. White Road	P. O. Box 8342	Fort Worth, Texas 76124
(817) 451-7406	www.krp-cpa.com	Fax (817) 451-7597

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Godley Independent School District
313 N. Pearson
Godley, Texas 76044

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of August 31, 2018, and the respective changes in financial position thereof 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 the notes to the financial statements, under Note I.F – Implementation of New Standards and Note IV.AA – Prior Period Adjustment, in 2018, the District adopted new accounting guidance, GASB *Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 6-13 and 68 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. Also included as required supplementary information are the following the following schedules related to the Teacher Retirement System (TRS) of Texas: Schedule of the District's Proportionate Share of the Net Pension Liability – TRS of Texas, Schedule of District Contributions – TRS of Texas, Schedule of the District's Proportionate Share of the Net OPEB Liability – TRS of Texas, Schedule of District Contributions for Other Post-Employment Benefits – TRS of Texas, and the Notes to Required Supplementary Information as reported on pages 69 through 73 respectively. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

The Texas Education Agency requires school districts to include certain information in the Annual Financial and Compliance Report in conformity with laws and regulations of the State of Texas. This information is in Exhibits identified in the Table of Contents as J-1, J-4, and J-5.

Other Reporting Required By Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of law, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing on internal control over financial reports and compliance with the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Kirk & Richardson, P.C.

Kirk & Richardson, P.C.
Fort Worth, Texas
December 7, 2018



GODLEY INDEPENDENT SCHOOL DISTRICT

313 N. PEARSON ST. • GODLEY, TEXAS 76044

(817)389-2536 • FAX (817)389-2543



MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED AUGUST 31, 2018 UNAUDITED

As management of the Godley Independent School District (the "District"), we offer this narrative overview and analysis of the financial activities of the District for the fiscal year ended August 31, 2018. Please read this narrative in conjunction with the independent auditor's report and the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District implemented GASB Statement No. 75, Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions during the year. Implementation of this new standard resulted in prior-period adjustment of \$(14,079,838) to the Statement of Activities which resulted in ending net position being \$14,907,204. Ending net position without this prior period adjustment would have been \$28,987,042.
- The District began operating the new Godley High School during the 2017-2018 school year.
- The net position of the District at the close of its fiscal year was \$14,907,204, a decrease of \$(12,571,592) from last year. The change in net position from current year operations was \$1,508,246 offset by the prior period adjustment as stated above. Unrestricted net position is \$(3,666,865) mainly from implementing GASB 75. Net Investment in Capital Assets is \$13,424,023. The remaining \$5,155,602 is restricted for Federal and State Programs, Debt Service, Capital Projects, and Campus Activities.
- As of the close of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$15,649,410 for a decrease of \$17,954,935 from the prior year. The General Fund had a net decrease of \$313,293 for the year, current year operations contributed \$309,915 of this decrease and the net balance of \$3,3778 was mainly due to transfers out to other funds. The Debt Service Fund increase by \$45,289 from current year operations. The Capital Projects Fund decreased by \$17,348,348 from construction-in-progress expenditures related to building new school facilities. Other funds had a net decrease of \$342,199 from current year operations.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,393,615, or 17% of total General Fund current year expenditures, and may be used to finance future operating expenditures. Prior year unassigned fund balance for the General Fund was \$3,063,628, or 17% of total General Fund current year expenditures.
- During the current year, the District began operating an after-school child care program as a business-type activity.

- No new educational programs were added during the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- Government-wide financial statements - These statements provide information about the activities of the District as a whole and present both a long-term and short-term view of the District's finances. The government-wide financial statements include the statement of net position and the statement of activities.

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

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

Both of the District's government-wide financial statements distinguish the functions of the District as being principally supported by taxes and intergovernmental revenues (government activities) as opposed to business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. The District has no business-type activities and no component units for which it is financially accountable.

- Fund financial statements – These statements report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. Some funds are required by State law and/or bond covenants. Other funds may be established by the Board to control and manage money for particular purposes or to show that it is properly using certain taxes or grants.

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

- Governmental funds – these financial statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for tax levies and the appropriations budget.
- Proprietary funds – these financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the revenues covered the expenses of the goods or services.
- Fiduciary funds – these financial statements provide information about activities for which the District acts solely as a trustee or agent for the benefit of others, for example, student activity funds and scholarships for graduating students. Fiduciary funds are not reflected in the

government-wide financial statements because the resources of those funds are not available to support the District's operations.

- Notes to the financial statements - The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide statements and the fund financial statements.
- Other information – This annual report contains other supplementary information in addition to the basic financial statements and the notes to the financial statements. The Management's Discussion and Analysis is required supplementary information under governmental accounting standards. The "Combining Schedules" for nonmajor funds contain even more information about the District's individual funds. The "Required Texas Education Agency Schedules" and "Reports on Internal Controls, Compliance, and Federal Awards" contain data used by monitoring or regulatory agencies for assurance that the District is using supplied funds in compliance with terms of grants.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following analysis presents both current and prior year data and discusses significant changes in the accounts. Our analysis focuses on the statement of net position (Table 1) and the statement of activities (Table 2) of the District's governmental activities.

Table 1
Statement of Net Position

	Governmental Activities	
	2018	2017
ASSETS:		
Current and other assets	\$ 20,063,381	\$ 37,584,556
Capital assets	78,616,822	63,732,942
Total assets	98,680,203	101,317,498
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred charges for refunding	2,614,356	2,789,731
TRS – Pension	1,368,716	1,913,880
TRS – Other Post Employee Benefits	126,129	0
Total deferred outflow of resources	4,109,201	4,703,611
LIABILITIES:		
Current liabilities	3,948,400	3,604,836
Long-term liabilities	67,879,444	69,880,940
TRS – Pension (District's Share)	4,021,294	4,780,859
TRS – Other Post Employee Benefits (District's Share)	8,029,590	0
Total liabilities	83,878,728	78,266,635
DEFERRED INFLOW OF RESOURCES:		
TRS – Pension	639,123	275,678
TRS – Other Post Employee Benefits	3,358,793	0
Total deferred inflow of resources	3,997,916	275,678
NET POSITION:		
Net investment in capital assets	13,424,023	15,402,033
Restricted	5,155,602	4,781,321
Unrestricted	(3,666,865)	7,295,442
Total net position	\$14,912,760	\$ 27,478,796

The District's governmental activities net position decreased by \$12,566,036, from \$27,478,796 to \$14,912,760. Implementing GASB 75 contributed \$14,079,838 to this decrease which was offset by an

increase of \$1,513,802 from current year operations. A large portion of net position, \$13,424,023, or 90%, reflects the District's net investment in capital assets (e.g., land, buildings, furniture and equipment, and accumulated depreciation), less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's net position, \$5,155,602 or 35%, represent resources that are subject to external restrictions on how they may be used.

Table 2
Statement of Activities

	Governmental Activities	
	2018	2017
REVENUES:		
Program revenues:		
Charges for services	\$ 2,562,841	\$ 2,634,780
Operating grants and contributions	(563,146)	3,318,138
General revenues:		
Maintenance and operations taxes	7,998,759	7,873,248
Debt service taxes	3,845,199	3,785,414
State aid – formula grants	10,255,025	10,059,789
Grants and contributions not restricted	140,498	233,617
Investment earnings	407,003	446,566
Miscellaneous local & intermediate revenue	155,833	133,500
Special item – mineral rights	238	150
Total revenues	24,802,250	28,485,202
EXPENSES:		
Instruction & instructional-related services	10,264,708	13,138,164
Instructional & school leadership	1,243,995	1,824,941
Guidance, social work, health, transportation	1,882,491	2,493,277
Food service	900,167	1,065,425
Co-curricular activities	867,964	1,109,208
General administration	607,859	918,758
Plant maintenance & security	2,452,138	2,439,247
Data processing services	418,768	573,501
Community services	(7,024)	1,512
Debt service	2,059,041	2,177,244
Capital outlay	1,402,794	98,669
Intergovernmental charges	1,195,547	1,163,982
Total expenses	23,288,448	27,003,928
Increase/(Decrease) in net position before inflows/ outflows and special items	1,513,802	1,481,274
Net position beginning of year	27,478,796	25,997,522
Prior period adjustment	(14,079,838)	0
Net position end of year	\$14,912,760	\$27,478,796

Governmental Revenue by Source

	Governmental Activities	
	2018	2017
Program Revenues:		
Charges for services	10.3%	9.3%
Operating grants and contributions	(2.3%)	11.7%
General Revenues:		
Maintenance & operating taxes	32.3%	27.6%
Debt service taxes	15.5%	13.3%
State aid – formula grants	41.3%	35.3%
Grants and contributions not restricted	0.6%	0.8%
All others	2.3%	2.0%
Total Revenues	100.0%	100.0%

Governmental Expenses by Function

	Governmental Activities	
	2018	2017
Instruction & instructional-related services	44.1%	48.7%
Instructional & school leadership	5.3%	6.8%
Guidance, social work, health, transportation	8.1%	9.2%
Food service	3.9%	3.9%
Co-curricular activities	3.7%	4.1%
General administration	2.6%	3.4%
Plant maintenance & security	10.5%	9.0%
Data processing services	1.8%	2.1%
Community services	0.0%	0.0%
Debt service	8.8%	8.1%
Capital outlay	6.0%	0.4%
Intergovernmental charges	5.2%	4.3%
Total Expenses	100.0%	100.0%

The District's net position increased by \$1,513,802 from current fiscal year operations as shown below.

- 1) Total net change in Fund Balances – Governmental Funds: \$(17,954,935)
- 2) Capital outlays and long-term debt principal: \$18,423,835
- 3) Depreciation: \$(1,649,777)
- 4) GASB 68 adjustments: \$(149,044)
- 5) GASB 75 adjustments: \$2,817,584
- 5) Other miscellaneous adjustments: \$26,139

The District is required under GASB 68 and GASB 75 to report its proportionate share of the unfunded liability associated with the Teacher Retirement System of Texas (TRS) pension plan and TRS – other post-employment benefits. The required entries to record the effects of GASB 68 and GASB 75 are book entries only in the statement of governmental activities and do not affect the funding of the District. These entries decreased the District's ending net position and are discussed in greater detail in the notes to the financial statements.

GOVERNMENTAL FUNDS FINANCIAL ANALYSIS

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

The District's governmental funds reported a combined ending fund balance of \$15,649,410, a net decrease of \$17,954,935 from last year's balance of \$33,604,345 combined fund balance. The Capital Projects Fund accounted for \$17,348,348 of the decrease because of expenditures related to the construction of new high school facilities. The unassigned fund balance is \$3,393,615, or 21.7%, and is available for spending at the District's discretion. The remainder of fund balance is not available for discretionary spending because it is classified as either nonspendable, restricted, committed, or assigned to the following items:

Nonspendable fund balance:

Prepaid items -

General Fund	\$127,648
National Breakfast & Lunch Program	2,697
SSA – IDEA, Part B – Formula	2,648
SSA – Special Education	14,853
Total prepaid items	<u>\$147,846</u>

Restricted fund balance:

Federal or state funds grant restrictions -

SSA – Special Education	<u>\$1,097,486</u>
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Capital acquisition & contractual obligations -

Capital Projects Fund	<u>\$930,458</u>
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Retirement of long-term debt -

Debt Service Fund	<u>\$3,112,865</u>
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Committed fund balance:

General Fund – construction	\$1,431,055
General Fund – capital expenditures for equipment	1,000,000
General Fund – other committed fund balance	500,000
Other Funds - Campus activity funds	66,864
Total committed fund balances	<u>\$2,997,919</u>

Assigned fund balance:

General Fund – future budget deficits	<u>\$3,971,869</u>
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The General Fund is the chief operating fund of the District. At the end of the current fiscal year, the General Fund's unassigned fund balance was \$3,393,615, or 33%, while the total fund balance was \$10,429,187. The total fund balance decreased by \$(309,915) from current year operations, decreased by \$(3,616) from transfers out to the National Breakfast & Lunch Program, and increased by \$238 from mineral interest income.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments fall into three categories:

1. Amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts we originally estimated).
2. The major amendments to the General Fund were to increase Functions 11- Instruction and 51 – Facilities Maintenance & Operations for unanticipated increased operating costs. Function 52 – Security & Monitoring Services to upgrade the current system, and Function 81 – Facilities Acquisition & Construction for additional cost associated with finalize construction projects.
3. Amendments to move funds from programs that did not need all the resources originally appropriated to programs with resource needs.

The District's actual General Fund balance of \$10,424,187 differs from the General Fund's budgetary fund balance of \$6,376,713. The difference of \$4,047,474 is primarily due to state revenues exceeding budgeted revenues by \$3,026,274 and actual expenditures were \$848,290 less than budgeted expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's investments in capital assets for its governmental activities at the end of this fiscal year amounts to \$78,616,822 (net of accumulated depreciation) for a net increase of \$14,904,609, or 30.5% over last year. The increase is primarily the result of current year, purchase of additional land for future expansion, offset by depreciation.

Major addition for the current year included:

Completion of new high school	<u>\$32,429,469</u>
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More detail information about the District's capital assets are presented in the notes to the financial statements.

CAPITAL ASSETS		
	2018	2017
Land	\$ 2,454,488	\$ 2,353,865
Construction-in-progress	0	16,305,253
Buildings & improvements	89,774,475	57,345,006
Furniture & equipment	4,909,058	4,697,240
Less depreciation	(18,521,199)	(16,968,422)
Totals	<u>\$78,616,822</u>	<u>\$63,732,942</u>

Debt Service

At year-end, the District had \$79,930,328 in long-term debt versus \$74,661,799 last year. Most of the increase in long-term debt is attributable to including the District's share of TRS – Other Post Employee Benefit liability of \$8,029,326 as required by GASB 75. This amount was offset by decreases in other areas.

LONG TERM DEBT		
	Governmental Activities	
	2018	2017
Bonds payable	\$60,660,000	\$61,267,745
Accreted interest	0	685,148
Unamortized premium/(discount)	7,147,154	7,819,614
Capital leases	72,288	108,433
Net pension liability (District share – TRS)	4,021,294	4,780,859
Net OPEB liability (District share – TRS)	8,029,590	0
Totals	<u>\$79,930,326</u>	<u>\$74,661,799</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised taxable value used for the 2018-2019 budget preparation was \$883,232,295, an increase of \$115,166,624 or 15.0%, over last year's appraised taxable values of \$768,065,671.
- General operating fund spending per pupil was \$12,093 for the 2018-2019 budget, a decrease of \$176 per pupil from the 2017-2018 actual per pupil amount of \$12,269. Based upon a projected student count of 2,189, this equates to a 2018-2019 total General Fund budget of \$26,471,069.
- The District's 2017-2018 refined average daily attendance of 1,879 is 111 more than the prior year and projected refined average daily attendance is estimated as 1,963 for the 2018-2019 school year.
- The District's budget provided for across the board pay increases for all employees, the reduction of several positions, and increases in the technology initiative.
- The District adopted a deficit budget for 2018-2019 but with increased enrollment, and by keeping costs down, the District believes that the deficit will be minimized.

These indicators were taken into account when adopting the general fund budget for 2018-2019. Amounts available for appropriation in the general fund budget are \$20.4 million. State revenue should increase as the tax revenue decreases due to the decreased property value of the district. After the adoption of the District budget, the State implemented their "Hardship Grant" funding provision as provided by the 85th Legislature. The District will receive approximately \$2.1 million dollars in 2017-2018 to offset the anticipated loss in ASATR revenue. At present, the District is not classified as a Chapter 41 District and will not be responsible for paying any recapture of their 2017-2018 local tax revenues.

Expenditures in the general fund are budgeted to remain flat compared to the prior year actual expenditures of \$19.9 million due to the factors described above.

If these estimates are realized, the District's budgetary General Fund balance could decrease slightly.

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 Chief Financial Officer with the district's business office at (817) 389-2536.

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BASIC FINANCIAL STATEMENTS

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

EXHIBIT A-1

Data Control Codes			
	1	2	3
	Primary Government		
	Governmental Activities	Business Type Activities	Total
ASSETS			
1110 Cash and Cash Equivalents	\$ 3,137,142	\$ -	\$ 3,137,142
1120 Current Investments	14,279,117	-	14,279,117
1220 Property Taxes - Delinquent	525,595	-	525,595
1230 Allowance for Uncollectible Taxes	(5,256)	-	(5,256)
1240 Due from Other Governments	1,951,842	-	1,951,842
1250 Accrued Interest	15,926	-	15,926
1260 Internal Balances	5,533	(5,533)	-
1267 Due from Fiduciary Funds	464	-	464
1290 Other Receivables, Net	3,100	-	3,100
1300 Inventories	2,072	-	2,072
1410 Prepayments	147,846	-	147,846
Capital Assets:			
1510 Land	2,454,488	-	2,454,488
1520 Buildings, Net	75,245,923	-	75,245,923
1530 Furniture and Equipment, Net	916,411	-	916,411
1000 Total Assets	98,680,203	(5,533)	98,674,670
DEFERRED OUTFLOWS OF RESOURCES			
1701 Deferred Charge for Refunding	2,614,356	-	2,614,356
1705 Deferred Outflow Related to TRS Pension	1,368,716	-	1,368,716
1706 Deferred Outflow Related to TRS OPEB	126,129	-	126,129
1700 Total Deferred Outflows of Resources	4,109,201	-	4,109,201
LIABILITIES			
2110 Accounts Payable	2,724,393	-	2,724,393
2140 Interest Payable	54,768	-	54,768
2150 Payroll Deductions and Withholdings	1,361	23	1,384
2160 Accrued Wages Payable	1,159,335	-	1,159,335
2177 Due to Fiduciary Funds	667	-	667
2190 Due to Student Groups	3,536	-	3,536
2300 Unearned Revenue	4,340	-	4,340
Noncurrent Liabilities:			
2501 Due Within One Year	1,421,144	-	1,421,144
2502 Due in More Than One Year	66,458,300	-	66,458,300
2540 Net Pension Liability (District's Share)	4,021,294	-	4,021,294
2545 Net OPEB Liability (District's Share)	8,029,590	-	8,029,590
2000 Total Liabilities	83,878,728	23	83,878,751
DEFERRED INFLOWS OF RESOURCES			
2605 Deferred Resource Inflow Related to TRS Pension	639,123	-	639,123
2606 Deferred Resource Inflow Related to TRS OPEB	3,358,793	-	3,358,793
2600 Total Deferred Inflows of Resources	3,997,916	-	3,997,916
NET POSITION			
3200 Net Investment in Capital Assets	13,424,023	-	13,424,023
Restricted:			
3820 Restricted for Federal and State Programs	1,100,183	-	1,100,183
3850 Restricted for Debt Service	3,058,097	-	3,058,097
3860 Restricted for Capital Projects	930,458	-	930,458
3870 Restricted for Campus Activities	66,864	-	66,864
3900 Unrestricted	(3,666,865)	(5,556)	(3,672,421)
3000 Total Net Position	\$ 14,912,760	\$ (5,556)	\$ 14,907,204

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

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GODLEY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	1	Program Revenues	
		3	4
	Expenses	Charges for Services	Operating Grants and Contributions
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
11 Instruction	\$ 9,856,313	\$ 2,193,191	\$ (483,156)
12 Instructional Resources and Media Services	225,908	-	(33,738)
13 Curriculum and Instructional Staff Development	182,487	-	20,334
21 Instructional Leadership	471,530	-	(67,036)
23 School Leadership	772,465	-	(213,031)
31 Guidance, Counseling and Evaluation Services	790,912	-	347,540
32 Social Work Services	4,724	-	4,724
33 Health Services	187,718	-	(48,335)
34 Student (Pupil) Transportation	899,137	-	(153,200)
35 Food Services	896,677	331,466	652,722
36 Extracurricular Activities	867,964	38,184	(96,003)
41 General Administration	607,859	-	(118,850)
51 Facilities Maintenance and Operations	2,199,147	-	(287,945)
52 Security and Monitoring Services	252,991	-	-
53 Data Processing Services	418,768	-	(83,456)
61 Community Services	(7,024)	-	(3,716)
72 Debt Service - Interest on Long-Term Debt	2,054,066	-	-
73 Debt Service - Bond Issuance Cost and Fees	4,975	-	-
81 Capital Outlay	1,406,284	-	-
93 Payments Related to Shared Services Arrangements	1,030,648	-	-
99 Other Intergovernmental Charges	164,899	-	-
[TG] Total Governmental Activities:	23,288,448	2,562,841	(563,146)
BUSINESS-TYPE ACTIVITIES:			
01 Unidentified Fund from Trial Balance	24,535	18,979	-
[TB] Total Business-Type Activities:	24,535	18,979	-
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 23,312,983	\$ 2,581,820	\$ (563,146)
Data Control Codes	General Revenues:		
	Taxes:		
MT	Property Taxes, Levied for General Purposes		
DT	Property Taxes, Levied for Debt Service		
SF	State Aid - Formula Grants		
GC	Grants and Contributions not Restricted		
IE	Investment Earnings		
MI	Miscellaneous Local and Intermediate Revenue		
SI	Special Item - Mineral Interests		
TR	Total General Revenues and Special Items		
CN	Change in Net Position		
NB	Net Position - Beginning		
PA	Prior Period Adjustment		
NE	Net Position--Ending		

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

Net (Expense) Revenue and Changes in Net Position		
6	7	8
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (8,146,278)	\$ -	\$ (8,146,278)
(259,646)	-	(259,646)
(162,153)	-	(162,153)
(538,566)	-	(538,566)
(985,496)	-	(985,496)
(443,372)	-	(443,372)
-	-	-
(236,053)	-	(236,053)
(1,052,337)	-	(1,052,337)
87,511	-	87,511
(925,783)	-	(925,783)
(726,709)	-	(726,709)
(2,487,092)	-	(2,487,092)
(252,991)	-	(252,991)
(502,224)	-	(502,224)
3,308	-	3,308
(2,054,066)	-	(2,054,066)
(4,975)	-	(4,975)
(1,406,284)	-	(1,406,284)
(1,030,648)	-	(1,030,648)
(164,899)	-	(164,899)
(21,288,753)	-	(21,288,753)
-	(5,556)	(5,556)
-	(5,556)	(5,556)
(21,288,753)	(5,556)	(21,294,309)
7,998,759	-	7,998,759
3,845,199	-	3,845,199
10,255,025	-	10,255,025
140,498	-	140,498
407,003	-	407,003
155,833	-	155,833
238	-	238
22,802,555	-	22,802,555
1,513,802	(5,556)	1,508,246
27,478,796	-	27,478,796
(14,079,838)	-	(14,079,838)
\$ 14,912,760	\$ (5,556)	\$ 14,907,204

GODLEY INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2018

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
ASSETS			
1110 Cash and Cash Equivalents	\$ 2,976,436	\$ -	\$ -
1120 Investments - Current	6,056,598	3,113,610	3,925,025
1220 Property Taxes - Delinquent	407,560	118,035	-
1230 Allowance for Uncollectible Taxes	(4,076)	(1,180)	-
1240 Due from Other Governments	1,623,247	-	-
1250 Accrued Interest	11,922	4,004	-
1260 Due from Other Funds	988,158	-	-
1290 Other Receivables	2,500	-	-
1300 Inventories	-	-	-
1410 Prepayments	127,648	-	-
1000 Total Assets	<u>\$ 12,189,993</u>	<u>\$ 3,234,469</u>	<u>\$ 3,925,025</u>
LIABILITIES			
2110 Accounts Payable	\$ 438,886	\$ -	\$ 2,249,512
2150 Payroll Deductions and Withholdings Payable	-	-	-
2160 Accrued Wages Payable	910,963	-	-
2170 Due to Other Funds	6,668	4,750	745,055
2190 Due to Student Groups	3,536	-	-
2300 Unearned Revenue	2,268	-	-
2000 Total Liabilities	<u>1,362,321</u>	<u>4,750</u>	<u>2,994,567</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	403,485	116,854	-
2600 Total Deferred Inflows of Resources	<u>403,485</u>	<u>116,854</u>	<u>-</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3430 Prepaid Items	127,648	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3470 Capital Acquisition and Contractual Obligation	-	-	930,458
3480 Retirement of Long-Term Debt	-	3,112,865	-
Committed Fund Balance:			
3510 Construction	1,431,055	-	-
3530 Capital Expenditures for Equipment	1,000,000	-	-
3545 Other Committed Fund Balance	500,000	-	-
Assigned Fund Balance:			
3590 Other Assigned Fund Balance	3,971,869	-	-
3600 Unassigned Fund Balance	3,393,615	-	-
3000 Total Fund Balances	<u>10,424,187</u>	<u>3,112,865</u>	<u>930,458</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 12,189,993</u>	<u>\$ 3,234,469</u>	<u>\$ 3,925,025</u>

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

Other Funds	Total Governmental Funds
\$ 160,706	\$ 3,137,142
1,183,884	14,279,117
-	525,595
-	(5,256)
328,595	1,951,842
-	15,926
52,221	1,040,379
600	3,100
2,072	2,072
20,198	147,846
<u>\$ 1,748,276</u>	<u>\$ 21,097,763</u>
\$ 34,330	\$ 2,722,728
1,361	1,361
248,372	1,159,335
280,241	1,036,714
-	3,536
2,072	4,340
<u>566,376</u>	<u>4,928,014</u>
-	520,339
-	520,339
17,550	145,198
1,097,486	1,097,486
-	930,458
-	3,112,865
-	1,431,055
-	1,000,000
66,864	566,864
-	3,971,869
-	3,393,615
<u>1,181,900</u>	<u>15,649,410</u>
<u>\$ 1,748,276</u>	<u>\$ 21,097,763</u>

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

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$ 15,649,410
1 The District uses internal service funds to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. There is no change to net position as a result of this consolidation.	-
2 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$80,701,364 and the accumulated depreciation was (\$16,968,422). In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to decrease net position.	(3,477,092)
3 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2018 capital outlays and debt principal payments is to increase net position.	18,423,835
4 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68. At the beginning of the year, the net position related to TRS was a Deferred Resource Outflow in the amount of \$1,913,880, a Deferred Resource Inflow in the amount of \$275,678 and a net pension liability in the amount of \$4,780,859. The impact of this on net position is (\$3,142,657). Changes from the current year reporting of the TRS plan resulted in a decrease in net position in the amount of (\$149,044). The combination of the beginning of the year amounts and the changes during the year resulted in a difference between the ending fund balance and the ending net position in the amount of (\$3,291,701).	(3,291,701)
5 The District implemented GASB 75 reporting requirements for the OPEB benefit plan through TRS. Since this is the first year of implementation, a prior period adjustment had to be made in the amount of (\$14,079,838). The District's share of the TRS plan resulted in a net OPEB liability of \$8,029,590, a deferred outflow of \$126,129 and a deferred inflow of \$3,358,793. This resulted in a difference between the ending fund balance and the ending net position of (\$11,262,254).	(11,262,254)
6 The 2018 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(1,649,777)
7 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.	520,339
19 Net Position of Governmental Activities	<u>\$ 14,912,760</u>

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

GODLEY 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 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:				
5700	Total Local and Intermediate Sources	\$ 8,451,995	\$ 3,917,821	\$ 192,952
5800	State Program Revenues	11,000,510	40,543	-
5900	Federal Program Revenues	203,519	-	-
5020	Total Revenues	19,656,024	3,958,364	192,952
EXPENDITURES:				
Current:				
0011	Instruction	10,130,590	-	-
0012	Instructional Resources and Media Services	249,802	-	-
0013	Curriculum and Instructional Staff Development	190,152	-	-
0021	Instructional Leadership	259,022	-	-
0023	School Leadership	1,164,917	-	-
0031	Guidance, Counseling and Evaluation Services	395,258	-	-
0032	Social Work Services	-	-	-
0033	Health Services	279,434	-	-
0034	Student (Pupil) Transportation	879,885	-	-
0035	Food Services	-	-	-
0036	Extracurricular Activities	846,806	-	-
0041	General Administration	846,884	-	-
0051	Facilities Maintenance and Operations	2,608,957	-	-
0052	Security and Monitoring Services	245,991	-	-
0053	Data Processing Services	579,044	-	-
0061	Community Services	435	-	-
Debt Service:				
0071	Principal on Long-Term Debt	-	607,745	-
0072	Interest on Long-Term Debt	-	3,300,355	-
0073	Bond Issuance Cost and Fees	-	4,975	-
Capital Outlay:				
0081	Facilities Acquisition and Construction	104,113	-	17,541,300
Intergovernmental:				
0093	Payments to Fiscal Agent/Member Districts of SSA	1,019,750	-	-
0099	Other Intergovernmental Charges	164,899	-	-
6030	Total Expenditures	19,965,939	3,913,075	17,541,300
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(309,915)	45,289	(17,348,348)
OTHER FINANCING SOURCES (USES):				
7915	Transfers In	-	-	-
8911	Transfers Out (Use)	(3,616)	-	-
7080	Total Other Financing Sources (Uses)	(3,616)	-	-
SPECIAL ITEMS:				
7918	Special Item - Mineral Interests	238	-	-
1200	Net Change in Fund Balances	(313,293)	45,289	(17,348,348)
0100	Fund Balance - September 1 (Beginning)	10,737,480	3,067,576	18,278,806
3000	Fund Balance - August 31 (Ending)	\$ 10,424,187	\$ 3,112,865	\$ 930,458

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

		Total	
Other		Governmental	
Funds		Funds	
\$	2,381,717	\$	14,944,485
	604,391		11,645,444
	2,232,880		2,436,399
	5,218,988		29,026,328
	2,612,467		12,743,057
	12,702		262,504
	37,480		227,632
	441,832		700,854
	28,722		1,193,639
	829,889		1,225,147
	4,724		4,724
	-		279,434
	328,931		1,208,816
	1,110,721		1,110,721
	-		846,806
	6,182		853,066
	93,495		2,702,452
	7,000		252,991
	-		579,044
	-		435
	36,144		643,889
	-		3,300,355
	-		4,975
	-		17,645,413
	10,898		1,030,648
	-		164,899
	5,561,187		46,981,501
	(342,199)		(17,955,173)
	3,616		3,616
	-		(3,616)
	3,616		-
	-		238
	(338,583)		(17,954,935)
	1,520,483		33,604,345
\$	1,181,900	\$	15,649,410

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

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$ (17,954,935)
The District uses internal service funds to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. There is not change in net position as a result of this consolidation.	-
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2018 capital outlays and debt principal payments is to increase net position.	18,423,835
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(1,649,777)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.	26,139
Current year changes due to GASB 68 decreased revenues in the amount of \$393,051 but also decreased expenditures in the amount of \$244,007. The net effect on the change in the ending net position was a decrease in the amount of \$149,044.	(149,044)
The implementation of GASB 75 to report the District's share of the TRS OPEB plan resulted in a prior period adjustment in the amount of (\$14,079,838). The changes in the ending net position as a result of reporting the OPEB items was an increase in the change in net postion in the amount of \$2,817,584.	2,817,584
Change in Net Position of Governmental Activities	<u><u>\$ 1,513,802</u></u>

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

GODLEY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AUGUST 31, 2018

EXHIBIT D-1

	Business-Type Activities -	Governmental Activities -
	Total Enterprise Funds	Internal Service Fund
ASSETS		
Current Assets:		
Due from Other Funds	\$ -	\$ 1,665
Total Assets	-	1,665
LIABILITIES		
Current Liabilities:		
Accounts Payable	-	1,665
Payroll Deductions and Withholdings Payable	23	-
Due to Other Funds	5,533	-
Total Liabilities	5,556	1,665
NET POSITION		
Unrestricted Net Position	(5,556)	-
Total Net Position	\$ (5,556)	\$ -

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

GODLEY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2018

	Business-Type Activities -	Governmental Activities -
	Total Enterprise Funds	Internal Service Fund
OPERATING REVENUES:		
Local and Intermediate Sources	\$ 17,740	\$ 491
State Program Revenues	1,239	-
Total Operating Revenues	<u>18,979</u>	<u>491</u>
OPERATING EXPENSES:		
Payroll Costs	22,020	491
Supplies and Materials	2,515	-
Total Operating Expenses	<u>24,535</u>	<u>491</u>
Operating Income (Loss)	(5,556)	-
Total Net Position - September 1 (Beginning)	<u>-</u>	<u>-</u>
Total Net Position - August 31 (Ending)	<u><u>\$ (5,556)</u></u>	<u><u>\$ -</u></u>

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

GODLEY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2018

EXHIBIT D-3

	Business-Type Activities	Governmental Activities -
	Total Enterprise Funds	Internal Service Fund
<u>Cash Flows from Operating Activities:</u>		
Cash Received from User Charges	\$ 17,740	\$ -
Cash Received from Assessments - Other Funds	-	491
Cash Payments to Employees for Services	(20,781)	-
Cash Payments for Insurance Claims	-	(491)
Cash Payments for Suppliers	(2,515)	-
Net Cash Provided by Operating Activities	(5,556)	-
Net Increase in Cash and Cash Equivalents	-	-
Cash and Cash Equivalents at Beginning of Year	-	-
Cash and Cash Equivalents at End of Year	\$ -	\$ -
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>		
<u>Provided by Operating Activities:</u>		
Operating Income (Loss):	\$ (5,556)	\$ -
Effect of Increases and Decreases in Current Assets and Liabilities:		
Decrease (increase) in Receivables	-	491
Increase (decrease) in Accounts Payable	-	(491)
Increase (decrease) in Payroll Deductions	23	-
Increase (decrease) in Due to Other Funds	5,533	-
Net Cash Provided by Operating Activities	\$ -	\$ -

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

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

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 70,812	\$ 93,521
Investments - Current	28,485	-
Due from Other Governments	-	464
Due from Other Funds	507	160
Total Assets	<u>99,804</u>	<u>\$ 94,145</u>
LIABILITIES		
Due to Other Funds	-	\$ 464
Due to Student Groups	-	93,681
Total Liabilities	<u>-</u>	<u>\$ 94,145</u>
NET POSITION		
Unrestricted Net Position	<u>99,804</u>	
Total Net Position	<u>\$ 99,804</u>	

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

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

	Private Purpose Trust Funds
ADDITIONS:	
Local and Intermediate Sources	\$ 6,484
Total Additions	<u>6,484</u>
DEDUCTIONS:	
Other Operating Costs	<u>4,311</u>
Total Deductions	<u>4,311</u>
Change in Net Position	2,173
 Total Net Position - September 1 (Beginning)	 <u>97,631</u>
 Total Net Position - August 31 (Ending)	 <u><u>\$ 99,804</u></u>

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

I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements presented for the Hallsburg Independent School District (the “District”) are prepared in accordance with accounting principles generally accepted in the United States of America applicable to governmental units, as prescribed by the Governmental Accounting Standards Board (GASB). It also complies with the requirements of the appropriate version of the Texas Education Agency’s *Financial Accountability System Resource Guide* (the “Resource Guide”) and the requirements of contracts and grants of agencies from which it receives funds.

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

A. Reporting Entity

The District’s Board of Trustees (the “Board”), consisting of seven members, has governance responsibilities over all activities related to public school education within the District. The daily functioning of the District is under the supervision of the Superintendent. Board members are elected by the public, have authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by Governmental Accounting Standards Board (GASB) in its *Statement No. 14, The Financial Reporting Entity*. There are no component units included within the reporting entity.

B. Basis of Presentation – Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the District nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants, and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The “charges for services” column include payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include tuition paid by students not residing in the District, school lunch charges, etc. The “grants and contributions” column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If a revenue is not a program revenue, it is a general revenue used to support all of the District’s functions. Taxes are always general revenues.

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.

GODLEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2018

Exhibit F-1

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

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

Function	Operating Grants & Contributions	Negative On-behalf Accruals	Operating Grants & Contributions (Excluding On-behalf Accruals)
11 Instruction	\$(483,156)	\$(2,050,485)	\$1,567,329
12 Instruction Resources Media Services	(33,738)	(39,784)	6,046
13 Curriculum & Instructional Staff Development	20,334	(20,218)	40,552
21 Instructional Leadership	(67,036)	(124,725)	57,689
23 School Leadership	(213,031)	(251,205)	38,174
31 Guidance, Counseling & Evaluation Services	347,540	(143,769)	491,309
32 Social Work Services	4,724	0	4,724
33 Health Services	(48,335)	(56,996)	8,661
34 Student (Pupil) Transportation	(153,200)	(180,653)	27,453
35 Food Service	652,722	(72,797)	725,519
36 Extracurricular Activities	(96,003)	(113,207)	17,204
41 General Administration	(118,850)	(140,148)	21,298
51 Facilities Maintenance & Operations	(287,945)	(339,544)	51,599
53 Data Processing Services	(83,456)	(98,411)	14,955
61 Community Services	(3,716)	(4,382)	666
Total	<u>\$(563,146)</u>	<u>\$(3,636,324)</u>	<u>\$3,073,178</u>

Interfund activities between governmental funds appear as due to/due from on the Governmental Fund Balance Sheet and as other resources and other uses on the governmental fund State of Revenues, Expenditures, and Changes in Fund Balance. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due from on the government-wide Statement of Activities.

C. Basis of Presentation – Fund Financial Statements

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues, and expenditures. The fund statements are prepared on a current financial resources measurement focus and the modified accrual basis of accounting. Since the governmental fund statements are presented on a different measurement focus and the basis of accounting than the government-wide statements' governmental activities column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile the fund financial statements to the government-wide financial statements.

The District reports the following major government funds:

The General Fund – The General Fund is the District’s general operating fund. It is used to account for all financial transactions except for those required to be accounted for in another fund. Major revenue sources include local property taxes and state funding under the Foundation School Program. Expenditures include all costs associated with the daily operations of the District except for costs incurred by programs accounted for in other funds. The General Fund is always considered a major fund as defined by GASB 34. The General Fund is a budgeted fund, and any fund balances are considered resources for current and future operations.

The Debt Service Fund – This fund, which is a budgeted fund, accounts for the resources accumulated and payments made on long-term general obligation debt of governmental funds. Revenues include collections of general property taxes, state funding under the Instructional Facilities and Existing Debt Allotments, and earnings on investments of the fund. Expenditures of the fund are for the retirement of bonds and payments of interest on the bonded debt. The fund balance represents the amount that is available for the retirement of bonds and payment of interest in the future. This fund is also a budgeted fund, and any fund balances are considered resources for current and future operations.

The Capital Projects Fund – This fund, which is an unbudgeted fund, is used to account for proceeds from sales of bonds and other revenues to be used for authorized construction, renovations, and technology projects/enhancements.

In addition, the District maintains the following funds:

Governmental Funds:

Special Revenue Funds – The District accounts for resources restricted to, or designated for, specific purposes by the District or grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.

The District’s Food Service Fund (National Breakfast and Lunch Program) is considered a special revenue fund since it meets the following criteria: (1) User fees are charged to supplement the National School Breakfast and Lunch Program, (2) the General Fund subsidizes the Food Service Program for all expenditures in excess of the National Breakfast and Lunch Program, and (3) the District does not consider the Food Service Program completely self-supporting. Food Service fund balances are used exclusively for child nutrition program purposes. This is a budgeted fund.

Proprietary Funds:

Enterprise Funds – These funds are conceived to be self-supporting. Revenues and expenditures are incurred from operating an after-school child care program as a business-type activity.

Internal Service Funds – These funds are conceived to be self-supporting. Revenues are earned mainly from sales of services to the schools and operating departments of the District. The District uses this fund type to report its workers’ compensation activities.

Fiduciary Funds:

Private-purpose Trust Fund – This fund is used to account for all trust agreements under which the principal and income benefit a specific school or group of students.

Fiduciary Funds – Agency Funds – The Agency Fund is custodial in nature and accounts for activities of student groups and other types of activities requiring clearing accounts. The fund has no equity. Assets are equal to liabilities and do not include revenues and expenditures for general operations of the District. This accounting reflects the District’s agency relationship with student activity organizations. Fiduciary funds use the accrual basis of accounting to recognize assets and liabilities.

The District does not have any permanent funds.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing resources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available and recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences, claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collected within 60 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, that is, when they are both measurable and available. The District considers them “available” if they will be collected within 60 days of the end of the fiscal year. Property taxes received after the 60-day period are not considered available and, therefore, are recorded as the deferred inflow of resources in the Governmental Funds Balance Sheet. 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.

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

Management's Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimations and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

The amount of state foundation revenue and the related receivables and liabilities a district earns for a year can and does vary until the time when final values for each of the factors in the formula become available. Availability can be as late as midway into the next fiscal year.

E. Assets, Liabilities, Deferred Outflows/Inflows and Net Position or Fund Balance

1. Cash and Cash Equivalents - The District's cash and cash equivalents are considered as cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. Investments for the District are reported at fair value.
2. Investments - Investments are recorded at fair value. Investments are considered as and classified as cash equivalents. Investments are primarily in FDIC insured investments, savings accounts, and public funds money markets and are not significantly affected by an impairment of the credit standing of the issues or other factors.
3. Inventories and Prepaid Items - The District uses the consumption method to account for inventories of food products, school supplies, and athletic equipment. Under this method, these items are carried in an inventory account of the respective fund at cost, using the first-in, first-out method of accounting and are subsequently charged to expenditures when consumed. In the General Fund, reported inventories are offset by a fund balance reserve. Inventories of food commodities used in the food service program are recorded at fair market values supplied by the Texas Department of Human Services. Although commodities are received at no cost, their fair market value is recorded as inventory and unearned revenue when received. When requisitioned, inventory and unearned revenues are relieved, expenditures are charged, and revenue is recognized for an equal amount.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as a prepayment in both government-wide and fund financial statements.

4. Other Receivables and Payables - These may include amounts due from local, state and federal agencies resulting from an excess of expenditures over revenues incurred, accrued liabilities, interest payable, and accrued wages payable.

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

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

6. Encumbrances - Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in the accounting system in order to reserve a portion of the applicable appropriation, is employed in the governmental fund types on the governmental fund financial statements. Encumbrances are liquidated at year end.
7. Capital Assets - Capital assets, which include land, buildings and improvements, furniture and equipment and construction in progress, are reported in the applicable governmental column in the government-wide financial statements. The cost of the infrastructure (e.g., roads, bridges, sidewalks, and similar items) was initially capitalized with the building cost and is being depreciated over the same useful life as the building. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings and improvements, furniture and equipment, and capital lease assets of the District are depreciated using the straight-line method over the following estimated lives:

Asset Classification	Useful Life
Buildings and improvements	20-50
Furniture & equipment	8-15

Land and construction in progress are not depreciable.

8. Unearned Revenues - Unearned revenues represent revenues received by the District but not yet earned and are not available for use by the District to liquidate current year liabilities. A summary of unearned revenues by fund follows:

GODLEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2018

Exhibit F-1

General Fund:	<u>\$2,268</u>
Special Revenue Funds:	
National Breakfast & Lunch Program	<u>\$2,072</u>

9. Long-term Obligations - In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activity, business-type activities, or proprietary fund type statements of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount. Deferred loss on refunding, will be recognized as a deferred outflow of resources and amortized to interest expense over the life of the bonds. Bond issuance costs are expensed in the current period.

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

10. Deferred Outflows/Inflow of Resources - In addition to assets, the District will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources is a consumption of a government's net assets (a decrease in assets in excess of any related decrease in liabilities or an increase in liabilities in excess of any related increase in assets) by the government that is applicable to a future reporting period. The District had the following deferred outflows of resources:

- Deferred outflows of resources for refunding – Reported in the government-wide statement of net position, this deferred charge on refunding results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. During the current year, the District had \$2,614,356 in deferred charges for refunding.
- Deferred outflows of resources for pension – Reported in the government-wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of differences between expected and actuarial experience. The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. During the current year, the District had \$1,368,716 deferred outflow related to TRS from implementing GASB 68. This amount consisted of \$941,013 for total net amounts per TRS August 31, 2017 measurement date and \$427,703 for contributions paid to TRS subsequent to the measurement date.

- Deferred outflow of resources related to TRS OPEB – Reported in the government-wide financial statement of net position, this deferred outflow results related to TRS OPEB contributions made after the measurement date of the net pension liability and the results of differences between expected and actuarial experience. The deferred outflows of resources related to TRS OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net TRS OPEB liability in the next fiscal year. During the current year, the District had \$126,129 deferred outflow related to TRS OPEB as a result of GASB 75. This amount consisted of \$1,256 for total net amounts per TRS OPEB August 31, 2017 measurement date and \$124,873 for contributions paid to TRS OPEB subsequent to the measurement date.

In addition to liabilities, the District will sometimes report a separate section for deferred inflow of resources. A deferred inflow of resources is an acquisition of a government's net assets (an increase in assets in excess of any related increase in liabilities or a decrease in liabilities in excess of any related decrease in assets) by the government that is applicable to a future reporting period. The District had three items that qualify for reporting in this category:

- Deferred inflow of resources for unavailable revenues – Reported only in the governmental funds balance sheet, for unavailable revenues from property taxes arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of revenues in the period that the amounts become available. During the current year, the District recorded deferred inflow of resources \$403,485 and \$116,854 as unavailable revenues – property taxes with the General Fund and Debt Service Fund respectively.
 - Deferred inflow of resources for pensions – Reported in the government-wide financial statement of net position, these deferred inflows result primarily from differences between projected and actual earnings on pension plan investments. During the current year, the District recorded \$639,123 for total net amounts per TRS August 31, 2017 measurement date as a result of implementing GASB 68.
 - Deferred inflow of resources related to TRS OPEB – Reported in the government-wide financial statement of net position, these deferred inflows result primarily from differences between projected and actual earnings on TRS OPEB investments. During the current year, the District recorded \$3,358,793 for total net amounts per TRS OPEB August 31, 2017 measurement date in accordance with GASB 75.
11. The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

12. Net Position Flow Assumptions - Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. When both restricted and unrestricted resources are available for use in a specific program or for a specific purpose, the District's normal policy is to use the restricted resource to finance its activities.

The Government-wide Statement of Net Position includes the following:

Net investment in capital assets - the component of the net position that reports capital assets less both the accumulated depreciation and the outstanding balance of debt and is directly attributable to the acquisition, construction, or improvement of these capital assets.

Restricted for federal and state programs – the component of the net position that reports the difference between assets and liabilities related to federal and state programs that consist of assets with constraints placed on their use by granting agencies.

Restricted for debt service – the component of the net position that reports the difference between assets and liabilities adjusted on a government-wide basis that consists of assets with constraints placed on their use by the bond covenants.

Restricted for capital projects – funds that have been assigned for future expenditures for equipment.

Restricted for campus activities – funds that have been committed solely for the use by various campuses within the District.

Unrestricted net position - the difference between the assets and liabilities that are not reported in net investment in capital assets or restricted net position.

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

14. Fund Balance Policies - In the fund financial statements, government funds report fund balances as either a non-spendable fund balance or a spendable fund balance.

Non-spendable fund balance – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements. Examples include inventories, long-term receivables, endowment principal, and/or prepaid/deferred items.

Spendable fund balance – Spendable fund balance includes restricted, committed, assigned, and unassigned components. These components can be described as follows:

Restricted fund balance – the component of the spendable fund balance constrained to a specific purpose by a provider, such as creditor, grantor, contributor, or law or regulation of other governments. Restricted fund balance includes funds for federal/state grants, capital acquisition/contractual obligations, and retirement of long-term debt.

Committed fund balance – the component of spendable fund balance constrained to a specific purpose by the Board. A Board resolution is required to establish, modify, or rescind a fund balance commitment. Only the action that constitutes the most binding constraint of the Board can be considered a commitment for fund balance classification purposes. Committed fund balance includes funds for construction, capital expenditures for equipment, other committed fund balance, and campus activity funds.

Assigned fund balance – the component of the spendable fund balance that is spendable or available for appropriation but has been tentatively earmarked for some specific purpose by the Board of Trustees or by an official or body to which the Board of Trustees delegates. 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 a specific purpose that is narrower than the general purposes of the District itself. The District's General Fund has \$3,971,869 as other assigned fund balance for future budgetary deficits.

Unassigned fund balance – is the residual classification of the General Fund and includes all amounts not contained in other classifications. This portion of the total fund balance in the general fund is available to finance operating expenditures. Only the General Fund will have unassigned amounts. By accounting for amounts in other funds, the District has implicitly assigned the funds for purposes of those particular funds. The District has a minimum fund balance policy that the Unassigned Fund Balance should represent 17% of total operating expenditures.

GODLEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2018

Exhibit F-1

Disclosure of Fund Balances Reported on Balance Sheet – Governmental Funds
For Fiscal Year Ending August 31, 2018

	General Fund	Debt Service Fund	Capital Projects Fund	Other Funds
Nonspendable Fund Balance				
Prepaid Items	\$ 127,648	\$ 0	\$ 0	\$ 17,550
Restricted Fund Balance				
SSA Special Education	0	0	0	1,097,486
Capital acquisit. & contract. oblig.	0	0	930,458	0
Retirement of long-term debt	0	3,112,865	0	0
Committed Fund Balance				
Construction	1,431,055	0	0	0
Capital expenditures for equipment	1,000,000	0	0	0
Other committed fund balance	500,000	0	0	0
Campus activity funds	0	0	0	66,864
Assigned Fund Balance				
Future budgetary deficits	3,971,869	0	0	0
Unassigned	3,393,615	0	0	0
Total Fund Balance	<u>\$10,424,187</u>	<u>\$3,112,865</u>	<u>\$930,458</u>	<u>\$1,181,900</u>

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

F. Implementation of New Standards

In the current fiscal year, the District implemented the following new standard:

GASB Statement No. 75, Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions – This statement applies to all state and local governmental entities and is intended to improve accounting and financial reporting for post-employment benefits other than pensions (or OPEB). It also improves the information provided by state and local government employers about financial support for OPEB that is provided by other entities.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS.

Exhibit C-2 “Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position” provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net position as reported in the government-wide statement of net position. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds. Also, the property taxes receivable which is included as unavailable revenue in the fund financial statements are adjusted based on when the tax levy was made and adjusted for uncollectible amounts. Also included are all of the adjustments required by GASB 68.

Exhibit C-4 “Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities” provides a reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in the net position of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net position balance and the change in net position. The debt payments on the retirement of debt are recorded as expenditures for fund-basis financial statements but are a reduction of debt in the government-wide financial statements. The capital asset additions are expenditures in the fund-basis financial statements but capitalized in the government-wide financial statements. The fund-basis financial statements do not include depreciation expense. The depreciation expense is a deduction to reconcile to the government-wide statement of activities. New debt issues are treated as sources of revenue for fund-basis financial statements, but for the government-wide statements, those amounts are recorded as a liability. Property taxes are adjusted for the accrual basis and the unavailable revenues are adjusted based on prior year levies and current year uncollectable amounts. Also included are all of the adjustments required by GASB 68.

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting

The Board of Trustees adopts an “appropriated budget” for the General Fund, Child Nutrition Program, and the Debt Service Fund. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The general fund budget report appears in Exhibit G-1 “Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund” and the other two reports are in Exhibit J-4 “Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual - Child Nutrition Program” and J-5 “Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual - Debt Service Fund”.

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

1. Prior to August 20, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days’ public notices of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can be amended at the function and fund level by approval of a majority of the members of the Board. Changes can be made to the budget in any detail within the function level without an amendment approved by the Board. During the year, several budget amendments were made with Board approval. The most significant amendments were for carryover funding; mid-year adjustment of operating

GODLEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2018

Exhibit F-1

costs; and year-end adjustments to expenditures based on the latest information concerning operating cost. All budget appropriations lapse at year-end.

	Original Budget Appropriations	Increase (Decrease)	Amended Budget Appropriations
General Fund – Exhibit G-1	\$19,294,523	\$1,516,216	\$20,810,739
Child Nutrition Program – Exhibit J-4	1,200,856	0	1,200,856
Debt Service Fund – Exhibit J-5	3,913,600	0	3,913,600

4. The major amendments to the General Fund were to increase Functions 11- Instruction and 51 – Facilities Maintenance & Operations for unanticipated increased operating costs. Function 52 – Security & Monitoring Services to upgrade the current system, and Function 81 – Facilities Acquisition & Construction for additional cost associated with finalize construction projects.
5. Each budget is controlled at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. A reconciliation of fund balances for both appropriated budget and non-appropriated budget special revenue funds is as follows:

August 31, 2018 Fund Balance	
Appropriated Budgeted Funds – National Breakfast & Lunch Program	\$ 2,697
Non-appropriated Budgeted Funds	1,179,203
All Special Revenue Funds	<u>\$1,181,900</u>

B. Excess of Expenditures over Appropriations

No excess of expenditures over appropriations existed for the year ended August 31, 2018.

C. Deficit Fund Equity

There were no deficit fund equities for the year ended August 31, 2018.

IV. DETAILED NOTES ON ALL FUNDS

A. Cash and Cash Equivalents

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the School Depository Act. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank 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.

Depository information is as follows:

- Depository bank: Wells Fargo Bank
- Highest combined balance: \$7,601,788
- Date of highest combined balance: February 1, 2018
- Amount of FDIC insurance: \$500,000
- Amount of pledged securities: \$11,426,813

Since the District complies with this law, it has no custodial credit risk for deposits.

The District's cash and cash equivalents, considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. At August 31, 2018, the carrying value of the District's deposits was \$3,137,142 and the bank balance was \$3,757,191. The District's cash deposits at August 31, 2018, and during the year then ended, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

The District does not have any cash or cash equivalents in foreign currency; therefore, there is no foreign currency risk.

B. Investments

The Public Funds Investment Act (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 returns, (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. The District maintains an investment policy which authorizes the District to invest in obligations of U.S. Treasury and U.S. agencies, municipal securities and repurchase agreements and the State Treasurer's investment pool or similar public investment pools. 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.

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy.

The District's investments at August 31, 2018 are shown below:

<u>Investments</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Percentage of Investments</u>	<u>Weighted Average Maturity (Days)</u>
TexPool – AAAM	\$7,698,779	\$7,698,779	53.9%	On demand
Municipal bonds	5,900,581	5,900,581	41.3%	On demand
TexasTerm – AAaf	500,000	500,000	3.5%	On demand
Savings/money market	166,713	166,713	1.2%	On demand
TexasDailey - AAAM	13,044	13,044	0.1%	On demand
	<u>\$14,279,117</u>	<u>\$14,279,117</u>	<u>100.0%</u>	

Custodial Credit Risk – Investments - For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The District's investments are not exposed to custodial risk. External investment pools are not subject custodial risk because investments are not evidenced by securities that exist in physical or book entry form. State law limits investments in public funds investment pools to those rated no lower than AAA or AAAM or an equivalent rating by at least one nationally recognized rating service. District investments are not exposed to custodial credit risk.

Credit Risk – This is the risk that a security issuer may default on an interest or principal payment. State law limits investment in local government pools to those that are rated AAA or equivalent by at least one Nationally Recognized Statistical Rating Organization (NRSRO). The District controls and monitors this risk by purchasing quality rated instruments that have been evaluated by agencies such as Standard and Poor's (S&P) or Moody's Investors Service, or by investing in public fund investment pools rated no lower than AAA or AAAM.

Interest-rate Risk – This type of risk occurs when potential purchasers of debt securities do not agree to pay face value for those securities if interest rates rise. The District's investment policy does not allow the purchase of investments that would expose the District to interest-rate risk.

Concentration of Credit Risk – This type of risk is defined as positions of 5 percent or more in securities of a single issuer. The District is not exposed to the concentration of credit risk because the investment portfolio mainly consists of external investment pools.

Foreign Currency Risk – This is the risk that exchange rates will adversely affect the fair value of an investment. At year-end, the District was not exposed to foreign currency risk.

C. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real property and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 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 (1) when they become due or past due and receivable with the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

The Board establishes the District's property tax rates annually. The authorized tax rates for property taxes assessed on January 1, 2017, were \$1.0400 and \$0.5000 per \$100 for the General Fund and Debt Service Fund, respectively, based on a net assessed valuation of \$762,935,195.

The District has not entered into any tax abatement agreements in compliance with Tax Code Chapter 312.

The legally authorized tax rate limit for the District is \$1.17 per \$100 assessed valuation for maintenance and operations. On January 1 of each year, a tax lien attaches to property to secure the payment of penalties imposed. Property tax revenues are considered available when they

GODLEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2018

Exhibit F-1

become due or past due and receivable within the current period and those expected to collect during the 60-day period after the close of the District's fiscal year.

Delinquent taxes are prorated between the General Fund and Debt Service Fund based rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes.

Delinquent taxes receivables and the related allowance for uncollectible taxes in the governmental fund financial statements as of August 31, 2018, are as follows:

	Property Taxes - Delinquent	Allowance for Uncollectible Taxes	Unavailable Revenue – Property Taxes
General Fund	\$407,560	\$(4,076)	\$403,485
Debt Service Fund	118,035	(1,180)	116,854
Totals	<u>\$525,595</u>	<u>\$(5,256)</u>	<u>\$520,339</u>

Current tax collections for the levy year ended August 31, 2018, were 99.2% of the year-end adjusted tax levy.

Uncollectible personal property taxes are periodically reviewed and written off by the District. The District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

The District has an agreement with Johnson County Tax Office ("County") whereby the County bills and collects the District's property taxes.

D. Disaggregation of Receivables and Payables

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.

There are no significant receivables which are not scheduled for collection within one year of August 31, 2018.

E. Receivables from Other Governments

Receivables from other governments, as of August 31, 2018, are as follow:

	Due from State
General Fund	\$1,623,247
Special Revenue Funds:	
ESEA I, A – Improving Basic Programs	20,143
National Breakfast & Lunch Program	46,887
ESEA II, A – Training & Recruiting	17,523
Title III, A – English Language Acquisition	12,145
Other Federal Special Revenue Funds	19,369
SSA IDEA, Part B Formula	130,405
SSA IDEA, Part B Preschool	7,927
SSA Career & Technical – Basic Grant	505
State Textbook Fund	68,967
Other SSA Special Revenue Funds	4,724
Total	<u>\$1,951,842</u>

GODLEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2018

Exhibit F-1

F. Interfund Receivables and Payables

The following is a summary of amounts due to and due from other funds:

	Due From Other Funds	Due To Other Funds
General Fund	\$988,158	\$ 0
Special Revenue Funds:		
ESEA I, A – Improving Basic Programs		610
National Breakfast & Lunch Program		51,778
ESEA II, A – Training & Recruiting		13,715
Title III, A – English Language Acquisition		12,145
Other Federal Special Revenue Funds		380
SSA - IDEA – Part B Formula		77,427
SSA - IDEA – Part B Preschool		5,029
SSA – Career & Technical Basic Grant		505
State Textbook Fund		68,967
SSA – Special Education		1,800
Total Special Revenue Funds		232,356
Debt Service Fund		4,750
Capital Projects Fund		745,055
Enterprise Fund		5,533
Fiduciary Fund – Agency Fund		464
Totals	\$988,158	\$988,158
Special Revenue Funds:		
National Breakfast & Lunch Program	\$ 5,651	\$ 0
General Fund	0	5,651
Sub-totals	5,651	5,651
Other Federal Special Revenue Funds	3,808	\$ 0
ESEA II, A – Training & Recruiting	0	3,808
Sub-totals	3,808	3,808
SSA IDEA, Part B Formula	39,253	0
SSA Special Education	0	37,688
Other SSA Special Revenue Funds	0	1,565
Sub-totals	39,253	39,253
SSA IDEA, Part B Preschool	3,159	0
Other SSA Special Revenue Funds	0	3,159
Sub-totals	3,159	3,159
Other State Special Revenue Funds	350	0
General Fund	0	350
Sub-totals	350	350
Total Special Revenue Funds	\$52,221	\$52,221
Proprietary Funds – Internal Service Fund	\$1,665	\$ 0
SSA Special Education	0	1,665
Totals	\$1,665	\$1,665
Fiduciary Funds:		
Private Purpose Funds	\$ 507	\$ 0
Agency Funds	160	0
General Fund	0	667
Totals	\$ 667	\$ 667

Interfund receivables and payables generally arise from interfund loans between different funds with balances being repaid generally within one year.

G. Interfund Transfers

The General Fund transferred \$3,616 to the National Breakfast & Lunch Program to supplement the operations of this program.

H. Other Financing Sources (Uses)

There were no other financing sources (uses) during the year:

I. Special Items/Extraordinary Items

The General Fund received \$238 as special items – mineral interest during the year.

J. Operating Leases

The District leases office equipment and automobiles under noncancelable operating leases. Total costs for such leases were \$56,840 for the year. The future minimum lease payments for active operating leases are summarized below:

Year Ending August 31	Amount
2019	\$43,461
2020	43,461
2021	39,711
2022	7,397
2023	0

K. Capital Asset Activity

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

	Beginning Balance	Increases/ Adjustments	Decreases/ Adjustments	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 2,353,865	\$ 100,623	\$ 0	\$ 2,454,488
Construction in Progress	16,305,253	0	16,305,253	0
Total Capital Assets, not being depreciated	18,659,118	100,623	16,305,253	2,454,488
Capital assets, being depreciated:				
Buildings and improvements	57,345,006	32,429,469	0	89,774,475
Furniture and equipment	4,697,240	308,818	97,000	4,909,058
Total capital assets, being depreciated	62,042,246	32,738,287	97,000	94,683,533
Less accumulated depreciation for:				
Buildings and improvements	13,110,426	1,418,126	0	14,528,552
Furniture and equipment	3,857,996	231,651	97,000	3,992,647
Total accumulated depreciation	16,968,422	1,649,777	97,000	18,521,199
Governmental activities capital assets, net	\$63,732,942	\$31,189,133	\$16,305,253	\$78,616,822

GODLEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2018

Exhibit F-1

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

Governmental activities:	
11 – Instruction	\$1,113,979
12 – Instruction Resources & Media Services	24,535
23 – School Leadership	7,050
34 – Student (Pupil) Transportation	205,604
35 – Food Services	30,575
36 – Extracurricular Activities	234,717
41 – General Administration	2,214
51 – Plant Maintenance & Operations	30,628
53 – Data Processing Services	475
Total Depreciation Expense	<u>\$1,649,777</u>

The District purchased approximately 20 acres of land for future expansion for \$100,623. Godley High School Phase I construction was completed and put into service during the current school year. An additional \$308,818 was used to purchase school buses to replace buses that were retired from service, cafeteria equipment, and other equipment during the year.

L. Long-Term Debt

Long-term debt of the District is comprised of bonds payable, accreted interest, premium on bonds, compensated absences, and net pension liability. Debt service requirements for general obligation bonds are payable from fund balance and future revenues of the Debt Service Fund which consists principally of property taxes collected by the District, state funding, and interest earnings.

The following is a summary of changes in long-term debt for government activities for the year ended August 31, 2018.

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Bonds payable	\$61,267,745	\$ 0	\$ 607,745	\$60,660,000	\$1,385,000
Accreted interest	685,148	22,107	707,255	0	0
Premium on bonds	7,819,614	0	672,459	7,147,155	0
Capital leases	108,433	0	36,144	72,289	36,144
Net pension liability	4,780,859	610,322	1,369,887	4,021,294	0
Net OPEB liability	14,079,838	1,358	6,051,606	8,029,590	0
Total	<u>\$88,741,637</u>	<u>\$633,787</u>	<u>\$9,445,096</u>	<u>\$79,930,328</u>	<u>\$1,421,144</u>

M. Bonds Payable

Bonded indebtedness of the District is reflected in the statement of net position. Current requirements for principal and interest expenditures are accounted for in the Debt Service Fund in the fund financial statements.

GODLEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2018

Exhibit F-1

A summary of changes in general obligation bonds for the year ended August 31, 2018, are as follows:

Issue/Maturity Date	Interest Rates Payable	Amounts Original Issue	Beginning Balance	Issued	Retired	Ending Balance	Due Within One Year
Series 2008 UTSB Bonds/2033	3.85%/5.0%	\$27,699,988	\$ 267,745	\$0	\$267,745	\$ 0	\$ 0
Series 2015 UTR Bonds/2033	2.0%/5.0%	25,615,000	25,425,000	0	0	25,425,000	1,040,000
Series 2015A UTR Bonds/2030	2.0%/4.0%	4,100,000	3,395,000	0	340,000	3,055,000	345,000
Series 2016 UTSB Bonds/2043	3.5%/4.0%	32,180,000	32,180,000	0	0	32,180,000	0
Totals			<u>\$61,267,745</u>	<u>\$0</u>	<u>\$607,745</u>	<u>\$60,660,000</u>	<u>\$1,385,000</u>

The following is a summary of the District's future annual debt service requirements to maturity for general obligation bonds.

Year Ended August 31	Principal	Interest	Total Requirements
2019	\$ 1,385,000	\$ 2,560,300	\$ 3,945,300
2020	1,410,000	2,516,900	3,926,900
2021	1,485,000	2,467,725	3,952,725
2022	1,565,000	2,415,419	3,980,419
2023	1,615,000	2,350,763	3,965,763
2024-2028	9,290,000	10,463,788	19,753,788
2029-2033	11,730,000	7,902,950	19,632,950
2034-2038	13,995,000	5,089,612	19,084,612
2039-2043	18,185,000	1,893,500	20,078,500
Totals	<u>\$60,660,000</u>	<u>\$37,660,957</u>	<u>\$98,320,957</u>

Interest and fees paid on general obligation bonds during the year were \$3,305,330.

There are numerous limitations and restrictions contained in the various general obligation bond indentures. The District has complied with all significant limitations and restrictions as of August 31, 2018.

N. Defeasance of Debt

In prior years, the District issued refunding bonds for the purpose of restructuring debt cash flow requirements. Proceeds from the refunding bonds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. The old bonds are considered defeased, and accordingly, the trust account assets and liabilities are not included in the District's financial statements. On August 31, 2018, \$33,150,000 of bonds considered defeased are still outstanding.

GODLEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2018

Exhibit F-1

O. Capital Leases

The District entered into a capital lease agreement in prior years to lease purchase 500 CTI Rugged Chromebooks for a total capitalized cost of \$144,577. The following is annual debt service for this lease.

Year Ended August 31	Principal	Interest	Total Requirements
2019	\$36,144	\$0	\$36,144
2020	36,144	0	36,144
Total	<u>\$72,288</u>	<u>\$0</u>	<u>\$72,288</u>

P. Revenue from Local and Intermediate Sources

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

	General Fund	Debt Service Fund	Capital Projects Fund	Other Funds	Fund Totals
Property taxes	\$7,990,929	\$3,826,890	\$ 0	\$ 0	\$11,817,819
Food sales	0	0	0	331,466	331,466
Penalties, interest & other tax related income	78,385	27,844	0	0	106,229
SSA – local revenue from members	0	0	0	1,890,000	1,890,000
Tuition & fees	66,690	0	0	0	66,690
Earnings – temporary deposits & investments	150,964	63,087	192,952	989	407,992
Foundations, gifts & bequests	3,140	0	0	15,091	18,231
Insurance recovery	31,373	0	0	0	31,373
Other revenues from local sources	92,330	0	0	144,171	236,501
Athletic activities	38,184	0	0	0	38,184
Total	<u>\$8,451,995</u>	<u>\$3,917,821</u>	<u>\$192,952</u>	<u>\$2,381,717</u>	<u>\$14,944,485</u>

Q. State Aid Revenue

The District receives state revenues from TEA based upon the application of formula allocations, on behalf allocations, and other state miscellaneous programs. The components of state program revenues as shown in the governmental fund financial statements are as follows:

	General Fund	Debt Service Fund	Other Funds	Fund Totals
Per Capita Apportionment	\$ 415,947	\$ 0	\$ 0	\$ 415,947
Foundation School Prg. Act Entitlements	9,681,977	0	157,101	9,839,078
State Program Revenues	0	40,543	318,135	358,678
TRS On-behalf Payments	818,989	0	124,431	943,420
TRS Medicare Part-D	83,597	0	0	83,597
SSA - State Revenues from Fiscal Agent	0	0	4,724	4,724
Total	<u>\$11,000,510</u>	<u>\$40,543</u>	<u>\$604,391</u>	<u>\$11,645,444</u>

R. Federal Program Revenues

The District receives federal program revenues for various programs as follows:

Revenues	General Fund	Other Funds
School Health & Related Services (SHARS)	\$190,606	\$ 0
Indirect costs	12,913	0
U. S. Department of Education – Passed Through	0	1,524,508
U. S. Department of Agriculture – Passed Through	0	708,372
Totals	\$203,519	\$2,232,880

S. Employee Benefits

Compensated Absences

Vacations are to be taken within the same year they are earned, and any unused days at the end of the year are forfeited. Therefore, no liability has been accrued in the accompanying financial statements. Employees of the District are also entitled to sick leave based on category/class of employment. Sick leave is allowed to accumulate but does not vest. Therefore, a liability for unused sick leave has not been recorded in either the government-wide financial statements or the governmental fund financial statements.

T. Defined Benefit Pension Plan

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

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

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

Benefits Provided - TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the

member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs, can be granted by the Texas Legislature as noted in the Plan Description above.

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

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

	<u>Contribution Rates</u>	
	<u>2017</u>	<u>2018</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Current fiscal year Employer Contributions	\$ 427,703	
Current fiscal year Member Contributions	\$1,126,791	
2017 measurement date NECE On-behalf Contributions	\$ 739,704	

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

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

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.5 %
Salary Increases including inflation	3.50% to 9.50% including inflation
Payroll Growth Rate	2.50%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

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

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

GODLEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2018

Exhibit F-1

Teacher Retirement System of Texas
Asset Allocation and Long-Term Expected 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 and Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk Parity			
Risk Parity	5%	6.7%	0.3%
Inflation Expectations	0%		2.2%
Alpha	0%		1.0%
Total	100%		8.7%

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

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

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
District's proportionate share of the net pension liability:	\$6,779,108	\$4,021,294	\$1,724,967

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 \$4,021,294 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 4,021,294
State's proportionate share that is associated with District	7,231,754
Total	\$11,253,048

GODLEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2018

Exhibit F-1

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.

On August 31, 2017, the District's proportion of the collective net pension liability was 0.012576522100% which was a decrease of 0.000075098000% from the proportion measured as of August 31, 2016.

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

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

For the year ended August 31, 2018, the District recognized pension expense of \$551,609 and revenue of \$551,609 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experience	\$ 58,833	\$216,863
Changes in actuarial assumptions	183,176	104,864
Net difference between projected and actual investment earnings	0	293,064
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	699,004	24,332
Total as of 8/31/17 measurement date	941,013	639,123
Contributions paid to TRS subsequent to the measurement date	427,703	0
Total	\$1,368,716	\$639,123

The net amounts of the employer's balances of deferred outflows and inflows (not including the deferred contribution paid subsequent to the measurement date) of resources related to pensions will be recognized in pension expense as follows:

Year ended August 31:	Pension Expense Amount
2019	\$ 41,511
2020	298,201
2021	21,786
2022	(55,528)
2023	2,806
Thereafter	(6,886)

U. Defined Other Post-Employment Benefit Plans

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

OPEB Plan Fiduciary Net Position – Detail information about the TRS-Care’s fiduciary net position is available in the separately-issued TRS Comprehensive Financial Report that includes financial statements and required supplementary information. That information 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:

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

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 or two optional insurance plans with more comprehensive benefits (TRS-Care 2 and TRS-Care 3). Eligible retirees and dependents enrolled in Medicare may elect to participate in one of the two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLAs.

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

TRS-Care Plan Premium Rates Effective September 1, 2016 – December 31, 2017			
	TRS Care-1 Basic Plan	TRS Care-2 Optional Plan	TRS Care-3 Optional Plan
Retiree*	\$ 0	\$ 70	\$100
Retiree and Spouse	20	175	255
Retiree* and Children	41	132	182
Retiree and Family	61	237	337
Surviving Children Only	28	62	82

*Or surviving spouse

Contributions – Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded 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 (State)	1.00%	1.25%
Employers	0.55%	0.75%
Federal/private Funding Remitted by Employers	1.00%	1.25%
Current fiscal year Employer Contributions		\$124,873
Current fiscal year Member Contributions		\$ 95,080
2017 measurement year NECE On-Behalf Contributions		\$129,918

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (regardless of whether or not they participate in the TRS-Care OPEB program). When employers hire a TRS retiree, they are required to pay to TRS-Care, a monthly surcharge of \$535 per retiree.

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$15.6 million in the fiscal year 2017. House Bill 30 was passed in special session and provided a supplemental appropriation in the amount of \$212 million in the fiscal year 2018.

The District’s proportionate share of the \$212 million received during the District’s 2018 fiscal year is reported in the fund level financial statements as an on-behalf contribution as required by GASB 85 and GASB 24.

Actuarial Assumptions – The total OPEB liability on 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 valuations are more complex. All of the demographic assumptions, including mortality, and most of the economic assumptions are identical to those which were adopted by the Board in 2015 and are based on the 2014 actuarial experience study of TRS.

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

GODLEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2018

Exhibit F-1

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	3.50%
Projected Salary Increases	3.50% - 9.50%
Healthcare Trend Rates	4.50% - 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 includes 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 of 2.50%.

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

Discount Rate – A single discount rate of 3.42% was used to measure the total OPEB liability. There was a change of .44 percent in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was adopted for 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 of 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.

Sensitivity of the Net OPEB Liability:

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

GODLEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2018

Exhibit F-1

	1% Decrease in Discount Rate (2.42%)	Discount Rate (3.42%)	1% Increase in Discount Rate (4.42%)
District's proportionate share of the Net OPEB liability:	\$9,476,910	\$8,029,590	\$6,866,272

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 one-percent lower or one-percent higher than the assumed healthcare cost trend rate.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of the Net OPEB liability:	\$6,685,436	\$8,029,590	\$9,793,290

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - At August 31, 2018, the District reported a liability of \$8,029,590 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	\$ 8,029,590
State's proportionate share that is associated with District	10,866,811
Total	<u>\$18,896,401</u>

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

At August 31, 2017, the District's proportion of the collective Net OPEB Liability was 0.018464665100% which was the same proportion measured as of August 31, 2016.

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

1. Significant plan changes were adopted during the fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will exist (instead of three), and all retirees will be required to contribute monthly premiums for coverage. The health plan changes triggered several changes to several of the assumptions including participation rates, retirement rates, and spousal participation rates.
2. The August 31, 2016 valuation had assumed that the savings related to the Medicare Part D reimbursement 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 assumptions better reflect the substantive plan. This change was unrelated to the plan

GODLEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2018

Exhibit F-1

amendment, and its impact was included as an assumption change in the reconciliation of the total OPEB liability. This change significantly lowered the OPEB liability.

3. The discount rate changed from 2.98 percent as of August 31, 2016, to 3.42 percent as of August 31, 2017. This change lowered the total OPEB liability.

In this valuation, the impact of Cadillac Tax has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

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

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

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

There were no changes of benefit terms that affect the measurement of the Total OPEB liability during the measurement period.

For the year ended August 31, 2018, the District recognized OPEB expense of \$(3,636,324) and revenue of \$(3,636,324) for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experience	\$ 0	\$ 167,624
Changes in actuarial assumptions	0	3,191,169
Net difference between projected and actual investment earnings	1,220	0
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	36	0
Contributions paid to TRS subsequent to the measurement date	124,873	0
Total	<u>\$126,129</u>	<u>\$3,358,793</u>

The net amounts of the employer's balances of deferred outflows and inflows (not including the deferred contribution paid subsequent to the measurement date) of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended August 31:	OPEB Expense Amount
2019	\$ (443,031)
2020	(443,031)
2021	(443,031)
2022	(443,031)
2023	(443,336)
Thereafter	(1,142,079)

V. Medicare Part D Coverage

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2018, 2017, and 2016, the subsidy payments received by TRS-Care on-behalf of the District were \$44,451, \$45,823, and \$55,963, respectively. These payments are recorded as equal revenues and expenditures in the governmental fund financial statements of the District.

W. Active Employee Health Care Coverage

The District participates in TRS Active Care sponsored by the Teacher Retirement System of Texas and administered through Aetna and Caremark (pharmacy). TRS Active Care provides health care coverage to employees (and their dependents) of participating public education entities. Optional life and long-term care insurance are also provided to active members and retirees. The plan is authorized by the Texas Insurance Code, Title 8, Subtitle H, Chapter 1579 and by the Texas Administrative Code, Title 34, Part 3, Chapter 41. The District contributed approximately \$325 per month per participant to the plan, and employees, at their option, authorized payroll withholdings to pay employee contributions and additional premiums for dependents. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS ActiveCare. That report may be obtained by visiting the TRS Website at www.trs.state.tx.us, by writing the Communications Department of Texas Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling (800) 223-8778.

X. Commitments and Contingencies

1. State and Federal Grants

Minimum foundation funding received from TEA is based primarily on information concerning average daily attendance at the District's schools which is compiled by the District and supplied to TEA. Federal funding for Food Service under child nutrition programs is based primarily upon the number and type of meals served and on user charges as reported to the United States Department of Agriculture ("USDA"). Federal and state funding received related to various grant programs are based upon periodic reports detailing reimbursable expenditures made in compliance with program guidelines to the grantor agencies.

These programs are governed by various statutory rules and regulations of the grantors. Amounts received and receivable under these various funding programs are subject to periodic audit and adjustment by the funding agencies. To the extent, if any, that the District has not

complied with all the rules and regulations with respect to performance, financial or otherwise, adjustment to or return of funding monies may be required. In the opinion of the District's administration, there are no significant contingent liabilities relating to matters of compliance and, accordingly, no provision has been made in the accompanying financial statements for such contingencies.

2. Litigation

The District is not a party in any litigation.

Y. Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the current fiscal year, 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.

Z. Joint Venture-Shared Service Arrangements

The District is fiscal agent for a Special Education Shared Service Arrangement ("SSA") that provides special education programs and alternative school programs for member districts. In addition to the District, other member districts include the following independent school districts: Grandview, Keene, and Rio Vista. The District as a fiscal agent provides all services to member districts. The member districts provide funds to the fiscal agent.

The District accounts for this SSA in Special Revenue Fund 437 – SSA, Special Education. The District as fiscal agent, manages the SSA's financial matters, including budgeting, accounting, auditing, and reporting. Certain management decisions may be made by an executive board or committee of participating members. The District records the receipt of the member's monies and state and federal funding and the related disbursement activity in the SSA special revenue fund. At year's end, the District informs the members of the SSA's activities and their share of expenditures. The District allocates expenditures of the SSA based on predetermined allocation rates. None of the members are accumulating significant financial resources nor fiscal exigencies that would give rise to future additional benefits or burden.

As fiscal agent for this program, the District also receives Federal funds that are reported in the following SSA funds: Fund 313 – IDEA, Part B, Formula; Fund 314 – IDEA, Part B, Preschool; Fund 331 – Career & Technical – Basic Grant, and Fund 437 – Special Education.

AA. Evaluation of Subsequent Events

The District has evaluated subsequent events through November 30, 2018, the date which the financial statements were available to be issued.

BB. Prior Period Adjustment

The District had to record a prior period adjustment of \$(14,079,838) to the Statement of Activities (Exhibit B-1) as a result of implementing GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

REQUIRED SUPPLEMENTARY INFORMATION

GODLEY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 8,239,440	\$ 8,268,895	\$ 8,451,995	\$ 183,100
5800 State Program Revenues	7,974,236	7,974,236	11,000,510	3,026,274
5900 Federal Program Revenues	211,841	211,841	203,519	(8,322)
5020 Total Revenues	16,425,517	16,454,972	19,656,024	3,201,052
EXPENDITURES:				
Current:				
0011 Instruction	9,918,912	10,283,633	10,130,590	153,043
0012 Instructional Resources and Media Services	259,229	259,129	249,802	9,327
0013 Curriculum and Instructional Staff Development	200,519	209,419	190,152	19,267
0021 Instructional Leadership	266,250	273,550	259,022	14,528
0023 School Leadership	1,140,354	1,173,074	1,164,917	8,157
0031 Guidance, Counseling and Evaluation Services	405,809	413,709	395,258	18,451
0033 Health Services	250,810	291,558	279,434	12,124
0034 Student (Pupil) Transportation	870,939	919,239	879,885	39,354
0036 Extracurricular Activities	923,184	931,843	846,806	85,037
0041 General Administration	871,321	886,121	846,884	39,237
0051 Facilities Maintenance and Operations	2,319,312	2,713,380	2,608,957	104,423
0052 Security and Monitoring Services	68,705	383,705	245,991	137,714
0053 Data Processing Services	589,626	662,826	579,044	83,782
0061 Community Services	2,000	2,000	435	1,565
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	175,000	104,113	70,887
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	1,034,841	1,059,841	1,019,750	40,091
0099 Other Intergovernmental Charges	172,712	172,712	164,899	7,813
6030 Total Expenditures	19,294,523	20,810,739	19,965,939	844,800
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,869,006)	(4,355,767)	(309,915)	4,045,852
OTHER FINANCING SOURCES (USES):				
8911 Transfers Out (Use)	-	(5,000)	(3,616)	1,384
SPECIAL ITEMS:				
7918 Special Item - Mineral Interests	-	-	238	238
1200 Net Change in Fund Balances	(2,869,006)	(4,360,767)	(313,293)	4,047,474
0100 Fund Balance - September 1 (Beginning)	10,737,480	10,737,480	10,737,480	-
3000 Fund Balance - August 31 (Ending)	\$ 7,868,474	\$ 6,376,713	\$ 10,424,187	\$ 4,047,474

GODLEY 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

	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
District's Proportion of the Net Pension Liability (Asset)	0.0125765%	0.0126516%	0.01305%	0.0086918%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 4,021,294	\$ 4,780,859	\$ 4,613,001	\$ 2,321,700
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	7,231,754	9,247,315	8,559,630	7,014,039
Total	<u>\$ 11,253,048</u>	<u>\$ 14,028,174</u>	<u>\$ 13,172,631</u>	<u>\$ 9,335,739</u>
District's Covered Payroll	\$ 14,234,206	\$ 14,419,582	\$ 13,583,116	\$ 12,775,498
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	28.25%	33.16%	33.96%	18.17%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.17%	78.00%	78.43%	83.25%

Note: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2017 for year 2018, August 31, 2016 for Year 2017, August 31, 2015 for Year 2016 and August 31, 2014 for 2015.

Note: In accordance with GASB 68, Paragraph 138, only four years of data are presented this reporting period. "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."

GODLEY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2018

	2018	2017	2016	2015
Contractually Required Contribution	\$ 427,703	\$ 412,185	\$ 401,978	\$ 386,417
Contribution in Relation to the Contractually Required Contribution	(427,703)	(412,185)	(401,978)	(386,417)
Contribution Deficiency (Excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
District's Covered Payroll	\$ 14,633,641	\$ 14,234,206	\$ 14,419,582	\$ 13,583,116
Contributions as a Percentage of Covered Payroll	2.92%	2.90%	2.79%	2.84%

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

Note: In accordance with GASB 68, Paragraph 138, only four years of data are presented this reporting period. "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."

GODLEY 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

	FY 2018 Plan Year 2017
District's Proportion of the Net Liability (Asset) for Other Post Employment Benefits	0.0184647%
District's Proportionate Share of Net Post Employment Benefit Liability (Asset)	\$ 8,029,590
State's Proportionate Share of the Net Post Employment Benefit Liability (Asset) Associated with the District	10,866,811
Total	<u>\$ 18,896,401</u>
District's Covered Payroll	\$ 14,234,206
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	56.41%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.91%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. Therefore the amounts reported for FY 2018 are based on the August 31, 2017 measurement date.

This schedule shows only the year for which this information is available. Additional information will be added until 10 years of data are available and reported.

GODLEY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2018

	<u>2018</u>
Contractually Required Contribution	\$ 124,873
Contribution in Relation to the Contractually Required Contribution	(124,873)
Contribution Deficiency (Excess)	<u>\$ -0-</u>
District's Covered Payroll	\$ 14,633,641
Contributions as a Percentage of Covered Payroll	0.85%

Note: GASB Codification, Vol. 2, P50.238 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

Information in this schedule should be provided only for the years where data is available. Eventually 10 years of data should be presented.

A. Notes to Schedule for the TRS Pension

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

Changes in Assumptions – There were no changes to the actuarial assumptions or other inputs that affected the measurement of the total pension liability since the measurement date.

B. Notes to Schedules for the TRS OPEB Plan

Changes in Benefit Terms – There were no changes of benefit terms that affected the measurement of the total OPEB liability during the measurement period.

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

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

In this valuation, the impact of the Cadillac tax has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac tax include:

- 2018 threshold of \$850/\$2,292 were indexed annually by 2.50 percent.
- Premium data submitted was not adjusted for permissible exclusions in the Cadillac tax.
- There was no special adjustment 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 operations of the methodology used for these measurements; and changes in plan provisions or applicable law.

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COMBINING SCHEDULES

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

Data Control Codes		211 ESEA I, A Improving Basic Program	240 National Breakfast and Lunch Program	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
1120	Investments - Current	-	-	-	-
1240	Due from Other Governments	20,143	46,887	17,523	12,145
1260	Due from Other Funds	-	5,651	-	-
1290	Other Receivables	-	600	-	-
1300	Inventories	-	2,072	-	-
1410	Prepayments	-	2,697	-	-
1000	Total Assets	<u>\$ 20,143</u>	<u>\$ 57,907</u>	<u>\$ 17,523</u>	<u>\$ 12,145</u>
LIABILITIES					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ -
2150	Payroll Deductions and Withholdings Payable	1	1,360	-	-
2160	Accrued Wages Payable	19,532	-	-	-
2170	Due to Other Funds	610	51,778	17,523	12,145
2300	Unearned Revenue	-	2,072	-	-
2000	Total Liabilities	<u>20,143</u>	<u>55,210</u>	<u>17,523</u>	<u>12,145</u>
FUND BALANCES					
Nonspendable Fund Balance:					
3430	Prepaid Items	-	2,697	-	-
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	-
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>2,697</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 20,143</u>	<u>\$ 57,907</u>	<u>\$ 17,523</u>	<u>\$ 12,145</u>

289 Other Federal Special Revenue Funds	313 SSA IDEA, Part B Formula	314 SSA IDEA, Part B Preschool	331 SSA - Career & Technical - Basic Grant	397 Advanced Placement Incentives	410 State Textbook Fund	429 Other State Special Revenue Funds	437 SSA Special Education
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 93,842
-	-	-	-	-	-	-	1,183,884
19,369	130,405	7,927	505	-	68,967	-	-
3,808	39,253	3,159	-	-	-	350	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	2,648	-	-	-	-	-	14,853
<u>\$ 23,177</u>	<u>\$ 172,306</u>	<u>\$ 11,086</u>	<u>\$ 505</u>	<u>\$ -</u>	<u>\$ 68,967</u>	<u>\$ 350</u>	<u>\$ 1,292,579</u>
\$ 22,797	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,533
-	-	-	-	-	-	-	-
-	94,879	6,057	-	-	-	350	127,554
380	77,427	5,029	505	-	68,967	-	41,153
-	-	-	-	-	-	-	-
<u>23,177</u>	<u>172,306</u>	<u>11,086</u>	<u>505</u>	<u>-</u>	<u>68,967</u>	<u>350</u>	<u>180,240</u>
-	-	-	-	-	-	-	14,853
-	-	-	-	-	-	-	1,097,486
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,112,339</u>
<u>\$ 23,177</u>	<u>\$ 172,306</u>	<u>\$ 11,086</u>	<u>\$ 505</u>	<u>\$ -</u>	<u>\$ 68,967</u>	<u>\$ 350</u>	<u>\$ 1,292,579</u>

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

Data Control Codes		459 Other SSA Special Revenue Funds	461 Campus Activity Funds	Total Nonmajor Governmental Funds
ASSETS				
1110	Cash and Cash Equivalents	\$ -	\$ 66,864	\$ 160,706
1120	Investments - Current	-	-	1,183,884
1240	Due from Other Governments	4,724	-	328,595
1260	Due from Other Funds	-	-	52,221
1290	Other Receivables	-	-	600
1300	Inventories	-	-	2,072
1410	Prepayments	-	-	20,198
1000	Total Assets	<u>\$ 4,724</u>	<u>\$ 66,864</u>	<u>\$ 1,748,276</u>
LIABILITIES				
2110	Accounts Payable	\$ -	\$ -	\$ 34,330
2150	Payroll Deductions and Withholdings Payable	-	-	1,361
2160	Accrued Wages Payable	-	-	248,372
2170	Due to Other Funds	4,724	-	280,241
2300	Unearned Revenue	-	-	2,072
2000	Total Liabilities	<u>4,724</u>	<u>-</u>	<u>566,376</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3430	Prepaid Items	-	-	17,550
Restricted Fund Balance:				
3450	Federal or State Funds Grant Restriction	-	-	1,097,486
Committed Fund Balance:				
3545	Other Committed Fund Balance	-	66,864	66,864
3000	Total Fund Balances	<u>-</u>	<u>66,864</u>	<u>1,181,900</u>
4000	Total Liabilities and Fund Balances	<u>\$ 4,724</u>	<u>\$ 66,864</u>	<u>\$ 1,748,276</u>

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

Data Control Codes	211 ESEA I, A Improving Basic Program	240 National Breakfast and Lunch Program	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ 332,452	\$ -	\$ -
5800 State Program Revenues	-	25,763	-	-
5900 Federal Program Revenues	212,797	708,372	38,273	19,840
5020 Total Revenues	212,797	1,066,587	38,273	19,840
EXPENDITURES:				
Current:				
0011 Instruction	212,797	-	3,808	17,395
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	-	-	34,465	2,445
0021 Instructional Leadership	-	-	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	-	-	-
0032 Social Work Services	-	-	-	-
0034 Student (Pupil) Transportation	-	-	-	-
0035 Food Services	-	1,110,721	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0052 Security and Monitoring Services	-	-	-	-
Debt Service:				
0071 Principal on Long-Term Debt	-	-	-	-
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	-	-
6030 Total Expenditures	212,797	1,110,721	38,273	19,840
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(44,134)	-	-
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	3,616	-	-
1200 Net Change in Fund Balance	-	(40,518)	-	-
0100 Fund Balance - September 1 (Beginning)	-	43,215	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ 2,697	\$ -	\$ -

289 Other Federal Special Revenue Funds	313 SSA IDEA, Part B Formula	314 SSA IDEA, Part B Preschool	331 SSA - Career & Technical - Basic Grant	397 Advanced Placement Incentives	410 State Textbook Fund	429 Other State Special Revenue Funds	437 SSA Special Education
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	1,890,491
-	-	-	-	570	312,037	350	260,947
24,313	1,071,628	72,332	24,717	-	-	-	60,608
24,313	1,071,628	72,332	24,717	570	312,037	350	2,212,046
24,313	563,432	72,332	24,717	-	275,893	2,408	1,318,688
-	-	-	-	-	-	-	-
-	-	-	-	570	-	-	-
-	38,735	-	-	-	-	-	403,097
-	-	-	-	-	-	-	206
-	469,461	-	-	-	-	-	360,428
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	328,729
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	6,182
-	-	-	-	-	-	-	93,495
-	-	-	-	-	-	-	7,000
-	-	-	-	-	36,144	-	-
-	-	-	-	-	-	-	10,898
24,313	1,071,628	72,332	24,717	570	312,037	2,408	2,528,723
-	-	-	-	-	-	(2,058)	(316,677)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	(2,058)	(316,677)
-	-	-	-	-	-	2,058	1,429,016
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	1,112,339

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

Data Control Codes	459 Other SSA Special Revenue Funds	461 Campus Activity Funds	Total Nonmajor Governmental Funds
REVENUES:			
5700 Total Local and Intermediate Sources	\$ -	\$ 158,774	\$ 2,381,717
5800 State Program Revenues	4,724	-	604,391
5900 Federal Program Revenues	-	-	2,232,880
5020 Total Revenues	4,724	158,774	5,218,988
EXPENDITURES:			
Current:			
0011 Instruction	-	96,684	2,612,467
0012 Instructional Resources and Media Services	-	12,702	12,702
0013 Curriculum and Instructional Staff Development	-	-	37,480
0021 Instructional Leadership	-	-	441,832
0023 School Leadership	-	28,516	28,722
0031 Guidance, Counseling and Evaluation Services	-	-	829,889
0032 Social Work Services	4,724	-	4,724
0034 Student (Pupil) Transportation	-	202	328,931
0035 Food Services	-	-	1,110,721
0041 General Administration	-	-	6,182
0051 Facilities Maintenance and Operations	-	-	93,495
0052 Security and Monitoring Services	-	-	7,000
Debt Service:			
0071 Principal on Long-Term Debt	-	-	36,144
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	10,898
6030 Total Expenditures	4,724	138,104	5,561,187
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	20,670	(342,199)
OTHER FINANCING SOURCES (USES):			
7915 Transfers In	-	-	3,616
1200 Net Change in Fund Balance	-	20,670	(338,583)
0100 Fund Balance - September 1 (Beginning)	-	46,194	1,520,483
3000 Fund Balance - August 31 (Ending)	\$ -	\$ 66,864	\$ 1,181,900

REQUIRED TEXAS EDUCATION AGENCY SCHEDULES

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

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2009 and prior years	Various	Various	\$ 1,811,171,104
2010	0.921500	0.149980	1,444,020,980
2011	0.941500	0.180890	1,336,233,840
2012	0.941500	0.195590	1,227,121,688
2013	0.941500	0.187200	1,209,597,590
2014	0.941500	0.231252	1,034,699,638
2015	0.941500	0.254000	1,013,416,729
2016	0.973200	0.274460	940,600,885
2017	1.040000	0.500000	761,222,792
2018 (School year under audit)	1.040000	0.500000	762,935,195
1000 TOTALS			

(10) Beginning Balance 9/1/2017	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2018
\$ 210,408	\$ -	\$ 2,576	\$ 448	\$ -	\$ 207,384
18,651	-	462	75	-	18,114
10,000	-	704	136	(168)	8,992
13,833	-	869	180	(232)	12,552
13,774	-	1,575	314	(223)	11,662
24,225	-	17,210	4,227	12,493	15,281
30,904	-	16,767	4,524	11,797	21,410
46,131	-	26,591	7,499	16,217	28,258
131,267	-	60,055	28,872	10,683	53,023
-	11,749,202	7,863,977	3,780,758	44,452	148,919
<u>\$ 499,193</u>	<u>\$ 11,749,202</u>	<u>\$ 7,990,786</u>	<u>\$ 3,827,033</u>	<u>\$ 95,019</u>	<u>\$ 525,595</u>

GODLEY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 365,000	\$ 365,000	\$ 332,452	\$ (32,548)
5800 State Program Revenues	24,400	24,400	25,763	1,363
5900 Federal Program Revenues	670,000	670,000	708,372	38,372
5020 Total Revenues	1,059,400	1,059,400	1,066,587	7,187
EXPENDITURES:				
0035 Food Services	1,200,856	1,200,856	1,110,721	90,135
6030 Total Expenditures	1,200,856	1,200,856	1,110,721	90,135
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(141,456)	(141,456)	(44,134)	97,322
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	3,616	3,616
1200 Net Change in Fund Balances	(141,456)	(141,456)	(40,518)	100,938
0100 Fund Balance - September 1 (Beginning)	43,215	43,215	43,215	-
3000 Fund Balance - August 31 (Ending)	\$ (98,241)	\$ (98,241)	\$ 2,697	\$ 100,938

GODLEY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 3,785,926	\$ 3,785,926	\$ 3,917,821	\$ 131,895
5800 State Program Revenues	59,419	59,419	40,543	(18,876)
5020 Total Revenues	3,845,345	3,845,345	3,958,364	113,019
EXPENDITURES:				
Debt Service:				
0071 Principal on Long-Term Debt	607,745	1,315,000	607,745	707,255
0072 Interest on Long-Term Debt	3,300,355	2,593,100	3,300,355	(707,255)
0073 Bond Issuance Cost and Fees	5,500	5,500	4,975	525
6030 Total Expenditures	3,913,600	3,913,600	3,913,075	525
1200 Net Change in Fund Balances	(68,255)	(68,255)	45,289	113,544
0100 Fund Balance - September 1 (Beginning)	3,067,576	3,067,576	3,067,576	-
3000 Fund Balance - August 31 (Ending)	\$ 2,999,321	\$ 2,999,321	\$ 3,112,865	\$ 113,544

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REPORT ON INTERNAL CONTROLS, COMPLIANCE
AND FEDERAL AWARDS

KIRK & RICHARDSON, P. C.

Certified Public Accountants

Tom Kirk, CPA	Don Richardson, CPA	
7559 John T. White Road	P. O. Box 8342	Fort Worth, Texas 76124
(817) 451-7406	www.krp-cpa.com	Fax (817) 451-7597

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
Godley Independent School District
313 N. Pearson
Godley, Texas 76044

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, business-type activities, and the aggregate remaining fund information of Godley 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 and have issued our report thereon dated December 7, 2018.

Internal Control over Financial Reports

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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 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 Audit Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kirk & Richardson, P.C.

Kirk & Richardson, P. C.
Fort Worth, Texas
December 7, 2018

KIRK & RICHARDSON, P. C.

Certified Public Accountants

Tom Kirk, CPA		Don Richardson, CPA
7559 John T. White Road	P. O. Box 8342	Fort Worth, Texas 76124
(817) 451-7406	www.krp-cpa.com	Fax (817) 451-7597

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees
Godley Independent School District
313 N. Pearson
Godley, Texas 76044

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control of 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.

Kirk & Richardson, P.C.

Kirk & Richardson, P.C.
Fort Worth, Texas
December 7, 2018

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

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiency(ies) identified that are not considered to be material weakness?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiency(ies) identified that are not considered to be material weakness?	No
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 <i>Audit Requirements for Federal Awards</i> (Uniform Guidance)?	No

Identification of major programs:

U.S. Department of Agriculture

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027	SSA – IDEA – Part B, Formula
84.173	SSA – IDEA – Part B, Preschool

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

Auditee qualified as low risk auditee?: Yes

Section II – Financial Statement Findings

There were no current year findings.

Section III – Federal Award Findings and Questioned Costs

There were no current year findings.



GODLEY INDEPENDENT SCHOOL DISTRICT

313 N. PEARSON ST. • GODLEY, TEXAS 76044

(817)389-2536 • FAX (817)389-2543



SCHEDULE OF STATUS OF PRIOR FINDINGS FOR THE YEAR ENDED AUGUST 31, 2018

Not applicable.



GODLEY INDEPENDENT SCHOOL DISTRICT

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CORRECTIVE ACTION PLAN FOR THE YEAR ENDED AUGUST 31, 2018

Contact Person: Bryan Myres, Executive Director - Finance
313 N. Pearson
Godley, Texas 76044

(817) 389-2536

CORRECTIVE ACTION PLAN:

None required.

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

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	18610101126911	\$ 182,197
ESEA, Title I, Part A - Improving Basic Programs	84.010A	19610101126911	19,532
TTL I 1003 School Improvement	84.010A	18610123126911	20,000
Total CFDA Number 84.010A			221,729
*SSA - IDEA - Part B, Formula	84.027	186600011269116000	1,033,177
*SSA - IDEA - Part B, Formula	84.027	196600011269116000	95,174
Total CFDA Number 84.027			1,128,351
*SSA - IDEA - Part B, Preschool	84.173	186610011269116000	70,160
*SSA - IDEA - Part B, Preschool	84.173	196610011269116000	6,057
Total CFDA Number 84.173			76,217
Total Special Education Cluster (IDEA)			1,204,568
SSA - Career and Technical - Basic Grant	84.048	18420006126911	25,950
Title III, Part A - English Language Acquisition	84.365A	18671001126911	20,225
ESEA, Title II, Part A, Supporting Effective Instr	84.367A	18694501126911	36,221
ESEA, Title II, Part A, Supporting Effective Instr	84.367A	19694501126911	3,976
Total CFDA Number 84.367A			40,197
Summer School LEP	84.369	69551702	2,374
Title IV Part A, Subpart 1	84.424	18680101126911	10,000
Title IV Part A, Subpart 1	84.424	19680101126911	12,378
Total CFDA Number 84.424			22,378
Total Passed Through State Department of Education			1,537,421
TOTAL U.S. DEPARTMENT OF EDUCATION			1,537,421
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553		155,726
*National School Lunch Program - Cash Assistance	10.555		486,095
*National School Lunch Prog. - Non-Cash Assistance	10.555		66,551
Total CFDA Number 10.555			552,646
Total Child Nutrition Cluster			708,372
Total Passed Through the State Department of Agriculture			708,372
TOTAL U.S. DEPARTMENT OF AGRICULTURE			708,372
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 2,245,793</u>

*Clustered Programs

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

GODLEY INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES TO FEDERAL AWARDS
 AUGUST 31, 2018

1. For all federal programs, the District uses the fund types specified in Texas Education Agency's *Financial Accountability System Resource Guide*. Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is account for in a Special Revenue Fund.
2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The governmental funds are accounted for using a current financial resources measurement focus. All federal grant funds were accounted for in special revenue funds, which are governmental fund types. With this measurement focus, only current assets, current liabilities and fund balance are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for the Governmental Fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant revenues are considered to be earned to the extent of expenditures made under the provisions of the grant, and accordingly, when such amounts are received, they are recorded as unearned revenues until earned. The accompanying Schedule of Expenditures of Federal Awards is presented on the modified accrual basis of accounting.

3. The period of availability for federal grant programs for the purpose of liquidations of outstanding obligations made on or before the ending date of the federal project extended 30 days beyond the federal project period ending date.
4. The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustments by the grantor agencies; therefore, to the extent that the District has not complied with rules and regulations governing the grants, refund of any money received may be required and the collectability of any related receivable may be impaired.
5. The following is a reconciliation of expenditures of federal awards program per the Schedule of Expenditures of Federal Awards and expenditures reported in the financial statements as follows:

Total federal sources per financial statements for Governmental Funds	\$2,436,399
School Health & Related Services (SHARS) reimbursement not reported in the Schedule of Expenditures of Federal Awards	(190,607)
Rounding	1
Total federal expenditures on Schedule of Expenditures of Federal Awards	<u>\$2,245,793</u>