Tarkington Independent School District

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

Tarkington Independent School District

Annual Financial Report
For the Fiscal Year Ended August 31, 2018
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Certificate of the Board

Tarkington Independent School District	Liberty	146-907
Name of School District	County	Co.-Dist Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and ✓ approved _____ disapproved for the fiscal year ended August 31, 2018 at a meeting of the Board of Trustees of such school district on the 24th day of January, 2018.

Signature of Board Secretary

Signature of Board President

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

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Financial Section

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Independent Auditor's Report

To the Board of Trustees of
Tarkington Independent School District
Cleveland, Texas

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Emphasis of Matter

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Supplementary Information and the Schedule of Required Responses to Selected School First Indicators, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The Schedule of Required Responses to Selected School First Indicators has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

The Board of Trustees of
Tarkington Independent School District

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 10, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance. (Name of Firm)

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Conroe, Texas
December 10, 2018

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Management's Discussion and Analysis

As management of the Tarkington Independent School District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended August 31, 2018.

Financial Highlights

- The assets and deferred outflows or resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $3,352,755 *(net position).* The District's unrestricted net position is a deficit as a result of implementing GASB 75 for OPEB.
- The District's net position decreased by $5,409,614, which includes an increase of $3,272,400 from current operations and a decrease of $8,682,014 from a prior period adjustment to implement GASB 75 for OPEB.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of $6,405,449, an increase of $1,224,584 in comparison with the prior year.
- At the end of the current fiscal year, fund balance for the general fund was $5,066,536 or 32 percent of total general fund expenditures.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

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

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

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

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of students. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the District's own programs.

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

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

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $3,352,755 at the close of the most recent fiscal year.

Tarkington Independent School District's Net Position

	Governmental Activities					
	2018		2017		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Current and other assets	$ 10,729,617	46	$ 9,146,974	42	$ 1,582,643	17
Capital assets, net of depreciation	12,490,733	54	12,711,645	58	(220,912)	(2)
Total assets	23,220,350	100	21,858,619	100	1,361,731	
Total deferred outflows of resources	1,420,337	100	1,768,358	100	(348,021)	(20)
Long-term liabilities outstanding	17,664,052	94	14,065,369	96	3,598,683	26
Other liabilities	1,051,452	6	580,200	4	471,252	81
Total liabilities	18,715,504	100	14,645,569	100	4,069,935	
Total deferred outflows of resources	2,572,428	100	219,039	100	2,353,389	1,074
Net position:						
Net investment in capital assets	2,879,668	86	2,010,409	23	869,259	43
Restricted	1,652,005	49	1,668,373	19	(16,368)	(1)
Unrestricted (deficit)	(1,178,918)	(35)	5,083,587	58	(6,262,505)	(123)
Total net position	$ 3,352,755	100	$ 8,762,369	100	$ (5,409,614)	

The decrease in net position results primarily from the District implementing GASB 75 for OPEB. The reduction in individual line items for revenue and expense were a result of implementing the standard.

The largest portion of the District's net position $2,879,688 (86%) reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, furniture and equipment), 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 net investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net position of $1,652,005 (49%) is restricted for grants and debt service.

The deficit unrestricted net position ($1,178,918) of District is the result of implementing GASB 75. The State's OPEB plan is primarily a pay as you go plan; therefore, net position is affected by recording a significant liability that is less than 1% funded by the State and District.

Governmental Activities. Governmental activities increased the District's net position by $3,272,400 from current operations. The elements giving rise to this increase may be determined from the table below:

Tarkington Independent School District's Changes in Net Position

	Governmental Activities					
	2018		2017		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Revenue:						
Program revenues:						
Charges for services	$ 545,101	3	$ 570,433	3	$ (25,332)	(4)
Operating grants and contributions	(370,229)	(2)	2,157,527	12	(2,527,756)	(117)
General revenues:						
Property taxes, levied for general purposes	5,456,883	32	4,928,171	28	528,712	11
Property taxes, levied for debt service	529,046	3	604,671	3	(75,625)	(13)
Grants and contributions not restricted to specific programs	10,076,371	60	9,342,886	53	733,485	8
Investment earnings	59,168	-	30,421	-	28,747	94
Miscellaneous	88,731	1	167,357	1	(78,626)	(47)
Insurance recovery	469,778	3	-	-	469,778	100
Total revenues	16,854,849	100	17,801,466	100	(946,617)	
Expenses:						
Instruction	6,629,840	49	9,653,602	55	(3,023,762)	(31)
Instructional resources and media services	155,035	1	181,854	1	(26,819)	(15)
Curriculum and instructional staff development	28,323	-	33,710	-	(5,387)	(16)
Instructional leadership	81,628	1	71,156	-	10,472	15
School leadership	660,690	5	1,015,219	6	(354,529)	(35)
Guidance, counseling, and evaluation services	203,342	1	351,688	2	(148,346)	(42)
Health services	99,158	1	146,945	1	(47,787)	(33)
Student transportation	642,908	5	695,417	4	(52,509)	(8)
Food services	929,491	7	1,192,031	7	(262,540)	(22)
Extracurricular activities	409,450	3	624,433	4	(214,983)	(34)
General administration	582,666	4	818,317	4	(235,651)	(29)
Plant maintenance and operations	2,222,034	16	2,166,675	12	55,359	3
Security and monitoring services	65,872	1	68,966	-	(3,094)	(4)
Data processing services	179,041	1	194,442	1	(15,401)	(8)
Interest on long-term debt	285,170	2	290,030	2	(4,860)	(2)
Issuance costs and fees	1,300	-	-	-	1,300	100
Payments related to shared service arrangements	256,020	2	-	-	256,020	100
Other intergovernmental charges	150,481	1	129,671	1	20,810	16
Total expenses	13,582,449	100	17,634,156	100	(4,051,707)	
Change in net position	3,272,400		167,310		3,105,090	
Net position - beginning, as originally reported	8,762,369		8,595,059		167,310	
Prior period adjustment - implement GASB 75 for OPEB (a)	(8,682,014)		-		(8,682,014)	
Net position - beginning, as restated	80,355		8,595,059		(8,514,704)	
Net position - ending	$ 3,352,755		$ 8,762,369		$ (5,409,614)	

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

Revenues are generated primarily from two sources. Grants and contributions (program and general revenues totaling $9,706,142) represent 58 percent of total revenues and property taxes ($5,985,929 represents 35 percent of total revenues. The remaining 7 percent is generated from charges for services, investment earnings, miscellaneous, and insurance recovery.

The primary functional expense of the District is Instruction ($6,629,840), which represents 49 percent of total expenses. Plant Maintenance and Operations ($2,222,034) represents 16 percent of total expenses. The remaining functional categories of expenses are 7 percent or less than total expenses.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of $6,405,449 an increase of $1,224,584 in comparison with the prior year.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was $5,017,872 and total fund balance was $5,066,536. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Both unassigned and total fund balance represent 32 percent of total general fund expenditures. The fund balance of the District's general fund increased by $1,178,349 during the current fiscal year. The most significant change in revenues was the increase in local revenue from insurance proceeds and the most significant change in expenditures was reclassification of expenditures to the hurricane recovery fund.

The debt service fund has a total fund balance of $845,479, all of which is restricted for the future payment of debt service. The net increase in fund balance during the current year in the debt service fund was $2,762. There were no significant changes in revenues or expenditures.

General Fund Budgetary Highlights

The District amended the budget several times throughout the year. There were no significant differences between the original budget and the final amended budget for the general fund.

There were no significant variances between the final budget and actual results for the general fund.

Capital Assets and Long–term Liabilities

Capital Assets. The District's investment in capital assets for its governmental type activities as of August 31, 2018, amounts to $12,490,733 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings and improvements, and furniture and equipment.

Tarkington Independent School District's Capital Assets
(net of depreciation)

	Governmental Activities					
	2018		2017		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Land and improvements	$ 504,825	4	$ 504,825	4	$ -	-
Buildings and improvements	11,295,212	90	11,443,285	90	(148,073)	(1)
Furniture and equipment	690,696	6	763,535	6	(72,839)	(10)
Totals	$ 12,490,733	100	$ 12,711,645	100	$ (220,912)	

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

- $403,210 middle school roof
- $33,046 scoreboards
- $31,544 dynatorch plasma cutter
- $7,000 – lift

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

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

Tarkington Independent School District's Long-term Liabilities Outstanding

	Governmental Activities					
	2018		2017		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
General obligation bonds (net)	$ 9,839,920	55	$ 10,341,883	45	$ (501,963)	(5)
Notes payable	92,654	1	359,353	2	(266,699)	(74)
Workers' compensation	20,534	-	18,674	-	1,860	10
Compensated absences	94,669	1	112,771	1	(18,102)	(16)
Net pension liability	2,665,009	15	3,232,688	14	(567,679)	(18)
Net OPEB Liability*	4,951,266	28	8,741,209	38	(3,789,943)	(43)
Totals	$ 17,664,052	100	$ 22,806,578	100	$ (1,352,583)	

*Per GASB 75, beginning balance for net OPEB liability includes the restatement of net OPEB liability as of September 1, 2017.

The District's bonded debt decreased $501,963 primarily for scheduled payments of principal.

The District's general obligation debt is backed by the full faith and credit District and is further guaranteed by the Texas Permanent School Fund Guarantee Program. State statutes do not limit the rate or amount for the support of school districts bonded indebtedness.

Notes payable decreased due to scheduled debt payments.

Additional information on the District's long-term debt can be found in Note 3.E. to the financial statements as indicated in the table of contents of this report.

Additional information on the District's net pension liability can be found in Note 4.C. to the financial statements as indicated in the table of contents of this report.

Additional information on the District's net OPEB liability can be found in Note 4.D. to the financial statements as indicated in the table of contents of this report.

Economic Factors and Next Year's Budget and Rates

- Current enrollment totals 1,813 students, which is a increase from 1,781 students from the preceding year.
- District staff totals 280 employees, which consist of 126 teachers and 58 teachers' aides and secretaries.
- The District maintains four campuses for instruction.
- The unemployment rate for the County is currently 7.1 percent, which is a decrease from a rate of 7.6 percent a year ago. The State's average unemployment rate is 4.0 percent, which is a decrease from 4.5 percent a year ago.
- Property values of the District are projected to increase to $597,266,482 for the 2018-2019 fiscal year.
- A maintenance and operations tax rate of $1.15 and no debt service tax rate, a total rate of $1.15, were adopted for 2018-2019. Preceding year rates were $1.04, $.11, and $1.15, respectively.

All of these factors were considered in preparing the District's budget for the 2018-2019 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Business Services, Tarkington Independent School District, 2770 FM 163, Cleveland, Texas, 77327.

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Basic Financial Statements

Tarkington Independent School District **Exhibit A-1**

Statement of Net Position

August 31, 2018

Data Control Codes		1 Primary Government Governmental Activities
	ASSETS	
1110	Cash and cash equivalents	$ 3,377,547
1120	Current investments	2,998,473
1220	Property taxes receivables	3,660,169
1230	Allowance for uncollectable taxes	(366,000)
1240	Due from other governments	1,023,814
1300	Inventories	35,614
	Capital Assets:	
1510	Land and improvements	504,825
1520	Buildings and improvements (net)	11,295,212
1530	Furniture and equipment (net)	690,696
1000	Total assets	23,220,350
	DEFERRED OUTFLOWS OF RESOURCES	
1705	Deferred outflows - pension	1,016,348
1706	Deferred outflows - OPEB	82,480
1710	Deferred charge on refunding	321,509
1700	Total deferred outflows of resources	1,420,337
	LIABILITIES	
2110	Accounts payable	98,431
2140	Interest payable	21,453
2160	Accrued wages payable	685,606
2180	Due to other governments	245,962
	Noncurrent liabilities:	
2501	Due within one year	665,630
2502	Due in more than one year	9,382,147
2540	Net pension liability	2,665,009
2545	Net OPEB liability	4,951,266
2000	Total liabilities	18,715,504
	DEFERRED INFLOWS OF RESOURCES	
2605	Deferred inflows - pension	501,305
2606	Deferred inflows - OPEB	2,071,123
2600	Total deferred inflows of resources	2,572,428
	NET POSITION:	
3200	Net investment in capital assets	2,879,668
3820	Restricted for grants	493,434
3850	Restricted for debt service	1,158,571
3900	Unrestricted (deficit)	(1,178,918)
3000	**TOTAL NET POSITION**	$ 3,352,755

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

Tarkington Independent School District **Exhibit B-1**

Statement of Activities

For the Fiscal Year Ended August 31, 2018

Data Control Codes	Functions/Programs	1 Expenses	3 Program Revenues: Charges for Services	4 Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
	PRIMARY GOVERNMENT:				
	Governmental activities:				
0011	Instruction	$ 6,629,840	$ 32,459	$ (494,450)	$ (7,091,831)
0012	Instructional resources and media services	155,035	-	(23,930)	(178,965)
0013	Curriculum and instructional staff development	28,323	-	450	(27,873)
0021	Instructional leadership	81,628	-	(25,770)	(107,398)
0023	School leadership	660,690	-	(164,764)	(825,454)
0031	Guidance, counseling, and evaluation services	203,342	-	(66,396)	(269,738)
0033	Health services	99,158	-	(22,875)	(122,033)
0034	Student transportation	642,908	-	(62,170)	(705,078)
0035	Food services	929,491	-	576,595	(352,896)
0036	Extracurricular activities	409,450	494,662	(100,810)	(15,598)
0041	General administration	582,666	17,980	(114,722)	(679,408)
0051	Plant maintenance and operations	2,222,034	-	(5,073)	(2,227,107)
0052	Security and monitoring services	65,872	-	-	(65,872)
0053	Data processing services	179,041	-	(13,196)	(192,237)
0072	Interest on long-term debt	285,170	-	146,882	(138,288)
0073	Issuance cost and fees	1,300	-	-	(1,300)
0093	Payments related to shared services arrangements	256,020	-	-	(256,020)
0099	Other intergovernmental charges	150,481	-	-	(150,481)
TG	Total governmental activities	13,582,449	545,101	(370,229)	(13,407,577)
TP	**TOTAL PRIMARY GOVERNMENT**	$ 13,582,449	$ 545,101	$ (370,229)	(13,407,577)
	General revenues:				
MT	Property taxes, levied for general purposes				5,456,883
DT	Property taxes, levied for debt service				529,046
GC	Grants and contributions not restricted to specific programs				10,076,371
IE	Investment earnings				59,168
MI	Miscellaneous				88,731
IR	Insurance recovery				469,778
TR	Total general revenues				16,679,977
CN	Change in net position				3,272,400
NB	Net position - beginning, as originally reported				8,762,369
PA	Prior period adjustment - implement GASB 75 for OPEB				(8,682,014)
	Net position - beginning, as restated				80,355
NE	**NET POSITION - ENDING**				$ 3,352,755

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

Tarkington Independent School District **Exhibit C-1**

Balance Sheet – Governmental Funds

August 31, 2018

Data Control Codes		199 General Fund	599 Debt Service Fund	Total Nonmajor Funds	98 Total Governmental Funds
	ASSETS				
1110	Cash and cash equivalents	$ 2,530,614	$ 351,837	$ 495,096	$ 3,377,547
1120	Current investments	2,488,971	509,502	-	2,998,473
1220	Property taxes receivable	3,298,050	362,119	-	3,660,169
1230	Allowance for uncollectable taxes	(329,800)	(36,200)	-	(366,000)
1240	Due from other governments	547,379	-	476,435	1,023,814
1260	Due from other funds	439,672	-	-	439,672
1300	Inventories	-	-	35,614	35,614
1000	Total assets	8,974,886	1,187,258	1,007,145	11,169,289
1000a	**TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**	$ 8,974,886	$ 1,187,258	$ 1,007,145	$ 11,169,289
	LIABILITIES				
2110	Accounts payable	$ 53,065	$ -	$ 45,366	$ 98,431
2160	Accrued wages payable	656,933	-	28,673	685,606
2170	Due to other funds	-	-	439,672	439,672
2180	Due to other governments	230,102	15,860	-	245,962
2000	Total liabilities	940,100	15,860	513,711	1,469,671
	DEFERRED INFLOWS OF RESOURCES				
2600	Unavailable revenue - property taxes	2,968,250	325,919	-	3,294,169
	Total deferred inflows of resources	2,968,250	325,919	-	3,294,169
	FUND BALANCES				
3480	Restricted - debt service	-	845,479	-	845,479
3450	Restricted - grant funds	-	-	493,434	493,434
3580	Assigned - purchases on order	48,664	-	-	48,664
3600	Unassigned	5,017,872	-	-	5,017,872
3000	Total fund balances	5,066,536	845,479	493,434	6,405,449
4000	**TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES**	$ 8,974,886	$ 1,187,258	$ 1,007,145	$ 11,169,289

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

Tarkington Independent School District **Exhibit C-1R**

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

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS (EXHIBIT C-1)		$ 6,405,449
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The governmental capital assets at year-end conisist of:		
Governmental capital assets costs	$ 30,355,271	
Accumulated depreciation of governmental capital assets	(17,864,538)	12,490,733
Property taxes receivable, which will be collected subsequent to year-end, but are not available soon enough to pay expenditures and, therefore, are deferred in the funds.		3,294,169
Long-term liabilities, including bonds and notes payable, compensated absences, workers' compensation, and net pension and OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Liabilities at year-end related to such items consist of:		
Bonds payable, at original par	$ (9,275,000)	
Premium on bonds payable	(564,920)	
Accrued interest on the bonds payable	(12,827)	
Notes payable	(92,654)	
Accrued interest on notes payable	(8,626)	
Compensated absences	(94,669)	
Workers' compensation	(20,534)	
Net pension liability	(2,665,009)	
Net OPEB liability	(4,951,266)	(17,685,505)
Deferred charge on refunding is reported as deferred outflow of resources in the statement of net position and is not reported in the governmental funds as it is not a current financial resource available to pay for current expenditures.		321,509
Deferred outflows of resources for pension represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenses/expenditures) until then.		1,016,348
Deferred inflows of resources for pension represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.		(501,305)
Deferred outflows of resources for OPEB represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditures) until then.		82,480
Deferred inflows of resources for OPEB represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.		(2,071,123)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES (EXHIBIT A-1)		$ 3,352,755

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

Tarkington Independent School District **Exhibit C-2**

Statement of Revenues, Expenditures, and Changes
in Fund Balances – Governmental Funds
For the Fiscal Year Ended August 31, 2018

Data Control Codes		199 General Fund	599 Debt Service Fund	Total Nonmajor Funds	98 Total Governmental Funds
	REVENUES				
5700	Local and intermediate sources	$ 6,166,751	$ 600,893	$ 494,662	$ 7,262,306
5800	State program revenues	10,462,239	146,882	299,080	10,908,201
5900	Federal program revenues	329,725	-	1,577,027	1,906,752
5020	Total revenues	16,958,715	747,775	2,370,769	20,077,259
	EXPENDITURES				
	Current:				
0011	Instruction	8,215,511	-	1,018,440	9,233,951
0012	Instructional resources and media services	202,424	-	-	202,424
0013	Curriculum and instructional staff development	27,873	-	450	28,323
0021	Instructional leadership	132,072	-	-	132,072
0023	School leadership	998,812	-	1,378	1,000,190
0031	Guidance, counseling, and evaluation services	346,883	-	510	347,393
0033	Health services	151,318	-	-	151,318
0034	Student transportation	702,001	-	-	702,001
0035	Food services	-	-	1,220,475	1,220,475
0036	Extracurricular activities	585,940	-	-	585,940
0041	General administration	801,322	-	-	801,322
0051	Plant maintenance and operations	2,651,622	-	86,043	2,737,665
0052	Security and monitoring services	65,872	-	-	65,872
0053	Data processing services	208,332	-	-	208,332
	Debt service:				
0071	Principal on long-term debt	266,699	450,000	-	716,699
0072	Interest on long-term debt	17,184	293,713	-	310,897
0073	Issuance costs and fees	-	1,300	-	1,300
	Capital outlay:				
0081	Facilities acquisition and construction	-	-	-	-
	Intergovermental:				
0093	Payments to shared services arrangements	256,020	-	-	256,020
0099	Other intergovernmental charges	150,481	-	-	150,481
6030	Total expenditures	15,780,366	745,013	2,327,296	18,852,675
1100	Excess (deficiency) of revenues over (under) expenditures	1,178,349	2,762	43,473	1,224,584
0100	Fund balances - beginning	3,888,187	842,717	449,961	5,180,865
3000	**FUND BALANCES - ENDING**	$ 5,066,536	$ 845,479	$ 493,434	$ 6,405,449

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

Tarkington Independent School District **Exhibit C-3**

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended August 31, 2018

TOTAL NET CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS (EXHIBIT C-2)		$ 1,224,584
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is capitalized and allocated over their estimated useful lives as depreciation expense.		
Capital assets *increased*	$ 474,800	
Depreciation expense	(695,712)	(220,912)
Because some property taxes will not be collected for several months after the District's fiscal year end, they are not considered "available" revenues and are deferred in the funds. Deferred tax revenues increased (decreased) by this amount this year.		(113,599)
Repayment of bond and notes principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Bond payable principal payment	$ 450,000	
Notes payable principal payment	266,699	716,699
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The (increase) decrease in interest reported in the statement of activities consists of the following:		
Accrued interest on current interest bonds payable *(increased) decreased*	$ 309	
Amortization of bond premium	51,963	
Amortization of deferred charge on refunding	(26,642)	
Accrued interest on notes payable *(increased) decreased*	97	25,727
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. The amounts are as follows:		
Workers' compensation *(increased) decreased*	$ (1,860)	
Compensated absences (*increased) decreased*	18,102	16,242
The net change in net pension liability, deferred outflows, and deferred inflows is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. The net change consists of the following:		
Deferred outflows increased (decreased)	$ (403,859)	
Deferred inflows (increased) decreased	(282,266)	
Net pension liability (increased) decreased	567,679	(118,446)
The net change in net OPEB liability, deferred outflows, and deferred inflows is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. The net change consists of the following:		
Deferred outflows increased (decreased)	$ 23,285	
Deferred inflows (increased) decreased	(2,071,123)	
Net OPEB liability (increased) decreased	3,789,943	1,742,105
CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES (EXHIBIT B-1)		$ 3,272,400

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

Tarkington Independent School District **Exhibit E-1**

Statement of Assets and Liabilities
Fiduciary Fund
August 31, 2018

Data Control Codes		865 Agency Fund Student Activity
	ASSETS	
1110	Cash and cash equivalents	$ 305,104
1000	**TOTAL ASSETS**	$ 305,104
	LIABILITIES	
2190	Due to student groups	$ 305,104
2000	**TOTAL LIABILITIES**	$ 305,104

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

Note 1. Summary of Significant Accounting Procedures

A. Description of Government-wide Financial Statements

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

B. Reporting Entity

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

C. Basis of Presentation – Government-wide Financial Statements

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

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

D. Basis of Presentation – Fund Financial Statements

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

The District reports the following major governmental funds:

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

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

Additionally, the District reports the following fund types:

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

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

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

E. Change in Accounting Principle

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

The requirements of Statement No. 75 apply to the financial statements of all state and local government employers whose employees are provided postemployment benefits other than pensions. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense related to the OPEB plan. Note disclosure and RSI requirements about the OPEB plan also are addressed. The implementation of Statement No. 75 has no impact on the District's governmental fund financial statements, which continue to report expenditures in the contribution amount determined legislatively. Refer to Note 4.D. for more information regarding the District's OPEB plan. The implementation of Statement No. 75 resulted in the retroactive reduction of the District's beginning net position by $8,682,014. See Note 4.G. for details of the District's prior period adjustment and restatement of beginning net position.

F. Measurement Focus and Basis of Accounting

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

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available, excluding property taxes, if they are collected within 120 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as required under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Interest associated with the current fiscal period is considered to be susceptible to accrual and has been recognized as revenue of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 120 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 120 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the District.

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

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

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand and deposits with the District's bank depository.

2. Investments

Investments for the District include certificates of deposit, non-negotiable certificates of deposit and investment pools. The non-negotiable certificate of deposit is reported at cost. The certificates of deposit are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost.

3. Inventories and Prepaid Items

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

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

4. Capital Assets

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

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the District chose to include all such items regardless of their acquisition date or amount. The District was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the District constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

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

Capital Asset Classes	Lives
Buildings and improvements	5-35
Furniture and equipment	5-15

5. Deferred Outflows/Inflows of Resources

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

Deferred outflows/inflows of resources are amortized as follows:

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

6. Compensated Absences

Vacation

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

Sick Leave

It is the District's policy to permit employees to accumulate earned but unused sick leave benefits. Payment for unused sick leave days accumulated locally will be made upon retirement (in accordance with guidelines established by the Teacher Retirement System of Texas) for all employees who have been employed by the District for ten consecutive years or more. All sick pay is accrued when incurred for employees who have completed ten or more years of service with the District in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, the result of employee retirement.

7. Net Position Flow Assumption

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

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

8. Fund Balance Flow Assumptions

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

9. Fund Balance Policies

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

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

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

10. Pension

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

***11.* Other Post-Employee Benefits**

The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS Care Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as you-go plan and all cash is held in a cash account.

H. Revenues and Expenditures/Expenses

1. Program Revenues

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

2. Property Taxes

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

I. Use of Estimates

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

J. Data Control Codes

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

Note 2. Stewardship, Compliance, and Accountability

A. Budgetary Information

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

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

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

B. Encumbrances

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as restricted, committed, or assigned fund balances as appropriate. The encumbrances do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

Encumbrances included in governmental fund balances are as follows:

	Encumbrances Included in:	
	Restricted Fund Balance	Assigned Fund Balance
General fund	$ -	$ 48,664
Total nonmajor funds	113,924	-
Total encumbrances	$ 113,924	$ 48,664

Note 3. Detailed Notes on All Funds

A. Deposits and Investments

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

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

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, *Fair Value Measurement and Application* provides a framework for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs—other than quoted prices included within Level 1—that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

The District's investment balances and weighted average maturity of such investments are as follows:

Investment Type	Current Investments	Other Observable Inputs (Level 2)	Percent of Total Investments	Weighted Average Maturity (Days)	Credit Risk
Investments measured at cost					
Certificates of deposit	$ 249,000	$ -	8%	387	*
Investments measured at amortized cost					
Lone Star Government Overnight	2,038,010	-	68%	20	AAAm
Lone Star Corporate Overnight	511,533	-	17%	37	AAAm
Investments subject to Fair Value					
Certificates of deposit	199,930	199,930	7%	209	*
Total value	$ 2,998,473	$ 199,930	100%		
Portfolio weighted average maturity				66	

* Certificate of deposits are insured

Certificates of deposit that are non-negotiable are reported at cost and are not subject to fair value reporting.

Investment Pools are measured at amortized cost. Such investments are not required to be reported in the fair value hierarchy.

Certificates of deposit classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

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

Credit Risk
For fiscal year 2018, the District invested in Lone Star Government and Corporate Overnight. Lone Star Investment Pool is duly chartered by the State of Texas Interlocal Cooperation Act and is administered by First Public, LLC. formerly the Texas Association of School Boards Financial Services. The credit rating for such investments are noted above.

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

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

Custodial Credit Risk – Deposits
In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of August 31, 2018, District's banks' balances of $3,963,811, were not exposed to custodial credit risk because such balances were insured and collateralized with securities held by the District's agent and in the District's name.

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

B. Receivables

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

Change in uncollectibles related to general fund property taxes	$	5,600
Change in uncollectibles related to debt service property taxes		7,000
Total change in uncollectibles of the current fiscal year	$	12,600

Approximately 80% of the outstanding balance of property taxes receivable is not anticipated to be collected within the next year.

C. Interfund Receivables, Payables and Transfers

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

Fund	Interfund Receivables	Interfund Payables
General fund	$ 439,672	$ -
Other governmental funds - nonmajor	-	439,672
Totals	$ 439,672	$ 439,672

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

D. Capital Assets

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

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land and improvements	$ 504,825	$ -	$ -	$ 504,825
Total capital assets, not being depreciated	504,825	-	-	504,825
Capital assets, being depreciated:				
Buildings and improvements	26,735,456	436,256	-	27,171,712
Furniture and equipment	2,640,190	38,544	-	2,678,734
Total capital assets, being depreciated	29,375,646	474,800	-	29,850,446
Less accumulated depreciation for:				
Buildings and improvements	(15,292,171)	(584,329)	-	(15,876,500)
Furniture and equipment	(1,876,655)	(111,383)	-	(1,988,038)
Total accumulated depreciation	(17,168,826)	(695,712)	-	(17,864,538)
Total capital assets, being depreciated, net	12,206,820	(220,912)	-	11,985,908
Governmental activities capital assets, net	$ 12,711,645	$ (220,912)	$ -	$ 12,490,733

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

Governmental activities:	
11 Instruction	$ 467,607
34 Student transportation	67,747
35 Food services	10,669
36 Extracurricular activities	27,316
41 General administration	2,321
51 Plant maintenance and operations	120,052
Total depreciation expense-governmental activities	$ 695,712

E. Long-term Liabilities

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

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

	Beginning Balance	Additions (Adjustments)	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	$ 9,725,000	$ -	$ (450,000)	$ 9,275,000	$ 465,000
Issuance premiums	616,883	-	(51,963)	564,920	-
Total bonds payable, net	10,341,883	-	(501,963)	9,839,920	465,000
Notes payable	359,353	-	(266,699)	92,654	85,427
Workers' compensation	18,674	7,224	(5,364)	20,534	20,534
Compensated absences	112,771	(5,236)	(12,866)	94,669	94,669
Net pension liability	3,232,688	280,165	(847,844)	2,665,009	-
Net OPEB liability	8,741,209	837	(3,790,780)	4,951,266	-
Governmental activites long-term liabilities	$ 22,806,578	$ 282,990	$ (5,425,516)	$ 17,664,052	$ 665,630

*Per GASB 75, beginning balance for net OPEB liability includes the restatement of net OPEB liability September 1, 2017.

General Obligation Bonds

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

Series	Interest Rate	Original Issue	Maturity Date	Beginning Balance	Additions	Reductions	Ending Balance
2012 REF	1.50-3.75%	$ 9,030,000	2033	$ 8,705,000	$ -	$ (200,000)	$ 8,505,000
2013 REF	1.00-2.00%	2,360,000	2021	1,020,000	-	(250,000)	770,000
Totals				$ 9,725,000	$ -	$ (450,000)	$ 9,275,000

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending August 31,	Principal	Interest	Total Requirements
2019	$ 465,000	$ 286,175	$ 751,175
2020	485,000	277,287	762,287
2021	500,000	267,437	767,437
2022	530,000	257,138	787,138
2023	520,000	244,038	764,038
2024	565,000	227,763	792,763
2025	585,000	210,513	795,513
2026	600,000	191,238	791,238
2027	645,000	169,450	814,450
2028	665,000	146,525	811,525
2029	705,000	122,550	827,550
2030	695,000	98,050	793,050
2031	740,000	72,475	812,475
2032	780,000	44,438	824,438
2033	795,000	14,906	809,906
Totals	$ 9,275,000	$ 2,629,983	$ 11,904,983

As of August 31, 2018, the District did not have any authorized but unissued bonds.

Notes Payable

The District issued a note to provide funds for an energy management system for District facilities. The energy maintenance tax notes are secured by the proceeds of a continuing, direct annual ad valorem tax levied for maintenance purposes by the District. The District also issued notes for the purchase of school buses. These notes are collateralized and secured by the purchased buses.

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

Description	Interes Rate	Original Issue	Maturity Date	Beginning Balance	Additions	Reductions	Ending Balance
2004 Energy Management System, LGC271	4.84%	$ 1,041,060	2018	$ 183,628	$ -	$ (183,628)	$ -
2015 Bus Loan	2.80%	328,594	2019	175,725	-	(83,071)	92,654
Totals, note payable, net				$ 359,353	$ -	$ (266,699)	$ 92,654

Annual debt service requirements to maturity for the notes payable are as follows:

Year Ending August 31,	Principal	Interest	Total Requirements
2019	$ 85,427	$ 1,503	$ 86,930
2020	7,227	14	7,241
Totals	$ 92,654	$ 1,517	$ 94,171

F. Revenues from Local and Intermediate Sources

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

	General	Debt Service	Nonmajor Governmental Funds	Totals
Property taxes	$ 5,507,570	$ 591,958	$ -	$ 6,099,528
Charges for services	50,439	-	494,662	545,101
Investment income	50,233	8,935	-	59,168
Insurance recovery	469,778			469,778
Other	88,731	-	-	88,731
Totals	$ 6,166,751	$ 600,893	$ 494,662	$ 7,262,306

Note 4. Other Information

A. Risk Management

Property/Liability
The District is exposed to various risks of loss related to property and liability. During the fiscal year 2018, the District purchased insurance through Property Casualty Alliance of Texas (the Fund) for claims related to such risks. The District transfers the risk to the Fund. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for any of the past three fiscal years.

Health Care Coverage

During the year ended August 31, 2018, employees of the District were covered by TRS-Active Care (the Plan) a statewide health coverage program for Texas public education employees, implemented by the Teacher Retirement System of Texas (TRS). The District paid premiums of $225 per month, per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to the TRS.

Workers' Compensation

The District established a limited risk management program for workers' compensation (the Fund). The District is responsible for claims costs, both reported and unreported, until the deductible is met. The Fund provides administrative services to its self-funded members including claims administration and customer service. The Fund was created to formulate, develop and administer a program of modified self-funding for the Fund's membership, obtain lower costs for workers' compensation coverage and develop a comprehensive loss control program.

Liabilities of the Fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities also include an estimated amount for claims that have been incurred but not reported (IBNR). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from stop-loss or subrogation, are another component of the claims liability estimate. The Fund maintains stop loss coverage for any claim in excess of the Fund's self-insured retention of $1,000,000 for each accident or disease and a $5,000,000 aggregate loss. There were no significant reductions in insurance coverage from the prior year. Settlements have not exceeded coverages for each of the past two fiscal years.

Changes in the Fund's claims liability for the last two fiscal years are as follows:

	Year Ended 8/31/2018	Year Ended 8/31/2017
Unpaid claims, beginning of fiscal year	$ 18,674	$ 15,720
Incurred claims, including provision and adjustments	7,224	4,534
Claim payments	(5,364)	(1,580)
Unpaid claims, end of fiscal year	$ 20,534	$ 18,674

B. Contingencies

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

C. Defined Benefit Pension Plan

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

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

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

Benefits Provided
TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan Description above.

Contributions

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

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 2018. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for Plan fiscal years 2016 and 2017 and the 85th Texas Legislature, GAA established the employer contribution rates for Plan fiscal years 2018 and 2019.

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

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

	2018
District contributions	$ 279,559
Member contributions	800,005
NECE on-behalf contributions (state)	566,483

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

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

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

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

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

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

Valuation date	August 31, 2017
Actuarial cost method	Individual entry age normal
Asset valuation method	Market value
Single discount rate	8.00%
Long-term expected rate	8.00%
Municipal bond rate	N/A*
Last year ending August 31 in the 2017 to 2116 projection period (100 years)	2116
Inflation	2.50%
Salary increases	3.50% to 9.50% including inflation
Ad hoc post-employment benefit changes	None

*If a municipal bond rate was to be used, the rate would be 3.42% as of August 2017 (i.e. the rate closest to but not later than the Measurement Date). The source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."

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

Discount Rate

The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8.0%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2016 are summarized below:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns*
Global equity:			
U.S.	18.0%	4.6%	1.0%
Non-U.S. developed	13.0%	5.1%	0.8%
Emerging markets	9.0%	5.9%	0.7%
Directional hedge funds	4.0%	3.2%	0.1%
Private equity	13.0%	7.0%	1.1%
Stable value:			
U.S. treasuries	11.0%	0.7%	0.1%
Absolute return	0.0%	1.8%	0.0%
Stable value hedge funds	4.0%	3.0%	0.1%
Cash	1.0%	(0.2%)	0.0%
Real return:			
Global inflation linked bonds	3.0%	0.9%	0.0%
Real assets	16.0%	5.1%	1.1%
Energy and natural resources	3.0%	6.6%	0.2%
Commodities	0.0%	1.2%	0.0%
Risk parity:			
Risk parity	5.0%	6.7%	0.3%
Inflation expectation			2.2%
Alpha			1.0%
Totals	100.0%		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 table presents the District's proportionate share of net pension liability for TRS calculated using the discount rate of 8.0%, as well as the District's proportionate share of the respective net pension liability if it was calculated using a discount rate that is 1% lower (7%) or 1% higher (9%) than the current rate:

1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
$ 4,492,679	$ 2,665,009	$ 1,143,178

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
At August 31, 2018, the District reported a liability of $2,665,009 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District are as follows:

District's proportionate share of the net pension liability	$ 2,665,009
State's proportionate share of the net pension liability associated with the District	5,565,486
Total	$ 8,230,495

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

At August 31, 2017, the employer's proportion of the net pension liability was .0083348%, which was a decrease of .00022% from its proportion measured as of August 31, 2016.

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

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

For the fiscal year ended August 31, 2018, the District recognized pension expense of $822,518 and revenue of $424,513 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 38,990	$ 143,720
Changes of assumptions	121,395	69,496
Net difference between projected and actual earnings on pension plan investments	-	194,221
Changes in proportion and differences between District contributions and proportionate share of contributions (cost-sharing plan)	576,404	93,868
District contribution after measurement date	279,559	-
Totals	$ 1,016,348	$ 501,305

$279,559 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended August 31, 2019. Other amounts reported as deferred outflows of resources (deferred inflows of resources) related to pensions will be recognized in pension expense as follows:

Year Ending August 31,	
2019	$ 43,292
2020	213,406
2021	30,220
2022	(24,517)
2023	(15,735)
Thereafter	(11,182)
Total	$ 235,484

D. Defined Other Post-Employment Benefit Plan

Plan Description

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

OPEB Plan Fiduciary Net Position

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

Benefits Provided

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

Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits (TRS-Care 2 and TRS-Care 3). Eligible retirees and dependents enrolled in Medicare may elect to participate in one of the two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic 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*	$ -	$ 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% or not more than 0.75% of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

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

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

District contributions	$ 81,706
Member contributions	67,533
NECE on-behalf contributions (state)	150,739

In addition, the State of Texas contributed $32,371, $30,330, and $39,600 in 2018, 2017, and 2016 respectively for on-behalf payments for Medicare Part D.

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of $15.6 million in fiscal year 2017 and $212 million in fiscal year 2018.

Actuarial Assumptions

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

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

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

Valuation date	August 31, 2017
Actuarial cost method	Individual entry age normal
Inflation	2.50%
Discount rate*	3.42%*
Aging factors	Based on plan specific experience
Expenses	third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Payroll growth rate	2.50%
Projected salary increases**	3.50% to 9.50%**
Healthcare trend rates***	4.50% to 12.00%***
Election rates	Normal retirement: 70% participation prior to age 65 and 75% participation after age 65
Ad hoc post-employment benefit changes	None

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

**Includes inflation at 2.50%

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

Discount Rate

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

Sensitivity of the Net OPEB Liability

Discount Rate

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

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

1% Decrease (2.42%)	Current Discount Rate (3.42%)	1% Increase (4.42%)
$ 5,843,723	$ 4,951,266	$ 4,233,931

Healthcare Cost Trend Rates

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

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

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
$ 4,122,423	$ 4,951,266	$ 6,038,470

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

At August 31, 2018, the District reported a liability of $4,951,266 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 net OPEB liability	$ 4,951,266
State's proportionate share of the net OPEB liability associated with the District	8,415,656
Total	$13,366,922

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

At August 31, 2017 the employer's proportion of the collective net OPEB liability was .0113858% which was the same proportion measured as of August 31, 2016.

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

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

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

GASB 75 requires the District to record OPEB expense for the amount of the State's proportionate share of collective OPEB expense that is associated with the District, and record revenue in the same amount for the support provided by the State. For the measurement period ended August 31, 2017, the State's proportionate share of collected OPEB expense was a negative expense of $8,504,163,580 and the portion of that amount that is associated with the District is a negative expense of $2,816,102. This amount is recorded as a negative revenue and negative expense for the year ended August 31, 2018.

For the year ended August 31, 2018, the District recognized total negative OPEB expense of $4,476,501, which includes both the District's proportionate share of collective OPEB expense and the portion of the State's proportionate share of collective OPEB expense that is associated with the District, as described above.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 103,361
Changes of assumptions	-	1,967,762
Net difference between projected and actual earnings on OPEB plan investments	752	-
Changes in proportion and differences between District contributions and proportionate share of contributions (cost-sharing plan)	22	-
District contributions after measurement date	81,706	-
Totals	$ 82,480	$ 2,071,123

$81,706 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ended August 31, 2019. Other amounts reported as deferred outflows of resources (deferred inflows of resources) related to OPEB will be recognized in OPEB expense as follows:

Year Ending August 31,	
2019	$ (273,185)
2020	(273,185)
2021	(273,185)
2022	(273,185)
2023	(273,373)
Thereafter	(704,236)
Total	$ (2,070,349)

E. Joint Venture-Shared Service Arrangement

The District participates in the following shared service arrangements.

Southeast Texas Cooperative for Special Services
The District participates in a shared service arrangement for special education funded under IDEA-B Formula and Preschool and State Supplemental Special Education Funds with other school districts. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Liberty ISD, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the shared service arrangement.

F. Nonmonetary Transactions

During 2018, the District received textbooks purchased by the State of Texas for the benefit of the District for a purchase price of $12,538. The District receives the textbooks as part of state funding for textbook allotment. The textbooks have been recorded in the amount of $12,538 in a special revenue fund as both state revenues and expenditures, which represents the amount of consideration given by the State of Texas.

G. Prior Period Adjustment

Net position at September 1, 2017 was restated per the following table for the implementation of GASB 75, as previously noted in Note 1.E.:

	Governmental Activities
Beginning net position, as originally reported	$ 8,762,369
Implementation of GASB 75 for OPEB	(8,682,014)
Beginning net position, restated	$ 80,355

Required Supplementary Information

Tarkington Independent School District **Exhibit G-1**

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

Data Control Codes		1 Budgeted Amounts Original	2 Budgeted Amounts Final	3 Actual	Variance with Final Budget Positive (Negative)
	REVENUES				
5700	Local and intermediate sources	$ 5,398,000	$ 6,178,370	$ 6,166,751	$ (11,619)
5800	State program revenues	9,894,163	10,052,000	10,462,239	410,239
5900	Federal program revenues	215,000	304,167	329,725	25,558
5020	Total revenues	15,507,163	16,534,537	16,958,715	424,178
	EXPENDITURES				
	Current:				
0011	Instruction	8,522,338	8,552,000	8,215,511	336,489
0012	Instructional resources and media services	193,795	203,900	202,424	1,476
0013	Curriculum and instructional staff development	25,000	29,000	27,873	1,127
0021	Instructional leadership	123,135	132,800	132,072	728
0023	School leadership	1,024,980	1,003,500	998,812	4,688
0031	Guidance, counseling, and evaluation services	355,060	348,750	346,883	1,867
0033	Health services	162,555	153,500	151,318	2,182
0034	Student transportation	636,105	721,500	702,001	19,499
0036	Extracurricular activities	527,005	586,000	585,940	60
0041	General administration	740,484	801,500	801,322	178
0051	Plant maintenance and operations	2,249,692	2,818,000	2,651,622	166,378
0052	Security and monitoring services	67,600	70,000	65,872	4,128
0053	Data processing services	233,510	212,000	208,332	3,668
	Debt service:				
0071	Principal on long-term debt	185,404	266,699	266,699	-
0072	Interest on long-term debt	-	17,301	17,184	117
	Intergovermental:				
0093	Payments to shared services arrangements	303,000	257,000	256,020	980
0099	Other intergovernmental charges	157,500	151,000	150,481	519
6030	Total expenditures	15,507,163	16,324,450	15,780,366	544,084
1100	Excess (deficiency) of revenues over (under) expenditures	-	210,087	1,178,349	968,262
0100	Fund balance - beginning	3,888,187	3,888,187	3,888,187	-
3000	**FUND BALANCE - ENDING**	$ 3,888,187	$ 4,098,274	$ 5,066,536	$ 968,262

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

Tarkington Independent School District **Exhibit G-2**

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

	2018	2017	2016	2015
District's proportion of the net pension liability	0.0083348%	0.0085547%	0.0091676%	0.0053500%
District's proportionate share of the net pension liability	$ 2,665,009	$ 3,232,688	$ 3,240,625	$ 1,429,059
State's proportionate share of the net pension liability associated with the District	5,565,486	6,834,649	6,771,055	5,899,354
TOTALS	$ 8,230,495	$ 10,067,337	$ 10,011,680	$ 7,328,413
District's covered payroll	$ 10,348,422	$ 10,373,881	$ 10,336,267	$ 9,922,159
District's proportionate share of the net pension liability as a percentage of its covered payroll	25.75%	31.16%	31.35%	14.40%
Plan fiduciary net position as a percentage of the total pension liability	82.17%	78.00%	78.43%	83.25%

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

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

Tarkington Independent School District **Exhibit G-3**

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

	2018	2017	2016	2015
TRS				
Contractually required contributions	$ 279,559	$ 273,165	$ 271,804	$ 271,457
Contributions in relation to the contractually required contributions	(279,559)	(273,165)	(271,804)	(271,457)
CONTRIBUTION DEFICIENCY (EXCESS)	$ -	$ -	$ -	$ -
District's covered payroll	$ 10,389,669	$ 10,348,422	$ 10,373,881	$ 10,336,267
Contributions as a percentage of covered payroll	2.69%	2.64%	2.62%	2.63%

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

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

Tarkington Independent School District **Exhibit G-4**

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

	2018
District's proportion of the net OPEB liability	0.0113858%
District's proportionate share of the net OPEB liability	$ 4,951,266
State's proportionate share of the net OPEB liability	8,415,656
Totals	$ 13,366,922
District's covered payroll	$ 10,348,422
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	47.85%
Plan fiduciary net position as a percentage of the total OPEB liability	0.91%

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

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

Tarkington Independent School District **Exhibit G-5**

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

	2018
TRS	
Contractually required contributions	$ 81,706
Contributions in relation to the contractually required contributions	(81,706)
CONTRIBUTION DEFICIENCY (EXCESS)	$ -
District's covered payroll	$ 10,389,669
Contributions as a percentage of covered payroll	0.79%

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

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

Note 1. Budget

A. Budgetary Information

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

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

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

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

B. Excess of Expenditures Over Appropriations

There were no excess expenditures over appropriations in the general fund.

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Supplementary Information

Tarkington Independent School District

Combining Balance Sheet
Nonmajor Governmental Funds - Special Revenue Funds
August 31, 2018

Data Control Codes		204 ESSA Title IV SDFSC	211 ESSA, Title I, Part A - Improving Basic Programs	224 IDEA-B, Formula	240 National School Breakfast and Lunch Program
	ASSETS				
1110	Cash and cash equivalents	$ -	$ 599	$ -	$ 494,450
1240	Due from other governments	10,000	-	23,625	33,884
1300	Inventories	-	-	-	35,614
1000	**TOTAL ASSETS**	$ 10,000	$ 599	$ 23,625	$ 563,948
	LIABILITIES				
2110	Accounts payable	$ 4,500	$ -	$ -	$ 40,866
2160	Accrued wages payable	-	-	-	28,673
2170	Due to other funds	5,500	599	23,625	975
2000	Total liabilities	10,000	599	23,625	70,514
	FUND BALANCES				
3450	Restricted - grant funds	-	-	-	493,434
3000	Total fund balances	-	-	-	493,434
4000	**TOTAL LIABILITIES AND FUND BALANCES**	$ 10,000	$ 599	$ 23,625	$ 563,948

244	255	289	410	429	
Career and Technical Basic Grant	ESSA, Title II, Part A, Teacher & Principal Training & Recruiting	Hurricane Recovery	State Textbook Fund	State Funded Special Revenue Funds	Total Nonmajor Funds (See Exhibit C-1)
$ -	$ 47	$ -	$ -	$ -	$ 495,096
-	-	373,198	35,728	-	476,435
-	-	-	-	-	35,614
$ -	$ 47	$ 373,198	$ 35,728	$ -	$ 1,007,145
$ -	$ -	$ -	$ -	$ -	$ 45,366
-	-	-	-	-	28,673
-	47	373,198	35,728	-	439,672
-	47	373,198	35,728	-	513,711
-	-	-	-	-	493,434
-	-	-	-	-	493,434
$ -	$ 47	$ 373,198	$ 35,728	$ -	$ 1,007,145

Tarkington Independent School District

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

Data Control Codes		204 ESSA Title IV SDFSC	211 ESSA, Title I, Part A - Improving Basic Programs	224 IDEA-B, Formula	240 National School Breakfast and Lunch Program
	REVENUES				
5700	Local and intermediate sources	$ -	$ -	$ -	$ 494,662
5800	State program revenues	-	-	-	39,730
5900	Federal program revenues	10,000	342,376	43,223	729,556
5020	Total revenues	10,000	342,376	43,223	1,263,948
	EXPENDITURES				
	Current:				
0011	Instruction	9,140	342,098	43,223	-
0013	Curriculum and instructional staff development	350	100	-	-
0023	School leadership	-	178	-	-
0031	Guidance, counseling, and evaluation services	510	-	-	-
0035	Food services	-	-	-	1,220,475
0051	Plant maintenance and operations	-	-	-	-
6030	Total expenditures	10,000	342,376	43,223	1,220,475
1200	Net change in fund balances	-	-	-	43,473
0100	Fund balances - beginning	-	-	-	449,961
3000	**FUND BALANCES - ENDING**	$ -	$ -	$ -	$ 493,434

244	255	289	410	429	
Career and Technical Basic Grant	ESSA, Title II, Part A, Teacher & Principal Training & Recruiting	Hurricane Recovery	State Textbook Fund	State Funded Special Revenue Funds	Total Nonmajor Funds (See Exhibit C-2)
$ -	$ -	$ -	$ -	$ -	$ 494,662
-	-	-	259,000	350	299,080
20,337	58,337	373,198	-	-	1,577,027
20,337	58,337	373,198	259,000	350	2,370,769
20,337	57,137	287,155	259,000	350	1,018,440
-	-	-	-	-	450
-	1,200	-	-	-	1,378
-	-	-	-	-	510
-	-	-	-	-	1,220,475
-	-	86,043	-	-	86,043
20,337	58,337	373,198	259,000	350	2,327,296
-	-	-	-	-	43,473
-	-	-	-	-	449,961
$ -	$ -	$ -	$ -	$ -	$ 493,434

Tarkington Independent School District

Schedule of Delinquent Taxes Receivable
For the Fiscal Year Ended August 31, 2018

Year Ended August 31,	1 Tax Rates Maintenance	2 Tax Rates Debt Service	3 Assessed/Appraised Value For School Tax Purposes
2009 and Prior Years	$ Various	$ Various	Various
2010	1.04	0.1500	365,007,227
2011	1.04	0.1200	393,733,534
2012	1.04	0.1500	400,251,008
2013	1.04	0.1362	400,225,302
2014	1.04	0.1175	397,813,218
2015	1.04	0.1150	423,795,671
2016	1.04	0.1175	442,856,760
2017	1.04	0.1175	473,544,104
2018	1.04	0.1100	536,392,870
1000 TOTALS			

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

Exhibit J-1

10 Beginning Balance 9/1/17	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/18
$ 1,663,376	$ -	$ 43,346	$ 4,167	$ (384,023)	$ 1,231,840
150,650	-	7,957	1,148	(2,935)	138,610
197,294	-	8,982	1,036	(1,545)	185,731
214,864	-	10,549	1,521	(1,699)	201,095
222,712	-	9,601	1,257	(2,536)	209,318
229,011	-	12,543	1,417	(496)	214,555
294,114	-	32,497	3,593	681	258,705
350,913	-	45,584	5,150	(1,199)	298,980
463,434	-	136,981	15,476	(4,045)	306,932
-	6,168,518	5,003,718	529,239	(21,158)	614,403
$ 3,786,368	$ 6,168,518	$ 5,311,758	$ 564,004	$ (418,955)	$ 3,660,169
		$ -	$ -		

Tarkington Independent School District **Exhibit J-2**

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

Data Control Codes		1 Budgeted Amounts Original	2 Budgeted Amounts Final	3 Actual	Variance with Final Budget Positive (Negative)
	REVENUES				
5700	Local and intermediate sources	$ 530,000	$ 498,216	$ 494,662	$ (3,554)
5800	State program revenues	40,000	39,730	39,730	-
5900	Federal program revenues	620,000	712,862	729,556	16,694
5020	Total revenues	1,190,000	1,250,808	1,263,948	13,140
	EXPENDITURES				
	Current:				
0035	Food services	1,190,000	1,250,808	1,220,475	30,333
6030	Total expenditures	1,190,000	1,250,808	1,220,475	30,333
1200	Net change in fund balance	-	-	43,473	43,473
0100	Fund balance - beginning	449,961	449,961	449,961	-
3000	**FUND BALANCE - ENDING**	$ 449,961	$ 449,961	$ 493,434	$ 43,473

Tarkington Independent School District **Exhibit J-3**

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

Data Control Codes		1 Budgeted Amounts Original	2 Budgeted Amounts Final	3 Actual	Variance with Final Budget Positive (Negative)
	REVENUES				
5700	Local and intermediate sources	$ 575,013	$ 603,600	$ 600,893	$ (2,707)
5800	State program revenues	170,000	159,000	146,882	(12,118)
5020	Total revenues	745,013	762,600	747,775	(14,825)
	EXPENDITURES				
	Debt Service:				
0071	Principal on long-term debt	450,000	450,000	450,000	-
0072	Interest on long-term debt	293,713	293,713	293,713	-
0073	Issuance costs and fees	1,300	1,300	1,300	-
6030	Total expenditures	745,013	745,013	745,013	-
1100	Excess (deficiency) of revenues over (under) expenditures	-	17,587	2,762	(14,825)
0100	Fund balance - beginning	842,717	842,717	842,717	-
3000	**FUND BALANCE - ENDING**	$ 842,717	$ 860,304	$ 845,479	$ (14,825)

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Overall Compliance, Internal Control Section and Federal Awards

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Trustees of
Tarkington Independent School District
Cleveland, Texas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tarkington Independent School District as of and for the fiscal year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise Distirct's basic financial statements, and have issued our report thereon dated December 10, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

The Board of Trustees of
Tarkington Independent School District

Purpose of this Report

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

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Conroe, Texas
December 10, 2018

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

To the Board of Trustees of
Tarkington Independent School District
Cleveland, Texas

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

The Board of Trustees of
Tarkington Independent School District

Report on Internal Control over Compliance

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

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

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

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

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Conroe, Texas
December 10, 2018

Tarkington Independent School District
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended August 31, 2018

Section 1. Summary of Auditor's Results

Financial Statements

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

Federal Awards

7.	Internal control over major programs:	
	a. Material weakness(es) identified?	No
	b. Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
8.	Type of auditor's report issued on compliance with major programs	Unmodified
9.	Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	No
10.	Identification major programs	10.553 and 10.555 Child Nutrition Cluster
11.	Dollar threshold used to distinguish between Type A and Type B federal programs	$750,000
12.	Auditee qualified as a low-risk auditee?	Yes

Section 2. Financial Statement Findings

None reported

Section 3. Federal Award Findings and Questioned Costs

None reported

Tarkington Independent School District
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended August 31, 2018

Prior Year Findings

None reported

Tarkington Independent School District
Corrective Action Plan
For the Fiscal Year Ended August 31, 2018

Current Year Findings

None reported

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Tarkington Independent School District **Exhibit K-1**

Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended August 31, 2018

(1) Federal Grantor/ Pass-Through Grantor/ Program Title	(2) Federal CFDA Number	(2A) Pass-Through Entity Identifying Number	(3) Total Federal Expenditures
U.S. DEPARTMENT OF THE INTERIOR			
Passed Through Liberty County,TX:			
National Wildlife Refuge Fund	15.659	N/A	$ 7,403
TOTAL U.S. DEPARTMENT OF THE INTERIOR			7,403
U.S. DEPARTMENT OF EDUCATION			
Passed Through State Department of Education:			
ESEA Title I, Part A - Improving Basic Programs	84.010A	18610101146907	342,376
Career and Technical - Basic Grant	84.048A	18420006146907	20,337
ESEA Title II, Part A - Teacher and Principal Training and Recruiting	84.367A	18694501146907	58,337
ESEA Title IV, Part A - subpart 1	84.424A	18680101146907	10,000
RESTART Hurricane Recovery	84.938A	18511701146907	86,043
EIA Hurricane Recovery	84.938C	51271901	287,155
Total program 84.938			373,198
Passed Through Southeast Texas Cooperatives (Liberty ISD):			
IDEA - Part B, Formula	84.027A	186600011469066600	43,223
TOTAL U.S. DEPARTMENT OF EDUCATION			847,471
U.S. DEPARTMENT OF AGRICULTURE			
Child Nutrition Cluster:			
Passed Through State Department of Agriculture - Non-Cash Assistance:			
National School Lunch Program	10.555	00738	87,093
Passed Through State Department of Education - Cash Assistance:			
School Breakfast Program	10.553	71401801	166,921
National School Lunch Program	10.555	71301801	475,542
Total Child Nutrition Cluster			729,556
TOTAL U.S. DEPARTMENT OF AGRICULTURE			729,556
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 1,584,430

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

Tarkington Independent School District

Notes to Schedule of Expenditures of Federal Awards

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Tarkington Independent School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Single Audit Act Amendments of 1996 and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

National School Lunch Program non-cash commodities are recorded at their estimated market value at the time of donation.

The District has elected not to use the 10% de minimis indirect cost rate as allowed under Uniform Guidance.

Presented below is a reconciliation of federal revenues:

Total expenditures of federal awards per Exhibit K-1	$	1,584,430
General fund - federal revenue:		
E-rate		15,751
School Health and Related Services (SHARS)		306,571
Total federal revenues per Exhibit C-2	$	1,906,752

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Tarkington Independent School District **Exhibit L-1**

Schedule of Required Responses to
Selected School FIRST Indicators (Unaudited)
For the Fiscal Year Ended August 31, 2018

Data Control Codes		Responses
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end?	$ -
SF11	Net pension assets (1920) at fiscal year-end.	$ -
SF12	Net pension liabilities (2540) at fiscal year-end.	$ 2,665,009