

**SAN BENITO CONSOLIDATED
INDEPENDENT SCHOOL DISTRICT**

San Benito, Texas

ANNUAL FINANCIAL AND
COMPLIANCE REPORT

FOR THE TEN MONTHS ENDED JUNE 30, 2018

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL AND COMPLIANCE REPORT
FOR THE TEN MONTHS ENDED JUNE 30, 2018

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SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
SAN BENITO, TEXAS
FOR THE TEN MONTHS ENDED JUNE 30, 2018

TRUSTEES

Michael A. Vargas - President

Angel Mendez – Vice-President

M.L. Garcia - Secretary

Sonia Weaver

Janie G. Silva

Orlando Lopez

Victor Eloy Rosas

SUPERINTENDENT

Dr. Nate Carman

ASSISTANT SUPERINTENDENT OF FINANCE AND OPERATIONS

Hilda G. Rendon

INTRODUCTORY SECTION

CERTIFICATE OF BOARD

San Benito Consolidated Independent School District
Name of School District

Cameron
County

031-912
Co.-Dist. Number

We, the undersigned, do hereby certify that the attached annual financial reports of the above name school district were reviewed and ____ approved -- ____ disapproved for the ten month ended June 30, 2018 at a
(Check one)

meeting of the board of school trustees of such school district on the _____ day of _____, 2018.

Signature of Board Secretary

Signature of Board President

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
San Benito Consolidated Independent School District

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the San Benito Consolidated Independent School District as of and for the ten months ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the San Benito Consolidated Independent School District as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the ten months then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note B3 and Note T 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 to reflect the change in the accounting principle resulting from this statement. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Required Supplementary Information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the San Benito Consolidated Independent School District's basic financial statements. The introductory section and the Supplementary Information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards, and is not a required part of the basic financial statements.

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

The introductory section and 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.

Other Reporting Required by *Government Auditing Standards*

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

Brenton McComb & Hays, LLP

Brownsville, Texas
November 7, 2018

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT MANAGEMENT DISCUSSION AND ANALYSIS

This section of the San Benito Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the ten months ended June 30, 2018. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The Board of Trustees approved a change to the District's fiscal year from August 31st to June 30th. Therefore, fiscal year 2017 – 2018 reflects a 10-month period from September 1, 2017 to June 30, 2018. All subsequent years beginning 2018 – 2019, will reflect a 12-month fiscal year.
- The District's total combined net position was \$(9,541,641) at June 30, 2018.
- During the year, the District's expenses were \$93,085,402. Revenues generated in taxes and other revenues for governmental activities were \$108,754,069.
- The total cost of the District's programs decreased by \$31,541,316 from last year. The decrease resulted from an overall decrease in expenses and significant decrease in benefit provision of TRS-Care for OPEB.
- The general fund reported a fund balance this year of \$33,358,912 which was a significant increase over the prior year due primarily to the change in fiscal year.
- The District received an "A" rating for the Financial Integrity Reporting System of Texas (FIRST) for 2018, earning 98 of 100 points.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Section of this Annual Financial Report consists of five parts: (1) *management's discussion and analysis* (this section), (2) the *basic financial statements*, (3) *required supplementary information*, and (4) *supplementary information*, (5) *other information*, which is the section that presents additional information required by the Texas Education Agency.

The Management's Discussion and Analysis section 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 Basic Financial Statements.

The basic financial statements include two kinds of statements that present different views of the District:

The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status. The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in more detail than the government-wide statements.

- *The governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short- and long-term* financial information about the activities the government operates *like businesses*.
- *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

MANAGEMENT DISCUSSION AND ANALYSIS

Government-wide 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. All of the District's services are reported in the government-wide financial statements, including instructional, instructional leadership, student support services, general administration, support services, and debt services. Property taxes, state foundation funds and grants finance most of these activities.

The *statement of net position* presents information on all of the District's assets and deferred outflows and liabilities and deferred inflows, with the difference between the two reported as net position. Net position, is one way to measure the District's financial health or *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. To fully assess the overall health of the District; however, non-financial factors need to be considered as well, such as changes in the District's average daily attendance, its property tax base and the condition of the District's facilities.

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

The government-wide financial statements of the District are principally supported by taxes and intergovernmental revenues (governmental activities). All of the District's services are reported in the government-wide financial statements, including instructional leadership, student support services, general administration, support services and debt services.

New Accounting Standards Adopted

In fiscal year 2018, the District adopted new statements of financial accounting standards issued by the Governmental Accounting Standards Board:

- Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, applies to financial reports of all state and local governmental entities, address accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. In addition, this statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

MANAGEMENT DISCUSSION AND ANALYSIS

Fund Financial Statements

A fund is a group 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 requirements. The fund financial statements provide more detailed information about the District's most significant *funds* – *not* the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and by bond covenants. The Board of Trustees establishes other funds to control and manage money for particular purposes to show that it is properly using taxes and grants.

The District has the following kinds of funds:

Governmental funds: Government 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.

Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at fiscal year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

The District maintains 25 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 the debt service fund, which are considered to be major funds. Data from the other governmental funds are combined in a single, aggregated presentation. The District adopts an annual appropriated budget for its General Fund and Debt Service Fund. A budgetary comparison schedule has been provided to demonstrate compliance with these budgets.

Proprietary funds: Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. The district utilizes internal service funds for self-funded health insurance.

Fiduciary funds: The District is the trustee, or *fiduciary*, for certain funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

Notes to the Financial Statements

The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

MANAGEMENT DISCUSSION AND ANALYSIS

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. The Required Supplementary Information relates to comparison of the original adopted budget, the final amended budget, and the actual results for the ten months ended. This is required supplementary information for the general fund. Also included in RSI is the Schedule of the District's Proportionate Share of the Net Pension Liability – Teacher Retirement System, the Schedule of the District Contributions – Teacher Retirement System, the Schedule of the District's Proportionate Share of the Net OPEB Liability – Teacher Retirement System, and the Schedule of District's OPEB Contributions – Teacher Retirement System.

Supplementary Information

The Supplementary Information section contains information for the purpose of additional analysis and is not a required part of the basic financial statements. This section includes certain compliance schedules required by the Texas Education Agency.

Government-Wide Financial Analysis

Presented in Tables I and II below are summarized Statement of Net Position and Statement of Changes in Net Position for both current and prior-year data. Our analysis focuses on the current year and the comparison of prior-year amounts on the net position (Table I) and changes in net position (Table III) of the District's governmental activities.

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the ten months ended June 30, 2018, the District's assets and deferred outflows exceeded its liabilities and deferred inflows by \$(9,541,641).

Table I
Net Position Summary

	Governmental Activities	
	2018	2017
Current and other assets	\$ 54,129,703	\$ 48,407,093
Capital assets	93,370,802	97,246,259
Total assets	<u>147,500,505</u>	<u>145,653,352</u>
Deferred outflows	<u>13,649,888</u>	<u>13,649,085</u>
Other liabilities	14,104,104	11,473,848
Long-term liabilities	<u>133,625,674</u>	<u>104,897,227</u>
Total liabilities	<u>147,729,778</u>	<u>116,371,075</u>
Deferred inflows	<u>22,962,256</u>	<u>1,643,423</u>
Net investment in capital assets	17,069,994	21,144,936
Restricted	4,058,729	2,994,466
Unrestricted	<u>(30,670,364)</u>	<u>17,148,537</u>
Total net position	<u>\$ (9,541,641)</u>	<u>\$ 41,287,939</u>

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

MANAGEMENT DISCUSSION AND ANALYSIS

Net Position- Continued

Unrestricted net position reflects a deficit created by a prior period adjustment resulting from the implementation of GASB 75 in the current fiscal year for OPEB. Although the District reports a deficit, the deficit is primarily due to reporting the District's proportionate share of the net OPEB liability. The total district liability is reported in the governmental activities; however, the actual liability does not require the use of current resources at the fund level, which results in a timing difference since the TRS-Care plan is funded on a pay-as-you-go basis. The District has made all contractually required contributions and obligations as noted in the required supplementary information and has sufficient fund balance to meet the District's ongoing obligations to students and creditors.

Governmental Activities

The District's property tax rate remained at \$1.3049 per \$100 of taxable property value as compared to last year's rate.

The total cost of all programs and services was \$93,085,402; 80% of these costs are for instructional and data processing services.

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

- The cost of all *governmental* activities this year was \$93,085,402.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$12,705,385.
- The cost that was paid by those who directly benefited from the programs was \$1,275,879.
- The amount paid by operating grants and contributions was \$5,538,325.

Table II
Net Cost of Selected District Functions

	Total Cost of Services		Net Cost of Services	
	2018	2017	2018	2017
Instruction	\$ 45,181,764	\$ 65,933,196	\$ (48,362,907)	\$ (52,813,211)
School leadership	4,284,327	5,248,846	(5,471,648)	(4,870,803)
Food services	7,441,285	8,581,254	1,398,044	42,739
Facilities maintenance and operations	11,761,407	13,548,780	(11,647,797)	(13,063,994)

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS

Changes in Net Position

The Net Position of the District decreased by \$50,829,580 for the ten months ended June 30, 2018. The total revenues from taxpayers, user service, grants and other sources for the District was \$108,754,069, a *decrease* over fiscal year 2017 of \$22,417,231. One of the revenue decreases was attributable to the drop in enrollment from prior year. The grants and contributions not restricted decreased resulted in a decrease of \$5,562,327 over the prior year. Total expenses for the 2018 fiscal year were \$93,085,402 or \$31,547,316 less than the expenses for fiscal year 2017.

Table III
Changes in Net Position

	2018	2017
Program Revenues:		
Charges for services	\$ 1,275,879	\$ 1,129,709
Operating grants and contributions	5,538,325	28,597,657
General revenues:		
Property taxes	12,705,385	12,163,509
State and other grants	88,534,272	88,685,685
Investment earnings	454,738	251,701
Miscellaneous local intermediate	245,470	343,039
Total revenues	108,754,069	131,171,300
Program Expenses:		
Instruction	45,181,764	65,933,196
Instructional resources and media services	974,766	1,405,631
Curriculum and instructional staff development	950,701	2,390,299
Instructional leadership	2,383,252	3,305,942
School leadership	4,284,327	5,248,846
Guidance, counseling and evaluation services	2,433,602	3,524,474
Social services	443,607	523,126
Health services	829,030	1,022,203
Student (pupil) transportation	2,865,557	3,848,799
Food services	7,441,285	8,581,254
Co-curricular/extracurricular activities	3,305,908	3,405,259
General administration	3,205,802	4,141,331
Plant maintenance and operations	11,761,407	13,548,780
Security and monitoring services	1,984,783	2,459,436
Data processing services	2,492,798	1,547,295
Community services	455,851	633,160
Debt service	1,646,053	2,464,173
Other governmental charges	444,909	649,514
Total expenses	93,085,402	124,632,718
Increase (decrease) in net position	15,668,667	6,538,582
Beginning net position	41,287,939	34,749,357
Restatement (OPEB implementation)	(66,498,247)	-
Ending net position	<u>\$ (9,541,641)</u>	<u>\$ 41,287,939</u>

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS

Changes in Net Position- Continued

The District's total revenues were \$108,754,069. A significant portion, 81%, of the District's revenue comes from state aid – formula grants and operating grants compared to 11.7% from local taxes.

The Net Position of the District increased by \$15,665,667 for the ten months ended June 30, 2018, which was directly attributable to both the decrease in expenses related to a significant reduction in OPEB liability, slight increase in revenues and the fiscal year changing from August 31 to June 30.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements, bond covenants, and segregation for particular purposes. 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 the District's net resources available for spending at the end of a fiscal year.

As of June 30, 2018, the District's governmental funds reported a combined ending fund balance of \$34,388,128, an increase of \$4,522,508 from last year. Of the total fund balance, \$29,896,240, or approximately 87%, constitutes unassigned fund balance. The remainder of fund balance is non-spendable, restricted, committed or assigned for particular purposes as follows:

Table IV
Governmental Funds – Fund Balances

Nonspendable	
Inventories	\$ 533,567
Prepayments	322,359
Restricted	
Grant funds	2,606,746
Retirement of long-term debt	888,079
Committed	
Other committed funds	141,137
Unassigned	
Unassigned	29,896,240
	<u>\$ 34,388,128</u>

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2018, the District had invested \$217,733,832 in a broad range of capital assets, including land, equipment, buildings, and vehicles. More detailed information about the District's capital assets is presented in the notes to the financial statements.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS

Capital Assets- Continued

Table V
Capital Assets

	Governmental Activities	
	(In thousands of dollars)	
	2018	2017
Land	\$ 6,673	\$ 8,018
Buildings and improvements	187,767	186,104
Furniture and equipment	23,294	22,955
Total assets at historical cost	217,734	217,077
Accumulated depreciation	(124,363)	(119,831)
Net capital assets	<u>\$ 93,371</u>	<u>\$ 97,246</u>

Long-term Debt

The District had \$133,625,673 in bonds, related premiums/discounts and other long-term liabilities as shown in Table VI. More detailed information about the District's debt is presented in the notes to the financial statements.

Bond Ratings

The District's bonds presently carry "A" ratings assigned by Standard & Poor Ratings.

Table VI
Long-term Debt

	Governmental Activities	
	(In thousands of dollars)	
	2018	2017
Bonds payable	\$ 68,110	\$ 72,720
Premiums	5,907	6,999
Accrued interest on CABS	-	605
Capital Lease Payable	1,192	-
Compensated absences	1,931	1,113
Net pension liability	18,606	23,460
Net OPEB liability	37,880	66,875
Totals	<u>\$ 133,626</u>	<u>\$ 171,772</u>

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

MANAGEMENT DISCUSSION AND ANALYSIS

Net Pension Liability

The District reports net pension liabilities, deferred inflows of resources and deferred outflows of resources and the recognition of pension expense in accordance with the provisions of GASB Statement No. 68. The amounts recorded by the District for the current school year for net pension liability increased while the deferred inflows of resources related to TRS and deferred outflows of resources related to TRS decreased over the amounts reported at the end of the prior school year. See Note Q to the financial statements for additional information on these changes and pension related balances at year end.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised property value used for the 2019 budget preparation was \$1,365,934,069 which is 3.24% increase over last year's value.
- General operating fund for 2019 will retain the current fund balance while improving academic and facilities services.

These indicators were taken into account when adopting the general fund budget for 2019. The district adopted a balanced budget for 2018-2019 on June 12, 2018.

The District committed to evaluate financial, operational, and curriculum programs in the 2015-2016 school year. Re-Imagine 2021, a 5-year Strategic Plan, was approved by the board in July 2016 that will guide the district forward for the next 5 years. An Efficiency Audit conducted by Texas Association of School Business Officials was approved in June 2016 to strengthen the Financial and Operations functions of SBCISD. The recommendations from the Efficiency Audit were implemented during the 2017-2018 school year. During the 2016-2017 school year, the Texas Association of School Boards conducted a salary compensation study to evaluate employee pay equity and salary comparisons in our market and began to implement their recommendations. Additionally, during the 2017-2018 school year the Texas Association of School Boards conducted a staffing study to evaluate the adequate staff in all departments.

Based on the above information, the District is expected to maintain the current fund balance while making the necessary adjustments to strengthen the school district academically as well as financially.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Business Office at 240 N. Crockett Street, San Benito, Texas 78586.

BASIC

FINANCIAL STATEMENTS

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018

Data Control Codes		Primary Government Governmental Activities
ASSETS		
1110	Cash and Cash Equivalents	\$ 42,829,239
1220	Property Taxes- Delinquent	2,959,825
1230	Allowance for Uncollectible Taxes (Credit)	(295,982)
1240	Receivables from Other Governments	7,739,660
1260	Due from Fiduciary Funds	38,054
1290	Other Receivables	2,296
1300	Inventories	533,567
1410	Prepayments	322,359
1490	Other Current Assets	685
	Capital Assets:	
1510	Land	6,672,624
1520	Buildings, Net	80,924,369
1530	Furniture and Equipment, Net	5,773,809
1000	Total Assets	147,500,505
DEFERRED OUTFLOWS OF RESOURCES		
1701	Deferred Charge for Refunding	3,911,164
1705	Deferred Outflow Related to Pension Activities	9,329,558
1706	Deferred Outflow Related to Other Post-Employment Benefit Activities	409,166
1700	Total Deferred Outflows of Resources	13,649,888
LIABILITIES		
2110	Accounts Payable	3,140,670
2140	Interest Payable	1,035,295
2150	Payroll Deductions and Withholdings Payable	1,976,499
2160	Accrued Wages Payable	7,592,763
2180	Due to Other Governments	277,353
2200	Accrued Expenditures	110
2300	Unearned Revenue	81,414
	Noncurrent Liabilities:	
2501	Due Within One Year	4,062,163
2502	Due in More than One Year	73,078,060
2540	Net Pension Liability (District's Share)	18,605,572
2545	Net Other Post-Retirement Benefit Liability (District's Share)	37,879,879
2000	Total Liabilities	147,729,778
DEFERRED INFLOWS OF RESOURCES		
2605	Deferred Inflow Related to Pension Activities	7,117,031
2606	Deferred Inflow Related to Other Post-Employment Benefit Activities	15,845,225
2600	Total Deferred Inflows of Resources	22,962,256
NET POSITION		
3200	Net Investment in Capital Assets	17,069,994
3820	Restricted for Federal and State Programs	2,893,345
3850	Restricted for Debt Service	1,165,384
3900	Unrestricted	(30,670,364)
3000	Total Net Position	\$ (9,541,641)

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

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE TEN MONTHS ENDED JUNE 30, 2018

Data		Program Revenues		Net (Expenses)
Control	1	3	4	Revenues and
Codes			Operating	Changes in Net
				Position
				6
				Primary Gov.
				Governmental
	Expenses	Charges for	Grants and	Activities
		Services	Contributions	
Primary Government				
GOVERNMENTAL ACTIVITIES:				
11	Instruction	\$ 45,181,764	\$ 54,842	\$ (3,235,985)
12	Instructional Resources and Media Services	974,766	-	(252,000)
13	Curriculum and Instructional Staff Development	950,701	6,269	449,528
21	Instructional Leadership	2,383,252	18,808	862,980
23	School Leadership	4,284,327	-	(1,187,321)
31	Guidance, Counseling & Evaluation Services	2,433,602	-	211,600
32	Social Work Services	443,607	-	24,580
33	Health Services	829,030	-	1,709,617
34	Student (Pupil) Transportation	2,865,557	4,870	(699,000)
35	Food Services	7,441,285	394,646	8,444,683
36	Extracurricular Activities	3,305,908	666,801	(260,197)
41	General Administration	3,205,802	25,835	(658,000)
51	Facilities Maintenance and Operations	11,761,407	101,121	12,489
52	Security and Monitoring Services	1,984,783	-	(464,221)
53	Data Processing Services	2,492,798	-	(194,000)
61	Community Services	455,851	2,687	465,985
72	Debt Services- Interest on Long Term Debt	1,640,803	-	-
73	Debt Services- Bond Issuance Cost and Fees	5,250	-	-
81	Capital Outlay	21,152	-	-
93	Payments related to Shared Services Agreements	307,587	-	307,587
99	Other Intergovernmental Charges	116,170	-	-
[TP] TOTAL PRIMARY GOVERNMENT:		\$ 93,085,402	\$ 1,275,879	\$ 5,538,325
				\$ (86,271,198)
Data				
Control				
Codes				
	General Revenues:			
	Taxes:			
MT	Property Taxes, Levied for General Purposes			11,402,529
DT	Property Taxes, Levied for Debt Service			1,302,856
SF	State Aid - Formula Grants			85,606,690
GC	Grants and Contributions not Restricted			2,927,582
IE	Investment Earnings			454,738
MI	Miscellaneous Local and Intermediate Revenue			245,470
TR	Total General Revenues			101,939,865
CN	Change in Net Position			15,668,667
NB	Net Position - Beginning (Restated)			(25,210,308)
NE	Net Position - Ending			\$ (9,541,641)

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

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$38,065,271	\$ 1,165,385	\$ 141,246	\$39,371,902
1220 Property Taxes- Delinquent	2,638,931	320,893	-	2,959,824
1230 Allowance for Uncollectible Taxes (Credit)	(263,893)	(32,089)	-	(295,982)
1240 Receivables from Other Governments	5,304,942	-	2,434,718	7,739,660
1260 Due from Other Funds	1,481,423	47	-	1,481,470
1290 Other Receivables	2,155	-	141	2,296
1300 Inventories	533,567	-	-	533,567
1410 Prepayments	322,359	-	-	322,359
1490 Other Current Assets	685	-	-	685
1000 Total Assets	<u>\$48,085,440</u>	<u>\$ 1,454,236</u>	<u>\$ 2,576,105</u>	<u>\$52,115,781</u>
LIABILITIES				
2110 Accounts Payable	1,233,657	-	125,186	1,358,843
2150 Payroll Deductions and Withholdings Payable	1,902,385	-	74,114	1,976,499
2160 Accrued Wages Payable	6,870,928	-	721,835	7,592,763
2170 Due to Other Funds	2,263,245	-	1,513,584	3,776,829
2180 Due to Other Governments	-	277,353	-	277,353
2200 Accrued Expenditures	110	-	-	110
2300 Unearned Revenue	81,165	-	249	81,414
2000 Total Liabilities	<u>12,351,490</u>	<u>277,353</u>	<u>2,434,968</u>	<u>15,063,811</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	<u>2,375,038</u>	<u>288,804</u>	<u>-</u>	<u>2,663,842</u>
2600 Total Deferred Inflows of Resources	<u>2,375,038</u>	<u>288,804</u>	<u>-</u>	<u>2,663,842</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3410 Inventories	533,567	-	-	533,567
3430 Prepaid Items	322,359	-	-	322,359
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restrictions	2,606,746	-	-	2,606,746
3480 Retirement of Long-Term Debt	-	888,079	-	888,079
Committed Fund Balance:				
3540 Self Insurance - Workers Compensation	-	-	-	-
3545 Other Committed Funds Balances	-	-	141,137	141,137
3600 Unassigned Fund Balance	<u>29,896,240</u>	<u>-</u>	<u>-</u>	<u>29,896,240</u>
3000 Total Fund Balances	<u>33,358,912</u>	<u>888,079</u>	<u>141,137</u>	<u>34,388,128</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$48,085,440</u>	<u>\$ 1,454,236</u>	<u>\$ 2,576,105</u>	<u>\$52,115,781</u>

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

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2018

Total Fund Balances - Governmental Funds		\$ 34,388,128
1	The assets and liabilities of the District health self insurance internal service fund are consolidated into the statement of net position. The effect is an increase to net position.	4,008,925
2	Capital assets used in governmental activities are not financial resources and therefore are not presented in governmental funds. The cost of these assets totaled \$217,733,831 and the accumulated depreciation totaled \$124,363,030.	93,370,801
3	Long-term liabilities including bonds and compensated absences are not due and payable in the current period and are not reported as liabilities in the funds.	(77,140,223)
4	Accrued interest payable does not require current financial resources so it is not reported as a liability in the funds.	(1,035,295)
5	Property taxes receivable that will be collected this year, but are not available soon enough to pay for current periods' expenditures and, therefore, are unavailable in the funds.	2,663,842
6	Gains/losses on defeasance of debt are recognized as deferred credits or charges and amortized over the remaining life of the debt. The District has deferred charges on refundings of \$3,911,164 from various refundings that are not reported in the funds.	3,911,164
7	Included in items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68. The net position related to TRS included deferred resources outflow in the amount of \$9,329,558, a deferred resources inflow in the amount of \$7,117,031, and a net pension liability in the amount of \$18,605,572. This resulted in a decrease in net position.	(16,393,045)
8	Included in items related to debt is the recognition of the District's proportionate share of the net other post-employment benefits liability required by GASB 75. The net position related to TRS included deferred resources outflow in the amount of \$409,166, a deferred resources inflow in the amount of \$15,845,225, and a net other post-employment benefits liability in the amount of \$37,879,879. This resulted in a decrease in net position.	(53,315,938)
9	Net Position of Governmental Activities	<u><u>\$ (9,541,641)</u></u>

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

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE TEN MONTHS ENDED JUNE 30, 2018

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$12,773,187	\$ 1,377,084	\$ 358,066	\$14,508,337
5800 State Program Revenues	82,959,293	5,426,376	1,546,205	89,931,874
5900 Federal Program Revenues	10,406,376	-	11,369,973	21,776,349
5020 Total Revenues	<u>106,138,856</u>	<u>6,803,460</u>	<u>13,274,244</u>	<u>126,216,560</u>
EXPENDITURES:				
Current:				
0011 Instruction	50,753,634	-	9,063,221	59,816,855
0012 Instructional Resources and Media Services	1,278,784	-	-	1,278,784
0013 Curriculum and Instructional Staff Development	552,193	-	493,528	1,045,721
0021 Instructional Leadership	1,713,238	-	1,443,980	3,157,218
0023 School Leadership	5,717,808	-	55,679	5,773,487
0031 Guidance, Counseling and Evaluation Services	2,659,636	-	802,601	3,462,237
0032 Social Work Services	391,047	-	116,580	507,627
0033 Health Services	1,074,598	-	82,311	1,156,909
0034 Student (Pupil) Transportation	4,799,034	-	-	4,799,034
0035 Food Service	8,088,823	-	-	8,088,823
0036 Extracurricular Activities	3,372,336	-	374,899	3,747,235
0041 General Administration	3,917,786	-	-	3,917,786
0051 Facilities Maintenance and Operations	13,367,124	-	13,888	13,381,012
0052 Security and Monitoring Services	2,187,382	-	33,779	2,221,161
0053 Data Processing Services	2,765,825	-	-	2,765,825
0061 Community Services	87,371	-	480,984	568,355
Debt Service:				
0071 Principal on Long Term Debt	654,721	4,370,000	-	5,024,721
0072 Interest on Long Term Debt	19,463	2,096,478	-	2,115,941
0073 Bond Issuance Cost and Fees	3,250	2,000	-	5,250
Capital Outlay:				
0081 Facilities Acquisition and Construction	42,982	-	-	42,982
Intergovernmental:				
0093 Payment to Fiscal Agent/Member Discounts of SSA	-	-	307,587	307,587
0099 Other Intergovernmental Charges	116,170	-	-	116,170
6030 Total Expenditures	<u>103,563,205</u>	<u>6,468,478</u>	<u>13,269,037</u>	<u>123,300,720</u>
1100 Excess (Deficiency) of Revenues Over (Under)				
Expenditures	<u>2,575,651</u>	<u>334,982</u>	<u>5,207</u>	<u>2,915,840</u>
OTHER FINANCING SOURCES (USES):				
7913 Proceeds from Capital Leases	<u>1,606,668</u>	<u>-</u>	<u>-</u>	<u>1,606,668</u>
7080 Total Other Financing Sources (Uses)	<u>1,606,668</u>	<u>-</u>	<u>-</u>	<u>1,606,668</u>
1200 Net Change in Fund Balances	4,182,319	334,982	5,207	4,522,508
0100 Fund Balance - (Beginning)	<u>29,176,593</u>	<u>553,097</u>	<u>135,930</u>	<u>29,865,620</u>
3000 Fund Balance - (Ending)	<u>\$33,358,912</u>	<u>\$ 888,079</u>	<u>\$ 141,137</u>	<u>\$34,388,128</u>

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

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE TEN MONTHS ENDED JUNE 30, 2018

Total Net Change in Fund Balances - Governmental Funds		\$ 4,522,508
1	The District uses an internal service fund to charge the costs of the health self insurance plan to appropriate functions in other funds. The net loss of the internal service fund is reported with governmental activities.	(694,337)
2	Capital outlays are reported in the governmental funds as expenditures. In the statement of activities the cost of the assets, \$3,346,183 is allocated over their useful lives as depreciation expense which totaled \$7,221,640 for the year.	(3,875,457)
3	Because some property taxes will not be collected for several months after the District's year end, they are not considered "available" revenues in the governmental funds. This is the change in unearned tax revenue.	173,138
4	Repayment of principal on long-term debt is an expenditure in the funds but is not an expense in the statement of activities.	5,630,032
5	Proceeds from issuance of long-term debt is reported as an other financing source in the governmental funds. In the government-wide financial statements, proceeds are treated as an increase in long-term liabilities and amounts paid to refunding agents are treated as a decrease in long-term liabilities. Proceeds from capital lease payable.	(1,606,668)
6	Some expenses such as the effect of the change in compensated absences 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.	(818,610)
7	Governmental funds report premiums, discounts, gains/losses on debt transactions when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. Interest is recorded in the governmental funds when paid but in the statement of activities it is accrued. This is the net impact of amortization of premiums, deferred losses, accretion of interest on capital appreciation bonds and the change in accrued interest.	(130,173)
8	GASB 68 requires that certain plan expenditures be de-expended and recorded as deferred resources outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$1,806,264. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in the net pension liability. This caused a decrease in net position totaling \$1,773,266. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$748,413. The net results is a decrease in the change in net position.	(715,415)
9	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 revenue or expenditures in the governmental funds. The net change consists of deferred outflows increase \$33,740, deferred inflows increase \$15,845,225, and net OPEB liability decrease \$28,995,134.	13,183,649
10	Change in Net Position of Governmental Activities	<u><u>\$ 15,668,667</u></u>

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

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018

	Governmental Activities
	Total Internal Service Funds
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 3,457,339
Due From Other Funds	2,333,412
Total Assets	5,790,751
LIABILITIES	
Current Liabilities:	
Accounts Payable	1,781,826
Total Liabilities	1,781,826
NET POSITION	
Unrestricted Net Position	4,008,925
Total Net Position	\$ -

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

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE TEN MONTHS ENDED JUNE 30, 2018

	Governmental Activities
	Total Internal Service Funds
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 7,720,065
Total Operating Revenue	7,720,065
OPERATING EXPENSES:	
Professional and Contracted Services	8,332,589
Supplies and Materials	74,340
Other Operating Costs	7,473
Total Operating Expenses	8,414,402
Operating Loss	(694,337)
Total Net Position - Beginning	4,703,262
Total Net Position - Ending	\$ 4,008,925

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

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE TEN MONTHS ENDED JUNE 30, 2018

	Governmental Activities
	Total Internal Service Funds
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 9,262,429
Cash Payments for Insurance Claims	(8,268,494)
Cash Payments for Suppliers	(7,473)
	<u>986,462</u>
Net Cash provided by Operating Activities	<u>986,462</u>
Net increase in Cash and Cash Equivalents	986,462
Cash and Cash Equivalents at Beginning of Year	<u>2,470,877</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 3,457,339</u></u>
<u>Reconciliation of Operating Income to Net Cash Provided by</u> <u>Operating Activities:</u>	
Operating Loss:	\$ (694,337)
Effects of Increases and Decreases in Current Assets and Liabilities:	
Increase in Due From Other Funds	(2,333,412)
Decrease in Other Receivables	3,711,326
Increase in Accounts Payable	302,885
	<u>302,885</u>
Net Cash Provided by Operating Activities	<u><u>\$ 986,462</u></u>

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

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 37,342	\$ 329,057
Due from Other Funds	<u>475</u>	<u>-</u>
Total Assets	<u><u>\$ 37,817</u></u>	<u><u>\$ 329,057</u></u>
LIABILITIES		
Due to Other Funds	\$ -	\$ 38,528
Due to Student Groups	31,715	290,529
Unearned revenues	<u>6,102</u>	<u>-</u>
Total Liabilities	<u><u>\$ 37,817</u></u>	<u><u>\$ 329,057</u></u>

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

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE TEN MONTHS ENDED JUNE 30, 2018

NOTE A - REPORTING ENTITY

The San Benito Consolidated Independent School District (the "District") is an independent public education agency operating under applicable laws and regulations of the State of Texas. This report includes the financial statements of the funds required to account for those activities, organizations and functions, which are related to the District and which are controlled by or dependent upon the District's governing body, the Board of Trustees. The Board of Trustees (the Board), includes seven eligible members elected at large by the qualified voters of the San Benito Consolidated Independent School District. The Board has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency (TEA) or to the State Board of Education are reserved for the Board, and TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board.

House Bill 98 enacted by the seventy-sixth legislature of the State of Texas allowed Texas School Districts to change their fiscal year from August 31st to June 30th beginning with 2001/2002 school year. The District changed its fiscal year from September 1st through August 31st to July 1st through June 30th, thereby capturing then months of activity for the ten-month period ended June 30, 2018. The change was made to better align the fiscal year with the school year.

The District is considered an independent entity for financial reporting purposes and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared, based on considerations regarding the potential for inclusion of other entities, organizations, or functions, as part of the District's financial reporting entity. The District receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities. Additionally, as the District is considered a primary government for financial reporting purposes, its activities are not considered a part of any other government or other type of reporting entity.

The criteria used to determine whether an organization is a component unit of the District includes: financial accountability of the District for the component unit, appointment of a voting majority, fiscal dependency, ability to impose the District's will on the component unit, and whether there is a financial benefit or burden to the District.

For financial reporting purposes, the San Benito Consolidated Independent School District Public Facility Corporation ("PFC") is included in the operations and activities of the District because of the fiscal dependency criteria whereby the PFC serves the District exclusively.

The San Benito Consolidated Independent School District Public Facility Corporation ("PFC"), a blended component unit, was organized to finance the construction of a new multi-purpose stadium for the District. SBCISD PFC is governed by a Board of Directors composed of the San Benito Consolidated Independent School District Board of Trustees. The SBCISD PFC is blended as part of the governmental activities.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE TEN MONTHS ENDED JUNE 30, 2018

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

1. *Government-Wide Statements and Fund Financial Statements*

The government-wide financial statements consist of the statement of net position and the statement of activities. These statements report information on all of the non-fiduciary activities of the District. The effect of the interfund activity has been removed from these statements. The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Program revenues include charges to customers and grants used for operational requirements. Governmental activities are supported by tax revenues, state aid, charges for services, investment earnings and intergovernmental revenues such as grants.

Direct expenses are those that are clearly identifiable with a specific function. 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 and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds even though the latter are excluded from the government-wide financial statements.

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to, and accounted for the purpose of, carrying on specific activities in accordance with laws, regulations, or other appropriate requirements. 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 non-major funds.

The District reports the following major governmental fund:

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

Debt Service Fund. The District accounts for resources accumulated and payments made for principal and interest on long-term debt of governmental funds in a debt service fund.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE TEN MONTHS ENDED JUNE 30, 2018

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Additionally, the District reports the following funds:

Nonmajor Governmental Funds:

Special Revenue Funds: Special Revenue Funds are the funds that account for state and federally financed programs or expenditures legally restricted for specified purposes or where unused balances are returned to the grantor at the close of specified project periods.

Capital Projects Fund. The District used this fund to account for bond proceeds used for construction. This fund was closed during the current school year.

Proprietary Funds:

Internal Service Fund: These funds are used to account for revenues and expenses related to services provided to parties inside the District. These funds facilitate distribution of support costs to the uses of support services on a cost reimbursement basis. The District reports its health insurance plan in an internal service fund.

Fiduciary Funds:

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

Private Purpose Trust Funds: The District accounts for donations for which the donor stipulated that both the principal and the income may be used for purposes that benefit parties outside the District. The District's Private Purpose Trust Funds include the General Scholarship Fund, the Fallingant Trust and Montemayor Memorial Trust Fund.

Agency Funds: The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency Fund includes the Student Activity Fund, Tax Clearing Fund and Tax Escrow Fund.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows. Property taxes are recognized 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.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE TEN MONTHS ENDED JUNE 30, 2018

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2. Measurement Focus, Basis of Accounting and Financial Statement Presentation- Continued

The governmental funds 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. For this purpose, the District considers revenues to be available if they are collected within 60 days after year end. Grant and similar revenues, revenues received from the State of Texas and interest income are all considered to be susceptible to accrual and so have been recognized as revenues in the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures generally are recorded when a liability is incurred, as 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.

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

The Proprietary Fund Types are accounted for on an economic resources measurement focus. Operating revenues and expenses are distinguished from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise and internal service funds include cost of sales and services, administrative expenses, and depreciation and capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE TEN MONTHS ENDED JUNE 30, 2018

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

3. *New Accounting Standards Adopted and Recently Issued Accounting Pronouncements*

In the current fiscal year, the District implemented the following new standards. The applicable provisions of these new standards are summarized below. Implementation is reflected in the financial statements and the notes to the financial statements.

- *Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*

In the current fiscal year, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. This Statement replaces the requirements of Statement 45 and requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Statement 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements.

Recently Issued Accounting Pronouncements

In June 2017, the GASB issued GASB Statement No. 87, *Leases*, effective for fiscal years beginning after December 15, 2019. The objective of GASB Statement No. 87 is to improve accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. GASB Statement No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB Statement No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and deferred inflow of resources. Management is evaluating the effects that the full implementation of GASB Statement No. 87 will have on its financial statements for the ten months ended June 30, 2021.

4. *Budgets*

The official school budget was prepared for adoption for required Governmental Fund types by August 30, 2017. The budget was formally adopted by the board of school trustees at a duly advertised public meeting prior to the expenditure of funds. The budget was amended by the board of trustees throughout the year. Expenditures may not legally exceed budgeted appropriations at the function level.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE TEN MONTHS ENDED JUNE 30, 2018

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

5. *Cash and Cash Equivalents*

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

6. *Investments*

Investments consist largely of money market funds and government investment pools. The District's investments are carried at fair value based on quoted market prices at year-end, in accordance with U.S. generally accepted accounting principles. Investments having a maturity of three months or less are reported as cash and cash equivalents.

The District categorizes fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District's local government investment pools are recorded at amortized costs as permitted by GASB Statement No. 79 *Certain Investment Pools and Pool Participants*. Money market investments which are short-term, highly liquid debt instruments including commercial paper, bankers' acceptances and U.S. Treasury and agency obligations are reported at fair value.

7. *Inventory and Prepaid Items*

Inventory is valued at cost (average). The District accounts for paper, maintenance, janitorial, HVAC and food inventories by using the consumption method whereby expenditures are recognized only when inventory items are used. Reported inventories are equally offset by non-spendable fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

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

In the child nutrition fund (part of the general fund) inventory is valued at cost, using the weighted-average method, except for food commodities, which are recorded at market values supplied by the Texas department of Agriculture. Commodities are received at no cost to the District; however, their fair market value is recorded as inventory when received. As the commodities are consumed, the inventory is relieved.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE TEN MONTHS ENDED JUNE 30, 2018

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

8. *Capital Assets*

Capital assets, which include property, plant and equipment, are reported in the government wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of two years or more.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives, as well as the cost of land, are not depreciated.

Capital assets are depreciated over the estimated useful lives of the assets on a straight-line basis over the following estimated useful lives:

<u>Assets Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	52
Building improvements	20
Vehicles	2 – 15
Furniture and equipment	3 – 15

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated.

9. *Interfund Activity*

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation.

Services provided are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

10. *Long-term Obligations*

In government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred charges and amortized over the term of the related debt using the appropriate effective interest method.

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

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE TEN MONTHS ENDED JUNE 30, 2018

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

11. *Use of Estimates*

The preparation of financial statements in conformity with GAAP requires the use of management's estimates. Actual results could differ from those estimates.

12. *Compensated Absences*

The District's policy allows employees to be reimbursed for up to 30 days of accumulated leave upon separation from the District at a daily reimbursement rate of \$150 for professionals and \$100 for auxiliary employees. Criteria are established based upon retirement, resignation or separation due to reduction in force but a minimum of ten years of consecutive service with the District is required.

13. *Pensions*

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

14. *Other Post-Employment Benefits*

The fiduciary net position of the TRS has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other OPEB, OPEB expenses, 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.

15. *Data Control Codes*

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

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE TEN MONTHS ENDED JUNE 30, 2018

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

16. *Deferred Outflows and Inflows of Resources*

Deferred outflows and inflows of resources are reported in the statement of financial position as described below:

A deferred outflow of resources is a consumption of a government's net assets (a decrease in assets in excess of any related decrease in liabilities or an increase in liabilities in excess of any related increase in assets) by the government that is applicable to a future reporting period. The District has three items that qualify for reporting in this category:

- Deferred outflows of resources for refunding - Reported in the government-wide statement of net position, this deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Deferred outflows of resources for pension and OPEB – The District has deferred outflows from pension and other postemployment benefit activities which are applicable to the government wide financial statements. Contributions by the District for pension and other postemployment benefits that are made in the current fiscal year are deferred until the following year in order to align with the TRS pension and the TRS-Care retiree group health insurance plan years. Deferred outflows also arise out of the pension and benefit plan reporting which are amortized over the weighted average remaining service life of all participants in the respective qualified pension and benefit plan, or, in the case of projected and actual earnings differences on investments, are amortized on a closed basis over a 5-year period.

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

- Deferred inflows of resources for unavailable revenues - Reported only in the governmental funds balance sheet, unavailable revenues from property taxes arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Deferred inflows of resources for pension and OPEB – Deferred inflows arise from the pension and other postemployment benefit activities which are applicable to the government-wide financial statements. Those deferred inflows are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan, or, in the case of projected and actual earnings differences on investments, are amortized on a closed basis over a 5-year period.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE TEN MONTHS ENDED JUNE 30, 2018

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

17. *Net Position and Fund Balances*

Net position on the Statement of Net Position include the following:

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

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

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

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

Net position flow assumption – Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted- net position in the government-wide and proprietary 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 – net position to have been depleted before unrestricted – net position is applied.

In the fund financial statements, governmental funds report fund balances as either a non-spendable fund balance or a spendable fund balance.

Non-spendable fund balance is that portion of fund balance that is not expendable. Examples of non-spendable fund balance include inventories and prepaid items.

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

Restricted fund balance – the component of the spendable fund balance constrained by external parties, constitutional provisions, or enabling legislation.

Committed fund balance – the component of the spendable fund balance constrained to a specific purpose by the Board. A Board resolution is required to establish a fund balance commitment. Committed amounts cannot be used for any other purpose unless the governing board changes or lifts the constraint taking the same formal action that imposed the constraint originally.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE TEN MONTHS ENDED JUNE 30, 2018

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

17. *Net Position and Fund Balances – Continued*

Assigned fund balance – the component of spendable fund balance that is spendable or available for appropriation but has been tentatively earmarked for some specific purpose by the Superintendent. Board Policy CE (Local) authorized the Superintendent to assign fund balance.

Unassigned fund balance – the component of spendable fund balance which may be spent for any legal purpose. This portion of the total fund balance in the general fund is available to finance operating expenditures.

Minimum fund balance policy: The Board of Trustees adopted a financial policy to maintain a minimum level of unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) in the general fund. The target level is set between ten and fifteen percent of the District's total operating expenditures of the general fund. This amount is intended to provide fiscal stability when economic downturns and other unexpected events occur. If fund balance falls below the minimum target level, the policy provides for actions to replenish the amount to the minimum target level generally within a three-year period.

18. *Encumbrance Accounting*

The District employs encumbrance accounting, whereby encumbrances for goods or purchased services are documented by purchase orders and contracts. An encumbrance represents a commitment of Board appropriation related to unperformed contracts for goods and services. The issuance of a purchase order or the signing of a contract creates an encumbrance but does not represent an expenditure for the period, only a commitment to expend resources. Appropriations lapse at June 30th and encumbrances outstanding at that time are either cancelled or appropriately provided for in the subsequent year's budget.

NOTE C – DEPOSITS AND INVESTMENTS

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

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE TEN MONTHS ENDED JUNE 30, 2018

NOTE C – DEPOSITS AND INVESTMENTS – Continued

The District maintains an investment policy which authorizes the District to invest in obligations of the U.S. Treasury and U.S agencies, municipal securities and repurchase agreements and the State Treasurer's investment pool or similar public fund investment pools. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

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

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The collateral shall always be held by an independent third party with whom the District has a current custodial agreement. As of June 30, 2018, the District's bank balances of \$6,414,775 were not exposed to custodial credit risk for because it was insured and collateralized with securities held by the District's agent in the District's name.

At June 30, 2018, the carrying values of the District's deposits (other than cash on hand and the temporary investments listed below) was \$4,468,575 and the bank balance was \$6,414,775. The District's cash deposits at June 30, 2018, and during the ten months ended, were entirely covered by FDIC insurance or by pledge collateral held by the District's agent bank in the District's name.

Investments

As of June 30, 2018, the District's investments consisted of balances held by Texas CLASS and Lone Star Local Government Investment Pool (LSIP).

Texas CLASS (Texas Cooperative Liquid Assets Securities System) was created and operates under Section 2256.016 of the Public Funds Investment Act as an investment pool for Texas local government entities. Eligible participants execute a Trust agreement with the cooperative and there is no minimum amount required nor is there an aggregate limit on the amount invested. Texas CLASS is rated (AAAm) by Standard & Poors, which meets the standards set by the Public Funds Investment Act. Texas Class participant's investments in the pool are evidenced by shares of the pool. The District's investment is with the pool, not the securities that make up the pool.

LSIP is a Texas public investment pool sponsored by the Texas Association of School Boards (TASB) for investment of funds by state and local government entities, primarily local school districts. The Board has entered into an agreement with First Public, LLC (First Public), a Texas limited liability company and a member of the National Association of Securities Dealers, Securities Investor Protection Corporation, and Municipal Securities Rulemaking Board, pursuant to which First Public serves as administrator of LSIP's operations. American Beacon Advisors, Fort Worth, Texas, and Standish Mellon Asset Management Company, LLC, Pittsburgh, Pennsylvania, provide investment management services to LSIP regarding the investment and reinvestment of the pool's assets. The fund's credit quality is excellent as its portfolio is composed of U. S. government and U. S. agency securities. Investments in LSIP provide for investment in securities with maturities and returns generally greater than money market instruments. LSIP is marked-to-market daily to maintain an accurate net asset value. The District's fair value in LSIP is the same as the value of the pool shares.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE TEN MONTHS ENDED JUNE 30, 2018

NOTE C – DEPOSITS AND INVESTMENTS – Continued

As noted in the District’s Summary of Significant Accounting Policies, the District reports its local government investment pools at amortized cost as permitted by GASB Statement No. 79 Certain External Investment Pools and Pool Participants. In addition LSIP does not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. The pool does not impose any liquidity fees or redemption gates.

The District’s temporary investments at June 30, 2018, are shown below:

<u>Temporary Investment</u>	<u>Credit Rating</u>	<u>Fair Value</u>	<u>Percentage</u>
Texas Class	AAAm	\$ 4,259,181	11%
Lone Star	AAA	<u>34,470,338</u>	89%
		<u>\$ 38,729,519</u>	

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the government 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’s investments in the external investment pool are not exposed to custodial risk. External investment pools are not subject to custodial risk because investments are not evidenced by securities that exist in physical or book entry form. State law limits investments in public funds investment pools to those rated no lower than AAA or AAAm or an equivalent rating by at least one nationally recognized rating service. As of June 30, 2018, the District’s investments met the required rating.

Credit Risk

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

Interest-rate Risk

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

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE TEN MONTHS ENDED JUNE 30, 2018

NOTE C – DEPOSITS AND INVESTMENTS – Continued

Concentration Risk

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

The following is a reconciliation of the District's total cash and investments, with the Statement of Net Position:

Deposits	\$ 4,465,195
Petty cash	924
Investments	38,729,519
Total of all funds:	<u>43,195,638</u>
Less: Statement of Fiduciary Net Position	<u>(366,399)</u>
Cash and cash equivalents	<u><u>\$ 42,829,239</u></u>

NOTE D - PROPERTY TAX

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

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. The District's 2017 tax rate was \$1.17 for maintenance and \$.1349 for debt service per \$100 assessed valuation. The 2017 assessed valuation was \$1,019,364,579. Allowances for uncollectibles within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. At June 30, 2018, outstanding taxes in the general fund and debt service fund was \$2,638,931 and \$320,893 with a corresponding allowance for doubtful accounts of \$263,893 and \$32,089.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE TEN MONTHS ENDED JUNE 30, 2018

NOTE E – DUE FROM AND TO OTHER GOVERNMENTS AND AGENCIES

	<u>Due From</u>	<u>Due To</u>
Governmental Funds		
<i>General Fund</i>		
Texas Education Agency		
Foundation revenues	\$ 5,207,528	\$ -
National School Lunch and Breakfast Programs	113,700	-
Other government agencies		
Headstart	(16,287)	-
	<u>5,304,941</u>	<u>-</u>
<i>Debt Service Fund:</i>		
Texas Education Agency:		
IFA funding	-	277,353
<i>Other Governments Funds</i>		
Texas Education Agency		
Title I Grants to Local Education Agencies	940,012	-
Migrant Education State Grant Program	255,945	-
Special Education Grants to States - IDEA - Part B, Formula	505,113	-
Special Education Grants to States - IDEA - Part B, Preschool	5,847	-
Career and Technical Education - Basic Grants to States	11,612	-
Supporting Effective Instruction State Grants	148,719	-
Student Support and Academic Enrichment Grants	29,360	-
English Language Acquisition State Grants	67,917	-
Twenty-First Century Community Learnings Centers	373,963	-
Pre-Kindergarten Grant	13,149	-
Region One ESC:		
Gaining Early Awareness and Readiness for Undergraduate Programs	15,169	-
Instructional Materials Allotment	28,978	-
Teachers and School Leaders Incentive Grant	38,935	-
	<u>2,434,719</u>	<u>-</u>
Total	<u><u>\$ 7,739,660</u></u>	<u><u>\$ 277,353</u></u>

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE TEN MONTHS ENDED JUNE 30, 2018

NOTE F – DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at June 30, 2018, were as follows:

	Property Taxes, Net	Other Governments	Due from Other Funds	Other Receivables	Total Receivables
Governmental Activities:					
General Fund	\$ 2,375,038	\$ 5,304,942	\$ 1,481,423	\$ 2,155	\$ 9,163,558
Debt Service Fund	288,804	-	47	-	288,851
Other Funds	-	2,434,718	-	141	2,434,859
Total Governmental Activities	<u>\$ 2,663,842</u>	<u>\$ 7,739,660</u>	<u>\$ 1,481,470</u>	<u>\$ 2,296</u>	<u>\$ 11,887,268</u>

Payables at June 30, 2018, were as follows:

	Accounts Payables	Salaries and Benefits	Due to Other Funds	Due to Other Governments	Total Payables
Governmental Activities:					
General Fund	\$ 1,233,657	\$ 8,773,313	\$ 2,263,245	\$ -	\$ 12,270,215
Debt Service Fund	-	-	-	277,353	277,353
Other Funds	125,186	795,949	1,513,584	-	2,434,719
Total Governmental Activities	<u>\$ 1,358,843</u>	<u>\$ 9,569,262</u>	<u>\$ 3,776,829</u>	<u>\$ 277,353</u>	<u>\$ 14,982,287</u>

NOTE G – CAPITAL ASSETS

Capital asset activity for the ten months ended June 30, 2018 was as follows:

	Beginning Balance 09/01/17	Increases	Decreases	Adjustment	Ending Balance 06/30/18
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 8,018,198	\$ -	\$ -	\$ (1,345,574)	\$ 6,672,624
Total capital assets, not being depreciated	<u>8,018,198</u>	<u>-</u>	<u>-</u>	<u>(1,345,574)</u>	<u>\$ 6,672,624</u>
Capital assets, being depreciated:					
Buildings and improvements	186,103,867	317,340	-	1,345,574	187,766,781
Furniture and equipment	13,140,212	1,083,002	-	(1,492,907)	12,730,307
Vehicles	9,815,200	1,945,841	(1,196,921)	-	10,564,120
Total capital assets, being depreciated	<u>209,059,279</u>	<u>3,346,183</u>	<u>(1,196,921)</u>	<u>(147,333)</u>	<u>\$ 211,061,208</u>
Less accumulated depreciation for:					
Buildings and improvements	(101,583,862)	(6,455,471)	-	-	(108,039,333)
Furniture and equipment	(10,678,148)	(422,667)	-	1,492,907	(9,607,908)
Vehicles	(7,569,208)	(343,502)	1,196,921	-	(6,715,789)
Total accumulated depreciation	<u>(119,831,218)</u>	<u>(7,221,640)</u>	<u>1,196,921</u>	<u>1,492,907</u>	<u>\$(124,363,030)</u>
Total capital assets, being depreciated, net	<u>89,228,061</u>	<u>(3,875,457)</u>	<u>-</u>	<u>1,345,574</u>	<u>86,698,178</u>
Total capital assets, net	<u>\$ 97,246,259</u>	<u>\$(3,875,457)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 93,370,802</u>

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE TEN MONTHS ENDED JUNE 30, 2018

NOTE G – CAPITAL ASSETS- Continued

Depreciation was charged to the following functions:

Governmental activities:

11	Instruction	\$ 3,663,038
12	Instructional Resources and Media	54,103
13	Curriculum and Instructional staff	72,043
21	Instructional Development	131,685
23	School Leadership	213,946
31	Guidance and Counseling Services	123,863
32	Social Work Services	15,032
33	Health Services	36,981
34	Student (Pupil) Transportation	640,058
35	Food Service	503,986
36	Cocurricular/Extracurricular Activities	192,579
41	General Administration	152,682
51	Plant Maintenance and Operations	829,820
52	Security and Monitoring Services	479,102
53	Data Processing Services	97,294
61	Community Services	15,427

Total depreciation expense - governmental activities	<u><u>\$ 7,221,640</u></u>
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The adjustment to depreciation is the result of reclasses made to better reflect depreciable assets, such as land improvements, and non-depreciable assets, such as land. The adjustments had no effect to the total capital assets, net amount.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE TEN MONTHS ENDED JUNE 30, 2018

NOTE H - LONG-TERM OBLIGATIONS

Long-term obligations include bonds payable, loans payable, capital lease payable, compensated absences, and net pension and OPEB liability. Changes in long-term obligations for the ten months ended June 30, 2018 are as follows:

<u>Governmental Activities</u>	<u>Amounts Outstanding 09/01/17</u>	<u>Issued Current Year</u>	<u>Retired Current Year</u>	<u>Amounts Outstanding 06/30/18</u>	<u>Amounts Due in One Year</u>
<i>Bonds payable</i>					
General Obligation Bonds					
Unlimited Tax School Refunding Building Bonds Series 2010	\$ 2,300,000	\$ -	\$ (1,240,000)	\$ 1,060,000	\$ 1,060,000
Unlimited Tax School Refunding Bonds Series 2011	7,380,000	-	-	7,380,000	1,135,000
Unlimited Tax School Refunding CAB Bonds Series 2011	440,000	-	(440,000)	-	-
Unlimited Tax School Refunding Building Bonds Series 2012	19,530,000	-	(90,000)	19,440,000	95,000
Unlimited Tax School Refunding Building Bonds Series 2014	11,270,000	-	(1,765,000)	9,505,000	205,000
Unlimited Tax School Refunding Building Bonds Series 2016	29,185,000	-	(835,000)	28,350,000	880,000
<i>Lease revenue bonds payable</i>					
Lease Revenues Bonds- Series 2006	<u>2,615,000</u>	<u>-</u>	<u>(240,000)</u>	<u>2,375,000</u>	<u>250,000</u>
Total bond payable	72,720,000	-	(4,610,000)	68,110,000	3,625,000
Accrued interest unlimited tax school building and refunding CAB Bonds	605,311	69,689	(675,000)	-	-
Premium/discount on issuance of bonds	<u>6,998,860</u>	<u>-</u>	<u>(1,091,806)</u>	<u>5,907,054</u>	<u>-</u>
Subtotal on bonds	7,604,171	69,689	(1,766,806)	5,907,054	-
Capital lease payable	-	1,606,668	(414,721)	1,191,947	387,163
Compensated absences	1,112,612	981,756	(163,147)	1,931,221	50,000
Net pension liability	23,460,444	1,472,760	(6,327,632)	18,605,572	-
Net OPEB liability*	<u>66,875,013</u>	<u>-</u>	<u>(28,995,134)</u>	<u>37,879,879</u>	<u>-</u>
Totals governmental activities	<u>\$171,772,240</u>	<u>\$ 4,130,873</u>	<u>\$ (42,277,440)</u>	<u>\$133,625,673</u>	<u>\$ 4,062,163</u>

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

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE TEN MONTHS ENDED JUNE 30, 2018

NOTE H - LONG-TERM OBLIGATIONS - Continued

The District's other non-current liabilities including compensated absences are liquidated in the fund where the liability was incurred. Thus, the general fund satisfies most liabilities for governmental activities.

General Obligation Bonds:

Bonds payable at June 30, 2018 are comprised of the following individual issues:

On May 15, 2010, the District issued \$3,535,000 Unlimited Tax Refunding Bonds Series 2010. The bonds consist of \$3,505,000 current interest bonds with interest rates ranging from 2.52% to 2.91% and capital appreciation bonds totaling \$30,000 with interest rates ranging from .90% to 2.62%. The capital appreciation bonds mature in six annual installments of \$40,000 beginning in 2011 and ending in 2016. The current interest bonds mature in three installments beginning in 2017 and ending in 2019 ranging from \$1,060,000 to \$1,240,000. The bonds were issued to refund certain outstanding unlimited tax obligations of the District in order to reduce the annual debt service of the District.

\$ 1,060,000

On August 30, 2011, an election to authorize the District to sell \$8,470,000 Unlimited Tax Refunding Bonds, Series 2011, passed by a majority of the participating voters. The bonds comprise of \$8,030,000 current interest serial bonds with interest rates ranging from 2% to 3.5% on installments ranging from \$95,000 to \$1,340,000. Current interest serial bonds mature in years 2012 through 2024. The refunding also comprised of capital appreciation bonds totaling \$440,000 and matured in 2018. The bonds were used to refund portions of the Unlimited Tax School Building Bonds, Series 2004.

7,380,000

On February 21, 2012, an election to authorize the District to sell \$20,355,000 Unlimited Tax Refunding Bonds, Series 2012, passed by a majority of the participating voters. The bonds comprise of \$13,520,000 current interest serial bonds with interest rates ranging from 2% to 5% on installments ranging from \$90,000 to \$1,970,000. Current interest serial bonds mature in years 2012 through 2024, current interest term bonds totaling \$6,335,000 due February 15, 2034 and capital appreciation bonds totaling \$500,000 and matures in years 2012 through 2017. The bonds were used to refund portions of the Unlimited Tax School Building Bonds, Series 2004.

19,440,000

During November 2014, the District issued \$15,790,000 Unlimited Tax Refunding Bonds, Series 2014, after they were approved in an election by a majority of the participating voters. The bonds are current interest bonds with interest rates ranging from 2% to 5% on installments ranging from \$95,000 to \$2,745,000 maturing in 2025. The bonds were used to refund the 2005 School Building and Refunding bonds.

9,505,000

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE TEN MONTHS ENDED JUNE 30, 2018

NOTE H - LONG-TERM OBLIGATIONS – Continued

During June 2016, the District issued \$30,580,000 Unlimited Tax Refunding Bonds, Series 2016. The bonds are current interest bonds with interest rates ranging from 2% to 5% on installments ranging from \$585,000 to \$2,045,000 maturing in 2038. The proceeds were used to refund the 2008 School Building bonds.

\$ 28,350,000

On February 13, 2006, the District issued \$4,500,000 Lease Revenue Bonds Series 2006. The bonds mature in years 2007 through 2026 in installments ranging from \$150,000 to \$345,000 with interest rates ranging from 4.01% to 4.68%. The bonds were issued to equip school buildings including a football stadium.

2,375,000

\$ 68,110,000

Debt service requirements on long-term debt at June 30, 2018 are as follows:

Year Ending <u>June 30,</u>	General Obligation Bonds		Lease Revenue Bonds		Total Requirements	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 3,375,000	\$ 2,681,856	\$ 250,000	\$ 29,117	\$ 3,625,000	\$ 2,712,444
2020	3,550,000	2,559,382	265,000	26,052	3,815,000	2,586,966
2021	3,705,000	2,407,082	275,000	22,803	3,980,000	2,431,509
2022	3,875,000	2,241,906	290,000	19,431	4,165,000	2,263,023
2023	4,045,000	2,068,406	300,000	15,876	4,345,000	2,086,060
2024-2028	17,850,000	7,600,360	995,000	24,642	18,845,000	7,632,940
2029-2033	17,625,000	4,257,152	-	-	17,625,000	4,257,152
2034-2038	<u>11,710,000</u>	<u>1,146,219</u>	<u>-</u>	<u>-</u>	<u>11,710,000</u>	<u>1,146,219</u>
Total	<u>\$ 65,735,000</u>	<u>\$ 24,962,363</u>	<u>\$ 2,375,000</u>	<u>\$ 137,921</u>	<u>\$ 68,110,000</u>	<u>\$ 25,116,314</u>

There are a number of limitations and restrictions contained in the general obligation bond indentures. Management has indicated that the District is in compliance with all significant limitations and restrictions at June 30, 2018.

Capital Leases:

In September 2017, the District entered into a capital lease agreement with Santander Bank to lease 18 school buses. Commitments under the capital lease agreement for the equipment provided for minimum future lease payments as follows at June 30, 2018:

Year ending June 30:

2019	\$ 418,154
2020	418,154
2021	<u>418,154</u>
Total minimum rentals	1,254,462
(Less): Interest	<u>(62,515)</u>
Total Net minimum rentals	<u>\$ 1,191,947</u>

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE TEN MONTHS ENDED JUNE 30, 2018

NOTE I - SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT PUBLIC FACILITY CORPORATION

The Public Facility Corporation is a public non-profit corporation, the creation of which was sponsored by the District pursuant to the Public Facility Corporation Act, Article 717s, Vernon's Texas Civil Statutes, as amended (the "Public Facility Corporation Act"). The Public Facility Corporation Act authorizes the creation and utilization by school districts of public facility corporations to issue bonds to provide for the acquisition, construction, rehabilitation, renovation, repair, equipping, furnishing and placing in service of public facilities of its governmental sponsor and further authorizes the governmental sponsor to incur lease purchase obligations in favor of the corporation to serve as security for the bonds issued by the Public Facility Corporation.

Lease revenue bonds in the principal amount of \$4,500,000 were issued on February 13, 2006, pursuant to a resolution by the Board of Directors of the Public Facility Corporation and a Master Trust Indenture dated as of February 1, 2007, (the "Trust Indenture") between the Public Facility Corporation and Compass Bank, as trustee to finance, for the benefit of the District, the construction of a new multi-purpose stadium.

To accomplish the financing, the Public Facility Corporation and the District entered into a "Lease With An Option to Purchase Relating to the San Benito Consolidated Independent School District Bobby Morrow Stadium," pursuant to the terms of which the District will pay to the Public Facility Corporation such lease payments at such times and in such amounts as will be required to pay the principal of premium, if any, and interest on the lease revenue bonds as they become due.

NOTE J - REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

Revenues from local and intermediate sources consisted of the following:

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds	Internal Service Fund
Property taxes	\$ 11,038,314	\$ 1,275,034	\$ -	\$ 12,313,348	\$ -
Food sales	374,793	-	-	374,793	-
Investment income	422,721	70,032	-	492,753	44,502
Penalties and interest	390,236	32,018	-	422,254	-
Co-curricular student activities	200,034	-	-	200,034	-
Interfund services	89,563	-	357,691	447,254	6,205,888
Other	257,526	-	375	257,901	1,469,675
Total	<u>\$ 12,773,187</u>	<u>\$ 1,377,084</u>	<u>\$ 358,066</u>	<u>\$ 14,508,337</u>	<u>\$ 7,720,065</u>

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE TEN MONTHS ENDED JUNE 30, 2018

NOTE K – DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Governmental funds report deferred inflows in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

	Statement of Net Position	Balance Sheet- Governmental Funds	
	Governmental Activities	General Fund	Debt Service Fund
Deferred outflows of resources:			
Deferred outflows from pension activities	\$ 9,329,558	\$ -	\$ -
Deferred outflows from OPEB activities	409,166	-	-
Deferred charge on refunding	3,911,164	-	-
Total deferred outflows of resources	<u>\$ 13,649,888</u>	<u>\$ -</u>	<u>\$ -</u>
Deferred inflows of resources:			
Deferred inflows from pension activities	\$ 7,117,031	\$ -	\$ -
Deferred inflows from OPEB activities	15,845,225	-	-
Unavailable property taxes	-	2,375,038	288,804
Total deferred inflows of resources	<u>\$ 22,962,256</u>	<u>\$ 2,375,038</u>	<u>\$ 288,804</u>

NOTE L - UNEARNED REVENUE

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. As of June 30, 2018, the various components of unearned revenue reported in the governmental funds were as follows:

	Statement of Net Position	Balance Sheet- Governmental Funds		Statement of Fiduciary Net Position
	Governmental Activities	General Fund	Other Funds	Private Purpose Trust Fund
Unearned revenue:				
State and private grant	\$ 5,149	\$ 4,900	\$ 249	\$ -
Athletic fund	76,265	76,265	-	-
Scholarship funds	-	-	-	6,102
Total	<u>\$ 81,414</u>	<u>\$ 81,165</u>	<u>\$ 249</u>	<u>\$ 6,102</u>

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE TEN MONTHS ENDED JUNE 30, 2018

NOTE L - UNEARNED REVENUE- Continued

Unearned revenues for state and private grants represent revenues received in excess of expenditures incurred for those programs for which the project period has not yet ended.

NOTE M – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivable and payable balances at June 30, 2018 were:

<u>Due From</u>	<u>Due to</u>	
Non-major funds	General fund	\$ 1,480,926
Private purpose fund	General fund	497
General Fund	Debt service	<u>47</u>
Due from other funds		1,481,470
Reconcilement to due to other funds		
Agency fund	General fund	(38,054)
General Fund	Internal service fund	2,262,703
Non-major funds	Internal service fund	<u>70,709</u>
		<u><u>\$ 3,776,828</u></u>

Balances resulted from a routine lag between the dates that transactions such as year-end payroll accruals and worker's compensation adjustment payments are made between the funds.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE TEN MONTHS ENDED JUNE 30, 2018

NOTE N - GENERAL FUND FEDERAL SOURCE REVENUES

Federally financed programs are generally accounted for in the Other Governmental Funds of the District, except for indirect costs charged to federal programs which are accounted for in the General Fund as prescribed by the TEA and certain direct revenues. The District recognized in the General fund such revenues for the ten months ended June 30, 2018, from various federal sources as follows:

Program or Source	CFDA Number	Amount
School Breakfast Program	10.553	\$ 2,102,892
National School Lunch Program	10.555	5,368,001
USDA-Donated Commodities	10.565	588,436
Fresh Fruit and Vegetable Program	10.582	156,487
JROTC	12.U01	83,387
Indirect Cost earned-		
Title I Grants to Local Education Agencies	84.010	110,901
Migrant Education State Grant Program	84.011	15,753
Special Education Grants to States	84.027	34,128
Career and Technical Education- Basic Grants to States	84.048	3,364
Twenty-First Century Community Learning Centers	84.287	55,873
Supporting Effective Instruction State Grants	84.367	8,847
Medicaid administrative claiming program	93.778	12,424
SHARS		1,865,883
		<u>\$ 10,406,376</u>

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE TEN MONTHS ENDED JUNE 30, 2018

NOTE O – COMPLIANCE AND ACCOUNTABILITY

a. Finance-Related Legal and Contractual Provision

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

<u>Violations</u>	<u>Action Taken</u>
None noted	None necessary

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

No deficit fund balances were reported in the current year.

c. Under-collateralized

The District's cash deposits at June 30, 2018, and during the 10 months then ended, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

NOTE P - CONTINGENT LIABILITIES

The District is a party to various legal actions, none of which is believed by administration to have a material effect on the financial condition of the District. Accordingly, no provision for losses has been recorded in the accompanying combined financial statements for such contingencies.

The District participates in numerous state and federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at June 30, 2018 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants.

NOTE Q – 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). TRS's defined benefit pension plan is 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.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE TEN MONTHS ENDED JUNE 30, 2018

NOTE Q – DEFINED BENEFIT PENSION PLAN - Continued

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

Benefits Provided

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

Contributions

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

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE TEN MONTHS ENDED JUNE 30, 2018

NOTE Q – DEFINED BENEFIT PENSION PLAN - Continued

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2015 thru 2018. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017. The 85th Texas Legislature, GAA established the employer contribution rates for Plan fiscal years 2018 and 2019. Rates for such plan fiscal years are as follows:

	Contribution Rates		
	Plan Fiscal Year		
	2018	2017	2016
Member (Employee)	7.7%	7.7%	7.2%
Non-employer contributing agency (State)	6.8%	6.8%	6.8%
District	6.8%	6.8%	6.8%

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA). Contributions as of the pension plan measurement date were as follows:

Current fiscal year employer contributions	\$ 2,634,800
Current fiscal year member contributions	\$ 5,069,572
NECE on-behalf contributions	\$ 4,322,540

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.

In addition to the employer contributions listed above, there are two additional changes 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 as administrative employees; and 100% of the State rate for certain instructional as administrative employees; and 100% of the State contribution rate for all other employees.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE TEN MONTHS ENDED JUNE 30, 2018

NOTE Q – DEFINED BENEFIT PENSION PLAN - Continued

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 Investment Rate of Return	8.00%
Inflation	2.5%
Salary Increases including inflation	3.5% to 9.5%
Payroll Growth Rate	2.5%
Benefit changes during the year	None
Ad hoc post-employment benefit changes	None

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

Discount Rate

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

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE TEN MONTHS ENDED JUNE 30, 2018

NOTE Q – DEFINED BENEFIT PENSION PLAN – Continued

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contributions to Long-Term Portfolio Returns*
Global Equity			
U.S.	18%	4.6%	1.0%
Non-U. S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
Real Return:			
Global inflation linked bonds	3%	0.9%	0.0%
Real assets	16%	5.1%	1.1%
Energy and natural resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk Parity			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation	0%		2.2%
Alpha	0%		1.0%
Total	<u>100.0%</u>		<u>8.7%</u>

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

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE TEN MONTHS ENDED JUNE 30, 2018

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contributions to Long-Term Portfolio Returns*
Global Equity			
U.S.	18%	4.6%	1.0%
Non-U. S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
Real Return:			
Global inflation linked bonds	3%	0.9%	0.0%
Real assets	16%	5.1%	1.1%
Energy and natural resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk Parity			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation	0%		2.2%
Alpha	0%		1.0%
Total	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 schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2017 Net Pension Liability.

	1% Decrease (7%)	Current Single Discount Rate (8%)	1% Increase (9%)
District's proportional share of the net pension liability	\$31,365,317	\$18,605,572	\$7,981,012

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE TEN MONTHS ENDED JUNE 30, 2018

NOTE Q – DEFINED BENEFIT PENSION PLAN – Continued

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

At June 30, 2018, the District reported a liability of \$18,605,572 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportion of the net pension liability	0.0582%
District's proportionate share of the net pension liability	\$ 18,605,572
State's proportionate share of the net pension liability associated with the District	<u>33,297,070</u>
Total	<u><u>\$ 51,902,642</u></u>

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

At August 31, 2017, the employer's proportion of the collective net pension liability was 0.0262152% which was an increase of 0.0004714% 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 ten months ended June 30, 2018, the District recognized pension expense of \$4,922,506 and revenue of \$4,922,506 for support provided by the State.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE TEN MONTHS ENDED JUNE 30, 2018

NOTE Q – DEFINED BENEFIT PENSION PLAN – Continued

At June 30, 2018, the District reports its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experience	\$ 272,208	\$ 1,003,374
Changes in actuarial assumptions	847,513	485,182
Differences between projected and actual investment earnings	2,861,321	4,217,254
Changes in proportion and differences between District contributions and proportionate share of contributions	3,542,252	1,411,221
Contributions paid to TRS subsequent to the measurement date	<u>1,806,264</u>	<u>-</u>
Total	<u><u>\$ 9,329,558</u></u>	<u><u>\$ 7,117,031</u></u>

The \$1,806,264 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 June 30, 2019. The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	Amount
2019	\$ 45,435
2020	1,233,077
2021	(45,815)
2022	(415,918)
2023	(240,674)
Thereafter	<u>(169,842)</u>
	<u><u>\$ 406,263</u></u>

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE TEN MONTHS ENDED JUNE 30, 2018

NOTE R – 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>.

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 Sept. 1, 2016 - Dec. 31, 2017			
	TRS-Care 1	TRS-Care 2	TRS-Care 3
	Basic Plan	Optional Plan	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*

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE TEN MONTHS ENDED JUNE 30, 2018

NOTE R – DEFINED OTHER POST-EMPLOYMENT BENEFIT PLAN- Continued

Contributions

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

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

The following table shows contributions to the TRS-Care plan by type of contributor.

	Contribution Rates	
	Plan Fiscal Year	
	2018	2017
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.00%
Employers	0.75%	0.55%
Federal/Private Funding remitted by Employers	1.25%	1.00%

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

Contributions and OPEB expense for all contributors were as follows:

	Measurement Year (2017)		Fiscal Year (2018)*
	Contributions Required and Made	OPEB Expense	TRS Contributions
Member (Employee)	\$ 424,690	\$ -	\$ 425,594
Non-employer contributing agency (State)	567,001	(15,869,937)	829,925
District	452,874	(12,698,791)	400,930

*FY 2018 was a 10-month fiscal year

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 \$182.6 million in fiscal year 2018.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE TEN MONTHS ENDED JUNE 30, 2018

NOTE R – DEFINED OTHER POST-EMPLOYMENT BENEFIT PLAN- Continued

Actuarial Assumptions

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

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

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

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

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

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

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE TEN MONTHS ENDED JUNE 30, 2018

NOTE R – DEFINED OTHER POST-EMPLOYMENT BENEFIT PLAN- Continued

Additional Actuarial Methods and Assumptions:

Valuation date	August 31, 2017
Actuarial Cost method	Individual Entry Age Normal
Inflation	2.50%
Discount rate	3.42%*
Aging factors	8.00%
Expenses	Based on plan specific experience 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%
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 taxexempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of August 31, 2017.

** Includes Inflation at 2.50%

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

Other Information: There was a significant plan change adopted in fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will be offered and all retirees will be required to contribute monthly premiums for coverage. Assumption changes made for the August 31, 2017 valuation include a change to the assumption regarding the phase-out of the Medicare Part D subsidies and a change to the discount rate from 2.98% as of August 31, 2016 to 3.42% as of August 31, 2017.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE TEN MONTHS ENDED JUNE 30, 2018

NOTE R – DEFINED OTHER POST-EMPLOYMENT BENEFIT PLAN- Continued

Discount Rate

A single discount rate of 3.42% was used to measure the total OPEB liability. There was a change of .44 percent in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. The source of the municipal bond rate was Fixed-income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index’s “20-year Municipal GO AA Index” as of August 31, 2017.

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contributions to Long-Term Portfolio Returns*
Global Equity			
U.S.	18%	4.6%	1.0%
Non-U. S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
Real Return:			
Global inflation linked bonds	3%	0.9%	0.0%
Real assets	16%	5.1%	1.1%
Energy and natural resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk Parity			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation	0%		2.2%
Alpha	0%		1.0%
Total	100.0%		8.7%

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

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE TEN MONTHS ENDED JUNE 30, 2018

NOTE R – DEFINED OTHER POST-EMPLOYMENT BENEFIT PLAN- Continued

Sensitivity of the Net OPEB Liability

Discount Rate – The following presents the District’s proportional share of the net OPEB liability of the plan using the discount rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one- percentage point lower (2.42%) or one-percentage point higher (4.42%) than the AA/Aa rate.

Sensitivity of the Net OPEB Liability to the Single Discount Rate Assumptions are as follows:

1% Decrease in Discount Rate 2.42%	Current Single Discount Rate 3.42%	1% Increase in Discount Rate 4.42%
<u>\$44,707,661</u>	<u>\$37,879,879</u>	<u>\$32,391,882</u>

Healthcare Cost Trend Rates – The following presents the District’s proportional share of the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one-percentage point lower or one-percentage point higher than the assumed healthcare cost trend rate:

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
<u>\$31,538,784</u>	<u>\$37,879,879</u>	<u>\$46,200,195</u>

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

At June 30, 2018, the District reported a liability of \$37,879,879 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	\$ 37,879,879
State's proportionate share of the net OPEB liability associated with the District	<u>47,425,809</u>
Total	<u><u>\$ 85,305,688</u></u>

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE TEN MONTHS ENDED JUNE 30, 2018

NOTE R – DEFINED OTHER POST-EMPLOYMENT BENEFIT PLAN- Continued

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 thru August 31, 2017.

At August 31, 2017 the employer's proportion of the collective Net OPEB Liability was 0.0871% 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:

There was a significant plan change adopted in 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. This change in plan benefits significantly lowered the OPEB liability and had an immediate effect on the OPEB expenses recognized by participating entities.
- 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.
- The discount rate changed from 2.98 percent as of August 31, 2016 to 3.42 percent as of August 31, 2017. This change lowered the total OPEB liability.

Negative OPEB Expense

The significant changes to the plan benefits and assumptions noted above lowered the OPEB liability related to TRS-Care plan as a whole by \$ 33.3 billion. As a result, the District's proportional share of the net OPEB liability decreased by \$29.0 million. Because the decrease in the liability was the result of changes to plan benefits, a majority of the decrease has been recognized immediately in the District's financial statements. As a result, the District recognized a total proportional share of negative OPEB expense of \$30.1 million. A portion of this negative expense represents the State's on behalf share of this activity which is offset by what the Governmental Accounting Standards Board refers to as a negative revenue in the amount of \$16.9 million.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE TEN MONTHS ENDED JUNE 30, 2018

NOTE R – DEFINED OTHER POST-EMPLOYMENT BENEFIT PLAN- Continued

The following table illustrates the magnitude of the negative on behalf adjustment for the State's portion of the TRS-Care benefits by individual function for both operating grants and contributions revenues and expense:

Function/Programs	Current Year Prior to Negative On-Behalf Activities		Negative On-Behalf Activities	Current Year After Negative On-Behalf Activities	
	Expenses	Operating Grants and Contributions		Expenses	Operating Grants and Contributions
Primary Government					
Government Activities					
Instruction	\$ 55,478,976	\$ 7,061,227	\$ (10,297,212)	\$ 45,181,764	\$ (3,235,985)
Instructional Resources and Media Services	1,215,766	(11,000)	(241,000)	974,766	(252,000)
Curriculum and Instructional Staff Development	992,701	491,528	(42,000)	950,701	449,528
Instructional Leadership	2,939,252	1,418,980	(556,000)	2,383,252	862,980
School Leadership	5,474,327	2,679	(1,190,000)	4,284,327	(1,187,321)
Guidance, Counseling and Evaluation Services	2,999,602	777,600	(566,000)	2,433,602	211,600
Social Work Services	531,607	112,580	(88,000)	443,607	24,580
Health Services	1,069,030	1,949,617	(240,000)	829,030	1,709,617
Student (Pupil) Transportation	3,534,557	(30,000)	(669,000)	2,865,557	(699,000)
Food Service	7,441,285	8,444,683		7,441,285	8,444,683
Extracurricular Activities	3,671,908	105,803	(366,000)	3,305,908	(260,197)
General Administration	3,847,802	(16,000)	(642,000)	3,205,802	(658,000)
Facilities Maintenance and Operations	13,132,407	1,383,489	(1,371,000)	11,761,407	12,489
Security and Monitoring Services	2,421,783	(27,221)	(437,000)	1,984,783	(464,221)
Data Processing Services	2,667,798	(19,000)	(175,000)	2,492,798	(194,000)
Community Services	462,851	472,985	(7,000)	455,851	465,985
Debt Services- Interest on long term debt	1,640,803	-	-	1,640,803	-
Debt Services- Bond Issuance Costs and fees	5,250	-	-	5,250	-
Capital outlay	21,152	-	-	21,152	-
Payments related to shared services agreements	307,587	307,587	-	307,587	307,587
Other intergovernmental charges	116,170	-	-	116,170	-
Total governmental activities	<u>\$ 109,972,614</u>	<u>\$ 22,425,537</u>	<u>\$ (16,887,212)</u>	<u>\$ 93,085,402</u>	<u>\$ 5,538,325</u>

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE TEN MONTHS ENDED JUNE 30, 2018

NOTE R – DEFINED OTHER POST-EMPLOYMENT BENEFIT PLAN- Continued

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 790,771
Changes in actuarial assumptions		15,054,454
Differences between projected and actual investment earnings	5,754	-
Changes in proportion and differences between District contributions and the proportionate share of contributions	174	-
Contributions paid to TRS subsequent to the measurement date	403,237	-
Total	<u>\$ 409,165</u>	<u>\$ 15,845,225</u>

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

Year ended June 30,	OPEB Expense Amount
2019	\$ (2,090,013)
2020	(2,090,013)
2021	(2,090,013)
2022	(2,090,013)
2023	(2,091,451)
2024	(5,387,795)
	<u>\$ (15,839,298)</u>

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE TEN MONTHS ENDED JUNE 30, 2018

NOTE R – DEFINED OTHER POST-EMPLOYMENT BENEFIT PLAN- Continued

Texas Legislature House Bill 21 TRS Appropriation

\$212,000,000 was transferred to TRS to pay for TRS-Care during the 85th First Legislative Special Session House Bill 21, Section 10. GASB Statement No. 85 requires that an on-behalf payment be recorded for the districts proportionate share. The proportionate share was determined using the GASB Statement No. 75 TRS-Care proportionate share allocation. For the ten months ended June 30, 2018, the District recorded an expenditure for their proportionate share of the funds along with the corresponding revenue of \$138,501.

Medicare Part D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. Under Medicare Part D, TRS-Care receives retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These payments are recorded as equal revenues and expenditures in the governmental funds financial statements of the District. For the 10-months ended June 30, 2018 and the fiscal years ended August 31, 2017, and 2016, the subsidy payments received by TRS-Care on-behalf of the District are as follows:

<u>Fiscal Year</u>	<u>Medicare Part D</u>
2018 (10-months ended)	\$204,433
2017	198,997
2016	260,699

Contributions made by the State on behalf of the District have been recorded in the government-wide financial statements and in the fund financial statements of the General Fund as both state revenues and payroll expenditures.

NOTE S - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2018, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year by major category of risk.

State law allows school districts to retain risk through its own risk management program, insure through a commercial carrier, or insure through a public entity risk pool. The District is self-insured for employee medical benefits. The District contracts with a third-party to provide administrative claims processing services for employee medical benefits for the District.

The group health insurance program is reported in the Insurance fund, an internal service fund. Interfund premiums are paid into the internal service and are based primarily on claims experience and are reported as quasi-external transactions.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE TEN MONTHS ENDED JUNE 30, 2018

NOTE S - RISK MANAGEMENT- Continued

Accruals for claims are adjusted on a regular basis based on the latest information available on each case. Claims incurred but not reported have been considered in determining the accrual for claims, and the District's management believes adequate accruals have been provided at June 30, 2018.

The District maintains a \$125,000 stop-loss policy for the health self-funded insurance program.

Changes in the balance of claims liabilities during the past fiscal years are as follows:

	<u>Fiscal Year Ended</u>	
	<u>2018</u>	<u>2017</u>
Unpaid Claims, beginning of year	\$ 1,065,104	\$ 885,175
Incurred claims (IBNR's)	7,123,742	4,551,204
Claim payments	<u>(6,426,265)</u>	<u>(4,371,275)</u>
Unpaid Claims, end of fiscal year	<u><u>\$ 1,762,581</u></u>	<u><u>\$ 1,065,104</u></u>

The claims liability at the end of the current fiscal year increased based upon the lag study provided by Humana and Blue Cross Blue Shield. Effective October 1, 2017, the District changed third party administrators and moved to Humana. The District's monthly contribution per employee for the 2017-2018 school year remains the same at \$388 and the plan options are consistent as well as the \$125,000 stop loss policy.

NOTE T – PRIOR PERIOD ADJUSTMENT

Net position at September 1, 2017 was restated per the following table for the implementation of GASB 75:

	<u>Governmental Activities</u>
Beginning net position, as previously reported	\$ 41,287,939
Implementation of GASB 75 for OPEB	<u>(66,498,247)</u>
Beginning net position, restated	<u><u>\$(25,210,308)</u></u>

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE TEN MONTHS ENDED JUNE 30, 2018

NOTE U – SUBSEQUENT EVENTS

The District's Board of Trustees issued an order for voter approval to issue approximately \$40,000,000 of unlimited tax bonds for the construction and equipping of school buildings in the District and acquiring the sites thereof. On November 6, 2018, the majority votes resulted in approval of the issuance.

**REQUIRED SUPPLEMENTARY
INFORMATION**

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES TO FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND
FOR THE 10 MONTHS ENDED JUNE 30, 2018

Data Control Codes		Budgeted Amounts		Actual	Variance With
		Original	Final	Amounts (GAAP Basis)	Final Budget Positive or (Negative)
	REVENUES:				
5700	Total Local and Intermediate Sources	\$ 14,531,824	\$14,531,824	\$12,773,187	\$(1,758,637)
5800	State Program Revenues	90,458,320	90,458,320	82,959,293	(7,499,027)
5900	Federal Program Revenues	12,373,189	12,373,189	10,406,376	(1,966,813)
5020	Total Revenues	117,363,333	117,363,333	106,138,856	(11,224,477)
	EXPENDITURES:				
	Current:				
0011	Instruction	54,244,586	52,474,272	50,753,634	1,720,638
0012	Instructional Resources and Media Services	1,437,701	1,431,126	1,278,784	152,342
0013	Curriculum and Instructional Staff Development	628,956	885,535	552,193	333,342
0021	Instructional Leadership	1,535,777	1,890,251	1,713,238	177,013
0023	School Leadership	5,611,608	6,235,098	5,717,808	517,290
0031	Guidance, Counseling and Evaluation Services	2,884,356	2,948,656	2,659,636	289,020
0032	Social Work Services	407,906	432,306	391,047	41,259
0033	Health Services	1,315,291	1,321,066	1,074,598	246,468
0034	Student (Pupil) Transportation	4,276,317	5,872,005	4,799,034	1,072,971
0035	Food Service	9,816,492	9,841,792	8,088,823	1,752,969
0036	Extracurricular Activities	3,637,095	3,735,335	3,372,336	362,999
0041	General Administration	4,448,658	4,462,683	3,917,786	544,897
0051	Facilities Maintenance and Operations	16,813,077	17,750,797	13,367,124	4,383,673
0052	Security and Monitoring Services	2,587,567	2,759,197	2,187,382	571,815
0053	Data Processing Services	2,292,044	3,348,370	2,765,825	582,545
0061	Community Services	179,454	187,429	87,371	100,058
	Debt Service:				
0071	Principal on Long Term Debt	225,000	658,200	654,721	3,479
0072	Interest on Long Term Debt	75,000	63,480	19,463	44,017
0073	Bond Issuance Cost and Fees	5,000	5,000	3,250	1,750
	Capital Outlay:				
0081	Facilitates Acquisition and Construction	24,000	47,950	42,982	4,968
	Intergovernmental:				
0093	Payment to Fiscal Agent/Member Discounts of SSA	-	-	-	-
0095	Payment to Juvenile Justice AEP	75,000	75,000	-	75,000
0099	Other Intergovernmental Charges	145,000	145,000	116,170	28,830
6030	Total Expenditures	112,665,885	116,570,548	103,563,205	13,007,343
1100	Excess (Deficiency) of Revenues Over (Under)				
	Expenditures	4,697,448	792,785	2,575,651	1,782,866
	OTHER FINANCING SOURCES (USES):				
7913	Proceeds from Capital Leases	1,606,668	1,606,668	1,606,668	-
7080	Total Other Financing Sources (Uses)	1,606,668	1,606,668	1,606,668	-
1200	Net Change in Fund Balances	6,304,116	2,399,453	4,182,319	1,782,866
0100	Fund Balance - (Beginning)	29,176,593	29,176,593	29,176,593	-
3000	Fund Balance - (Ending)	\$ 35,480,709	\$31,576,046	\$33,358,912	\$ 1,782,866

The notes to the required supplementary information are an integral part of this schedule.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM
FOR THE LAST FOUR FISCAL YEARS*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.0582%	0.0621%	0.0662%	0.0427%
District's proportionate share of the net pension liability	\$ 18,605,572	\$ 23,460,444	\$ 23,390,674	\$ 11,408,272
State's proportionate share of the net pension liability associated with the District	<u>33,297,070</u>	<u>40,646,492</u>	<u>40,451,517</u>	<u>36,536,490</u>
Total	<u>\$ 51,902,642</u>	<u>\$ 64,106,936</u>	<u>\$ 63,842,191</u>	<u>\$ 47,944,762</u>
District's Covered Payroll	\$ 65,350,896	\$ 65,561,152	\$ 63,842,191	\$ 47,944,762
District's Proportionate Share of the Net Pension Liability as a percentage of its Covered Payroll	28.5%	35.8%	36.6%	23.8%
Plan Fiduciary Net Position as a percentage of the total Pension Liability	82.2%	78.0%	78.4%	83.3%

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

The amounts presented for the fiscal years were determined as of the Plan's fiscal year ended, 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.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS TO THE
TEACHER RETIREMENT SYSTEM
FOR THE LAST FOUR FISCAL YEARS

	<u>2018*</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 1,806,459	\$ 1,906,921	\$ 1,972,566	\$ 1,959,754
Contributions in relation to the contractual required contributions	<u>\$ 1,806,459</u>	<u>1,906,921</u>	<u>1,972,566</u>	<u>1,959,754</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 60,716,346	\$ 65,350,896	\$ 65,561,152	\$ 65,016,551
Contributions as a percentage of covered payroll	2.98%	2.92%	3.01%	3.01%

*FY 2018 was a 10-month fiscal year

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

The notes to the required supplementary information are an integral part of this schedule.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY
FOR THE LAST MEASUREMENT YEAR ENDED AUGUST 31,

	<u>2017</u>
District's proportion of the net OPEB liability	0.2802%
District's proportionate share of the net OPEB liability	\$ 121,845,547
State's proportionate share of the net OPEB liability associated with the District	<u>182,474,757</u>
Total	<u><u>\$ 304,320,304</u></u>
District's covered payroll (for Measurement Year)	\$ 234,411,778
District's proportionate share of the net OPEB liability as a percentage of it's covered payroll	52.0%
Plan fiduciary net position as a percentage of the total OPEB liability	91.00%
Plan's net OPEB liability as a percentage of covered payroll	132.55%

Note: Ten years of data should be presented in this schedule but data is unavailable prior to 2017. Net OPEB liability and related ratios will be presented prospectively as data becomes available.

The notes to the required supplementary information are an integral part of this schedule.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S OPEB CONTRIBUTIONS
TEACHERS RETIREMENT SYSTEM
FOR THE LAST FISCAL YEAR JUNE 30,

	<u>2018*</u>
Contractually required contributions	\$ 400,930
Contributions in relation to the contractual required contributions	<u>400,930</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered payroll	<u>\$ 60,716,346</u>
Contributions as a percentage of covered payroll	0.66%

* Fiscal Year 2018 was a 10-month fiscal year

The amounts presented for the ten months fiscal year were determined as of the District's fiscal ten months ended June 30. Ten years of data is not available.

The notes to the required supplementary information are an integral part of this schedule.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE TEN MONTHS ENDED JUNE 30, 2018

Stewardship, compliance, and accountability

I. Budgetary information

The Board adopts an "appropriated budget" on a basis consistent with GAAP for the general fund and the debt service fund. At a minimum, the District is required to present the original and the final amended budgets for revenues and expenditures compared to actual revenues and expenditures for these funds.

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

- Prior to August 20 for a fiscal year start date of September 1, the District prepares a budget based on the modified zero-based budgeting concept for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- After one or more budget workshops with the Board, a meeting is called for the purpose of adopting the proposed budget. At least ten days but not more than 30 days public notice of the meeting is required.
- Prior to June 30th for a fiscal year start date of July 1st, the Board legally adopts the budget for the general fund and the debt service fund.
- After the budget for the above listed funds is approved, any amendment that causes an increase or decrease in a fund or functional spending category or total revenue or other resources object category requires Board approval prior to the fact. These amendments are presented to the Board at its regular monthly meeting and are reflected in the official minutes. Because the District has a policy of careful budgetary control, several budgetary amendments were necessary throughout the year.
- Expenditure budgets are controlled at the expenditure functional and object level by the appropriate transfers maybe authorized within functional and organizational categories that do not affect the total functional and organizational appropriation. All budget appropriations lapse at year-end.

Encumbrance accounting, under which purchase orders, contracts and other commitments are recorded in order to reserve that portion of the applicable appropriation, is used in all governmental funds. Encumbrances outstanding at year-end are commitments that do not constitute expenditures or liabilities. Since appropriations lapse at the end of each year, outstanding encumbrances are appropriately provided for in the subsequent fiscal year's budget to provide for the liquidation of the prior commitments.

Over the course of the year, the District revised the budget numerous times. Total expenditures were \$13,007,343 below final approved budget.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE TEN MONTHS ENDED JUNE 30, 2018

II. Pension

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

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

TRS – Actuarial Methods and Assumptions used to Determine Contribution Rates

The information presented in Note Q – Actuarial Assumptions was used in the actuarial valuation for determining the actuarially determined contribution rate used for funding purposes. The methods and assumptions are as follow:

Valuation date	August 31, 2017
Actuarial Cost method	Individual Entry Age Normal
Amortization Method	Level percentage of payroll, Floating
Remaining Amortization Period	34 years
Asset valuation method	5 year smoothed market
Actuarial assumptions:	
Inflation	2.50%
Salary Increases	3.50% to 9.50% including inflation
Investment rate of return	8.00%

**Actuarial determined contribution rates are calculated as of August 31, of the preceding fiscal year. Members and employees are based upon statutorily fixed rates.

OTHER SUPPLEMENTARY INFORMATION

COMBINING STATEMENTS

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

Data Control Codes		211 ESEA I, A Improving Basic Program	212 Title I Part C Migrant	224 IDEA- Part B Formula	225 IDEA- Part B Formula
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
1240	Receivables from Other Governments	940,012	255,945	505,113	5,847
1290	Other Receivables	-	-	-	-
1000	Total Assets	<u>\$ 940,012</u>	<u>\$ 255,945</u>	<u>\$ 505,113</u>	<u>\$ 5,847</u>
LIABILITIES					
2110	Accounts Payable	\$ 8,461	\$ 82,529	\$ 9,514	\$ -
2150	Payroll Deductions and Withholdings Payable	34,328	6,014	23,192	357
2160	Accrued Wages Payable	393,250	56,198	195,911	2,831
2170	Due to Other Funds	503,973	111,204	276,496	2,659
2300	Unearned Revenue	-	-	-	-
2000	Total Liabilities	<u>940,012</u>	<u>255,945</u>	<u>505,113</u>	<u>5,847</u>
FUND BALANCES					
Committed Fund Balance:					
3545	Other Committed Funds Balances	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 940,012</u>	<u>\$ 255,945</u>	<u>\$ 505,113</u>	<u>\$ 5,847</u>

EXHIBIT H-1 (Cont'd)

244 Career and Technical- Basic Grant	255 Supporting Effective Instruction	263 English Language Acquisition	265 21st Century Community Learning	274 GEAR UP	287 Teacher and School Leader Incentive	289 Title IV Part A	352 21st Century Community Learning SSA
\$ - 11,612 -	\$ - 148,719 -	\$ - 67,917 -	\$ - 162,132 -	\$ - 15,169 -	\$ - 38,935 -	\$ - 29,359 -	\$ - 211,831 -
<u>\$ 11,612</u>	<u>\$ 148,719</u>	<u>\$ 67,917</u>	<u>\$ 162,132</u>	<u>\$ 15,169</u>	<u>\$ 38,935</u>	<u>\$ 29,359</u>	<u>\$ 211,831</u>
\$ - 581 4,894 6,137 -	\$ 7,393 4,351 35,734 101,241 -	\$ 12,061 1,306 16,172 38,378 -	\$ 3,271 3,571 3,866 151,424 -	\$ - 243 5,163 9,763 -	\$ - - - 38,935 -	\$ 1,599 171 7,816 19,773 -	\$ 357 - - 211,474 -
<u>11,612</u>	<u>148,719</u>	<u>67,917</u>	<u>162,132</u>	<u>15,169</u>	<u>38,935</u>	<u>29,359</u>	<u>211,831</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 11,612</u>	<u>\$ 148,719</u>	<u>\$ 67,917</u>	<u>\$ 162,132</u>	<u>\$ 15,169</u>	<u>\$ 38,935</u>	<u>\$ 29,359</u>	<u>\$ 211,831</u>

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

Data Control Codes		408 Drop Out Recovery Program	410 Textbook & Kindergarten Material	429 Other State Special Revenue Fund	461 Campus Activity Funds
ASSETS					
1110	Cash and Cash Equivalents	\$ 250	\$ -	\$ -	\$ 140,996
1240	Receivables from Other Governments	-	28,978	13,149	-
1290	Other Receivables	-	-	-	141
1000	Total Assets	<u>\$ 250</u>	<u>\$ 28,978</u>	<u>\$ 13,149</u>	<u>\$ 141,137</u>
LIABILITIES					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ -
2150	Payroll Deductions and Withholdings Payable	-	-	-	-
2160	Accrued Wages Payable	-	-	-	-
2170	Due to Other Funds	-	28,978	13,149	-
2300	Unearned Revenue	250	-	-	-
2000	Total Liabilities	<u>250</u>	<u>28,978</u>	<u>13,149</u>	<u>-</u>
FUND BALANCES					
Committed Fund Balance:					
3545	Other Committed Funds Balances	-	-	-	141,137
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>141,137</u>
4000	Total Liabilities and Fund Balances	<u>\$ 250</u>	<u>\$ 28,978</u>	<u>\$ 13,149</u>	<u>\$ 141,137</u>

EXHIBIT H-1

Total Nonmajor Special Revenue Funds	626 Capital Projects Fund	Total Nonmajor Governmental Funds
\$ 141,246	\$ -	\$ 141,246
2,434,718	-	2,434,718
141	-	141
<u>\$ 2,576,105</u>	<u>\$ -</u>	<u>\$ 2,576,105</u>
\$ 125,185	\$ -	\$ 125,185
74,114	-	74,114
721,835	-	721,835
1,513,584	-	1,513,584
250	-	250
<u>2,434,968</u>	<u>-</u>	<u>2,434,968</u>
141,137	-	141,137
141,137	-	141,137
<u>\$ 2,576,105</u>	<u>\$ -</u>	<u>\$ 2,576,105</u>

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS
FOR THE TEN MONTHS ENDED JUNE 30, 2018

Data Control Codes	211 ESEA I, A Improving Basic Program	212 Title I Part C Migrant	224 IDEA- Part B Formula	225 IDEA- Part B Formula
REVENUES				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	4,978,154	839,290	1,795,010	23,233
5020 Total Revenues	4,978,154	839,290	1,795,010	23,233
EXPENDITURES				
Current:				
0011 Instruction	4,170,394	521,724	884,240	23,233
0013 Curriculum and Instructional Staff Development	270,135	-	3,544	-
0021 Instructional Leadership	83,776	79,396	148,615	-
0023 School Leadership	66	-	-	-
0031 Guidance, Counseling and Evaluation Services	1,511	73,296	668,485	-
0032 Social Work Services	-	116,580	-	-
0033 Health Services	14,600	-	67,711	-
0036 Extracurricular Activities	-	-	22,415	-
0051 Facilities Maintenance and Operations	-	-	-	-
0052 Security and Monitoring Services	33,333	-	-	-
0061 Community Services	404,339	48,294	-	-
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	-	-
6030 Total Expenditures	4,978,154	839,290	1,795,010	23,233
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES):				
8911 Transfers Out (Use)	-	-	-	-
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1, (Beginning)	-	-	-	-
3000 Fund Balance - June 30, (Ending)	\$ -	\$ -	\$ -	\$ -

EXHIBIT H-2 (Cont'd)

244 Career and Technical- Basic Grant	255 Supporting Effective Instruction	263 English Language Acquisition	265 21st Century Community Learning	274 GEAR UP	287 Teacher and School Leader Incentive	289 Title IV Part A	352 21st Century Community Learning SSA
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
179,245	471,328	122,924	1,378,187	28,169	96,027	48,270	1,410,136
179,245	471,328	122,924	1,378,187	28,169	96,027	48,270	1,410,136
125,690	202,901	115,154	770,702	-	96,027	13,733	592,843
4,185	212,664	3,000	-	-	-	-	-
24,598	900	3,750	581,604	28,169	-	-	493,172
-	54,863	750	-	-	-	-	-
24,772	-	-	-	-	-	34,537	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	10,277	-	-	-	3,611
-	-	-	446	-	-	-	-
-	-	270	15,158	-	-	-	12,923
-	-	-	-	-	-	-	307,587
179,245	471,328	122,924	1,378,187	28,169	96,027	48,270	1,410,136
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS
FOR THE TEN MONTHS ENDED JUNE 30, 2018

Data Control Codes		408 Drop Out Recovery Program	410 Textbook & Kindergarten Material	429 Other State Special Revenue Fund	461 Campus Activity Funds
REVENUES					
5700	Total Local and Intermediate Sources	\$ -	\$ 375	\$ -	\$ 357,691
5800	State Program Revenues	-	1,546,133	72	-
5900	Federal Program Revenues	-	-	-	-
5020	Total Revenues	-	1,546,508	72	357,691
EXPENDITURES					
Current:					
0011	Instruction	-	1,546,508	72	-
0013	Curriculum and Instructional Staff Development	-	-	-	-
0021	Instructional Leadership	-	-	-	-
0023	School Leadership	-	-	-	-
0031	Guidance, Counseling and Evaluation Services	-	-	-	-
0032	Social Work Services	-	-	-	-
0033	Health Services	-	-	-	-
0036	Extracurricular Activities	-	-	-	352,484
0051	Facilities Maintenance and Operations	-	-	-	-
0052	Security and Monitoring Services	-	-	-	-
0061	Community Services	-	-	-	-
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	-	-	-	-
6030	Total Expenditures	-	1,546,508	72	352,484
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	5,207
OTHER FINANCING SOURCES (USES):					
8911	Transfers Out (Use)	-	-	-	-
1200	Net Change in Fund Balance	-	-	-	5,207
0100	Fund Balance - September 1, (Beginning)	-	-	-	135,930
3000	Fund Balance - June 30, (Ending)	\$ -	\$ -	\$ -	\$ 141,137

EXHIBIT H-2

Total Nonmajor Special Revenue Funds	626 Capital Projects Fund	Total Nonmajor Governmental Funds
\$ 358,066	\$ -	\$ 358,066
1,546,205	-	1,546,205
11,369,973	-	11,369,973
13,274,244	-	13,274,244
9,063,221	-	9,063,221
493,528	-	493,528
1,443,980	-	1,443,980
55,679	-	55,679
802,601	-	802,601
116,580	-	116,580
82,311	-	82,311
374,899	-	374,899
13,888	-	13,888
33,779	-	33,779
480,984	-	480,984
307,587	-	307,587
13,269,037	-	13,269,037
5,207	-	5,207
-	-	-
-	-	-
135,930	-	135,930
\$ 141,137	\$ -	\$ 141,137

TEXAS EDUCATION AGENCY
REQUIRED SCHEDULES

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE TEN MONTHS ENDED JUNE 30, 2018

Last 10 Fiscal Years Ended		(1)	(2)	(3)
		Tax Rates		Assessed/Appraised Value for School Tax Purposes
		Maintenance	Debt Service	
2009	and prior	Various	Various	\$ Various
2010		1.17	0.134900	808,526,943
2011		1.17	0.134900	828,448,406
2012		1.17	0.134900	838,322,189
2013		1.17	0.134900	850,768,778
2014		1.17	0.134900	872,203,176
2015		1.17	0.134900	896,741,770
2016		1.17	0.134900	894,030,028
2017		1.17	0.134900	963,755,238
2018*	(School year under audit)	1.17	0.134900	1,019,364,579
1000	TOTAL JUNE 30, 2018			
	Collections July and August 31, 2018			
	TOTAL AUGUST 31, 2018			

*The District converted to a June 30th year-end during fiscal year 2018.

As such, 2018 only reflects ten months of data. Fiscal years 2017 and prior ended August 31st.

EXHIBIT J-1

(10) Beginning Balance 9/1/2017	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 6/30/2018
\$ 648,414	\$ -	\$ 19,553	\$ 6,613	\$ (130,633)	\$ 491,615
72,354	-	6,139	708	(963)	64,544
80,560	-	9,510	1,097	(952)	69,001
97,623	-	10,589	1,221	(1,278)	84,535
121,688	-	24,699	2,848	1,196	95,337
210,433	-	40,672	4,689	(39,565)	125,507
221,195	-	67,860	7,824	13,761	159,272
393,182	-	158,382	18,261	18,670	235,209
922,000	-	395,375	45,587	(7,847)	473,191
-	13,003,969	10,589,718	1,220,987	(31,648)	1,161,616
<u>\$ 2,767,449</u>	<u>\$ 13,003,969</u>	<u>\$ 11,322,497</u>	<u>\$ 1,309,835</u>	<u>\$ (179,259)</u>	<u>\$ 2,959,827</u>
<u>-</u>	<u>-</u>	<u>291,669</u>	<u>33,954</u>	<u>3,317</u>	<u>328,940</u>
<u><u>\$ 2,767,449</u></u>	<u><u>\$ 13,003,969</u></u>	<u><u>\$ 11,614,166</u></u>	<u><u>\$ 1,343,789</u></u>	<u><u>\$ (175,942)</u></u>	<u><u>\$ 2,637,521</u></u>

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – CHILD NUTRITION PROGRAM
FOR THE TEN MONTHS ENDED JUNE 30, 2018

			Actual	Variance With	
Data Control Codes		Budgeted Amounts		Amounts (GAAP Basis)	Final Budget Positive or (Negative)
		Original	Final		
	REVENUES:				
5700	Total Local and Intermediate Sources	\$ 430,000	\$ 430,000	\$ 374,995	\$ (55,005)
5800	State Program Revenues	46,000	46,000	43,956	(2,044)
5900	Federal Program Revenues	9,340,492	9,340,492	7,545,432	(1,795,060)
5020	Total Revenues	9,816,492	9,816,492	7,964,383	(1,852,109)
	EXPENDITURES:				
	Current:				
0035	Food Service	9,816,492	9,816,492	8,065,504	1,750,988
6030	Total Expenditures	9,816,492	9,816,492	8,065,504	1,750,988
1200	Net Change in Fund Balances	-	-	(101,121)	(101,121)
0100	Fund Balance - (Beginning)	2,994,466	2,994,466	2,994,466	-
3000	Fund Balance - (Ending)	\$ 2,994,466	\$ 2,994,466	\$ 2,893,345	\$ (101,121)

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – DEBT SERVICE FUND
FOR THE TEN MONTHS ENDED JUNE 30, 2018

Data Control Codes		Budgeted Amounts		Actual	Variance With
		Original	Final	Amounts (GAAP Basis)	Final Budget Positive or (Negative)
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 1,493,994	\$ 1,493,994	\$ 1,377,084	\$ (116,910)
5800	State Program Revenues	3,263,454	3,263,454	5,426,376	2,162,922
5020	Total Revenues	4,757,448	4,757,448	6,803,460	2,046,012
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	5,045,000	5,045,000	4,370,000	675,000
0072	Interest on Long Term Debt	3,437,406	3,437,406	2,096,478	1,340,928
0073	Bond Issuance Cost and Fees	5,000	5,000	2,000	3,000
6030	Total Expenditures	8,487,406	8,487,406	6,468,478	2,018,928
1100	Excess (Deficiency) of Revenues Over (Under)				
	Expenditures	(3,729,958)	(3,729,958)	334,982	4,064,940
OTHER FINANCING SOURCES (USES):					
7915	Transfers In.	3,729,958	3,729,958	-	(3,729,958)
7080	Total Other Financing Sources (Uses)	3,729,958	3,729,958	-	(3,729,958)
1200	Net Change in Fund Balances	-	-	334,982	334,982
0100	Fund Balance - (Beginning)	-	-	553,097	553,097
3000	Fund Balance - (Ending)	\$ -	\$ -	\$ 888,079	\$ 888,079

SINGLE AUDIT SECTION

**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
San Benito Consolidated Independent School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of San Benito Consolidated Independent School District, as of and for the ten months ended June 30, 2018, and the related notes to the financial statements, which collectively comprise San Benito Consolidated Independent School District's basic financial statements, and have issued our report thereon dated November 7, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain other matters that we reported to management of the San Benito Consolidated Independent School District in a separate report letter dated November 7, 2018.

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.

Brenton McArthur & Hays, LLP

Brownsville, Texas
November 7, 2018

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

To the Board of Trustees
San Benito Consolidated Independent School District

Report on Compliance for Each Major Federal Program

We have audited San Benito Consolidated Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of San Benito Consolidated Independent School District's major federal programs for the ten months ended June 30, 2018. San Benito Consolidated Independent School 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 San Benito Consolidated Independent School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about San Benito Consolidated Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, San Benito Consolidated Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the ten months ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2018-001. Our opinion on each major federal program is not modified with respect to these matters.

San Benito Consolidated Independent School District's response to the noncompliance finding identified in our audit is described in the accompanying corrective action plan. San Benito Consolidated Independent School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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

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

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

San Benito Consolidated Independent School District's response to the internal control over compliance findings identified in our audit is described in the accompanying corrective action plan. San Benito Consolidated Independent School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Brenton McArthur & Hays, LLP

Brownsville, Texas
November 7, 2018

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE TEN MONTHS ENDED JUNE 30, 2018

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: Unmodified

Internal Control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiencies identified that are not
considered to be material weaknesses? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiencies identified that are not
considered to be material weaknesses? X yes _____ none reported

Type of auditors’ report issued on compliance for
major programs: Unmodified

Any audit findings disclosed that are required to be
reported in accordance with 2 CFR 200.516(a)? X yes _____ no

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

10.553

Child Nutrition Cluster:

10.555

School Breakfast Program

10.555

National Lunch Program – Cash Assistance

National Lunch Program – Non-Cash
Assistance

Dollar threshold used to distinguish between
A and Type B programs: Type

\$750,000

Auditee qualifies as a low-risk auditee? _____ yes X no

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE TEN MONTHS ENDED JUNE 30, 2018

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE TEN MONTHS ENDED JUNE 30, 2018

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

<u>FEDERAL COMPLIANCE FINDING</u>	<u>DESCRIPTION</u>
--	---------------------------

Reference Number 2018-001	Equipment and Real Property Management
----------------------------------	---

**CFDA 10.553, 10.555, Child Nutrition Cluster,
Federal Agency: US Department of Agriculture
Passed through the Texas Department of Agriculture**

Criteria:	The District is required to maintain property records that include a description of the property, identification number, source of funding for the property (including the Federal award identification number), who holds title, the acquisition date, cost of the property, percentage of federal participation in the project cost for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sales price of the property.
-----------	---

Condition Found:	The District was unable to provide a listing of assets which specifically identified whether the asset was purchased with federal program funds. The District assets are included in an overall listing of District assets without specific identification.
------------------	---

Context:	The District was unable to provide listing of assets that segregated the source of funds used for the purchase of the respective assets.
----------	--

Effect:	The District is at risk of not being in compliance when disposing of assets purchased with federal funding.
---------	---

Cause:	The District hired a third party service provider who conducted an inventory of District assets and tagged items with the third party's respective tag number. The District has also added its own tag number to assets which leaves assets with two sets of tags. During consolidation of both the third party and District equipment inventory listings the identification as to whether the assets were acquired by federal funds was not documented.
--------	--

Questioned Cost:	N/A
------------------	-----

Recommendation:	We recommend the District compile an equipment inventory listing that can segregate equipment purchases from specific federal funds with one set of tag numbers so that these type of purchases are clearly identifiable.
-----------------	---

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE TEN MONTHS ENDED JUNE 30, 2018

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS – CONTINUED

<u>FEDERAL COMPLIANCE FINDING</u>	<u>DESCRIPTION</u>
--	---------------------------

**Reference Number 2018-001 -
Continued**

Equipment and Real Property Management

**CFDA 10.553, 10.555, Child Nutrition Cluster,
Federal Agency: US Department of Agriculture
Passed through the Texas Department of Agriculture**

Views of Responsible Officials:

See schedule of findings and questioned costs corrective action plan.

**SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF STATUS OF PRIOR FINDINGS
FOR THE TEN MONTHS ENDED JUNE 30, 2018**

PROGRAM DESCRIPTION

CORRECTIVE ACTION PLAN

Schedule Reference Number: (2017-001)

Financial Reporting and Accounting Process

Corrective Action Plan:

This finding was corrected in the current year.

Status:

Closed

Schedule Reference Number: (2017-002)

Suspension and Debarment

Corrective Action Plan:

This finding was corrected in the current year.

Status:

Closed

Schedule Reference Number: (2017-003)

Period of Performance

Corrective Action Plan:

This finding was corrected in the current year.

Status:

Closed

**SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE TEN MONTHS ENDED JUNE 30, 2018**



Hilda G. Rendon
Assistant Superintendent of Finance & Operations

**San Benito Consolidated Independent School District
CY Findings & Questioned Costs
June 30, 2018**

Board of Trustees

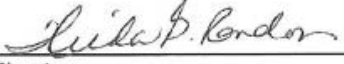
Michael A. Vargas
President

Angel Mendez
Vice President

M.L. Garcia
Secretary

Sonia Weaver
Janie G. Silva
Orlando Lopez
Victor Eloy Rosas

Finding No.	Finding Type	Rep Ref No.	WP REF	Desc	Material Weakness	Significant Deficiency
1	Award - Child Nutrition Cluster 10.555, 10.553	2018-001	8125	Equipment, property management.	No	Yes
	Criteria/Condition	The District was unable to provide a listing of assets which specifically identified whether the asset was purchased with federal program funds. The District's assets are included in an overall listing of District assets without specific identification.				
	Cause/Effect	The District hired a third party service provider who conducted an inventory of District assets and tagged items with the third party's respective tag number. The District has also added its own tag number to assets which leaves assets with two sets of tags. During the consolidation of both the third party and District equipment inventory listings the identification as to whether the assets were acquired by federal funds was not documented.				
	Recommendation	We recommend the District compile an equipment inventory listing that can segregate equipment purchases from specific federal funds with one set of tag numbers so that these type purchases are clearly identifiable.				
	Management's Response	The District originally utilized a program that did not allow for recording of certain fields, funding source was one of those fields. The District has since moved to an inventory system that does track all fields including the funding source field. The Purchasing Department will revisit the current listing and update accordingly based on their funding source.				


Signature

11/7/2018
Date

San Benito Schools - The Gold Standard in Public Education

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It is the policy of the San Benito CISD not to discriminate on the basis of race, color, national origin, gender, or disability in its educational and Career and Technology programs, services or activities as required by Title VI of the Civil Rights Act of 1964.



Contact Person: Hilda G. Rendon
Assistant Superintendent of Finance and Operations

Implementation Time Frame: Ongoing

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TEN MONTHS ENDED JUNE 30, 2018

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Awarded to Subrecipients	(5) Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
<u>Passed Through the State Department of Agriculture</u>				
*School Breakfast Program	10.553	71401801	\$ -	\$ 2,102,892
*National Lunch Program - Cash Assistance	10.555	71301801	-	5,368,001
*National Lunch Program - Non-Cash Assistance	10.555	71301801	-	588,436
Total Child Nutrition Cluster			-	8,059,329
Fresh Fruit and Vegetable Program	10.582	#00157	-	156,487
Total Passed Through State Department of Agriculture			-	8,215,816
TOTAL U.S. DEPARTMENT OF AGRICULTURE				8,215,816
U.S. DEPARTMENT OF DEFENSE				
<u>Passed Through the State Department of Education</u>				
JROTC	12.U01	JROTC174S	-	83,387
Total Passed Through State Department of Education			-	83,387
TOTAL U.S. DEPARTMENT OF DEFENSE			-	83,387
U.S. DEPARTMENT OF EDUCATION				
<u>Passed Through Region One ESC</u>				
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	P334A110180-16	-	28,169
Teacher and School Leader Incentive Grants (formerly the Teacher Incentive Fund)	84.374	U374A160002-16A	-	96,027
Total Passed Through Region One ESC			-	124,196
<u>Passed Through State Department of Education</u>				
Title I Grants to Local Education Agencies	84.010	17610101031912	-	46,501
Title I Grants to Local Education Agencies	84.010	18610101031912	-	4,842,677
Title I Grants to Local Education Agencies	84.010	18610103031912	-	170,416
Title I Grants to Local Education Agencies	84.010	17610112031912000	-	2,400
Total Title I grants to Local Education Agencies			-	5,061,994
Migrant Education State Grant Program	84.011	17615001031912	-	20,340
Migrant Education State Grant Program	84.011	18615001031912	-	831,457
Total Migrant Education State Grant Program			-	851,797
*Special Education State Grant Program	84.027	18660001031912	-	1,823,896
*Special Education State Grant Program	84.173	18661001031912	-	23,591
Total Special Education Cluster			-	1,847,487
Title IV, Part A, Subpart 1	84.424	18680101031912	-	48,988
Career and Technical Education - Basic Grants to States	84.048	18420006031912	-	182,486
Twenty-First Century Community Learning Centers	84.287	186950197110030	-	1,403,797
Twenty-First Century Community Learning Centers	84.287	186950247110025	-	1,436,000
Total Twenty-First Century Community Learning Centers			-	2,839,797
English Language Acquisition State Grants	84.365	18671001031912	-	124,635
Supporting Effective Instruction State Grants	84.367	18694501031912	-	478,849
Total Passed Through State Department of Education			-	11,436,033
TOTAL U.S. DEPARTMENT OF EDUCATION			-	11,560,229
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
<u>Passed Through Texas Department of Human Services</u>				
*Medicaid Assistance Program	93.778	N/A	-	12,424
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ -	\$ 19,871,856

*Clustered Programs

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
FOR THE TEN MONTHS ENDED JUNE 30, 2018

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of San Benito Consolidated Independent School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance, Audits of State, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the general purpose financial statements.

NOTE B – PROGRAM REPORTING

JROTC, FEMA, SHARS, MAC and \$228,867 of indirect costs are accounted for in the general fund. The National School Lunch Program, School Breakfast Program Commodity Supplemental Food Program, and Fresh Fruit and Vegetable Program are accounted for in the Child Nutrition Program. Expenditures are not specifically attributable to these revenues and are shown on this schedule in an amount equal to revenue for balancing purposes only.

Reconciliation

Total expenditures of federal awards, per Exhibit K-1	\$ 19,871,856
General Fund - Federal Revenue	
School Health and Related Services (SHARS)	1,865,883
Other	<u>38,609</u>
Total Federal Revenues, per Exhibit C-3	<u><u>\$ 21,776,348</u></u>

NOTE C – SUBRECIPIENTS

During the ten months ended June 30, 2018 the District had no sub-recipients.

NOTE D – FEDERAL LOANS AND LOAN GUARANTEES

During the ten months ended June 30, 2018 the District had no outstanding federal loans payable or loan guarantees.

NOTE E – FEDERALLY FUNDED INSURANCE

During the ten months ended June 30, 2018 the District had no federally funded insurance.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
FOR THE TEN MONTHS ENDED JUNE 30, 2018

NOTE F – NONCASH AWARDS

During the ten months ended June 30, 2018 the District received \$588,436 of federal awards in the form of noncash assistance.

NOTE G – INDIRECT COST RATE

The Uniform Guidance allows an organization to elect 10% de minimus indirect cost rate. For the ten months ended June 30, 2018, the District did not elect to use this rate.

**SCHOOLS FIRST QUESTIONNAIRE (UNAUDITED)
FOR THE TEN MONTHS ENDED JUNE 30, 2018**

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

2018

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.	\$ 18,605,572