

**ANDREWS INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2018**

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Comprehensive Annual Financial Report

**For the Fiscal Year Ended
June 30, 2018**

ANDREWS INDEPENDENT SCHOOL DISTRICT

405 NW 3rd Street, Andrews, Texas 79714

Prepared By the AISD Business Office

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Business Manager

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Accounting Department

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ANDREWS INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2018

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CERTIFICATE OF BOARD

Andrews Independent School District
Name of School District

Andrews
County

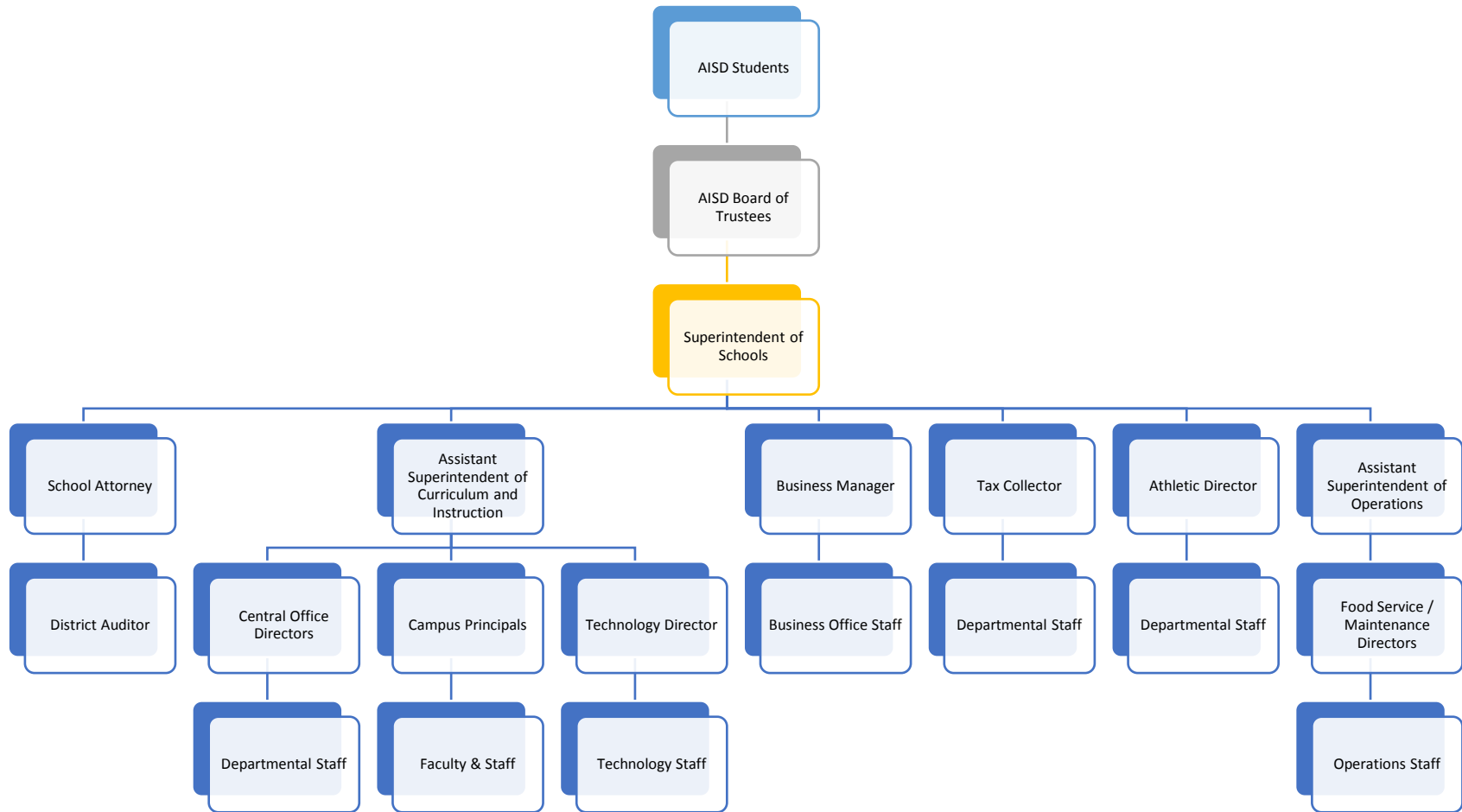
002901
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) X approved disapproved for the year ended June 30, 2018 at a meeting of the Board of Trustees of such school district on the 13th of November, 2018.

C. Pochterman
Signature of Board Secretary

Kari Walinder
Signature of Board President

Andrews Independent School District
Organizational Chart
2017 - 2018



ANDREWS INDEPENDENT SCHOOL DISTRICT

Principal Officials and Advisors

Board of Trustees

Kari Walinder
Charles Simpson
Cindy Tochterman
Jim Leach
Joe Barnes
Dr. Charlie Mohr
Samantha Valenzuela

President
Vice-President
Secretary
Board Member
Board Member
Board Member
Board Member

Consultants and Advisors

Wayne M. Manning, CPA Inc.
Buechler & Associates P.C.
McCall, Parkhurst & Horton LLP
SAMCO Capital Markets, Inc.
The National Bank of Andrews

Independent Auditor
General Counsel
Bond Counsel
Financial Advisor
Official Depository

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Independent Auditor's Report

Board of Trustees
Andrews Independent School District
405 N.W. 3rd Street
Andrews, Texas 79714

Members of the Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Andrews Independent School District (the "District") as of and for the year 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, the business-type activities, each major fund, and the aggregate remaining fund information of Andrews Independent School District as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

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



MEMBER OF
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
TEXAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS



Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule-general fund, and the GASB-required supplementary pension and OPEB 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.

Other Information

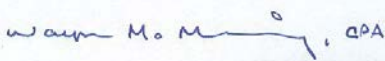
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and other statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.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

The combining and other statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and other statements 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 required TEA schedules have 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Wayne M. Manning, CPA

Wayne M. Manning, CPA
Andrews, Texas
October 19, 2018

ANDREWS INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

As management of Andrews Independent School District, we offer readers of the District's annual financial report this narrative overview and analysis of the financial activities of the District for the year ended June 30, 2018. Please read it in conjunction with the independent auditors' report and the District's basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- General revenues accounted for \$55,057,930 and program-specific revenues in the form of charges for services and grants and contributions accounted for \$(1,012,246). (*See Note W in the Notes to the Financial Statements regarding the negative on-behalf reporting as a result of GASB 68 and 75.*)
- The District had \$40,852,823 in expenses related to governmental activities; \$(1,012,246) of these expenses were offset by program-specific charges for services or grants and contributions. (*See Note W in the Notes to the Financial Statements regarding the negative on-behalf reporting as a result of GASB 68 and 75.*) General revenues of \$55,057,930 were adequate to provide for the remaining cost of these programs, resulting in an \$13,192,861 increase in net position.
- The General Fund reported an ending fund balance of \$30,216,872. This was an \$8,007,351 increase from the prior year.
- At the end of the current fiscal period, the District's governmental funds reported combined ending fund balances of \$34,469,012, an increase of \$7,119,433 from the prior year. Over 91% of this total amount or \$31,652,253 is unassigned and available for use within the District's commitments and policies.
- The total cost of the District's programs decreased due to a planned reduction in maintenance and operational expenses.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the government, reporting the District's operations in more detail than the government-wide statements.
- The governmental funds statements focus on how general government services were financed in the short-term as well as what remains for future spending.
- Proprietary fund statements offer short-term and long-term financial information about the activities the government operates like businesses, such as the District's concession stands.
- 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.

**ANDREWS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED JUNE 30, 2018**

The basic financial statements also include notes that explain some of the information in the basic 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 basic financial statements. Figure A-1 summarizes the major features of the District's basic financial statements including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-1. Major Features of the District's Government-wide and Fund Financial Statements

<i>Type of Statements</i>	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
<i>Scope</i>	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the district that are not proprietary or fiduciary	Activities the district operates similar to private businesses: self-insurance	Instances in which the district is the trustee or agent for someone else's resources
<i>Required financial statements</i>	Statement of net position Statement of activities	Balance sheet Statement of revenues, expenditures & changes in fund balance	Statement of net position Statement of revenues, expenses and changes in fund net position Statement of cash flows	Statement of fiduciary net position Statement of changes in fiduciary fund net position
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

GOVERNMENT-WIDE STATEMENTS

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

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

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

The government-wide financial statements of the District are divided into two categories:

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

Business-type activities - The District charges fees to customers to help it cover the costs of certain services it provides. The District's concession fund, school supply sales and yearbook sales funds are included here.

**ANDREWS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED JUNE 30, 2018**

FUND FINANCIAL STATEMENTS

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

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

The District has the following types of funds:

• *Governmental funds*—Most of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explains the relationship (or differences) between them.

• *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. Our enterprise funds are presented in aggregate and account for activities such as concessions and yearbook sales. We use internal service funds to report activities that provide supplies and services for the District's other programs and activities.

• *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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The District's combined net position was \$58,070,025 at June 30, 2018.

Table A-1

Andrews Independent School District's Net Position

	Governmental Activities		Business-Type Activities		Total Government	
	2018	2017	2018	2017	2018	2017
Assets						
Cash and cash equivalents	\$ 41,161,288	\$ 35,450,907	\$ 36,498	\$ 32,800	\$ 41,197,786	\$ 35,483,707
Other assets	2,951,496	3,842,615	485	-	2,951,981	3,842,615
Capital assets, net	66,117,806	69,321,124	-	-	66,117,806	69,321,124
Total assets	110,230,590	108,614,646	36,983	32,800	110,267,573	108,647,446
Deferred outflows of resources	2,365,379	3,033,046	-	-	2,365,379	3,033,046
Liabilities						
Current liabilities	12,740,164	15,316,531	-	-	12,740,164	15,316,531
Long-term liabilities	34,890,512	27,260,083	-	-	34,890,512	27,260,083
Total liabilities	47,630,676	42,576,614	-	-	47,630,676	42,576,614
Deferred inflows of resources	6,932,249	813,083	-	-	6,932,249	813,083
Net Position						
Invested in capital assets, net of related debt	47,011,828	50,371,909	-	-	47,011,828	50,371,909
Restricted	519,997	519,997	-	-	519,997	519,997
Unrestricted	10,501,217	17,366,089	36,983	32,800	10,538,200	17,398,889
Total net position	\$ 58,033,042	\$ 68,257,995	\$ 36,983	\$ 32,800	\$ 58,070,025	\$ 68,290,795

**ANDREWS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED JUNE 30, 2018**

CHANGES IN NET POSITION

The District's total revenues were \$54,045,684. 86.79% of the District's revenue comes from local property taxes (See Table A-2). 13.21% relates to state aid and federal grants, charges for services, and other miscellaneous sources including investment earnings. The total cost of all programs and services was \$40,852,823. The largest expense categories were instruction and instructional related services which totaled \$17,935,978 or 43.9% of total expenses.

Table A-2

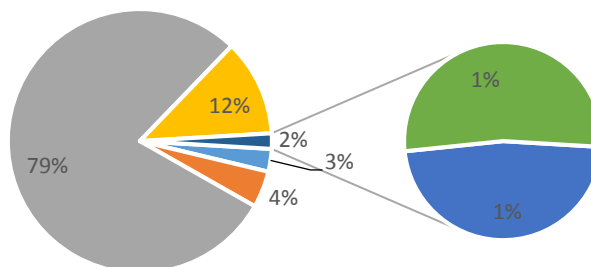
Andrews Independent School District's Net Position

	Governmental Activities		Business-Type Activities		Total Government	
	2018	2017	2018	2017	2018	2017
Program Revenues						
Charges for services	\$ 1,650,801	\$ 1,149,392	\$ 4,792	\$ 177	\$ 1,655,593	\$ 1,149,569
Operating grants and contributions	(2,663,047)	4,208,747	-	-	(2,663,047)	4,208,747
General revenues						
Property taxes	46,907,473	39,809,405	-	-	46,907,473	39,809,405
Grants and contributions	7,027,601	11,764,248	-	-	7,027,601	11,764,248
Investment earnings	532,400	209,099	-	-	532,400	209,099
Miscellaneous	590,456	1,003,089	-	-	590,456	1,003,089
Total revenues	<u>54,045,684</u>	<u>58,143,980</u>	<u>4,792</u>	<u>177</u>	<u>54,050,476</u>	<u>58,144,157</u>
Expenses						
Instruction	17,935,978	25,939,522	-	-	17,935,978	25,939,522
Instructional resources and media sources	314,662	543,447	610	360	315,272	543,807
Curriculum and staff development	242,081	450,528	-	-	242,081	450,528
Instructional leadership	457,429	594,155	-	-	457,429	594,155
School leadership	1,255,530	2,131,420	-	-	1,255,530	2,131,420
Guidance, counseling, and evaluation services	884,825	1,331,060	-	-	884,825	1,331,060
Social work services	44,417	67,006	-	-	44,417	67,006
Health services	195,522	385,492	-	-	195,522	385,492
Student (pupil) transportation	1,005,132	2,365,708	-	-	1,005,132	2,365,708
Food services	1,798,147	2,325,250	-	-	1,798,147	2,325,250
Extracurricular activities	1,809,388	2,278,746	-	-	1,809,388	2,278,746
General administration	1,001,580	1,389,356	-	-	1,001,580	1,389,356
Facilities maintenance and operations	3,570,168	3,658,398	-	-	3,570,168	3,658,398
Security and monitoring services	50,286	59,487	-	-	50,286	59,487
Data processing services	715,300	922,808	-	-	715,300	922,808
Community services	253,311	332,641	-	-	253,311	332,641
Debt service	616,524	758,609	-	-	616,524	758,609
Capital outlay	-	-	-	-	-	-
Contracted instructional	8,393,317	14,798,670	-	-	8,393,317	14,798,670
Other intergovernmental charges	309,226	219,652	-	-	309,226	219,652
Total expenses	<u>40,852,823</u>	<u>60,551,955</u>	<u>610</u>	<u>360</u>	<u>40,853,433</u>	<u>60,552,315</u>
Increase (decrease) in net position	13,192,861	(2,407,975)	4,182	(183)	13,197,043	(2,408,158)
Net position – beginning	68,257,995	69,980,467	32,801	32,983	68,290,796	70,013,450
Prior period adjustment	(23,417,814)	685,500	-	-	(23,417,814)	685,500
Net position - ending	<u>58,033,042</u>	<u>68,257,992</u>	<u>36,983</u>	<u>32,800</u>	<u>58,070,025</u>	<u>68,290,792</u>

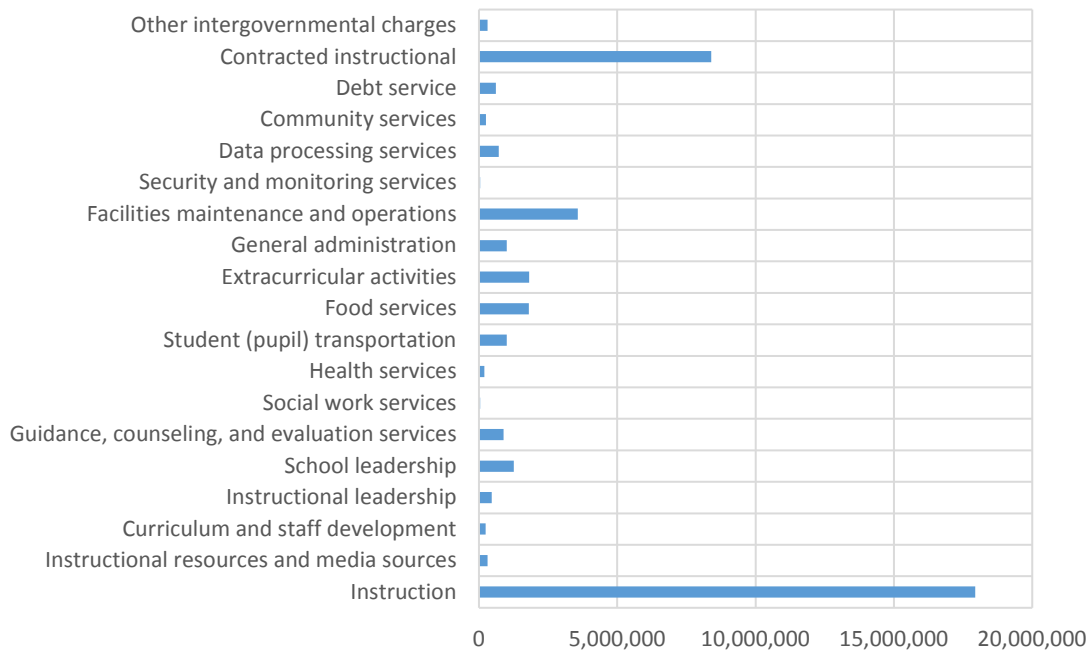
**ANDREWS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED JUNE 30, 2018**

**Government-wide Revenues for Fiscal Year 2018
(See Table A-2)**

- Charges for services
 - Property taxes
 - Investment earnings
- Operating grants and contributions
 - Grants and contributions
 - Miscellaneous



**Government-wide Expenses for Fiscal Year 2018
(See Table A-2)**



**ANDREWS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED JUNE 30, 2018**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$61,393,016. Any increase in state revenues is a result of attendance gains. Any decrease in federal revenues is primarily due to a decrease in federal program revenue distributed through other agencies.

The General Fund reported an ending fund balance of \$30,216,872. This was an increase in the General Fund balance from the prior year in the amount of \$8,007,351.

GENERAL FUND BUDGETARY HIGHLIGHTS

As the District completed the year, the governmental funds reported a combined fund balance of \$34,469,012, which is above last year's total of \$27,349,579. The primary reasons for the increase include utilization of monies for debt service and other miscellaneous items. Over the course of the year, the District recommended and the Board of Trustees approved revisions of the District's general fund budget for various reasons. The following is a summary of significant budget amendments made to estimated revenues:

		<u>Estimated Revenues</u>
Beginning Estimated Revenues	\$	39,226,577
Adjust State funding estimate		4,734,342
Final Amended Estimated Revenues	\$	<u>43,960,919</u>

The following is a summary of significant budget amendments made to appropriations and other sources.

		<u>Appropriations</u>
Beginning Appropriations	\$	42,349,828
Adjust due to change in funding		881,500
Adjust in Contracted Instructional Services (Recapture)		987,477
Final Amended Appropriations	\$	<u>44,218,805</u>

Resources available were \$8,239,422 higher than the final budgeted amount. The favorable variance was a result of an unexpected payment under the Hardship Funding Provision for the loss of ASATR, enrollment increases above estimates, and increased property values above preliminary estimates.

CAPITAL ASSETS AND DEBT ADMINISTRATION

At the end of fiscal year 2018, the District had invested \$66,117,806 in a broad range of capital assets, including land, construction in progress, furniture and equipment, buildings and improvements and vehicles.

Andrews Independent School District's
Capital Assets

	<u>Governmental Activities</u>		<u>Total Percentage</u>
	<u>2018</u>	<u>2017</u>	<u>Change 2017-2018</u>
Land	\$ 1,681,954	\$ 1,681,954	0.00%
Buildings, net	59,378,141	57,473,211	3.31%
Furniture and equipment, net	5,057,711	6,222,557	(18.72)%
Construction in progress	<u>-</u>	<u>3,943,402</u>	(100.0)%
Net capital assets	<u>\$ 66,117,806</u>	<u>\$ 69,321,124</u>	(4.62)%

**ANDREWS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED JUNE 30, 2018**

LONG TERM DEBT

At fiscal year-end, the District had \$19,761,351 in debt outstanding. More detailed information about the District's debt is presented in the notes to the basic financial statements.

Andrews Independent School District's
Long-Term Debt

	Governmental Activities <u>2018</u>	<u>2017</u>	Total Percentage Change 2017-2018
Bonds payable	\$ 19,110,310	\$ 23,968,993	(20.27)%
Net pension liability	6,983,473	8,150,869	(14.32)%
Net OPEB liability	13,340,689	-	100.0%
Other debt payable	<u>651,041</u>	<u>195,221</u>	233.49%
Total debt payable	\$ <u>40,085,513</u>	\$ <u>32,315,083</u>	(24.05)%

BOND RATING

The credit rating for the District is "A+" by Standard & Poor's Rating Services.

ECONOMIC FACTORS

The District's overall tax rate for 2019 and 2018 is \$1.20. The District's Maintenance tax rate for 2019 is \$1.06 and the Interest and Sinking tax rate is \$0.14. The District's assessed valuation for property taxes is \$4,280,920,433 for fiscal year 2019, which is an increase of \$381,168,006 or 9.77% more than fiscal year 2018.

The District's current student enrollment is 4,287 for the fiscal year 2019 which is an increase of 250 from the fiscal year 2018. This is an increase of 308 students for the last three years.

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, please address to the Business Manager, Andrews Independent School District, 405 NW 3rd Street, Andrews, TX 79714.

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BASIC FINANCIAL STATEMENTS

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ANDREWS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018

EXHIBIT A-1

		1	2	3
		Primary Government		
Data			Business	
Control		Governmental	Type	
Codes		Activities	Activities	Total
ASSETS				
1110	Cash and Cash Equivalents	\$ 41,161,288	\$ 36,498	\$ 41,197,786
1220	Property Taxes - Delinquent	2,194,980	-	2,194,980
1230	Allowance for Uncollectible Taxes	(219,498)	-	(219,498)
1240	Due from Other Governments	533,406	-	533,406
1267	Due from Fiduciary Funds	2,465	-	2,465
1300	Inventories	8,997	485	9,482
1410	Prepayments	431,146	-	431,146
	Capital Assets:			
1510	Land	1,681,954	-	1,681,954
1520	Buildings, Net	59,378,141	-	59,378,141
1530	Furniture and Equipment, Net	5,057,711	-	5,057,711
1000	Total Assets	110,230,590	36,983	110,267,573
DEFERRED OUTFLOWS OF RESOURCES				
1705	Deferred Outflow Related to TRS Pension	2,188,535	-	2,188,535
1706	Deferred Outflow Related to TRS OPEB	176,844	-	176,844
1700	Total Deferred Outflows of Resources	2,365,379	-	2,365,379
LIABILITIES				
2110	Accounts Payable	90,449	-	90,449
2140	Interest Payable	147,112	-	147,112
2150	Payroll Deductions and Withholdings	555,047	-	555,047
2160	Accrued Wages Payable	2,912,162	-	2,912,162
2180	Due to Other Governments	2,521,744	-	2,521,744
2190	Due to Student Groups	452,823	-	452,823
2200	Accrued Expenses	439,937	-	439,937
2300	Unearned Revenue	425,890	-	425,890
	Noncurrent Liabilities:			
2501	Due Within One Year	5,195,000	-	5,195,000
2502	Due in More Than One Year	14,566,350	-	14,566,350
2540	Net Pension Liability (District's Share)	6,983,473	-	6,983,473
2545	Net OPEB Liability (District's Share)	13,340,689	-	13,340,689
2000	Total Liabilities	47,630,676	-	47,630,676
DEFERRED INFLOWS OF RESOURCES				
2605	Deferred Resource Inflow Related to TRS Pension	1,351,814	-	1,351,814
2606	Deferred Resource Inflow Related to TRS OPEB	5,580,435	-	5,580,435
2600	Total Deferred Inflows of Resources	6,932,249	-	6,932,249
NET POSITION				
3200	Net Investment in Capital Assets	47,011,828	-	47,011,828
	Restricted:			
3820	Restricted for Federal and State Programs	3,743	-	3,743
3850	Restricted for Debt Service	516,254	-	516,254
3900	Unrestricted	10,501,217	36,983	10,538,200
3000	Total Net Position	\$ 58,033,042	\$ 36,983	\$ 58,070,025

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

ANDREWS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Data Control Codes	1	Program Revenues	
		3	4
	Expenses	Charges for Services	Operating Grants and Contributions
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
11 Instruction	\$ 17,935,978	\$ 5,360	\$ (1,686,740)
12 Instructional Resources and Media Services	314,662	-	(86,173)
13 Curriculum and Instructional Staff Development	242,081	-	(49,972)
21 Instructional Leadership	457,429	-	(77,660)
23 School Leadership	1,255,530	-	(380,840)
31 Guidance, Counseling and Evaluation Services	884,825	-	(8,773)
32 Social Work Services	44,417	-	(15,171)
33 Health Services	195,522	-	(74,195)
34 Student (Pupil) Transportation	1,005,132	-	(168,279)
35 Food Services	1,798,147	878,444	876,988
36 Extracurricular Activities	1,809,388	26,316	(159,116)
41 General Administration	1,001,580	740,681	(136,189)
51 Facilities Maintenance and Operations	3,570,168	-	(538,317)
52 Security and Monitoring Services	50,286	-	-
53 Data Processing Services	715,300	-	(103,330)
61 Community Services	253,311	-	(55,280)
72 Debt Service - Interest on Long-Term Debt	615,774	-	-
73 Debt Service - Bond Issuance Cost and Fees	750	-	-
91 Contracted Instructional Services Between Schools	8,393,317	-	-
99 Other Intergovernmental Charges	309,226	-	-
[TG] Total Governmental Activities:	40,852,823	1,650,801	(2,663,047)
BUSINESS-TYPE ACTIVITIES:			
01 Enterprise Funds - Locally Defined	610	4,792	-
[TB] Total Business-Type Activities:	610	4,792	-
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 40,853,433	\$ 1,655,593	\$ (2,663,047)
Data Control Codes	General Revenues:		
	Taxes:		
MT	Property Taxes, Levied for General Purposes		
DT	Property Taxes, Levied for Debt Service		
GC	Grants and Contributions not Restricted		
IE	Investment Earnings		
MI	Miscellaneous Local and Intermediate Revenue		
SI	Insurance Recovery		
S2	Sale of Property		
TR	Total General Revenues and Special Items		
CN	Change in Net Position		
NB	Net Position - Beginning		
PA	Prior Period Adjustment		
NE	Net Position--Ending		

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

Net (Expense) Revenue and Changes in Net Position		
6	7	8
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (19,617,358)	\$ -	\$ (19,617,358)
(400,835)	-	(400,835)
(292,053)	-	(292,053)
(535,089)	-	(535,089)
(1,636,370)	-	(1,636,370)
(893,598)	-	(893,598)
(59,588)	-	(59,588)
(269,717)	-	(269,717)
(1,173,411)	-	(1,173,411)
(42,715)	-	(42,715)
(1,942,188)	-	(1,942,188)
(397,088)	-	(397,088)
(4,108,485)	-	(4,108,485)
(50,286)	-	(50,286)
(818,630)	-	(818,630)
(308,591)	-	(308,591)
(615,774)	-	(615,774)
(750)	-	(750)
(8,393,317)	-	(8,393,317)
(309,226)	-	(309,226)
(41,865,069)	-	(41,865,069)
-	4,182	4,182
-	4,182	4,182
(41,865,069)	4,182	(41,860,887)
41,434,860	-	41,434,860
5,472,613	-	5,472,613
7,027,601	-	7,027,601
532,400	-	532,400
563,382	-	563,382
14,151	-	14,151
12,923	-	12,923
55,057,930	-	55,057,930
13,192,861	4,182	13,197,043
68,257,995	32,801	68,290,796
(23,417,814)	-	(23,417,814)
\$ 58,033,042	\$ 36,983	\$ 58,070,025

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ANDREWS 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	\$ 35,035,739	\$ 2,260,791	\$ 2,847,767	\$ 40,144,297
1220 Property Taxes - Delinquent	1,960,104	234,876	-	2,194,980
1230 Allowance for Uncollectible Taxes	(196,010)	(23,488)	-	(219,498)
1240 Due from Other Governments	380,268	21,026	132,112	533,406
1260 Due from Other Funds	377,583	-	196,857	574,440
1300 Inventories	-	-	8,997	8,997
1410 Prepayments	431,146	-	-	431,146
1000 Total Assets	<u>\$ 37,988,830</u>	<u>\$ 2,493,205</u>	<u>\$ 3,185,733</u>	<u>\$ 43,667,768</u>
LIABILITIES				
2110 Accounts Payable	\$ 80,839	\$ -	\$ 9,610	\$ 90,449
2150 Payroll Deductions and Withholdings Payable	495,240	-	59,807	555,047
2160 Accrued Wages Payable	2,641,137	-	271,025	2,912,162
2170 Due to Other Funds	186,881	-	385,095	571,976
2180 Due to Other Governments	2,519,094	-	2,650	2,521,744
2190 Due to Student Groups	-	-	452,823	452,823
2200 Accrued Expenditures	8,414	-	-	8,414
2300 Unearned Revenue	1,840,352	211,389	34,399	2,086,140
2000 Total Liabilities	<u>7,771,957</u>	<u>211,389</u>	<u>1,215,409</u>	<u>9,198,755</u>
FUND BALANCES				
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	39,150	39,150
3480 Retirement of Long-Term Debt	-	516,254	-	516,254
3490 Other Restricted Fund Balance	-	3,743	-	3,743
Committed Fund Balance:				
3510 Construction	93,359	-	-	93,359
3530 Capital Expenditures for Equipment	2,014,254	-	-	2,014,254
3540 Self Insurance	150,000	-	-	150,000
3600 Unassigned Fund Balance	27,959,259	1,761,820	1,931,174	31,652,253
3000 Total Fund Balances	<u>30,216,872</u>	<u>2,281,817</u>	<u>1,970,324</u>	<u>34,469,013</u>
4000 Total Liabilities and Fund Balances	<u>\$ 37,988,829</u>	<u>\$ 2,493,206</u>	<u>\$ 3,185,733</u>	<u>\$ 43,667,768</u>

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

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

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$ 34,469,013
1 The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase/(decrease) net position.	602,370
2 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net position. Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$117,458,867 and the accumulated depreciation was \$48,137,743. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. At the beginning of the year, total long-term debt was \$24,164,213.	45,156,911
3 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2018 capital outlays and debt principal payments is to increase (decrease) net assets. Capital assets used in governmental activities are not reported in governmental funds. Current year capital outlays of \$1,083,262, long-term debt principal payments of \$5,055,000, and the amortization of the premium on refunding bonds of \$55,170 are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The accretion on Capital Appreciation Bonds of \$251,488 in the financial statements should be shown as decreases in capital assets and increases in long-term debt in the government-wide financial statements.	5,941,944
4 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68. The net position related to TRS included a deferred resource outflow in the amount of \$2,188,535, a deferred resource inflow in the amount of \$1,351,814, and a net pension liability in the amount of \$6,983,473. This resulted in a decrease in net position.	(6,146,752)
5 Included in the items related to debt is the recognition of the District's proportionate share of the net OPEB liability required by GASB 75. The net position related to TRS included a deferred resource outflow in the amount of \$176,844, a deferred resource inflow in the amount of \$5,580,435, and a net OPEB liability in the amount of \$13,340,689. This resulted in a decrease to net position.	(18,744,280)
6 The 2018 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(4,207,796)
7 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include	961,632

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

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

EXHIBIT C-2

recognizing unavailable revenue from property taxes as revenue, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.

19 Net Position of Governmental Activities

	\$ 58,033,042
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The notes to the financial statements are an integral part of this statement.

ANDREWS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

EXHIBIT C-3

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 43,428,168	\$ 5,582,471	\$ 940,474	\$ 49,951,113
5800 State Program Revenues	8,591,109	41,353	145,293	8,777,755
5900 Federal Program Revenues	181,064	-	2,483,084	2,664,148
5020 Total Revenues	52,200,341	5,623,824	3,568,851	61,393,016
EXPENDITURES:				
Current:				
0011 Instruction	19,760,114	-	1,413,436	21,173,550
0012 Instructional Resources and Media Services	487,550	-	-	487,550
0013 Curriculum and Instructional Staff Development	350,451	-	-	350,451
0021 Instructional Leadership	567,291	-	-	567,291
0023 School Leadership	2,068,399	-	-	2,068,399
0031 Guidance, Counseling and Evaluation Services	1,082,746	-	180,529	1,263,275
0032 Social Work Services	70,292	-	-	70,292
0033 Health Services	395,160	-	-	395,160
0034 Student (Pupil) Transportation	1,042,803	-	-	1,042,803
0035 Food Services	-	-	2,165,422	2,165,422
0036 Extracurricular Activities	1,765,348	-	-	1,765,348
0041 General Administration	1,386,387	-	-	1,386,387
0051 Facilities Maintenance and Operations	4,514,753	-	-	4,514,753
0052 Security and Monitoring Services	51,310	-	-	51,310
0053 Data Processing Services	892,987	-	-	892,987
0061 Community Services	354,753	-	-	354,753
Debt Service:				
0071 Principal on Long-Term Debt	-	4,618,608	-	4,618,608
0072 Interest on Long-Term Debt	-	860,181	-	860,181
0073 Bond Issuance Cost and Fees	-	750	-	750
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	1,068,843	1,068,843
Intergovernmental:				
0091 Contracted Instructional Services Between Schools	8,393,317	-	-	8,393,317
0099 Other Intergovernmental Charges	309,226	-	-	309,226
6030 Total Expenditures	43,492,887	5,479,539	4,828,230	53,800,656
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	8,707,454	144,285	(1,259,379)	7,592,360
OTHER FINANCING SOURCES (USES):				
7912 Sale of Real and Personal Property	12,923	-	-	12,923
7915 Transfers In	1,625,184	-	227,176	1,852,360
7949 Other Resources	14,151	-	-	14,151
8911 Transfers Out (Use)	(2,352,361)	-	-	(2,352,361)
7080 Total Other Financing Sources (Uses)	(700,103)	-	227,176	(472,927)
1200 Net Change in Fund Balances	8,007,351	144,285	(1,032,203)	7,119,433
0100 Fund Balance - July 1 (Beginning)	22,209,521	2,137,531	3,002,527	27,349,579
3000 Fund Balance - June 30 (Ending)	\$ 30,216,872	\$ 2,281,816	\$ 1,970,324	\$ 34,469,012

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

ANDREWS INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$ 7,119,433
The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The net income (loss) of internal service funds is reported with governmental activities. The net effect of this consolidation is to increase (decrease) net position.	602,370
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2018 capital outlays and debt principal payments is to increase (decrease) net assets. Current year capital outlays of \$1,083,262 and long-term debt principal payments of \$5,055,000, and the amortization of the premium on refunding bonds of \$55,170 are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The accretion on Capital Appreciation Bonds of \$251,488 in the financial statements should be shown as decreases in capital assets and increases in long-term debt in the government-wide financial statements.	5,941,944
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(4,207,796)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position.	(720,778)
GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$605,019. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in net position totaling \$603,340. 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 \$217,525. The net result is a decrease in the change in net position.	(215,846)
GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$174,758. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in net position totaling \$134,499. 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 \$(4,633,275). The net result is a increase (decrease) in the change in net position.	4,673,534
Change in Net Position of Governmental Activities	<u><u>\$ 13,192,861</u></u>

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

ANDREWS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018

EXHIBIT D-1

	Business-Type Activities -	Governmental Activities -
	Total Enterprise Funds	Internal Service Fund
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 36,498	\$ 1,016,991
Inventories	485	-
Total Assets	<u>36,983</u>	<u>1,016,991</u>
LIABILITIES		
Current Liabilities:		
Short Term Debt Payable	-	431,523
Total Liabilities	<u>-</u>	<u>431,523</u>
NET POSITION		
Unrestricted Net Position	<u>36,983</u>	<u>585,468</u>
Total Net Position	<u><u>\$ 36,983</u></u>	<u><u>\$ 585,468</u></u>

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

ANDREWS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Business-Type Activities -	Governmental Activities -
	Total Enterprise Funds	Internal Service Fund
OPERATING REVENUES:		
Local and Intermediate Sources	\$ 4,792	\$ 5,035,526
Total Operating Revenues	4,792	5,035,526
OPERATING EXPENSES:		
Professional and Contracted Services	610	4,933,156
Total Operating Expenses	610	4,933,156
Income Before Transfers	4,182	102,370
Transfer In	-	500,000
Change in Net Position	4,182	602,370
Total Net Position - July 1 (Beginning)	32,801	(16,902)
Total Net Position - June 30 (Ending)	\$ 36,983	\$ 585,468

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

ANDREWS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

EXHIBIT D-3

	Business-Type Activities	Governmental Activities -
	Total Enterprise Funds	Internal Service Fund
<u>Cash Flows from Operating Activities:</u>		
Cash Received from User Charges	\$ 4,792	\$ 5,035,526
Cash Payments for Insurance Claims	-	(4,912,628)
Cash Payments for Other Operating Expenses	(610)	-
Net Cash Provided by Operating Activities	4,182	122,898
<u>Cash Flows from Capital & Related Financing Activities:</u>		
Capital Contributed by Other Funds	-	500,000
Net Increase in Cash and Cash Equivalents	3,697	622,898
Cash and Cash Equivalents at Beginning of Year	32,800	394,092
Cash and Cash Equivalents at End of Year	<u>\$ 36,497</u>	<u>\$ 1,016,990</u>
<u>Reconciliation of Operating Income to Net Cash</u>		
<u>Provided by Operating Activities:</u>		
Operating Income:	\$ 4,182	\$ 102,370
Effect of Increases and Decreases in Current Assets and Liabilities:		
Decrease (increase) in Inventories	(485)	-
Increase (decrease) in Accounts Payable	-	20,528
Net Cash Provided by Operating Activities	<u>\$ 3,697</u>	<u>\$ 122,898</u>

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

ANDREWS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

	Agency Funds
ASSETS	
Cash and Cash Equivalents	\$ 103,791
Total Assets	<u>\$ 103,791</u>
LIABILITIES	
Due to Other Funds	\$ 2,465
Due to Student Groups	101,326
Total Liabilities	<u>\$ 103,791</u>

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

ANDREWS INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2018

A. REPORTING ENTITY

Andrews Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. The Board of Trustees (the "Board"), a seven-member group elected by registered voters of the District, has the fiscal accountability over all activities related to public elementary and secondary education with the jurisdiction of the District. The Trustees, as a body corporate, have 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 ("Agency") or to the State Board of Education are reserved for the Trustees, and the Agency may not substitute its judgment for the lawful exercise of those powers and duties by the Trustees. The District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. There are no component units included within the reporting entity. The basic financial statements of the District include all activities for which the Board exercises these governance responsibilities. The District receives funding from local, state and federal government sources and must comply with the requirements of these funding sources. The District changed its fiscal year end from August 31 to June 30 during the 2013 fiscal year.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District is a public educational agency operating under the applicable laws and regulations of the State of Texas. The District prepares its basic financial statements in conformity with generally accepted accounting principles ("GAAP") promulgated by the Governmental Accounting Standards Board ("GASB") and other authoritative sources identified in GASB Statement No. 56; and it complies with the requirements of the appropriate version of Texas Education Agency's Financial Accountability System Resource Guide (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

The District participates with the City of Andrews and the Permian Regional Medical Center in an inter-local cooperation contract for the collection and remittance of their property taxes. Both entities reimburse the District a set fee for collecting and remitting property taxes.

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.

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

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Government-Wide and Fund Financial Statements

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

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

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

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are non-operating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are non-operating.

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

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets, deferred outflows or resources and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. The District considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred 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 and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net position, and unrestricted net position.

3. Fund Accounting

The District reports the following major governmental fund:

- **General Fund** – The General Fund is the District's primary operating fund and used to account for all financial transactions except those required to be accounted for in another fund. This is a budgeted fund, and any fund balances are considered as resources available for current operations. General Fund primary revenue sources include local property taxes and state funding. The District's General Fund includes state distributed federal funds and direct federal funds not required to be included in the Special Revenue Funds.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Additionally, the District reports the following non-major governmental fund types:

- **Capital Projects Fund** – The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund. The District has capital projects funds to separately account for various locally funded capital projects occurring throughout the District.
- **Debt Service Fund** – The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.
- **Special Revenue Funds** – The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a special revenue fund and sometimes unused balances must be returned to the grantor at the close of specified project periods.
- **Enterprise Fund** – The Enterprise Fund, a proprietary fund type, accounts for activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities. The District's non-major Enterprise Fund is comprised to account for the concession stand that serves the general public at school sponsored events.
- **Internal Service Fund** – The Internal Service Fund, a proprietary fund type, accounts for revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis. The District's Internal Service Fund is comprised of the fund for self-insurance.
- **Agency Funds** – The Agency Fund, a fiduciary fund type, accounts for resources held for others in a custodial capacity. The District's Agency Fund is comprised of the student activity fund.

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

4. Other Accounting Policies

For purposes of the statement of cash flows for proprietary funds, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

5. Budgetary Data

The following procedures are utilized in establishing the budgetary data reflected in the basic financial statements:

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

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The legal level of the budgetary control is at the major functional expenditure level by fund type. Each budget is controlled by the budget coordinator. Annual budgets are adopted for the General Fund, Food Service Fund, and Debt Service on a basis consistent with generally accepted accounting principles. Budgets for the Special Revenue funds as well as the Capital Projects funds are adopted on a project basis rather than on an annual basis. Appropriations in these funds remain open as carryover to succeeding years until related expenditures are made or until they are modified or cancelled. All budget appropriations lapse at year end.

Once a budget is approved, it may be amended by management without Board approval within a major functional expenditure category and can be amended at the function and fund level only by approval of a majority of the members of the Board. Amendments at the function and fund level are presented to the Board at its regular meetings. As dictated by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. The budget amounts included in this report reflect various amendments made by management or adopted by the Board throughout the year through the final amended budget. The General and Debt Service Fund Budgets are prepared on the modified accrual basis and the Food Service Fund budget is prepared on the accrual basis of accounting.

Expenditures may not legally exceed budgeted appropriations at the function level within an individual fund for General Funds, Debt Service Funds, and the Capital Projects Fund, except when a budget amendment is approved by the Board. For Special Revenue Funds, a budget amendment is required by the TEA when cumulative transfers among direct cost categories exceed or are expected to exceed twenty-five percent of the total current approved budget. The District may transfer resources among categories without submitting an amendment as long as the total amount of resources transferred is twenty-five percent or less of the total current approved budget. The total expenditures per funding source per fiscal year cannot exceed the total amount approved. The budget was amended during the year for certain supplementary appropriations as discussed in Management's Discussion and Analysis.

6. Deficit Fund Equity

Any deficits in fund equity will be supported with entity-wide funding through transfers.

7. Encumbrance Accounting

Encumbrances for goods or purchased services are documented by purchase orders or contracts. An encumbrance represents a commitment of Board appropriation related to unperformed contracts for goods or 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 30 and encumbrances outstanding at that time are either canceled or appropriately provided for in the subsequent year's budget.

8. Inventories

The District reports inventories of supplies at weighted average cost. Supplies are recorded as expenditures when they are consumed. Inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded as inventory and unearned revenue when received. When requisitioned, inventory and unearned revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9. Interfund Receivable and Payable Balances

During the course of normal operations, the District has numerous transactions between funds. The most significant are short-term interfund loans, due to the fact that checking account balances for most governmental funds are pooled into one demand account.

10. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

11. Data Control Codes

Data control codes refer to the account code structure prescribed by the Agency in the Guide. The Agency requires the District to display these codes in its financial statements filed with the Agency in order to ensure accuracy in building a statewide database for policy development and funding plans.

12. Foundation School Program Revenue

The State of Texas provides funding to Districts through the Foundation School Program based on instructional days, average daily attendance by fiscal year, and other factors.

13. Eliminations

Eliminating entries have not been made in the basic financial statements for transactions between or within fund types.

14. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Accretion is an adjustment of the difference between the price of a bond issued at an original discount and the par value of the bond. For the governmental activities debt, the accreted value is recognized as it accrues by fiscal year.

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

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

15. Accumulated Unpaid Compensatory Leave

It is the District's policy to permit some employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the district. All vacation pay is accrued when incurred in the government-wide and fund financial statements.

16. Internal Service Fund Consolidation

Since Internal Service Funds support the operations of governmental funds, they are consolidated with the governmental funds in the government-wide financial statements. The expenditures of governmental funds that create the revenues of internal service funds are eliminated to avoid "grossing up" the revenues and expenses of the District as a whole.

17. Capital Assets

Capital assets, which include land, buildings, furniture and equipment, are reported in the applicable governmental or business-type activities columns 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 in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed and materially complete. Buildings, furniture and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building Improvements	40
Vehicles	5-10
Office Equipment	5
Computer Equipment	3-5

18. Health Care Self-Insurance

The District sponsors a modified self-insurance plan to provide health care benefits to employees and their dependents which are accounted for in the Internal Service Fund, which is a proprietary fund. Partial employee contributions are required for personal coverage and total employee contributions are required for the employee's dependents. Claims incurred but not reported (IBNR) are accrued if it is probable that a claim will be asserted and the loss can reasonably be estimated. The accrued liabilities for IBNR in the self-insurance fund are based on estimates provided by a third party administrator.

19. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

C. DEPOSITS AND INVESTMENTS

District Policies and Legal and Contractual Provisions Governing Deposits and Investments

Custodial Credit Risk for Deposits State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the District complies with this law, it has no custodial credit risk for deposits. The District's cash deposits at June 30, 2018 of \$4,995,062 and also throughout the year ended June 30, 2018 were covered by the FDIC insurance and by pledged collateral held by the District's agent in the District's name.

Foreign Currency Risk The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit by not participating in foreign currency transactions.

The **Texas 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.

Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

As of June 30, 2018, Andrews Independent School District had the following investments:

<u>Investment Type</u>		<u>Fair Value</u>
Lone Star Investment Pool	\$	25,199,529
FirstCapital Bank Certificates of Deposit		1,033,797
TexPool		10,356,001
Total Fair Value	\$	<u>36,589,327</u>

Additional contractual provisions governing deposits and investments for the District are specified below:

Credit Risk To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations, the District limits investments in obligations of, or guaranteed by, governmental entities, public funds investment pools rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent and certificates of deposit and share certificates. As of June 30, 2018, the District's investments in the state investment pool was rated AAA_m by Standard & Poor's with a weighted average maturity of 24 days.

C. DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk for Investments To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party, the District requires counterparties to register the securities in the name of the District and hand them over to the District or its designated agent. This includes securities in securities lending transactions. All of the securities are in the District's name and held by the District or its agent. A \$1.03 million certificate of deposit with FirstCapital Bank is part of the CDARS program and is distributed between five banks and is fully insured by the FDIC.

Concentration of Credit Risk/Interest Rate Risk The investment portfolio shall be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce the risk of loss resulting from over concentration of assets in a specific class of investments, specific maturity or specific issuer.

Foreign Currency Risk for Investments The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment by not investing in foreign currencies.

Interest Rate Risk Investments shall be made in a manner that ensures the preservation of capital in the overall portfolio and offsets during a 12-month period any market price losses resulting from interest-rate fluctuations by income received from the balance of the portfolio. No individual investment transaction shall be undertaken that jeopardizes the total capital position of the overall portfolio.

Information regarding the District's investment pools may be obtained by contacting the following:

Lone Star: Internet: www.firstpublic.com
 Telephone: 1-800-558-8875
 Address: First Public
 12007 Research Boulevard
 Austin, Texas 78759

TexPool: Internet: www.texpool.com
 Telephone: 1-866-839-7665
 Address: TexPool Participant Services
 c/o Federated Investors, Inc.
 1001 Texas Avenue, Suite 1400
 Houston, Texas 77002

Fair Value Measurements The District categorizes its fair value investments with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. 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. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

C. DEPOSITS AND INVESTMENTS (Continued)

Assets and Liabilities Measured at Fair Value on a Recurring Basis

	Fair Values Measured Using			
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level:	Balance at 06/30/18			
Equity Securities				
Other	\$ 35,555,530	-	35,555,530	-
Total Investments by Fair Value Level	\$ 35,555,530	-	35,555,530	-

The fair value of investment pools at June 30, 2018 was determined primarily based on level 2 inputs. The District estimates the fair value of these investments using other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

The District has no level 1 or 3 investments.

D. PROPERTY TAXES

Property taxes are levied by October 1st on the assessed value listed as of the prior January 1st for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1st of the year following the year in which imposed. On January 31st of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the District's fiscal year. The assessed value of the property tax roll (net of exemptions) on January 1, 2017, upon which the levy for the June 30, 2018, period was based was \$3,899,752,427.

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes. 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. As of June 30, 2018, property taxes receivable, net of estimated uncollectible taxes of \$219,498, totaled \$1,975,483.

The tax rate to finance general governmental services was \$1.06 per \$100 for the year ended June 30, 2018, and a tax rate of \$0.1400 per \$100 was assessed to finance the payment of principal and interest on long-term obligations.

E. INTERFUND RECEIVABLES AND PAYABLES

The District has numerous transactions between funds which involve receipts and disbursements by one fund for amounts for another fund. Those transactions which require one fund to reimburse another are classified in the balance sheets of the various funds as “due to/from other funds,” as appropriate. Transactions that would be treated as revenues, expenditures, or expenses if they involved organizations external to the District, are accounted for as revenues, expenditures or expenses of the funds involved.

The interfund balances between funds result mainly from federal and state grants that operate on a reimbursement basis. Interfund balances occur when one fund pays or receives resources for another fund. The interfund balances between the General Fund and the Non-Major Funds are specifically due to accounts payable invoices that were dated and merchandise/supplies received before June 30, 2018.

Interfund balances at June 30, 2018, consisted of the following amounts:

	Due From Other Funds	Due to Other Funds
General Fund:		
Special Revenue Funds	\$ 330,819	\$ 186,881
Capital Projects Fund	44,299	-
Agency Fund	2,465	-
Total General Fund	<u>377,583</u>	<u>186,881</u>
Capital Projects Fund:		
General Fund	-	44,299
Total Capital Projects Fund	<u>-</u>	<u>44,299</u>
Special Revenue Funds:		
General Fund	186,881	330,819
Special Revenue Funds	9,977	9,977
Total Special Revenue Funds	<u>196,858</u>	<u>340,796</u>
Agency Fund:		
General Fund	-	2,465
Total Agency Fund	<u>-</u>	<u>2,465</u>
TOTAL	<u>\$ 574,441</u>	<u>\$ 574,441</u>

Interfund transfers during fiscal year ended June 30, 2018 consisted of the following amounts:

	Transfers Out	Transfers In
General Fund:		
Special Revenue Funds	\$ 227,176	\$ -
Internal Service Fund	500,000	-
Capital Projects	-	-
Capital Projects Fund:		
General Fund	-	-
Debt Service Fund	-	-
Debt Service Fund:		
Capital Projects Fund	-	-
Special Revenue Funds:		
General Fund	-	227,176
Internal Service Fund:		
General Fund	-	500,000
TOTAL	<u>\$ 727,176</u>	<u>\$ 727,176</u>

F. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the year ended June 30, 2018, was as follows:

	<u>Primary Government</u>				
Governmental Activities:	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Ending Balance</u>
Land	\$ 1,681,954	-	-	-	1,681,954
Buildings and Improvements	93,135,161	-	-	4,229,750	97,364,911
Furniture and Equipment	18,698,350	796,914	(6,350,752)	-	13,144,512
Construction in Progress	3,943,402	286,348	-	(4,229,750)	-
Totals at Historic Cost	\$ 117,458,867	1,083,262	(6,350,752)	-	112,191,377
Less Accumulated Depreciation for:					
Buildings and Improvements	\$ (35,661,950)	(2,324,820)	-	-	(37,986,770)
Furniture and Equipment	(12,475,793)	(1,882,976)	6,271,968	-	(8,086,801)
Total Accumulated Depreciation	\$ (48,137,743)	(4,207,796)	6,271,968	-	(46,073,571)
Governmental Activities Capital Assets, Net	\$ 69,321,124	(3,124,534)	(78,784)	-	66,117,806

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 3,352,684
School Leadership	77,655
Guidance, Counseling and Evaluation Services	77,655
Student (Pupil) Transportation	251,697
Food Services	78,548
Co-curricular/Extracurricular Activities	366,987
General Administration	2,570
Total Depreciation Expense	\$ 4,207,796

G. BONDS PAYABLE AND OTHER LONG-TERM LIABILITIES

The bonded debt payable is supported by a pledge of the District's full faith and credit. The bond indentures require a levy and collection of taxes without limitation as to rate or amount on all property subject to taxation by the District sufficient in amount to pay the principal and interest on such bonds as they become due. The indentures also require that a debt service fund be created and administered by the District solely for the purpose of paying principal and interest when due. Bonded indebtedness of the District is reflected in the General Long-Term Debt Account Group.

G. BONDS PAYABLE AND OTHER LONG-TERM LIABILITIES (Continued)

A summary of changes in general long-term debt for the year ended June 30, 2018 is as follows:

	<u>Interest Rate Payable</u>	<u>Amount Original Issue</u>	<u>Outstanding 07/01/17</u>	<u>Issued / Accretion</u>	<u>Retired / Refunded</u>	<u>Outstanding 06/30/18</u>	<u>Maturity Date</u>
Unlimited Tax School Building Bonds – Series 2011	3.0% to 4.00%	12,996,408	12,996,408	-	(3,338,608)	9,657,800	2/15/21
Unlimited Tax School Building Bonds – Series 2013	4.00%	5,000,000	2,230,000	-	-	2,230,000	2/15/23
Unlimited Tax School Building Bonds – Series 2015	1.75% to 2.50%	5,000,000	2,035,000	-	(320,000)	1,715,000	8/31/23
Unlimited Tax School Building Bonds – Series 2017	1.70% to 3.50%	<u>4,965,000</u>	<u>4,965,000</u>	<u>-</u>	<u>(960,000)</u>	<u>4,005,000</u>	2/15/22
Total Bonded Debt Payable		\$ <u>27,961,408</u>	\$ <u>22,226,408</u>	\$ <u>-</u>	\$ <u>(4,618,608)</u>	\$ <u>17,607,800</u>	

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

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

Governmental Activities:	<u>General Obligations</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
Year Ended June 30,			
2019	\$ 4,652,163	\$ 889,584	\$ 5,541,747
2020	4,051,888	920,209	4,972,097
2021	4,008,749	953,811	4,962,560
2022	3,405,000	117,885	3,522,885
2023	<u>1,490,000</u>	<u>42,900</u>	<u>1,532,900</u>
	\$ <u>17,607,800</u>	\$ <u>2,924,389</u>	\$ <u>20,532,189</u>

Capital Appreciation Bonds

The total accretion on capital appreciation bonds as of June 30, 2018 was \$1,315,069. Accretion for the fiscal year was \$251,488. Accreted interest paid during the fiscal year was \$436,392.

G. BONDS PAYABLE AND OTHER LONG-TERM LIABILITIES (Continued)

Defeased Bonds Outstanding

The District defeased outstanding general obligations through the Refunding General Obligations Series by placing the proceeds of the new bonds in irrevocable trust to provide for the future debt service payments on the old bonds. Accordingly, the trust account assets and defeased bonds are not included in the District's financial statements. At June 30, 2018, there is no amount of the bonds defeased outstanding.

Authorized Debt Status

Voters have authorized the issuance of additional bonds for construction and improvements. The following authorizations are effective at year end:

<u>Date of Authorization</u>	<u>Amount Authorized</u>	<u>Amount Issued</u>	<u>Remaining Unissued</u>
May 14, 2011	\$ <u>33,000,000</u>	\$ <u>27,965,000</u>	\$ <u>5,035,000</u>

Arbitrage Payable

The Federal Tax Reform Act of 1986 requires issuers to tax-exempt debt to make payments to the United States Treasury for investment income received at yields that exceed the issuer's tax exempt borrowing rates. The Treasury requires payment for each issue every five years. The estimated liability is updated annually for all tax-exempt issuances or changes in yields until such time payment of the calculated liability is due. The District had no arbitrage liability as of June 30, 2018.

Long-term activity for the year ended June 30, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
General Obligation Bonds	\$ 22,226,408	-	(4,618,608)	17,607,800	4,652,163
Accreted interest on capital appreciation bonds	1,499,973	251,488	(436,392)	1,315,069	542,837
Accrued interest on capital appreciation bonds	242,611	-	(55,170)	187,441	-
Other Liabilities:					
Net Pension Liability	8,150,869	(451,586)	(715,810)	6,983,473	-
Net OPEB Liability	23,552,313	(10,052,129)	(159,495)	13,340,689	-
Compensated Absences	195,221	692,693	(236,873)	651,041	-
Total Governmental Activities Long-term Liabilities	<u>\$ 55,867,395</u>	<u>(9,559,534)</u>	<u>(6,222,348)</u>	<u>40,085,513</u>	<u>5,195,000</u>
Deferred amount on refunding	-	-	-	-	-
Long-term Assets	-	-	-	-	-
Business-type Activities:					
Total Business-type Activities					
Long-term Liabilities	-	-	-	-	-

H. COMMITMENTS UNDER OPERATING LEASES

Commitments under operating (noncapitalized) lease agreements for equipment provide for minimum future rental payments as of June 30, 2018, are as follows:

Year Ended June 30,	Future Rental Payments
2019	\$ 96,143
2020	25,946
2021	9,753
	<u>\$ 131,842</u>

Rental expenditures for the year ended June 30, 2018 were approximately \$168,000.

I. ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS

Upon retirement or death of certain employees, the District pays any accrued sick leave and vacation leave in a lump cash payment to such employee or his/her estate. Individuals employed after October 1, 1985 are not eligible to receive the lump sum payments. A summary of changes in the accumulated sick leave and vacation leave liability follows:

	<u>Sick Leave</u>	<u>Vacation Leave</u>
Balance, July 1, 2017	\$174,414	\$20,807
Additions - New Entrants and Salary Increments	588,017	104,677
Deductions – Payments to Participants	<u>(145,302)</u>	<u>(91,572)</u>
Balance, June 30, 2018	<u>\$617,129</u>	<u>\$33,912</u>

J. DEFINED BENEFIT PENSION PLAN

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

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

Pension Plan Fiduciary Net Position. Detailed information about the 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.gov/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592.

J. DEFINED BENEFIT PENSION PLAN (Continued)

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

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

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

	<u>Contribution Rates</u>	
	<u>2017</u>	<u>2018</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Current fiscal year employer contributions	\$ 717,489	
Current fiscal year member contributions	\$ 1,869,456	
2017 measurement year NECE on-behalf contributions	\$ 1,272,796	

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

J. DEFINED BENEFIT PENSION PLAN (Continued)

As the non-employer contributing entity for public education, 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, including public 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 surcharges an employer is subject to:

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

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

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Municipal Bond Rate	N/A
Last year ending August 31 in 2017 to 2116 projection period	2116
Inflation	2.50%
Salary Increases	3.50% to 9.50% including inflation
Ad hoc post-employment benefit changes	None

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

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.

J. DEFINED BENEFIT PENSION PLAN (Continued)

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:

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

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

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

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
Proportionate share of the net pension liability:	\$11,772,755	\$6,983,473	\$2,995,618

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 \$6,983,473 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's Proportionate share of the collective net pension liability	\$6,983,473
State's Proportionate share that is associated with the District	<u>\$12,443,553</u>
Total	<u>\$19,427,026</u>

J. DEFINED BENEFIT PENSION PLAN (Continued)

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 0.0218407%, which was an increase (decrease) of 0.0002709783% 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 year ended June 30, 2018, the District recognized pension expense of \$1,770,010 and revenue of \$949,145 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experiences	\$102,171	\$376,609
Changes in actuarial assumptions	318,108	182,110
Differences between projected and actual investment earnings	-	508,940
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	1,163,237	284,155
Total as of August 31, 2017 measurement date	\$1,583,516	\$1,351,814
Contributions paid to TRS subsequent to the measurement date	605,019	-
Total as of fiscal year-end	\$2,188,535	\$1,351,814

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:

2019	\$	3,834
2020	\$	449,607
2021	\$	(30,414)
2022	\$	(163,249)
2023	\$	(31,721)
Thereafter	\$	3,645

For the year ended June 30, 2018, the District received approximately \$77,000 in Medicare Part D on-behalf payments.

K. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

Plan Description. Andrews Independent School 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 (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. Detailed information about the TRS-Care's fiduciary net position is available in a 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.gov/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592.

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

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

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

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

* or surviving spouse

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

K. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)

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 0.65% 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.

	<u>Contribution Rates</u>	
	<u>2017</u>	<u>2018</u>
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.00%	1.25%
Employers	0.55%	0.75%
Federal/private Funding remitted by Employers	1.00%	1.25%
Current fiscal year employer contributions		\$ 199,754
Current fiscal year member contributions		\$ 157,813
2017 measurement year NECE on-behalf contributions		\$ 231,213

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$15.6 million in fiscal year 2017. House Bill 21 was passed in special session and provided a supplemental appropriation in the amount of \$212 million in fiscal year 2018. The District's proportionate share of the \$212 million received during the District's 2018 fiscal year is reported in the fund level financial statements as an on-behalf contribution as required by GASB 85 and GASB 24.

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

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

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

Additional Actuarial Methods and Assumptions:

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

K. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)

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.

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 federally tax-exempt municipal bonds as reported in Fidelity Index’s “20-year Municipal GO AA Index” as of August 31, 2017.

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

	1% Decrease in Discount Rate (2.42%)	Discount Rate (3.42%)	1% Increase in Discount Rate (4.42%)
District’s proportionate share of the net OPEB liability:	\$15,745,325	\$13,340,689	\$11,407,904

Healthcare Cost Trend Rates Sensitivity Analysis. The following schedule presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one-percentage point lower or one-percentage point higher than the assumed healthcare cost trend rate.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District’s proportionate share of the net OPEB liability:	\$11,107,457	\$13,340,689	\$16,270,972

K. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)

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 \$13,340,689 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's Proportionate share of the collective net OPEB liability	\$13,340,689
State's Proportionate share that is associated with the District	<u>\$19,339,435</u>
Total	<u>\$32,680,124</u>

The net OPEB liability was measured as of August 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The 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 0.0306779 %. Since this is the first year of implementation, the District does not have the proportion measured as of August 31, 2016. The Notes to the Financial Statements for August 31, 2016 for TRS stated that the change in proportion was immaterial and, therefore, disregarded this year.

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

- Significant plan changes were adopted during 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.
- 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.

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

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

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

K. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)

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

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

For the year ended June 30, 2018, the District recognized OPEB expense of (\$10,970,265) and revenue of (\$6,471,489) for support provided by the State. See Note W for further explanation.

At June 30, 2018, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experiences	\$-	\$278,497
Changes in actuarial assumptions	-	5,301,938
Net Differences between projected and actual investment earnings	2,026	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	60	-
Total as of August 31, 2017 measurement date	\$2,086	\$5,580,435
Contributions paid to TRS subsequent to the measurement date	174,758	-
Total as of fiscal year-end	\$176,844	\$5,580,435

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:

2019	\$	(736,069)
2020	\$	(736,069)
2021	\$	(736,069)
2022	\$	(736,069)
2023	\$	(736,575)
Thereafter	\$	(1,897,498)

L. HEALTH CARE COVERAGE

The District sponsors a modified self-insurance plan to provide health care benefits to staff members and their dependents. Transactions related to the plan are accounted for in the Health Insurance Fund (the "Fund"), an internal service fund of the District. Partial staff member contributions are required for personal coverage and total staff member contributions are required for coverage of dependents. The District obtained excess loss insurance which limited annual claims paid from the Fund for the year ended June 30, 2018 to \$100,000 for any individual participant and an aggregate limit equal to \$5,259,451.

Estimates of claims payable and of claims incurred, but not reported at June 30, 2018, are reflected as accounts and claims payable of the Fund. The plan is funded to discharge liabilities of the Fund as they become due.

Changes in the balances of claims liabilities during the past year are as follows:

	Year Ended June 30, 2018
Unpaid claims, beginning of the fiscal year	\$ 410,995
Incurred claims (including IBNR's)	4,152,185
Claim payments	(4,131,657)
Unpaid claims, end of fiscal year	\$ 431,523

M. DEFERRED REVENUE

Deferred revenue at June 30, 2018 consisted of the following:

	General Fund	Special Revenue Fund	Debt Service Fund	Total
Net Tax Revenue	\$ 1,764,094	\$ -	\$ 211,389	\$ 1,975,483
Food Service Receipts	-	34,399	-	34,399
Other	76,258	-	-	76,258
Total Deferred Revenue	\$ 1,840,352	\$ 34,399	\$ 211,389	\$ 2,086,140

N. DUE FROM STATE AGENCIES

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of June 30, 2018, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due From/Receivables from Other Governments.

	State Entitlements	Federal Grants	Other Governments	Total
General	\$ 211,802	\$ -	\$ 189,492	\$ 401,294
Special Revenue	6,469	125,643	-	132,112
Total	\$ 218,271	\$ 125,643	\$ 189,492	\$ 533,406

O. 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 and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

P. FUND BALANCE

In a previous year, the District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provided more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent.

Fund Balance Classification: The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- *Nonspendable* includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.
- *Restricted* includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- *Committed* includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District's Board of Trustees. The Board establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This can also be done through adoption and amendment of the budget. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed.
- *Assigned* includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board or through the Board delegating this responsibility to other individuals in the District. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.
- *Unassigned* includes all amounts not included in other spendable classifications, including the residual fund balance for the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance are available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

Q. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

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

	General <u>Fund</u>	Special Revenue <u>Fund</u>	Debt Service <u>Fund</u>	Capital Projects <u>Fund</u>	<u>Total</u>
Property Taxes	\$ 41,766,952	\$ -	\$ 5,503,839	\$ -	\$ 47,270,791
Penalties, Interest and Other					
Tax-related Income	367,515	-	44,744	-	412,259
Investment Income	464,245	-	33,889	34,266	532,400
Food Sales	-	878,444	-	-	878,444
Co-curricular Student Activities	26,316	-	-	-	26,316
Other	<u>803,140</u>	<u>27,764</u>	<u>-</u>	<u>-</u>	<u>830,904</u>
Total	\$ <u>43,428,168</u>	\$ <u>906,208</u>	\$ <u>5,582,472</u>	\$ <u>34,266</u>	\$ <u>49,951,114</u>

R. LITIGATION AND CONTINGENCIES

The District is not a party to any legal actions that are 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 federally-funded programs, on both a direct and state pass-through basis. In connection with these grants, the District is required to comply with specific terms and agreements, as well as applicable federal and state laws and regulations. Such compliance is subject to review and audit by grantors and their representatives, including audits under the "Single Audit" concept and compliance examinations which build upon such audits. In the opinion of the District, the District has materially complied with all requirements. However, as such programs are subject to future audit or review, the possibility of disallowed expenditures exists. In the event of such disallowance of claimed expenditures, the District does not expect the resulting liability to have a material adverse effect on its combined financial statements as of June 30, 2018.

S. CONSTRUCTION COMMITMENTS

The District had no construction commitments as of June 30, 2018.

T. RELATED ORGANIZATIONS

The A.I.S.D. Education Foundation (the "Foundation"), a not-for-profit entity organized to provide scholarship funds, is a "related organization" of the District as defined by ***Governmental Accounting Standards Board Statement No. 14***. The members of the Board of the Foundation are appointed by an outside taxpayer group.

U. MAINTENANCE OF EFFORT

The District contributions for health care for 2017-2018 were \$3,947,157, of which non-medical life insurance premiums were \$36,610, resulting in maintenance of effort of \$3,910,547.

V. SUBSEQUENT EVENTS

The District's management has evaluated subsequent events through October 19, 2018, the date that the financial statements were available to be issued and concluded there are no other events requiring disclosure in the notes or recognition in the financial statements.

W. NEGATIVE OPERATING GRANTS AND CONTRIBUTIONS – STATEMENT OF ACTIVITIES

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

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

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

		Operating Grants and Contributions		Negative On- Behalf Accruals		Operating Grants and Contributions (excluding on- behalf accruals)
11 - Instruction	\$	(1,686,740)	\$	(3,815,033)	\$	2,128,293
12 – Instruction Resources and Media Services		(86,173)		(100,120)		13,947
13 – Curriculum and Instructional Staff Development		(49,972)		(58,059)		8,087
21 – Instructional Leadership		(77,660)		(90,229)		12,569
23 – School Leadership		(380,840)		(442,475)		61,635
31 – Guidance, Counseling and Evaluation Services		(8,773)		(219,939)		211,166
32 – Social Work Services		(15,171)		(17,626)		2,455
33 – Health Services		(74,195)		(86,203)		12,008
34 – Student (Pupil) Transportation		(168,279)		(195,513)		27,234
35 – Food Services		876,988		(212,401)		1,089,389
36 – Extracurricular Activities		(159,116)		(184,868)		25,752
41 – General Administration		(136,189)		(239,306)		103,117
51 – Facilities, Maintenance and Operations		(538,317)		(625,438)		87,121
53 – Data Processing Services		(103,330)		(120,052)		16,722
61 – Community Services		(55,280)		(64,227)		8,947
	\$	(2,663,047)	\$	(6,471,489)	\$	3,808,442

X. PRIOR PERIOD ADJUSTMENT

During fiscal year 2018, the District adopted GASB Statement No. 75 for Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. With GASB 75, the District must assume their proportionate share of the Net OPEB liability of the Teacher Retirement System of Texas. Adoption of GASB 75 required a prior period adjustment to report the effect of GASB 75 retroactively. The prior period adjustment totaled \$(23,417,814), which resulted in a restated beginning net position balance of \$44,840,181.

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**REQUIRED SUPPLEMENTARY
INFORMATION**

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ANDREWS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 36,550,300	\$ 41,177,002	\$ 43,428,168	\$ 2,251,166
5800 State Program Revenues	2,676,277	2,783,917	8,591,109	5,807,192
5900 Federal Program Revenues	-	-	181,064	181,064
5020 Total Revenues	39,226,577	43,960,919	52,200,341	8,239,422
EXPENDITURES:				
Current:				
0011 Instruction	19,461,676	19,748,676	19,760,114	(11,438)
0012 Instructional Resources and Media Services	520,980	494,980	487,550	7,430
0013 Curriculum and Instructional Staff Development	386,469	376,469	350,451	26,018
0021 Instructional Leadership	556,456	572,456	567,291	5,165
0023 School Leadership	1,991,122	2,071,122	2,068,399	2,723
0031 Guidance, Counseling and Evaluation Services	982,330	1,093,330	1,082,746	10,584
0032 Social Work Services	71,104	71,104	70,292	812
0033 Health Services	380,458	398,458	395,160	3,298
0034 Student (Pupil) Transportation	1,080,532	1,125,532	1,042,803	82,729
0036 Extracurricular Activities	1,686,966	1,793,966	1,765,348	28,618
0041 General Administration	1,355,210	1,401,710	1,386,387	15,323
0051 Facilities Maintenance and Operations	4,355,129	4,523,129	4,514,753	8,376
0052 Security and Monitoring Services	55,280	55,280	51,310	3,970
0053 Data Processing Services	892,467	901,467	892,987	8,480
0061 Community Services	333,649	363,649	354,753	8,896
Intergovernmental:				
0091 Contracted Instructional Services Between Schools	7,900,000	8,887,477	8,393,317	494,160
0099 Other Intergovernmental Charges	340,000	340,000	309,226	30,774
6030 Total Expenditures	42,349,828	44,218,805	43,492,887	725,918
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,123,251)	(257,886)	8,707,454	8,965,340
OTHER FINANCING SOURCES (USES):				
7912 Sale of Real and Personal Property	-	-	12,923	12,923
7915 Transfers In	-	-	1,625,184	1,625,184
7949 Other Resources	-	-	14,151	14,151
8911 Transfers Out (Use)	-	-	(2,352,361)	(2,352,361)
7080 Total Other Financing Sources (Uses)	-	-	(700,103)	(700,103)
1200 Net Change in Fund Balances	(3,123,251)	(257,886)	8,007,351	8,265,237
0100 Fund Balance - July 1 (Beginning)	22,209,521	22,209,521	22,209,521	-
3000 Fund Balance - June 30 (Ending)	\$ 19,086,270	\$ 21,951,635	\$ 30,216,872	\$ 8,265,237

ANDREWS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED JUNE 30, 2018

	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
District's Proportion of the Net Pension Liability (Asset)	0.021840679%	0.0215697%	0.0237108%	0.0165225%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 6,983,473	\$ 8,150,869	\$ 8,381,452	\$ 4,413,388
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	12,443,553	16,774,504	15,302,050	12,267,251
Total	<u>\$ 19,427,026</u>	<u>\$ 24,925,373</u>	<u>\$ 23,683,502</u>	<u>\$ 16,680,639</u>
District's Covered Payroll	\$ 24,597,526	\$ 25,422,502	\$ 24,374,480	\$ 22,920,299
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	28.39%	32.06%	34.39%	19.25%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.17%	78.00%	78.43%	83.25%

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

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

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

	2018	2017	2016	2015
Contractually Required Contribution	\$ 717,489	\$ 715,681	\$ 678,534	\$ 662,588
Contribution in Relation to the Contractually Required Contribution	(717,489)	(715,681)	(678,534)	(662,588)
Contribution Deficiency (Excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
District's Covered Payroll	\$ 24,277,473	\$ 24,721,571	\$ 25,333,808	\$ 24,181,792
Contributions as a Percentage of Covered Payroll	2.96%	2.89%	2.68%	2.74%

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

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

ANDREWS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED JUNE 30, 2018

	FY 2018 Plan Year 2017
District's Proportion of the Net Liability (Asset) for Other Post Employment Benefits	0.030677949%
District's Proportionate Share of Net Post Employment Benefit Liability (Asset)	\$ 13,340,689
State's Proportionate Share of the Net Post Employment Benefit Liability (Asset) Associated with the District	19,339,435
Total	<u>\$ 32,680,124</u>
District's Covered Payroll	\$ 24,597,526
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	54.24%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.91%

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

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

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

	<u>2018</u>
Contractually Required Contribution	\$ 199,754
Contribution in Relation to the Contractually Required Contribution	(199,754)
Contribution Deficiency (Excess)	<u>\$ -0-</u>
District's Covered Payroll	\$ 24,277,473
Contributions as a Percentage of Covered Payroll	0.82%

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

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

ANDREWS INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018

A. Notes to Schedules for the TRS Pension

Changes of Benefit terms.

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

Changes of Assumptions.

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

B. Notes to Schedules for the TRS OPEB Plan

Changes in Benefit.

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

Changes in Assumptions.

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

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

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

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

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

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

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COMBINING AND OTHER STATEMENTS

ANDREWS INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

Data Control Codes		211	224	225	240
		ESEA I, A Improving Basic Program	IDEA - Part B Formula	IDEA - Part B Preschool	National Breakfast and Lunch Program
ASSETS					
1110	Cash and Cash Equivalents	\$ 316,045	\$ 86,731	\$ 3,363	\$ 301
1240	Due from Other Governments	3,076	69,328	2,005	6,469
1260	Due from Other Funds	9,977	-	-	178,007
1300	Inventories	-	-	-	8,997
1000	Total Assets	<u>\$ 329,098</u>	<u>\$ 156,059</u>	<u>\$ 5,368</u>	<u>\$ 193,774</u>
LIABILITIES					
2110	Accounts Payable	\$ 480	\$ 79	\$ -	\$ -
2150	Payroll Deductions and Withholdings Payable	7,937	14,409	864	34,962
2160	Accrued Wages Payable	45,029	86,404	4,504	124,413
2170	Due to Other Funds	275,652	55,167	-	-
2180	Due to Other Governments	-	-	-	-
2190	Due to Student Groups	-	-	-	-
2300	Unearned Revenue	-	-	-	34,399
2000	Total Liabilities	<u>329,098</u>	<u>156,059</u>	<u>5,368</u>	<u>193,774</u>
FUND BALANCES					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	-
3600	Unassigned Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 329,098</u>	<u>\$ 156,059</u>	<u>\$ 5,368</u>	<u>\$ 193,774</u>

244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang Acquisition	289 Other Federal Special Revenue Funds	397 Advanced Placement Incentives	410 State Textbook Fund	429 Other State Special Revenue Funds	461 Campus Activity Funds
\$ -	\$ 12,309	\$ -	\$ 7,854	\$ -	\$ (12,884)	\$ -	\$ 452,823
79	-	3,675	3,424	-	44,056	-	-
2,650	-	-	-	-	-	6,223	-
-	-	-	-	-	-	-	-
<u>\$ 2,729</u>	<u>\$ 12,309</u>	<u>\$ 3,675</u>	<u>\$ 11,278</u>	<u>\$ -</u>	<u>\$ 31,172</u>	<u>\$ 6,223</u>	<u>\$ 452,823</u>
\$ -	\$ -	\$ -	\$ 3,300	\$ -	\$ -	\$ -	\$ -
-	1,635	-	-	-	-	-	-
-	10,675	-	-	-	-	-	-
79	-	3,675	-	-	-	6,223	-
2,650	-	-	-	-	-	-	-
-	-	-	-	-	-	-	452,823
-	-	-	-	-	-	-	-
<u>2,729</u>	<u>12,310</u>	<u>3,675</u>	<u>3,300</u>	<u>-</u>	<u>-</u>	<u>6,223</u>	<u>452,823</u>
-	-	-	7,978	-	31,172	-	-
-	-	-	-	-	-	-	-
-	-	-	7,978	-	31,172	-	-
<u>\$ 2,729</u>	<u>\$ 12,310</u>	<u>\$ 3,675</u>	<u>\$ 11,278</u>	<u>\$ -</u>	<u>\$ 31,172</u>	<u>\$ 6,223</u>	<u>\$ 452,823</u>

ANDREWS INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2018

		499	Total	618	Total
Data		Other Local	Nonmajor		Nonmajor
Control		Special	Special		Governmental
Codes		Revenue Funds	Revenue Funds		Funds
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ 866,542	\$ 1,981,225	\$ 2,847,767
1240	Due from Other Governments	-	132,112	-	132,112
1260	Due from Other Funds	-	196,857	-	196,857
1300	Inventories	-	8,997	-	8,997
1000	Total Assets	<u>\$ -</u>	<u>\$ 1,204,508</u>	<u>\$ 1,981,225</u>	<u>\$ 3,185,733</u>
LIABILITIES					
2110	Accounts Payable	\$ -	\$ 3,859	\$ 5,751	\$ 9,610
2150	Payroll Deductions and Withholdings Payable	-	59,807	-	59,807
2160	Accrued Wages Payable	-	271,025	-	271,025
2170	Due to Other Funds	-	340,796	44,299	385,095
2180	Due to Other Governments	-	2,650	-	2,650
2190	Due to Student Groups	-	452,823	-	452,823
2300	Unearned Revenue	-	34,399	-	34,399
2000	Total Liabilities	<u>-</u>	<u>1,165,359</u>	<u>50,050</u>	<u>1,215,409</u>
FUND BALANCES					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	39,150	-	39,150
3600	Unassigned Fund Balance	-	-	1,931,174	1,931,174
3000	Total Fund Balances	<u>-</u>	<u>39,150</u>	<u>1,931,174</u>	<u>1,970,324</u>
4000	Total Liabilities and Fund Balances	\$ -	\$ 1,204,509	\$ 1,981,224	\$ 3,185,733

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ANDREWS INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ 878,444
5800 State Program Revenues	-	-	-	59,683
5900 Federal Program Revenues	376,624	914,660	34,111	1,000,119
5020 Total Revenues	376,624	914,660	34,111	1,938,246
EXPENDITURES:				
Current:				
0011 Instruction	376,624	734,131	34,111	-
0031 Guidance, Counseling and Evaluation Services	-	180,529	-	-
0035 Food Services	-	-	-	2,165,422
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	376,624	914,660	34,111	2,165,422
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	(227,176)
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	-	227,176
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - July 1 (Beginning)	-	-	-	-
3000 Fund Balance - June 30 (Ending)	\$ -	\$ -	\$ -	\$ -

244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	289 Other Federal Special Revenue Funds	397 Advanced Placement Incentives	410 State Textbook Fund	429 Other State Special Revenue Funds	461 Campus Activity Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
-	-	-	-	3,023	53,036	29,551	-
40,008	77,512	28,257	11,793	-	-	-	-
40,008	77,512	28,257	11,793	3,023	53,036	29,551	-
40,008	77,512	28,257	9,419	3,023	53,036	29,551	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
40,008	77,512	28,257	9,419	3,023	53,036	29,551	-
-	-	-	2,374	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	2,374	-	-	-	-
-	-	-	5,604	-	31,172	-	-
\$ -	\$ -	\$ -	\$ 7,978	\$ -	\$ 31,172	\$ -	-

ANDREWS INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018

Data Control Codes	499 Other Local Special Revenue Funds	Total Nonmajor Special Revenue Funds	618	Total Nonmajor Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 27,764	\$ 906,208	\$ 34,266	\$ 940,474
5800 State Program Revenues	-	145,293	-	145,293
5900 Federal Program Revenues	-	2,483,084	-	2,483,084
5020 Total Revenues	27,764	3,534,585	34,266	3,568,851
EXPENDITURES:				
Current:				
0011 Instruction	27,764	1,413,436	-	1,413,436
0031 Guidance, Counseling and Evaluation Services	-	180,529	-	180,529
0035 Food Services	-	2,165,422	-	2,165,422
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	1,068,843	1,068,843
6030 Total Expenditures	27,764	3,759,387	1,068,843	4,828,230
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(224,802)	(1,034,577)	(1,259,379)
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	227,176	-	227,176
1200 Net Change in Fund Balance	-	2,374	(1,034,577)	(1,032,203)
0100 Fund Balance - July 1 (Beginning)	-	36,776	2,965,751	3,002,527
3000 Fund Balance - June 30 (Ending)	\$ -	\$ 39,150	\$ 1,931,174	\$ 1,970,324

ANDREWS INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018

	BALANCE JULY 1 2017	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30 2018
STUDENT ACTIVITY ACCOUNT				
Assets:				
Cash and Temporary Investments	\$ 93,932	\$ 151,839	\$ 141,980	\$ 103,791
Liabilities:				
Due to Other Funds	\$ 2,069	\$ 6,878	\$ 6,482	\$ 2,465
Due to Student Groups	91,863	299,031	289,568	101,326
Total Liabilities	\$ 93,932	\$ 305,909	\$ 296,050	\$ 103,791
TOTAL AGENCY FUNDS				
Assets:				
Cash and Temporary Investments	\$ 93,932	\$ 151,839	\$ 141,980	\$ 103,791
Liabilities:				
Due to Other Funds	\$ 2,069	\$ 6,878	\$ 6,482	\$ 2,465
Due to Student Groups	91,863	299,031	289,568	101,326
Total Liabilities	\$ 93,932	\$ 305,909	\$ 296,050	\$ 103,791

ANDREWS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED JUNE 30, 2018

Last 10 Years	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2009 and prior years	Various	Various	\$ 3,990,382,877
2010	1.060000	0.139480	3,138,046,521
2011	1.060000	0.118350	3,700,819,897
2012	1.060000	0.107230	4,084,411,315
2013	1.060000	0.110000	5,198,439,583
2014	1.060000	0.110000	5,597,100,107
2015	1.060000	0.110000	6,821,769,759
2016	1.060000	0.110000	4,617,679,700
2017	1.060000	0.140000	3,320,004,510
2018 (School year under audit)	1.060000	0.140000	3,876,326,735
1000 TOTALS			

(10) Beginning Balance 7/1/2017	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 6/30/2018
\$ 121,873	\$ -	\$ 2,181	\$ 180	\$ (107)	\$ 119,405
17,049	-	1,724	227	(29)	15,069
24,590	-	1,567	175	(32)	22,816
39,750	-	2,798	283	(71)	36,598
69,374	-	5,721	594	100	63,159
151,627	-	22,243	2,308	(4,914)	122,162
278,670	-	72,985	7,574	(26,246)	171,865
558,726	-	174,211	18,079	(25,223)	341,213
1,149,620	-	515,599	68,098	(48,122)	517,801
-	47,083,230	40,811,217	5,390,217	(97,309)	784,487
<u>\$ 2,411,279</u>	<u>\$ 47,083,230</u>	<u>\$ 41,610,246</u>	<u>\$ 5,487,735</u>	<u>\$ (201,953)</u>	<u>\$ 2,194,575</u>

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ANDREWS INDEPENDENT SCHOOL DISTRICT
FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET
FOR THE YEAR ENDED JUNE 30, 2018

EXHIBIT J-3

UNAUDITED

1	Total General Fund Balance as of 6/30/18 (Exhibit C-1 object 3000 for the General Fund Only)		\$ 30,216,873
2	Total Non-Spendable Fund Balance (from Exhibit C-1 - for the General Fund Only)	\$ -	
3	Total Restricted Fund Balance (from Exhibit C-1 - for the General Fund Only)	-	
4	Total Committed Fund Balance (from Exhibit C-1 - for the General Fund Only)	2,257,613	
5	Total Assigned Fund Balance (from Exhibit C-1 - for the General Fund Only)	-	
6	Estimated amount needed to cover fall cash flow deficits in the General Fund (Net of borrowed funds and funds representing deferred revenues.)	19,475,672	
7	Estimate of two month's average cash disbursements during the fiscal year.	7,987,836	
8	Estimate of delayed payments from state sources (58xx).	-	
9	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount.	-	
10	Estimate of delayed payments from federal sources (59xx)	-	
11	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	500,000	
12	Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9+10+11)		<u>30,221,121</u>
13	Excess (Deficit) Unassigned Fund Balance (Line 1 minus Line 12)		<u><u>\$ (4,248)</u></u>

ANDREWS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED JUNE 30, 2018

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 688,747	\$ 688,747	\$ 878,444	\$ 189,697
5800 State Program Revenues	74,253	74,253	59,683	(14,570)
5900 Federal Program Revenues	737,000	737,000	1,000,119	263,119
5020 Total Revenues	1,500,000	1,500,000	1,938,246	438,246
EXPENDITURES:				
0035 Food Services	2,257,120	2,257,120	2,165,422	91,698
6030 Total Expenditures	2,257,120	2,257,120	2,165,422	91,698
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(757,120)	(757,120)	(227,176)	529,944
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	227,176	227,176
1200 Net Change in Fund Balances	(757,120)	(757,120)	-	757,120
0100 Fund Balance - July 1 (Beginning)	-	-	-	-
3000 Fund Balance - June 30 (Ending)	\$ (757,120)	\$ (757,120)	\$ -	\$ 757,120

ANDREWS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2018

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 5,806,350	\$ 6,429,707	\$ 5,582,471	\$ (847,236)
5800 State Program Revenues	-	-	41,353	41,353
5020 Total Revenues	5,806,350	6,429,707	5,623,824	(805,883)
EXPENDITURES:				
Debt Service:				
0071 Principal on Long-Term Debt	5,055,000	5,055,000	4,618,608	436,392
0072 Interest on Long-Term Debt	423,786	423,786	860,181	(436,395)
0073 Bond Issuance Cost and Fees	600	850	750	100
6030 Total Expenditures	5,479,386	5,479,636	5,479,539	97
1200 Net Change in Fund Balances	326,964	950,071	144,285	(805,786)
0100 Fund Balance - July 1 (Beginning)	-	2,137,531	2,137,531	-
3000 Fund Balance - June 30 (Ending)	\$ 326,964	\$ 3,087,602	\$ 2,281,816	\$ (805,786)

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**REPORTS ON
INTERNAL CONTROLS, COMPLIANCE
AND
FEDERAL AWARDS**

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Independent Auditor's Report

Board of Trustees
Andrews Independent School District
405 N.W. 3rd Street
Andrews, Texas 79714

Members of the Board:

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, the business-type activities, each major fund, and the aggregate remaining fund information of Andrews Independent School District (the "District") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 19, 2018.

Internal Control over Financial Reporting

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

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



Texas Society of
Certified Public Accountants

MEMBER OF
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TEXAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS



P.O. Box 1074 • Andrews, Texas 79714
(432) 523-7261 • www.wmmcpa.com • (432) 224-1068 fax

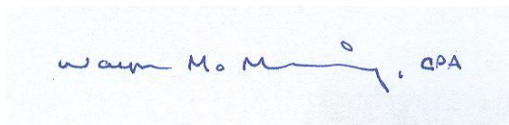
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations during our audit, we did not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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in blue ink that reads "Wayne M. Manning, CPA". The signature is written in a cursive style with a horizontal line extending from the end.

Wayne M. Manning, CPA
Andrews, Texas
October 19, 2018

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

Board of Trustees
Andrews Independent School District
405 N.W. 3rd Street
Andrews, Texas 79714

Members of the Board:

Report on Compliance for Each Major Federal Program

We have audited Andrews 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 Andrews Independent School District's major federal programs for the year ended June 30, 2018. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

Opinion on Each Major Federal Program

In our opinion, Andrews 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 year ended June 30, 2018.

Report on Internal Control over Compliance

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

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

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

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

A handwritten signature in blue ink that reads "Wayne M. Manning, CPA". The signature is written in a cursive style.

Wayne M. Manning, CPA
Andrews, Texas
October 19, 2018

ANDREWS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

I. Summary of the Auditor's Results:

- The type of report issued on the financial statements of the Andrews Independent School District was an unmodified opinion.
- With respect to internal control over financial reporting we identified no material weaknesses and we reported no significant deficiencies.
- We noted no noncompliance material to the financial statements.
- With respect to internal control over major federal programs we identified no material weaknesses and we reported no significant deficiencies.
- The type of report we issued on compliance for major programs was an unmodified opinion.
- We disclosed no audit findings which the auditor is required to report in accordance with 2 CFR 200.516(a).
- We identified the following major programs for the District:
ESEA Title I, Part A 84.010A
IDEA Part B Formula 84.027A
- The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- The auditee does not qualify as a low-risk auditee.
- Financial Statements Findings: None.
- Federal Award Findings and Questioned Costs: None.

ANDREWS INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

(Prepared by the District's Administration)

Status of prior year findings / non-compliance: none noted.

ANDREWS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	18610101002901	\$ 376,624
*IDEA - Part B, Formula	84.027A	176600010029016600	8,563
*IDEA - Part B, Formula	84.027A	186600010029016600	906,097
Total CFDA Number 84.027A			914,660
*IDEA - Part B, Preschool	84.173A	186610010029016610	34,111
Total Special Education Cluster (IDEA)			948,771
Career and Technical - Basic Grant	84.048A	17420006002901	11,540
Career and Technical - Basic Grant	84.048A	18420006002901	28,468
Total CFDA Number 84.048A			40,008
Title III, Part A - English Language Acquisition	84.365A	18671001002901	28,257
ESEA, Title II, Part A, Supporting Effective Instr	84.367A	18694501002901	77,512
Title IV, Part A, Subpart 1	84.424A	18680101002901	9,419
Total Passed Through State Department of Education			1,480,591
TOTAL U.S. DEPARTMENT OF EDUCATION			1,480,591
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	71401801	196,055
*National School Lunch Program - Cash Assistance	10.555	71301801	709,143
*National School Lunch Prog. - Non-Cash Assistance	10.555		94,921
Total CFDA Number 10.555			804,064
Total Child Nutrition Cluster			1,000,119
Total Passed Through the State Department of Agriculture			1,000,119
TOTAL U.S. DEPARTMENT OF AGRICULTURE			1,000,119
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 2,480,710
*Clustered Programs			

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

ANDREWS INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018

- For all Federal programs, the District uses the fund types specified in Texas Education Agency's ***Financial Accountability System Resource Guide***. Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund.
- The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in a Special Revenue Fund or, in some instances, in the General Fund which are Governmental Fund type funds.

With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The modified accrual basis of accounting is used for the Governmental Fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as unearned revenues until earned.

- The period performance for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 90 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Performance of Federal Funds, Part 3, Uniform Guidance Compliance Supplement.
- CFDA numbers for commodity assistance are the CFDA numbers of the programs under which USDA donated the commodities.

SCHOOLS FIRST QUESTIONNAIRE

Andrews Independent School District

Fiscal Year 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.	1,315,069
SF11	Net Pension Assets (1920) at fiscal year-end.	0
SF12	Net Pension Liabilities (2540) at fiscal year-end.	6,983,473
SF13	Pension Expense (6147) at fiscal year-end.	

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