

FRUITVALE INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
YEAR ENDED AUGUST 31, 2018

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FRUITVALE INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
YEAR ENDED AUGUST 31, 2018

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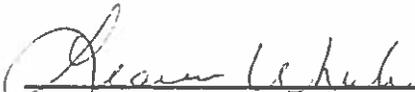
CERTIFICATE OF BOARD

Fruitvale Independent School District
Name of School District

Van Zandt
County

234-909
Co.-Dist. Number

We, the undersigned, certify that the attached auditor's report of the above named school district was reviewed and 6 approved/ 0 disapproved for the year ended August 31, 2018, at a meeting of the board of school trustees of such school district on November 15, 2018.



Signature of ~~Board Secretary~~
Vice President



Signature of Board President

If the auditor's report was checked above as disapproved, the reasons(s) therefore is/are (attach list if necessary):

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Members of the Board:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Fruitvale Independent School District as of August 31, 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.

Change in Accounting Principle

As discussed in Note Q to the financial statements, in 2018 the District adopted various accounting pronouncements issued by the Governmental Accounting Standards Board including GASB No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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 as a whole. The schedules identified in the table of contents as other supplementary information are presented for the purpose of additional analysis, and are not a required part of the basic financial statements. These other supplementary information 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 November 14, 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 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 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.



November 14, 2018
Greenville, Texas

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*

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, each major fund, and the aggregate remaining fund information of the Fruitvale Independent School District (District), as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 14, 2018.

Internal Control over Financial Reporting

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

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

Our consideration of internal control 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*.

Report on Internal Control – Continued

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 "Rutherford, Taylor & Company PC". The signature is written in a cursive style.

November 14, 2018
Greenville, Texas

FRUITVALE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2018

Financial Statement Findings (Section II)

NONE

FRUITVALE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2018

Prior Year Findings (Section IV)

NONE

FRUITVALE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2018

Corrective Action Plans (Section V)

NONE

FRUITVALE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2018

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

FINANCIAL HIGHLIGHTS

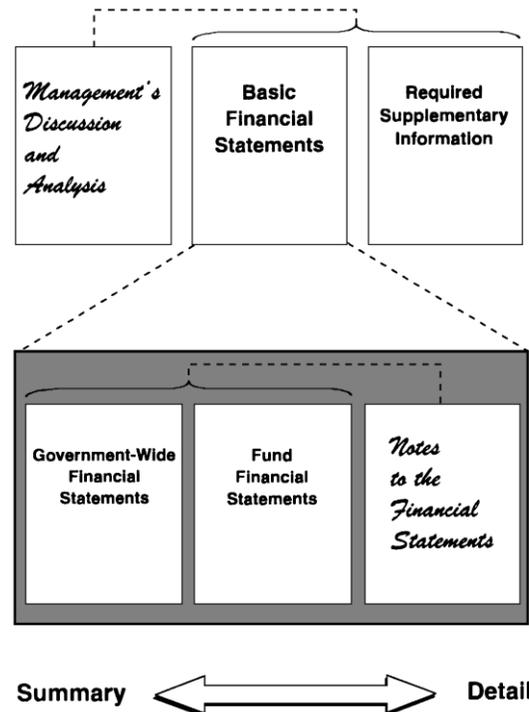
- The District's total combined net position was \$ 396,825 at August 31, 2018.
- During the year, the District's expenses were \$ 1,932,788, less than the \$ 4,801,685 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs decreased from last year as the District implemented GASB 75 in the current year. The implementation caused a significant reduction for OPEB plan changes which are reflected as decreases to both revenue and expenses.
- The General Fund reported a fund balance this year of \$ 2,545,306 an increase of \$ 176,099 over the previous year.
- The District issued no new debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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



The 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 shows how the required parts of this annual report are arranged and related to one another.

FRUITVALE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2018

Figure A-2 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.

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.

Figure A-2. Major Features of the District's Government-wide and Fund Financial Statements

<i>Type of Statements</i>	Fund Statements			
	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>	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures & changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
<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

The two government-wide statements report the District's net position and how they have 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 are 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 include the governmental activities. Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services and general administration. Property taxes and grants finance most of these activities.

FUND FINANCIAL STATEMENTS

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

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

The District has the following kinds of funds:

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

FRUITVALE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2018

- 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.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's combined net position was \$ 396,825 at August 31, 2018.

Fruitvale Independent School District's Net Position			Table A-1
	Governmental Activities		Total Percentage Change
	2018	2017	2017-2018
Assets:			
Cash and Investments	\$ 2,519,839	\$ 3,053,854	-17.5%
Other Assets	478,683	432,708	10.6%
Capital Assets less Accumulated Depreciation	7,247,163	7,084,122	2.3%
Total Assets	\$ 10,245,685	\$ 10,570,684	-3.1%
Total Deferred Net Outflows of Resources	\$ 412,909	\$ 524,717	-21.3%
Liabilities:			
Current Liabilities	\$ 330,851	\$ 946,137	-65.0%
Long-term Liabilities	7,885,926	3,627,671	117.4%
Total Liabilities	\$ 8,216,777	\$ 4,573,808	79.6%
Total Deferred Net Inflows of Resources	\$ 2,044,992	\$ 65,139	3039.4%
Net Position:			
Net Investment in Capital Assets	\$ 4,863,028	\$ 4,676,762	4.0%
Restricted	100,650	40,563	148.1%
Unrestricted	(4,566,853)	1,739,129	362.6%
Total Net Position	\$ 396,825	\$ 6,456,454	-93.9%

The District has restricted \$ 59,469 to represent funds held for debt retirement. The unrestricted net asset represents resources available to fund the programs of the District next year.

CHANGES IN NET POSITION

The District's total revenues were \$ 4,801,685. Approximately 12% of the District's revenue comes from local property taxes (See Table A-2). 76% comes from state aid and federal grants, while 12% relates to charges for services and other miscellaneous revenues including investment earnings.

The total cost of all programs and services was \$ 2,868,897. 47% of these costs are for instruction and instructional related services.

The District's current tax collection rate (base tax only – current and delinquent) was 99.17%. The total collection rate (base tax and penalty and interest) was 102.19%.

FRUITVALE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2018

Table A-2

Changes in Fruitvale Independent School District's Net Position

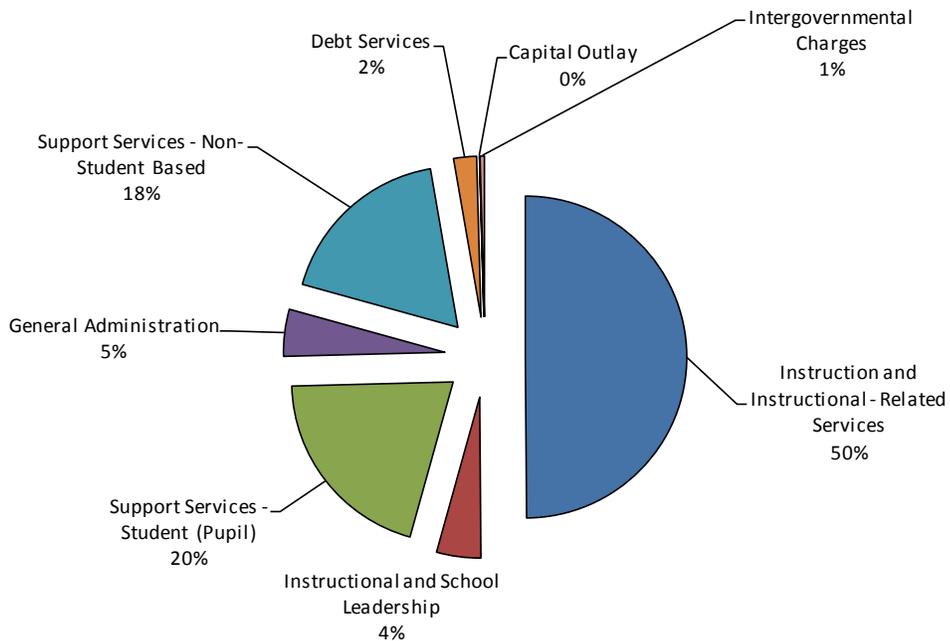
	Governmental Activities		Total Percentage Change
	2018	2017	2017-2018
Program Revenues:			
Charges for Services	\$ 120,741	\$ 429,104	-71.86%
Operating Grants and Contributions	401,848	1,110,051	-63.80%
General Revenues:			
Property Taxes	570,201	546,947	4.25%
State Aid – Formula	3,662,180	3,425,642	6.90%
Investment Earnings	25,541	24,065	6.13%
Miscellaneous	18,989	8,300	128.78%
Total Revenues	\$ 4,799,500	\$ 5,544,109	-13.43%
Expenses:			
Instruction	\$ 1,361,757	\$ 2,641,333	-48.44%
Instructional Resources and Media Services	60,624	98,792	-38.63%
Curriculum and Staff Development	8,542	91,939	-90.71%
School Leadership	127,201	239,940	-46.99%
Guidance, Counseling and Evaluation Services	79,045	224,463	-64.78%
Health Services	21,657	123,627	-82.48%
Student (Pupil) Transportation	84,859	131,497	-35.47%
Food Services	204,130	301,243	-32.24%
Cocurricular/Extracurricular Activities	192,186	244,813	-21.50%
General Administration	135,307	228,534	-40.79%
Plant Maintenance and Operations	388,954	902,563	-56.91%
Security and Monitoring Services	38,305	3,242	1081.52%
Data Processing Services	88,100	148,799	-40.79%
Other Governmental Charges	11,871	12,019	-1.23%
Debt Service	65,772	176,066	-62.64%
Payments for Shared Service Arrangements	587	597	-1.68%
Capital Outlay	-	204,769	-100.00%
Total Expenses	\$ 2,868,897	\$ 5,774,236	-50.32%
Excess (Deficiency) Before Other Resources,			
Uses and Transfers	\$ 1,930,603	\$ (230,127)	-938.93%
Increase (Decrease) in Net Position	\$ 1,930,603	\$ (230,127)	-938.93%
Net Position - Beginning (September 1)	6,456,452	6,686,581	-3.44%
Prior Period Adjustment	(7,990,230)	-	-100.00%
Net Position - Beginning, as Restated	(1,533,778)	6,686,581	-122.94%
Net Position - Ending (August 31)	\$ 396,825	\$ 6,456,454	-93.85%

FRUITVALE INDEPENDENT SCHOOL DISTRICT
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 YEAR ENDED AUGUST 31, 2018

Sources of Revenue for Fiscal Year 2018 - See Table A-2



Functional Expenses for Fiscal Year 2018 - See Table A-2



FRUITVALE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2018

- Table A-3 presents the cost of selected District functions as well as the selected function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.
- The cost of all governmental activities this year was \$ 2,868,897.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$ 570,201,
- Some of the cost was paid by those who directly benefited from the programs, \$ 120,741, or
- By grants and contributions \$ 401,848.

Fruitvale Independent School District's Net Cost of Selected District Functions							Table A-3
	<u>Total Cost of Services</u>		%	<u>Net Cost of Services</u>		%	
	2018	2017		2018	2017		Change
Instruction	\$ 1,361,757	\$ 2,641,333	-48.44%	\$ 1,171,311	\$ 2,103,418	-44.31%	
School Leadership	127,201	239,940	-46.99%	149,687	227,747	-34.27%	
General Administration	135,307	228,534	-40.79%	157,238	219,494	-28.36%	
Plant Maintenance and Operations	388,954	902,563	-56.91%	386,047	530,531	-27.23%	
Debt Service	65,772	176,066	-62.64%	(49,425)	56,310	-187.77%	

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District's fund equity in the governmental funds totaled \$ 2,644,818.

Revenues from governmental fund types totaled \$ 5,545,841 which is an increase of \$ 42,054 from the prior year. The increase is representative of the increase in state aid.

Expenditures of governmental fund types totaled \$ 5,443,715 which is a decrease of \$ 1,436,836 from the prior year. The decrease was due to the completion of capital projects in the District as well as repairs to correct tornado damage.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised its General Fund budget several times. Even with these adjustments, actual expenditures were \$ 590,081 below final General Fund budget amounts. The most significant positive variance resulted from plant maintenance and operations.

Resources available were \$ 141,777 above the final General Fund budgeted amount. The favorable variance was primarily due to increased state aid.

FRUITVALE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2018

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At year end, the District had invested \$ 11,405,949 in a broad range of capital assets, including land, equipment, buildings, and vehicles (See Table A-4).

Fruitvale Independent School District's Capital Assets			Table A-4
	Governmental Activities		Total Percentage Change
	2018	2017	2017-2018
Land	\$ 141,350	\$ 141,350	0.00%
Construction in Progress	-	1,399,724	-100.00%
Buildings and Improvements	10,305,637	8,535,011	20.75%
Vehicles	716,057	593,290	20.69%
Equipment	242,905	242,905	0.00%
Totals at Historical Cost	\$ 11,405,949	\$ 10,912,280	4.52%
Total Accumulated Depreciation	(4,158,786)	(3,828,158)	8.64%
Net Capital Assets	<u>\$ 7,247,163</u>	<u>\$ 7,084,122</u>	2.30%

DEBT

At year-end, the District had \$ 2,384,055 in debt outstanding as shown in Table A-5. More detailed information about the District's debt is presented in the notes to the basic financial statements.

Fruitvale Independent School District's Debt			Table A-5
	Governmental Activities		Total Percentage Change
	2018	2017	2017-2018
Bonds Payable	\$ 2,105,000	\$ 2,180,000	-3.44%
Other Debt Payable	279,135	311,132	-10.28%
Total Debt Payable	<u>\$ 2,384,135</u>	<u>\$ 2,491,132</u>	-4.30%

FRUITVALE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2018

ECONOMIC FACTORS

The District's property valuation has dropped significantly due to economic conditions in the area. Local property tax rates are restricted by state statute, without local elections, to \$ 1.04 for maintenance and operations. The taxpayers of the District approved a tax ratification election in prior year that increased the limit to \$ 1.17. The state funding formula was changed in prior years to provide state funds to replace the lost local property tax revenue. This change in funding and other legislative changes could impact the District's financial operations, including cash flows.

Student population has leveled off in the prior year with anticipated steadying at the current level. The economic outlook for the area is for growth to be relatively slow, as indicated by the stagnation of local property values. Housing has not expanded at the rate of other north central Texas communities. These economic conditions allow the District to maintain constant funding and staffing levels.

The State has increased funding levels for the 2017-2019 biennium, which will affect the revenue levels of the District. With these increases in funding, the District anticipates monitoring expenditure levels to ensure financial stability remains strong.

A challenge to the State's funding system resulted in the system being held constitutional. Future legislative sessions could produce minor changes to funding for student populations. The legal process ended the challenges by the various interested parties including the State. State funding will continue under the present system until legislative changes occur.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Rebecca Bain, Superintendent of the District.

BASIC FINANCIAL STATEMENTS

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

Data Control Codes	Governmental Activities
ASSETS	
1110 Cash and Investments	\$ 2,519,839
1225 Property Taxes Receivable, Net	43,171
1290 Other Receivables, Net	435,512
Capital Assets:	
1510 Land	141,350
1520 Building and Improvements, Net	6,783,244
1530 Furniture and Equipment, Net	<u>322,569</u>
1000 Total Assets	<u>\$ 10,245,685</u>
DEFERRED OUTFLOWS OF RESOURCES	
1705 Deferred Outflows - Pensions	\$ 378,059
1706 Deferred Outflows - OPEB	<u>34,850</u>
1700 Total Deferred Outflows of Resources	<u>\$ 412,909</u>
LIABILITIES	
2110 Accounts Payable	\$ 76,884
2140 Interest Payable	19,360
2165 Accrued Liabilities	229,576
2300 Unearned Revenue	5,031
Noncurrent Liabilities:	
2501 Due within one year	124,637
2502 Due in more than one year	2,259,498
2540 Net Pension Liability	966,316
2545 Net OPEB Liability	<u>4,535,475</u>
2000 Total Liabilities	<u>\$ 8,216,777</u>
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflows - Pensions	\$ 147,795
2606 Deferred Inflows - OPEB	<u>1,897,197</u>
2600 Total Deferred Inflows of Resources	<u>\$ 2,044,992</u>
NET POSITION	
3200 Net Investment in Capital Assets	\$ 4,863,028
Restricted For:	
3820 Federal and State Programs	33,456
3850 Debt Service	59,469
3890 Other Programs	7,725
3900 Unrestricted	<u>(4,566,853)</u>
3000 Total Net Position	<u>\$ 396,825</u>

The accompanying notes are an integral part of this statement.

FRUITVALE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2018

Data Control Codes	Functions/Programs	1	3	4	Revenue and
		Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Governmental Activities
	Governmental Activities:				
11	Instruction	\$ 1,361,757	\$ 250	\$ 190,196	\$ (1,171,311)
12	Instructional Resources and Media Services	60,624	-	(13,920)	(74,544)
13	Curriculum and Staff Development	8,542	-	37,352	28,810
23	School Leadership	127,201	-	(22,486)	(149,687)
31	Guidance, Counseling and Evaluation Services	79,045	-	17,732	(61,313)
33	Health Services	21,657	-	(31,331)	(52,988)
34	Student (Pupil) Transportation	84,859	-	(27,729)	(112,588)
35	Food Services	204,130	24,234	262,800	82,904
36	Cocurricular/Extracurricular Activities	192,186	41,054	(12,389)	(163,521)
41	General Administration	135,307	-	(21,931)	(157,238)
51	Plant Maintenance and Operations	388,954	55,203	(52,296)	(386,047)
52	Security and Monitoring Services	38,305	-	2,125	(36,180)
53	Data Processing Services	88,100	-	(41,472)	(129,572)
72	Interest on Long-term Debt	64,922	-	115,197	50,275
73	Debt Issuance Costs and Fees	850	-	-	(850)
93	Payments to Shared Service Arrangements	587	-	-	(587)
99	Other Intergovernmental Charges	11,871	-	-	(11,871)
TG	Total Governmental Activities	<u>\$ 2,868,897</u>	<u>\$ 120,741</u>	<u>\$ 401,848</u>	<u>\$ (2,346,308)</u>
TP	Total Primary Government	<u>\$ 2,868,897</u>	<u>\$ 120,741</u>	<u>\$ 401,848</u>	<u>\$ (2,346,308)</u>
	General Revenues:				
MT	Property Taxes, Levied for General Purpose				\$ 530,453
DT	Property Taxes, Levied for Debt Service				39,748
IE	Investment Earnings				25,541
GC	Grants and Contributions Not Restricted to Specific Programs				3,662,180
MI	Miscellaneous				18,989
TR	Total General Revenues				<u>\$ 4,276,911</u>
CN	Change in Net Position				\$ 1,930,603
NB	Net Position - Beginning (September 1)				6,456,452
PA	Prior Period Adjustment				(7,990,230)
	Net Position - Beginning, as Restated				<u>\$ (1,533,778)</u>
NE	Net Position - Ending (August 31)				<u>\$ 396,825</u>

The accompanying notes are an integral part of this statement.

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

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds
ASSETS			
1110 Cash and Investments	\$ 2,463,649	\$ 42,305	\$ 2,505,954
1225 Property Taxes Receivable, Net	41,521	1,650	43,171
1240 Due from Other Governments	346,223	89,289	435,512
1000 Total Assets	<u>\$ 2,851,393</u>	<u>\$ 133,244</u>	<u>\$ 2,984,637</u>
LIABILITIES			
Current Liabilities:			
2110 Accounts Payable	\$ 46,514	\$ 15,527	\$ 62,041
2150 Payroll Deductions & Withholdings	(351)	-	(351)
2160 Accrued Wages Payable	207,592	16,701	224,293
2200 Accrued Expenditures	4,662	972	5,634
2300 Deferred Revenues	-	5,031	5,031
2000 Total Liabilities	<u>\$ 258,417</u>	<u>\$ 38,231</u>	<u>\$ 296,648</u>
DEFERRED INFLOWS OF RESOURCES			
2600 Total Deferred Inflows of Resources	\$ 41,521	\$ 1,650	\$ 43,171
FUND BALANCES			
Restricted Fund Balances:			
3450 Federal/State Funds Grants	\$ -	\$ 27,307	\$ 27,307
3480 Retirement of Long-Term Debt	-	42,345	42,345
3490 Other Restrictions of Fund Balance	-	14,639	14,639
Committed Fund Balances:			
3530 Capital Expenditures for Equipment	260,000	-	260,000
3545 Other Committed Fund Balance	400,000	9,072	409,072
3600 Unassigned	1,891,455	-	1,891,455
3000 Total Fund Balances	<u>\$ 2,551,455</u>	<u>\$ 93,363</u>	<u>\$ 2,644,818</u>
4000 Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,851,393</u>	<u>\$ 133,244</u>	<u>\$ 2,984,637</u>

The accompanying notes are an integral part of this statement.

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

Total fund balances - Balance Sheet (governmental funds)	\$	2,644,818
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
Capital assets used in governmental activities are not reported in the funds.		7,247,163
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.		43,171
The assets and liabilities of internal service funds are included in governmental activities in the SNA.		(959)
Payables for bond principal which are not due in the current period are not reported in the funds.		(2,105,000)
Payables for capital leases which are not due in the current period are not reported in the funds.		(38,969)
Payables for bond interest which are not due in the current period are not reported in the funds.		(19,360)
Payables for notes which are not due in the current period are not reported in the funds.		(104,927)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.		14,290
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.		(966,316)
Deferred Resource Inflows related to the net pension liability are not reported in the funds.		(147,795)
Deferred Resource Outflows related to the net pension liability are not reported in the funds.		378,059
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.		(4,535,475)
Deferred Resource Inflows related to OPEB are not reported in the funds.		(1,897,197)
Deferred Resource Outflows related to OPEB are not reported in the funds.		34,850
Bond premiums are amortized in the SNA but not in the funds.		(149,528)
		(149,528)
Net position of governmental activities - Statement of Net Position	\$	396,825

The accompanying notes are an integral part of this statement.

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

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES			
5700 Local and Intermediate Sources	\$ 648,112	\$ 98,640	\$ 746,752
5800 State Program Revenues	3,877,756	193,846	4,071,602
5900 Federal Program Revenues	165,713	561,774	727,487
5020 Total Revenues	\$ 4,691,581	\$ 854,260	\$ 5,545,841
EXPENDITURES			
Current:			
0011 Instruction	\$ 2,189,721	\$ 277,185	\$ 2,466,906
0012 Instructional Resources and Media Services	92,704	-	92,704
0013 Curriculum and Staff Development	43,628	53,477	97,105
0023 School Leadership	230,394	-	230,394
0031 Guidance, Counseling and Evaluation Services	180,116	44,695	224,811
0033 Health Services	106,517	-	106,517
0034 Student (Pupil) Transportation	212,486	-	212,486
0035 Food Services	-	273,090	273,090
0036 Cocurricular/Extracurricular Activities	186,884	24,432	211,316
0041 General Administration	229,842	-	229,842
0051 Plant Maintenance and Operations	510,498	-	510,498
0052 Security and Monitoring Services	39,633	2,078	41,711
0053 Data Processing Services	168,095	-	168,095
0071 Principal on Long-term Debt	24,344	75,000	99,344
0072 Interest on Long-term Debt	1,851	92,835	94,686
0073 Debt Issuance Cost and Fees	-	850	850
0081 Capital Outlay	280,162	90,740	370,902
0093 Payments for Shared Service Arrangements	587	-	587
0099 Other Intergovernmental Charges	11,871	-	11,871
6030 Total Expenditures	\$ 4,509,333	\$ 934,382	\$ 5,443,715
1100 Excess (Deficiency) of Revenues Over Expenditures	\$ 182,248	\$ (80,122)	\$ 102,126
1200 Net Changes in Fund Balances	\$ 182,248	\$ (80,122)	\$ 102,126
0100 Fund Balances - Beginning (September 1)	2,369,207	173,485	2,542,692
3000 Fund Balances - Ending (August 31)	\$ 2,551,455	\$ 93,363	\$ 2,644,818

The accompanying notes are an integral part of this statement.

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

Net change in fund balances - total governmental funds	\$	102,126
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are not reported as expenses in the SOA.		493,669
The depreciation of capital assets used in governmental activities is not reported in the funds.		(330,628)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.		(1,562)
Expenses not requiring the use of current financial resources are not reported as expenditures in the funds.		14,290
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.		75,000
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.		7,009
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.		17,335
(Increase) decrease in accrued interest expense from beginning of period to end of period.		15,474
The net revenue (expense) of internal service funds is reported with governmental activities.		11,210
OPEB expense relating to GASB 75 is recorded in the SOA but not in the funds.		1,575,187
OPEB contributions in the CY are de-expended and recorded as deferred resource outflows.		34,142
OPEB contributions deferred in the PY are expended in the CY.		(16,921)
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.		(59,948)
Pension contributions in the CY are de-expended and recorded as deferred resource outflows.		88,188
Pension contributions deferred in the PY are expended in the CY.		(93,968)
		<hr/>
Change in net position of governmental activities - Statement of Activities	\$	<u>1,930,603</u>

The accompanying notes are an integral part of this statement.

FRUITVALE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS
AUGUST 31, 2018

<u>Data Control Codes</u>	<u>Internal Service Fund</u>
 ASSETS	
Current Assets:	
1110 Cash and Investments	\$ <u>13,884</u>
1000 Total Assets	\$ <u>13,884</u>
 LIABILITIES	
Current Liabilities:	
2110 Accounts Payable	\$ <u>14,843</u>
2000 Total Liabilities	\$ <u>14,843</u>
 NET POSITION	
3900 Unrestricted Net Position	\$ <u>(959)</u>
3000 Total Net Position	\$ <u>(959)</u>

The accompanying notes are an integral part of this statement.

FRUITVALE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS
YEAR ENDED AUGUST 31, 2018

Data Control Codes		Internal Service Fund
	OPERATING REVENUES	
5700	Local and Intermediate Sources	\$ 22,703
5020	Total Revenues	\$ 22,703
	OPERATING EXPENSES	
6400	Other Operating Costs	\$ 11,494
6030	Total Expenses	\$ 11,494
1200	Change in Net Position	\$ 11,209
0100	Total Net Position - Beginning (September 1)	(12,168)
3000	Total Net Position - Ending (August 31)	\$ (959)

The accompanying notes are an integral part of this statement.

FRUITVALE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED AUGUST 31, 2018

	Internal Service Fund
Cash Flows from Operating Activities:	
Cash Receipts from Other Sources	\$ 22,700
Cash Receipts from Investment Earnings	4
Cash Payments for Claims	(3,009)
Cash Payments for Administration	(7,470)
	(7,470)
Net Cash Provided by (Used for) Operating Activities	\$ 12,225
Cash Flows from Capital and Other Related Financing Activities:	
NONE	
Cash Flows from Noncapital Financing Activities:	
NONE	
Cash Flows from Investing Activities:	
NONE	
Net Increase (Decrease) in Cash and Investments	\$ 12,225
Cash and Investments - Beginning (September 1)	1,659
Cash and Investments - Ending (August 31)	\$ 13,884
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income (Loss)	\$ 11,209
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Increase (Decrease) in Claims Liability	1,016
Net Cash Provided by (Used for) Operating Activities	\$ 12,225

The accompanying notes are an integral part of this statement.

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

Data Control Codes		Agency Funds
	ASSETS	
1110	Cash and Investments	\$ 23,048
1000	Total Assets	\$ 23,048
	LIABILITIES	
	Current Liabilities:	
2190	Due to Student Groups	\$ 23,048
2000	Total Liabilities	\$ 23,048
	NET POSITION	
3000	Total Net Position	\$ -

The accompanying notes are an integral part of this statement.

FRUITVALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

The Board of School Trustees (Board), a seven member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and as a body corporate has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency (Agency) or to the State Board of Education are reserved for the Board, and the Agency may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District is not included in any other governmental "reporting entity" as defined by GASB in its Statement No. 14, "The Financial Reporting Entity." There are no component units included within the reporting entity.

The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities.

2. Basis of Presentation – Basis of Accounting

a. Basis of Presentation

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

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

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

The District reports the following major governmental funds:

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

Capital Projects Fund – This fund accounts for proceeds of long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions. Upon completion of a project, any unused bond proceeds are transferred to the Debt Service Fund and are used to retire related bond principal.

FRUITVALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

A. Summary of Significant Accounting Policies (Continued)

In addition, the District reports the following fund types:

Debt Service Fund – This fund is used to account for the accumulation of resources for, and the payment of general long-term Debt principal, interest and related costs.

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. The Board can commit specific types of resources to specific purposes which are included as special revenue funds.

Internal Service Funds – These funds are used to account for revenues and expenses related to services provided to parties inside the District. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. Because the principal users of the internal services are the District's governmental activities, this fund type is included in the "Governmental Activities" column of the government-wide financial statements.

Agency Funds – These funds are reported in the fiduciary fund financial statements. These funds are used to report student activity funds and other resources held in purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

b. Measurement Focus – Basis of Accounting

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

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

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

FRUITVALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

A. Summary of Significant Accounting Policies (Continued)

Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund accounting," all proprietary funds will continue to follow Financial Accounting Standards Board (FASB) standards issued on or before November 30, 1989. However, from that date forward, proprietary funds will have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements unless they conflict with GASB guidance. The District has chosen not to apply future FASB Standards.

3. Budgetary Data

The official budget was prepared for adoption for the general, food service and debt service funds. The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

- a. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1.
- b. A meeting of the Board is called for the purpose of adopting the proposed budget with public notice given at least 10 days prior to the meeting.
- c. Prior to the expenditure of funds, the budget is adopted by the Board.

After adoption, the budget may be amended through action by the Board. Budget amendments are approved at the functional expenditure level. All amendments are before the fact and reflected in the official minutes of the Board. Budgets are controlled at the function level by personnel responsible for organizational financial reporting. All budget appropriations lapse at the year end. Budget amendments throughout the year were not significant.

4. Encumbrance Accounting

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget. End-of-year outstanding encumbrances that were provided for in the subsequent year's budget are:

General Fund	\$	0
Special Revenue Fund		0
Debt Service Fund		0
Total	\$	0

5. Financial Statement Amounts

Cash and Investments

The District pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as a part of the District's cash and temporary investments.

For the purpose of the statement of cash flows, highly liquid investments are considered to be cash and investments if they have a maturity of three months or less when purchased.

Inventories

The purchase method is used to account for inventories of school supplies, athletic equipment and food products. Under this method supplies and materials are debited as expenditures when purchased.

FRUITVALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

A. Summary of Significant Accounting Policies (Continued)

Fund Equity

Governmental funds utilize a fund balance presentation for equity. Fund balance is categorized as spendable, restricted, committed, assigned or unassigned.

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

Restricted fund balance – represents amounts with external constraints placed on the use of these resources (such as debt covenants, grantors, other governments, etc.) or imposed by enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

Committed fund balance – represents amounts that can only be used for specific purposes imposed by a formal action of the District's highest level of decision-making authority, the Board. Committed resources cannot be used for any other purpose unless the Board removes or changes the specific use by taking the same formal action that imposed the constraint originally.

Assigned fund balance – represents amounts the District intends to use for specific purposes as expressed by the Board or an official delegated the authority. The Board has delegated the authority to assign fund balances to the Superintendent.

Unassigned fund balance – represents the residual classification for the general fund or deficit balances in other funds.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

The following schedule provides information about the specific fund balance classification by fund:

	General	Other Governmental	Total
Restricted			
Food Service	\$ -	\$ 33,456	\$ 33,456
Retirement of Long Term Debt	-	42,345	42,345
Bobcat Supplies	-	732	732
Scholarships	-	12,583	12,583
Other Restricted	-	1,323	1,323
Committed			
Capital Expenditures for Equipment	260,000	-	260,000
Campus Activity Funds	-	9,003	9,003
Other Purposes	400,000	70	400,070
Unassigned	1,885,306	-	1,885,306
Totals	<u>\$ 2,545,306</u>	<u>\$ 99,512</u>	<u>\$ 2,644,818</u>

Capital Assets

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

FRUITVALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

A. Summary of Significant Accounting Policies (Continued)

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and Improvements	15-50
Vehicles	5-10
Other Equipment	3-15

6. Deferred Outflows and Inflows of Resources

The District implemented GASB Statement Number 68, *Accounting and Financial Reporting for Pensions* and GASB Statement Number 75, *Accounting and Financial Reporting for Other Post Employment Benefits*. In addition to assets and liabilities, the government-wide Statement of Net Position and governmental fund Balance Sheet report separate sections for deferred outflows and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position/fund balance that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources represent the acquisition of net position/fund balance that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The District reports certain deferred inflows and outflows related to pensions on the government-wide Statement of Net Position. At the governmental fund level, earned but unavailable revenue is reported as a deferred inflow of resources. To the extent practical, this change in accounting principle is required to be reported as an adjustment to prior periods.

The District also implemented GASB Statement Number 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which amends the transition provisions of GASB 68. GASB 71 requires that, at transition, governments recognize a beginning deferred outflow of resources for pension contributions made subsequent to the measurement date of the beginning Net Pension liability. Implementation is reflected in the financial statements and the prior period adjustment.

7. Receivable and Payable Balances

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

There are no significant receivables which are not scheduled for collection within one year of year end.

8. Interfund Activities

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

9. Vacation, Sick Leave, and Other Compensated Absences

District employees are entitled to certain compensated absences based on their length of employment. Sick leave accrues at various rates established by the State and adopted by the Board of Trustees. Sick leave does not vest but accumulates and is recorded as an expenditure as it is paid.

FRUITVALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

A. Summary of Significant Accounting Policies (Continued)

10. 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. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teacher Retirement System of Texas (TRS) and additions to/deductions from TRS's fiduciary net position have been determined on the same basis as they are reported by TRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

11. Other Post-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 expenses, and information about assets, liabilities and additions to/deductions from TRS Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit term. There are no investments as this a pay-as-you-go plan and all cash is held in a cash account.

12. Accretion

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 governmental activities debt, the accreted value is recognized as it accrues by fiscal year.

13. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

14. 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.

15. Accounting System

In accordance with Texas Education Code, Chapter 44, Subchapter A, the District adopted and implemented an accounting system which at least meets the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. The District's accounting system uses codes and the code structure presented in the accounting code section of the *Guide*. Mandatory codes are utilized in the form provided in that section.

B. Deposits, Securities, and Investments

The District's funds are deposited and invested under the terms of a depository contract. The contract requires the depository to pledge approved securities in an amount significant to protect the District's day-to-day balances. The pledge is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. At year end, all District cash deposits appear to be covered by FDIC insurance or by pledged collateral held by the District's agent bank in the name of the District. The District's deposits appear to have been properly secured throughout the fiscal year.

FRUITVALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

B. Deposits, Securities, and Investments (Continued)

The District's investment policies and types of investments are governed by the Public Funds Investment Act. The Act requires specific training, reporting and establishment of local policies. The District appears to have been in substantial compliance with the requirements of the Act.

State statutes and local policy authorize the District to invest in the following types of investment goods:

- a. obligations of the U.S. or its agencies or instrumentalities,
- b. obligations of the State of Texas or its agencies,
- c. obligations guaranteed by the U.S. or State of Texas or their agencies or instrumentalities,
- d. obligations of other states, agencies or political subdivisions having a national investment rating of "A" or greater,
- e. guaranteed or secured certificates of deposit issued by a bank domiciled in the State of Texas, or
- f. fully collateralized repurchase agreements.

District investments include investments in external investment pools, such as TexPool and Lone Star Investment Pool as well as certificates of deposit with local financial institutions. All external investment pool balances are reported at share price (fair value) and are presented as cash and investments.

The *Lone Star Investment Pool* is an investment pool available to governmental entities. The pool was established under the guidance of the Texas Public Funds Investment Act. A board of directors made up of members of the pool is responsible for the overall operation of the pool. The Board has employed various third party organizations to assist in the operations. These third parties are as follows: American Beacon Advisors and BNY Mellon Cash Investment Strategies – Investment Managers, RBC Wealth Management – Investment Consultant, Bank of New York Mellon – Custodian, First Public – Administration. In combination with these third party organizations, the pool has received a AAAM rating from Standard and Poor's. This rating allows the pool to meet the standards required by the Texas Public Funds Investment Act.

Texas Local Government Investment Pool (TexPool) has been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. These two acts provide for the creation of public funds investment pools and permit eligible governmental entities to jointly invest their funds in authorized investments.

The Comptroller of Public Accounts (Comptroller) is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company, (Trust Company), which is authorized to operate TexPool. Pursuant to the TexPool Participation Agreement, administrative and investment services to TexPool are provided by Federated Investors, Inc. (Federated), under an agreement with the Comptroller, acting on behalf of the Trust Company.

The Comptroller maintains oversight of the services provided to TexPool by Federated. In addition, the TexPool Advisory Board advises on TexPool's Investment Policy and approves any fee increases. As required by the Public Funds Investment Act, the Advisory Board is composed equally of participants in TexPool and other persons who do not have a business relationship with TexPool who are qualified to advise TexPool.

The fund is rated AAAM by Standard & Poor's rating agency. This rating is the highest principal stability fund rating assigned by Standard & Poor's. This rating as well as the operational policies and procedures allow the fund to comply with the requirements of the Public Funds Investment Act.

The following table provides a listing of the District's investment at year end:

	<u>Credit Rating</u>	<u>Fair Value</u>
Lone Star Investment Pool	AAAM	\$ 1,475
TexPool	AAAM	1
Certificates of Deposit	n/a	<u>1,622,384</u>
Total		<u>\$ 1,623,860</u>

FRUITVALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

B. Deposits, Securities, and Investments (Continued)

In addition, the following is disclosed regarding coverage of combined cash balances on the date of highest balance:

- a. Name of bank: City National Bank, Sulphur Springs, Texas.
- b. Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$ 5,115,000.
- c. Largest cash, savings and time deposit combined account balances amounted to \$ 3,129,696, and occurred during the month of March 2018.
- d. Total amount of FDIC coverage at the time of the highest combined balance was \$ 318,418.

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name. At year end, the District was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

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

C. Property Taxes

Property taxes are levied by October 1, in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1, of the year following the October 1 levy date. On January 1, of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.

FRUITVALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

C. Property Taxes (Continued)

Property taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectibles within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Section 33.05, Property Tax Code, requires the tax collector for the District to cancel and remove from the delinquent tax rolls a tax on real property that has been delinquent for more than 20 years or a tax on personal property that has been delinquent for more than 10 years. Delinquent taxes meeting this criteria may not be canceled if litigation concerning these taxes is pending.

The District levied taxes on property within the District at \$ 1.17 to fund general operations. The District did not levy a tax for the retirement of debt in the fiscal year. The rates were levied on property assessed totaling \$ 43,917,528.

D. Capital Assets

Capital asset activities during the year were as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital Assets not Being Depreciated:				
Land	\$ 141,350	\$ -	\$ -	\$ 141,350
Construction in Progress	1,399,724	143,791	1,543,515	-
Total Capital Assets not being Depreciated	\$ 1,541,074	\$ 143,791	\$ 1,543,515	\$ 141,350
Capital Assets being Depreciated:				
Building and Improvements	\$ 8,535,011	\$ 1,770,626	\$ -	\$ 10,305,637
Equipment	242,905	-	-	242,905
Vehicles	593,290	122,767	-	716,057
Total Capital Assets being Depreciated	\$ 9,371,206	\$ 1,893,393	\$ -	\$ 11,264,599
Less Accumulated Depreciation for :				
Buildings and Improvements	\$ 3,242,264	\$ 280,129	\$ -	\$ 3,522,393
Equipment	220,176	6,458	-	226,634
Vehicles	365,718	44,041	-	409,759
Total Accumulated Depreciation	\$ 3,828,158	\$ 330,628	\$ -	\$ 4,158,786
Total Capital Assets being Depreciated, Net	\$ 5,543,048	\$ 1,562,765	\$ -	\$ 7,105,813
Governmental Activities Capital Assets, Net	\$ 7,084,122	\$ 1,706,556	\$ 1,543,515	\$ 7,247,163

FRUITVALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

D. Capital Assets (Continued)

Depreciation was charged to governmental activities functions as follows:

Instruction	\$ 194,590
Instructional Resources and Media Services	7,772
School Leadership	3,648
Guidance, Counseling and Evaluation Services	818
Health Services	417
Student (Pupil) Transportation	42,746
Food Services	28,529
Cocurricular/Extracurricular Activities	41,476
General Administration	2,731
Plant Maintenance and Operations	7,674
Security	227
	<hr/>
Total	<u>\$ 330,628</u>

E. Long Term Obligations

Long-term obligation activities during the year were as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Amounts Due Within One Year
General Obligation Bonds	\$ 2,180,000	\$ -	\$ 75,000	\$ 2,105,000	\$ 100,000
Capital Leases	45,978	-	7,089	38,889	7,258
Loans	122,262	-	17,335	104,927	17,379
Bond Premium (Discount)	142,892	-	7,653	135,239	-
Accreted Interest	-	10,000	10,000	-	-
	<hr/>				
Total Governmental Activities	<u>\$ 2,491,132</u>	<u>\$ 10,000</u>	<u>\$ 117,077</u>	<u>\$ 2,384,055</u>	<u>\$ 124,637</u>

Bonds

The District has issued various series of general obligation bonds to fund facility construction and improvements. Bonds mature at various times with varying rates of interest. The bonds issued require the District to levy an ad valorem tax annually to retire the current maturities.

The following bonded debt issues are outstanding at year end:

<u>Description</u>	<u>Interest Rate</u>	<u>Original Balance</u>	<u>Outstanding Balances</u>
Unlimited Tax School Refunding Bonds, Series 2014	2.2279%	\$ 940,000	\$ 695,000
Unlimited Tax School Building Bonds, Series 2016	2.7116%	1,500,000	<u>1,410,000</u>
Totals			<u>\$ 2,105,000</u>

FRUITVALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

E. Long Term Obligations (Continued)

Maturity requirements on bonded debt at year end are as follows:

Year Ending August 31	Principal	Interest	Total Requirements
2019	\$ 100,000	\$ 69,975	\$ 169,975
2020	100,000	66,675	166,675
2021	100,000	63,375	163,375
2022	105,000	60,000	165,000
2023	115,000	56,275	171,275
2024-2028	440,000	225,975	665,975
2029-2033	225,000	171,113	396,113
2034-2038	275,000	127,806	402,806
2039-2043	330,000	78,813	408,813
2044-2048	315,000	21,043	336,043
Totals	<u>\$ 2,105,000</u>	<u>\$ 941,050</u>	<u>\$ 3,046,050</u>

Loans

The District issued various agreements identified here as loans. The following schedule lists the outstanding loans at year end:

Description	Interest Rate	Original Balance	Outstanding Balances
SECO Grant Loan CL-281 - Energy Management	0.25%	\$ 43,296	\$ 32,553
SECO Grant Loan CL-282 - Energy Management	0.25%	96,258	<u>72,374</u>
Totals			<u>\$ 104,927</u>

Maturity requirements on loans at year end are as follows:

Year Ending August 31	Principal	Interest	Total Requirements
2019	\$ 17,379	\$ 246	\$ 17,625
2020	17,422	203	17,625
2021	17,466	159	17,625
2022	17,510	115	17,625
2023-2026	35,150	99	35,249
Totals	<u>\$ 104,927</u>	<u>\$ 822</u>	<u>\$ 105,749</u>

FRUITVALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

E. Long Term Obligations (Continued)

Leases

The District is obligated under certain leases accounted for as capital leases. The leases recorded here meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

The following schedule lists personal property leased:

Description	Interest Rate	Original Balance	Outstanding Balances
Governmental Lease - Lighting Retrofit	3.53%	\$ 52,746	\$ 38,970

The lease terms are for various years not exceeding seven years. The terms call for semi-annual payments over the life of the lease.

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of year end, are as follows:

Year Ending August 31	Total Requirements
2019	\$ 9,061
2020	9,079
2021	9,096
2022	9,116
2023	9,864
Total Minimum Lease Payment	\$ 46,216
Less Amount Representing Interest	(7,246)
Present Value of Net Minimum Lease Payments	\$ 38,970

F. Pension Plan

1. *Plan Description*

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

FRUITVALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

F. Pension Plan (Continued)

2. *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 in (1) above.

3. *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.

Employees' 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 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2017 and 2018.

Contribution Rates

	<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%
2018 Employer Contributions	\$	88,188
2018 Member Contributions	\$	209,201
2017 NECE On-Behalf Contributions	\$	13,567

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).

FRUITVALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

F. Pension Plan (Continued)

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers 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 or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

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

At August 31, 2018, the District reported a liability of \$ 966,316 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	\$ 966,316
State's proportionate share that is associated with the District	<u>1,335,158</u>
Total	<u>\$ 2,301,474</u>

The net pension liability was measured as of August 31, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contribution 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 0.0030221366% which was a decrease of 0.0000320696% 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 August 31, 2018, the District recognized pension expense of \$ 255,757 and revenue of \$ 101,841 for support provided by the State.

FRUITVALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

F. Pension Plan (Continued)

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual actuarial experiences	\$ 14,138	\$ 52,112
Changes of actuarial assumptions	44,017	25,199
Differences between projected and actual investment earnings	-	70,423
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	<u>231,716</u>	<u>61</u>
Total as of August 31, 2017 measurement date	\$ 289,871	\$ 147,795
Contributions paid to TRS subsequent to the measurement date	<u>88,188</u>	<u>-</u>
Total as of fiscal year end	<u>\$ 378,059</u>	<u>\$ 147,795</u>

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:

<u>Fiscal Year Ending August 31</u>	<u>Amount</u>
2019	\$ 25,299
2020	86,982
2021	20,560
2022	1,295
2023	7,647
Thereafter	293

5. *Actuarial Assumptions*

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

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

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

FRUITVALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

F. Pension Plan (Continued)

6. *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 future real rates of return (expected returns, net pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2017 are summarized below:

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

* The expected contribution to returns incorporates the volatility drag resulting from the conversion between arithmetic and geometric mean returns.

FRUITVALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

F. Pension Plan (Continued)

7. *Discount Rate Sensitivity Analysis*

The following presents the District's share of the net pension liability of the plan using the discount rate of 8%, as well as what the District's share of the net pension liability would be if it were calculated using a discount rate that is 1 – percentage point lower (7%) or 1 – percentage point higher (9%) than the current rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
District's proportionate share of the net pension liability	\$ 1,629,019	\$ 966,316	\$ 414,509

8. *Pension Plan Fiduciary Net Position*

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592. The information provided in the Notes to the Financial Statements in the 2016 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2017 and 2016.

<u>Net Pension Liability</u>	<u>August 31, 2017</u>	<u>August 31, 2016</u>
Total Pension Liability	\$ 179,336,534,819	\$ 171,797,150,487
Less: Plan Fiduciary Net Position	(147,361,922,120)	(134,008,637,473)
Net Pension Liability	<u>\$ 31,974,612,699</u>	<u>\$ 37,788,513,014</u>
Net Position as percentage of Total Pension Liability	82.17%	78.00%

G. Defined Other Post-Employment Benefit Plans

1. *Plan Description*

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

2. *OPEB Plan Fiduciary Net Position*

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

FRUITVALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

G. Defined Other Post-Employment Benefit Plans (Continued)

3. *Benefits Provided*

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

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

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

TRS-Care Plan Premium Rates			
Effective Sept. 1, 2016 - Dec. 31, 2017			
	TRS-Care 1 <u>Basic Plan</u>	TRS-Care 2 <u>Optional Plan</u>	TRS-Care 3 <u>Optional Plan</u>
Retiree *	\$ -	\$ 70	\$ 100
Retiree and Spouse	20	175	255
Retiree * and Children	41	132	182
Retiree and Family	61	237	337
Surviving Children only	28	62	82

* or surviving spouse

4. *Contributions*

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.0% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

FRUITVALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

G. Defined Other Post-Employment Benefit Plans (Continued)

Contribution Rates

	<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%
2018 Employer Contributions	\$ 34,142	
2018 Member Contributions	\$ 17,659	
2017 NECE On-Behalf Contributions	\$ 23,050	

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

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

5. *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 pan specific experience
	Third-party administrative expenses related to the delivery of health care benefits are included in the age- adjusted claims costs.
Expenses	
Payroll Growth Rate	2.50%
Projected Salary Increases	3.50% to 9.50%
Healthcare Trend Rates	4.50% to 12.00%
	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65
Election Rates	
Ad hoc post-employment benefit changes	None

FRUITVALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

G. 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.

6. *Discount Rate*

A single discount rate of 3.42% was used to measure the total OPEB liability. There was a change of 0.44% in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, 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.

7. *Discount Rate Sensitivity Analysis*

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
District's proportionate share of the net OPEB liability	\$ 5,352,986	\$ 4,535,475	\$ 3,878,380

8. *Healthcare Cost Trend Rates Sensitivity Analysis*

The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 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	\$ 3,776,236	\$ 4,535,475	\$ 5,531,692

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

At August 31, 2018 the District reported a liability of \$ 4,535,475 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	\$ 4,535,475
State's proportionate share that is associated with the District	<u>1,927,939</u>
Total	<u>\$ 6,463,414</u>

FRUITVALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

G. Defined Other Post-Employment Benefit Plans (Continued)

The Net OPEB Liability was measured as of August 31, 2017 and the total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer's proportion of the Net OPEB Liability was based on the employer's contribution 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 0.0059005451%. 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 change in proportion was immaterial and, therefore, disregarded this year.

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

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

For the year ended August 31, 2018, the District recognized OPEB expense of \$ (2,203,406) and revenue of \$ (645,140) for support provided by the State.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual actuarial experience	\$ -	\$ 94,681
Changes in actuarial assumptions	-	1,802,516
Differences between projected and actual investment earnings	689	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	<u>19</u>	<u>-</u>
Total as of August 31, 2017 measurement date	\$ 708	\$ 1,897,197
Contributions paid to TRS subsequent to the measurement date	<u>34,142</u>	<u>-</u>
Total at fiscal year end	<u>\$ 34,850</u>	<u>\$ 1,897,197</u>

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

<u>Fiscal Year Ending August 31</u>	<u>Amount</u>
2019	\$(250,244)
2020	(250,244)
2021	(250,244)
2022	(250,244)
2023	(250,244)
Thereafter	(645,097)

FRUITVALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

H. Risk Management

Health Care

During the year ended, employees of the Fruitvale Independent School District were covered by a health insurance plan (the Plan). The District paid premiums of \$ 225 per month per employee and employees, at their option, authorized payroll withholdings to provide dependents coverage under the Plan. All premiums were paid to a TRS Activecare (Aetna). The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the Fruitvale Independent School District and the TRS Activecare (Aetna) is renewable September 1 of each year and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for Aetna are available for the year ended December 31, 2017, and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

Unemployment Compensation Pool

During the year ended, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute interlocal agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued each month until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for Unemployment Compensation pool.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of year end, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

Workers' Compensation

The District participates in the East Texas Educational Insurance Association Workers' Compensation Self Insurance Joint Fund. The District is partially self funded to a loss fund maximum of \$ 15,257 for the 17-18 fiscal year. Additionally, the District incurred fixed costs of \$ 8,202 for their share of claims administration, loss control, record keeping and cost of excess insurance.

Claims administration is provided by Claims Administrative Services, Inc. Reinsurance is provided for aggregate claim losses exceeding \$ 225,000. The fixed cost charge is based on total payroll paid by the District. Increases or decreases in the fixed costs will adjust subsequent year charges.

The accrued liability for workers compensation self insurance of \$ 14,613 includes \$ 4,905 of incurred but not reported claims. This liability is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," which require that a liability for claims be reported if information indicates that it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. The liability recorded is an undiscounted actuary calculation.

FRUITVALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

H. Risk Management (Continued)

Changes in the workers' compensation claims liability amounts in fiscal periods 2018 and 2017 are represented below:

	<u>2018</u>	<u>2017</u>
Claims Payable - Beginning	\$ 13,827	\$ 12,370
Claims Incurred and Changes in Estimate	2,765	3,838
Claim Payments	<u>(1,979)</u>	<u>(2,381)</u>
Claims Payable - Ending	<u>\$ 14,613</u>	<u>\$ 13,827</u>

Other 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, the District purchased commercial insurance to cover these liabilities. There were not 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.

I. Litigation

The District is not involved in any litigation as of year end.

J. Commitments and Contingencies

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

L. Revenue from Local and Intermediate Sources

During the year, the District received revenue from local and intermediate sources consisting of the following:

	<u>General</u>	<u>Other Governmental</u>	<u>Totals</u>
Property Tax Collections	\$ 533,461	\$ 38,302	\$ 571,763
Investment Income	24,923	616	25,539
Food Service Income	-	24,234	24,234
Cocurricular/Extracurricular Activities	15,535	30,038	45,573
Other	18,991	-	18,991
Gifts and Bequests	-	5,450	5,450
Insurance Recovery	<u>55,202</u>	<u>-</u>	<u>55,202</u>
Totals	<u>\$ 648,112</u>	<u>\$ 98,640</u>	<u>\$ 746,752</u>

FRUITVALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

M. Receivables

Receivables at year end, for the District's individual major funds and aggregate nonmajor funds, including any applicable allowances for uncollectible accounts are as follows:

	Other		Totals
	General	Governmental	
Due from Other Governments	\$ 346,223	\$ 89,289	\$ 435,512
Property Taxes Receivable	46,135	1,833	47,968
Less: Allowance for Uncollectible			
Property Taxes	(4,614)	(183)	(4,797)
Net Receivables	\$ 387,744	\$ 90,939	\$ 478,683

N. Subsequent Events

The District's management has evaluated subsequent events through November 14, 2018, the date which the financial statements were available for use.

O. State Aid Reconciliation

The State provides various types of funding for local school districts as provided for in state statute. The following reconciliation presents funding earned by the District in each category presented. Because of the State's delay in reconciling the funding to local districts, the summary below represents an estimate of earnings. The settleup with the State will occur some 9 to 10 months following the fiscal year end.

Funding is earned for: 1) Available – annual allocation based on prior year enrollment; 2) Foundation – annual allocation based on student attendance, property tax collections and valuations, and special student population; 3) Instructional Facilities Allotment – based on property wealth; and 4) Existing Debt Allotment – based on eligible debt, student attendance and property wealth. Various other sources are received but not reconciled here as these are the major sources of funding.

	Available	Foundation	IFA	EDA
CY Summary of Finances (SOF)	\$ 77,227	\$ 3,563,209	\$ 112,936	Not
August Instructional Days Change	6,754	17,638	2,261	Eligible
Prior Period Settle-ups	-	(2,648)	-	
Financial Statement Earnings	\$ 83,981	\$ 3,578,199	\$ 115,197	\$ -

Financial Statement Classifications:

August Instructional Days Receivable	\$ 10,772	\$ 188,105	\$ -	\$ -
SOF Receivable (Overpayment) *	-	147,328	-	-

* Overpayments are reported as Unearned Revenue in the government-wide Statements and governmental fund type financial statements.

FRUITVALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

P. Compliance, Stewardship and Accountability

Expenditures over Appropriations

The following individual funds incurred expenditures in excess of appropriations at functional expenditure levels:

	<u>Budget</u>		<u>Actual</u>		<u>Excess</u>
General Fund:					
Food Service	\$	-	\$	6,149	\$ 6,149
Health Services		103,026		106,517	3,491

Q. Change in Accounting Principles

Statement 75, Accounting and Financial Reporting for Postemployment Benefits and Other Pensions.

The Statement addresses accounting and reporting for postemployment benefits other than pensions (OPEB). Various standards for recognizing measuring and reporting liabilities, deferred outflows and deferred inflows are implemented to achieve the financial accounting and reporting objectives. Note disclosures and other required supplemental information were expanded to provide additional insight into the financial implications of the OPEB.

Statement 85, Omnibus 2017

The Statement addresses a variety of technical corrections to previously issued statements that were identified during the implementation of the standards. Included are amendments to GASB Statement 75 that enhance the financial reporting required.

R. Prior Period Adjustments

Government-wide Financial Statements

The increase in net assets identified on Exhibit B-1 includes the following corrections of errors in prior periods or changes related to implementations of new accounting standards:

Implementation of GASB Statement 75, <i>Accounting and Financial Reporting for Post Employment Benefits and Other Pension</i> , relating to retiree healthcare benefits (OPEB) decreased beginning net assets	\$ (7,990,230)
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FRUITVALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

S. Negative Operating Grants and Contributions – Statement of Activities

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

During the year under audit, the NECE expense was negative due to changes in benefits within the TRS-care plan. The accrual for the proportionate share of that expense was a negative on-behalf revenue and negative on-behalf expense. This resulted in negative revenue for operating grants and contributions on the Statement of Activities. 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
11 - Instruction	\$ 190,196	\$ (339,276)	\$ 529,472
12 - Instructional Resources and Media Services	(13,920)	(16,163)	2,243
13 - Curriculum and Instructional Staff Development	37,352	(14,786)	52,138
23 - School Leadership	(22,486)	(30,157)	7,671
31 - Guidance, Counseling and Evaluation Services	17,732	(31,748)	49,480
33 - Health Services	(31,331)	(30,717)	(614)
34 - Student (Pupil) Transportation	(27,729)	(26,842)	(887)
35 - Food Services	262,800	(12,914)	275,714
36 - Extracurricular Activities	(12,389)	(14,452)	2,063
41 - General Administration	(21,931)	(27,241)	5,310
51 - Facilities Maintenance and Operations	(52,296)	(57,362)	5,066
52 - Security and Monitoring Services	2,125	-	2,125
53 - Data Processing Services	(41,472)	(43,482)	2,010
61 - Community Services	115,197	-	115,197
	<u>\$ 401,848</u>	<u>\$ (645,140)</u>	<u>\$ 1,046,988</u>

REQUIRED SUPPLEMENTARY INFORMATION

FRUITVALE INDEPENDENT SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED AUGUST 31, 2018

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
REVENUES					
5700	Local and Intermediate Sources	\$ 575,702	\$ 709,286	\$ 648,112	\$ (61,174)
5800	State Program Revenues	3,525,518	3,745,518	3,877,756	132,238
5900	Federal Program Revenues	95,000	95,000	165,713	70,713
5020	Total Revenues	\$ 4,196,220	\$ 4,549,804	\$ 4,691,581	\$ 141,777
EXPENDITURES					
Instruction and Instructional Related Services:					
0011	Instruction	\$ 2,222,028	\$ 2,292,128	\$ 2,189,721	\$ 102,407
0012	Instructional Resources and Media Services	98,366	99,866	92,704	7,162
0013	Curriculum and Staff Development	49,200	49,950	43,628	6,322
	Total Instruction and Instr. Related Services	<u>\$ 2,369,594</u>	<u>\$ 2,441,944</u>	<u>\$ 2,326,053</u>	<u>\$ 115,891</u>
Instructional and School Leadership:					
0023	School Leadership	\$ 232,688	\$ 236,938	\$ 230,394	\$ 6,544
	Total Instructional and School Leadership	<u>\$ 232,688</u>	<u>\$ 236,938</u>	<u>\$ 230,394</u>	<u>\$ 6,544</u>
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	\$ 190,407	\$ 194,657	\$ 180,116	\$ 14,541
0033	Health Services	101,526	103,026	106,517	(3,491)
0034	Student (Pupil) Transportation	117,136	248,886	212,486	36,400
0036	Cocurricular/Extracurricular Activities	200,651	207,851	186,884	20,967
	Total Support Services - Student (Pupil)	<u>\$ 609,720</u>	<u>\$ 754,420</u>	<u>\$ 686,003</u>	<u>\$ 68,417</u>
Administrative Support Services:					
0041	General Administration	\$ 233,893	\$ 235,393	\$ 229,842	\$ 5,551
	Total Administrative Support Services	<u>\$ 233,893</u>	<u>\$ 235,393</u>	<u>\$ 229,842</u>	<u>\$ 5,551</u>
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	\$ 492,325	\$ 856,583	\$ 510,498	\$ 346,085
0052	Security and Monitoring Services	3,500	41,335	39,633	1,702
0053	Data Processing Services	164,670	171,920	168,095	3,825
	Total Support Services - Nonstudent Based	<u>\$ 660,495</u>	<u>\$ 1,069,838</u>	<u>\$ 718,226</u>	<u>\$ 351,612</u>
Debt Service:					
0071	Principal on Long-Term Debt	\$ -	\$ 24,220	\$ 24,344	\$ (124)
0072	Interest on Long-Term Debt	-	2,210	1,851	359
	Total Debt Service	<u>\$ -</u>	<u>\$ 26,430</u>	<u>\$ 26,195</u>	<u>\$ 235</u>
Capital Outlay:					
0081	Capital Outlay	\$ -	\$ 327,000	\$ 280,162	\$ 46,838
	Total Capital Outlay	<u>\$ -</u>	<u>\$ 327,000</u>	<u>\$ 280,162</u>	<u>\$ 46,838</u>
Intergovernmental Charges:					
0093	Payments for Shared Service Arrangements	\$ 600	\$ 600	\$ 587	\$ 13
0099	Other Intergovernmental Charges	13,000	13,000	11,871	1,129
	Total Intergovernmental Charges	<u>\$ 13,600</u>	<u>\$ 13,600</u>	<u>\$ 12,458</u>	<u>\$ 1,142</u>
6030	Total Expenditures	\$ 4,119,990	\$ 5,105,563	\$ 4,509,333	\$ 596,230
1100	Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 76,230</u>	<u>\$ (555,759)</u>	<u>\$ 182,248</u>	<u>\$ 738,007</u>
OTHER FINANCING SOURCES (USES)					
8911	Transfers Out	\$ -	\$ -	\$ -	\$ -
7080	Net Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
1200	Net Change in Fund Balance	\$ 76,230	\$ (555,759)	\$ 182,248	\$ 738,007
0100	Fund Balance - Beginning (September 1)	<u>2,369,207</u>	<u>2,369,207</u>	<u>2,369,207</u>	<u>-</u>
3000	Fund Balance - Ending (August 31)	<u>\$ 2,445,437</u>	<u>\$ 1,813,448</u>	<u>\$ 2,551,455</u>	<u>\$ 738,007</u>

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

	<u>2017*</u>	<u>2016*</u>	<u>2015*</u>	<u>2014*</u>
District's proportion of the net pension liability	0.0030221366%	0.0029901%	0.0029952%	0.0017655%
District's proportionate share of the net pension liability	\$ 966,316	\$ 1,129,902	\$ 1,058,763	\$ 471,589
State's proportionate share of the net pension liability associated with the District	<u>1,335,158</u>	<u>1,681,173</u>	<u>1,800,376</u>	<u>1,477,900</u>
Total	<u>\$ 2,301,474</u>	<u>\$ 2,811,075</u>	<u>\$ 2,859,139</u>	<u>\$ 1,949,489</u>
District's covered-employee payroll (for Measurement Year)	\$ 2,603,216	\$ 2,603,216	\$ 2,830,362	\$ 2,568,400
District's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	37.12%	43.40%	37.41%	18.36%
Plan fiduciary net position as a percentage of the total pension liability	82.17%	78.00%	78.43%	83.25%

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

* The years above present data for the measurement period ending date. The measurement period represents the period for which the pension plan prepares its reports which provides a 12 month delay for financial reporting in accordance with GASB 68

FRUITVALE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DISTRICT CONTRIBUTIONS
 TEACHER RETIREMENT SYSTEM OF TEXAS
 LAST 10 FISCAL YEARS

	2018	2017	2016	2015
Contractually required contributions	\$ 88,188	\$ 99,048	\$ 93,968	\$ 86,813
Contributions in relations to the contractual required contributions	<u>(88,188)</u>	<u>(99,048)</u>	<u>(93,968)</u>	<u>(86,813)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 2,741,154	\$ 2,577,320	\$ 2,603,216	\$ 2,830,362
Contributions as a percentage of covered employee payroll	3.22%	3.84%	3.61%	3.07%

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

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

	2017 *
District's proportion of the Net OPEB Liability (Asset)	0.0104296756%
District's proportionate share of the Net OPEB Liability (Asset)	\$ 4,535,475
State's proportionate share of the Net OPEB Liability (Asset) associated with the District	1,927,939
 Total	 \$ 6,463,414
 District's covered-employee payroll (for Measurement Year)	 \$ 2,603,216
 District's proportionate share of the Net OPEB Liability as a percentage of it's covered-employee payroll	 174.23%
 Plan fiduciary net position as a percentage of the Total OPEB Liability	 0.91%

Note: Only one year of data is presented in accordance with GASB 75 paragraph 245. "The information for all 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

* The years above present data for the measurement period ending date. The measurement period represents the period for which the pension plan prepares its reports which provides a 12 month delay for financial reporting in accordance with GASB 75

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

	2018
Contractually required contributions	\$ 34,142
Contributions in relations to the contractual required contributions	<u>(34,142)</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered employee payroll	\$ 2,741,154
Contributions as a percentage of covered employee payroll	1.25%

Note: Only one year of data is presented in accordance with GASB 75, paragraph 245. "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

FRUITVALE INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED AUGUST 31, 2018

A. Budget

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

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

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

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

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

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

B. Defined Benefit Pension Plan

1. Changes of Assumptions

No changes in assumptions were made that affected the measurement of the total pension liability during the measurement period.

2. Changes of Benefit Terms

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

OTHER SUPPLEMENTARY INFORMATION

FRUITVALE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 YEAR ENDED AUGUST 31, 2013

Tax Roll Year	Last Ten Years Ended August 31	1 Tax Rates		3 Assessed/Appraised Value For School Tax Purposes	10 Beginning Balance 9/1/2017	20 Current Year's Total Levy	30 Maintenance Tax Collections	30a Debt Service Tax Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/2018
		Maintenance	2 Debt Service							
XXXX	2009 and Prior Years	Various	Various	Various	\$ 3,115	\$ -	\$ 551	\$ 37	\$ (118)	\$ 2,409
2009	2010	1.04000	0.07070	55,397,195	1,026	-	551	37	(1)	437
2010	2011	1.17000	0.00000	59,577,897	1,062	-	620	-	-	442
2011	2012	1.17000	0.00000	52,513,846	1,387	-	620	-	-	767
2012	2013	1.17000	0.00000	58,511,363	1,502	-	558	-	-	944
2013	2014	1.17000	0.00000	56,024,701	2,565	-	1,063	-	-	1,502
2014	2015	1.17000	0.00000	52,660,536	3,044	-	711	-	-	2,333
2015	2016	1.17000	0.00000	44,426,689	9,268	-	4,295	-	(471)	4,502
2016	2017	1.17000	0.00000	45,995,632	26,735	-	14,312	-	(1,542)	10,881
2017	2018	1.17000	0.09000	43,917,528	-	553,361	487,884	37,530	(4,196)	23,751
1000	TOTALS				\$ 49,704	\$ 553,361	\$ 511,165	\$ 37,604	\$ (6,328)	\$ 47,968

FRUITVALE INDEPENDENT SCHOOL DISTRICT
SCHOOL BREAKFAST AND NATIONAL SCHOOL LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED AUGUST 31, 2018

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
REVENUES					
5700	Local and Intermediate Sources	\$ 32,200	\$ 32,200	\$ 24,234	\$ (7,966)
5800	State Program Revenues	7,200	7,200	1,404	(5,796)
5900	Federal Program Revenues	233,000	233,000	270,152	37,152
5020	Total Revenues	\$ 272,400	\$ 272,400	\$ 295,790	\$ 23,390
EXPENDITURES					
Current:					
Support Services - Student (Pupil):					
0035	Food Services	\$ -	\$ 276,080	\$ 273,090	\$ 2,990
	Total Support Services - Student (Pupil)	\$ -	\$ 276,080	\$ 273,090	\$ 2,990
6030	Total Expenditures	\$ -	\$ 276,080	\$ 273,090	\$ 2,990
1100	Excess (Deficiency) of Revenues Over Expenditures	\$ 272,400	\$ (3,680)	\$ 22,700	\$ 26,380
1200	Net Change in Fund Balance	\$ 272,400	\$ (3,680)	\$ 22,700	\$ 26,380
0100	Fund Balance - Beginning (September 1)	4,607	4,607	4,607	-
3000	Fund Balance - Ending (August 31)	\$ 277,007	\$ 927	\$ 27,307	\$ 26,380

FRUITVALE INDEPENDENT SCHOOL DISTRICT
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED AUGUST 31, 2018

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
REVENUES					
5700	Local and Intermediate Sources	\$ 67,189	\$ 67,189	\$ 38,440	\$ (28,749)
5800	State Program Revenues	<u>81,641</u>	<u>81,641</u>	<u>115,197</u>	<u>33,556</u>
5020	Total Revenues	<u>\$ 148,830</u>	<u>\$ 148,830</u>	<u>\$ 153,637</u>	<u>\$ 4,807</u>
EXPENDITURES					
Debt Service:					
0071	Principal on Long-term Debt	\$ -	\$ 75,000	\$ 75,000	\$ -
0072	Interest on Long-term Debt	-	92,835	92,835	-
0073	Debt Issuance Costs and Fees	-	2,000	850	1,150
	Total Debt Service	<u>\$ -</u>	<u>\$ 169,835</u>	<u>\$ 168,685</u>	<u>\$ 1,150</u>
6030	Total Expenditures	<u>\$ -</u>	<u>\$ 169,835</u>	<u>\$ 168,685</u>	<u>\$ 1,150</u>
1100	Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 148,830</u>	<u>\$ (21,005)</u>	<u>\$ (15,048)</u>	<u>\$ 5,957</u>
1200	Net Change in Fund Balance	<u>\$ 148,830</u>	<u>\$ (21,005)</u>	<u>\$ (15,048)</u>	<u>\$ 5,957</u>
0100	Fund Balance - Beginning (September 1)	<u>57,393</u>	<u>57,393</u>	<u>57,393</u>	<u>-</u>
3000	Fund Balance - Ending (August 31)	<u><u>\$ 206,223</u></u>	<u><u>\$ 36,388</u></u>	<u><u>\$ 42,345</u></u>	<u><u>\$ 5,957</u></u>

FRUITVALE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
 AS OF AUGUST 31, 2018

<u>Data Control Codes</u>		<u>Response</u>
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.	\$ -0-
SF11	Net Pension Assets (1920) at fiscal year-end.	\$ -0-
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$ 966,316
SF13	OPEB Expense (2545) at fiscal year-end.	\$ 1,897,197