

**MT. ENTERPRISE
INDEPENDENT SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2018

Mt. Enterprise Independent School District
Annual Financial Report
For The Year Ended August 31, 2018

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Introductory Section

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CERTIFICATE OF BOARD

Mt. Enterprise Independent School District
Name of School District

Rusk
County

201-907
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) ☒ approved ☐ disapproved for the year ended August 31, 2018, at a meeting of the board of trustees of such school district on the 10th day of December, 2018.

Regina Risinger
Signature of Board Secretary

[Signature]
Signature of Board President

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

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Financial Section

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Morgan LaGrone, CPA, PLLC

Certified Public Accountant

Telephone: 903.657.0240
Fax: 903.655.1324

116 S Marshall
Henderson TX 75654

Independent Auditor's Report

To the Board of Trustees
Mt. Enterprise Independent School District
301 NW 3rd St.
Mt. Enterprise, Texas 75681

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 Mt. Enterprise Independent School District ("the District") as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District'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 District'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 Mt. Enterprise Independent School District as of August 31, 2018, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As described in Note A to the financial statements, in 2018, Mt. Enterprise Independent School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mt. Enterprise Independent School District's basic financial statements. The introductory section and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is also not a required part of the basic financial statements.

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

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2018 on our consideration of Mt. Enterprise Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral

part of an audit performed in accordance with *Government Auditing Standards* in considering Mt. Enterprise Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in cursive script that reads "Morgan LaGrone".

Morgan LaGrone, CPA, PLLC

Henderson, TX
December 3, 2018

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MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2018

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

FINANCIAL HIGHLIGHTS

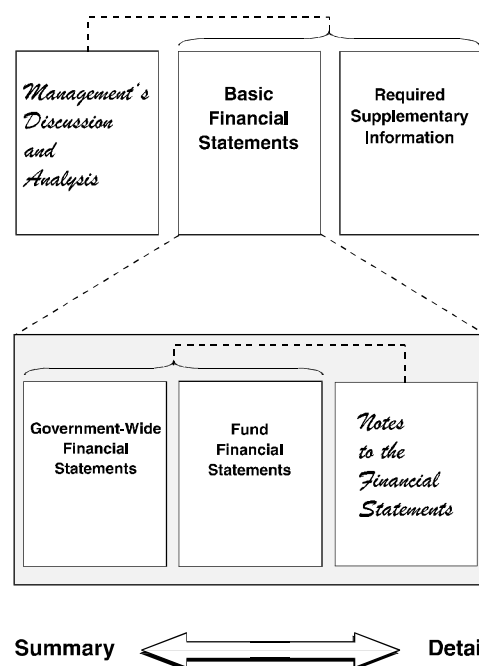
- The District's total combined net position was \$1,615,315 at August 31, 2018.
- During the year, the District's expenses were \$3,483,935, and the District generated \$4,196,766 in taxes and other revenues for governmental activities. During the year ended August 31, 2018, the District implemented GASB 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, which required a prior period adjustment in the Statement of Activities to report the effect of GASB 75 retroactively. The prior period adjustment totaled \$(2,205,154), which resulted in a restated beginning net position balance of \$902,484.
- The total cost of the District's programs decreased by 22.85%.
- The General Fund reported a fund balance this year of \$2,192,095, of which all is unassigned.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts—management's discussion and analysis (this section), the basic financial statements, required supplementary information, and other 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.
- 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 financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2018

Government-wide Statements

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

The two government-wide statements report the District's net position and how 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.

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 at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- Fiduciary funds - The District is the trustee, or fiduciary, for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. 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 and a statement of changes in 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

Net position. The District's combined net position was \$1,615,315 at August 31, 2018.

\$23,189 of the District's restricted net position are restricted for food service and \$2,370 is restricted for debt service. The \$127,942 of unrestricted net position represents resources available to fund the programs of the District next year.

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2018

Table A-1
Mt. Enterprise Independent School District
Net Position

	2018	2017	Increase/ (Decrease) 2017-2018	Percentage Change 2017-2018
Current and Other Assets	\$ 2,700,428	\$ 2,395,188	\$ 305,240	12.74%
Capital Assets	4,179,697	4,215,732	(36,035)	(0.85%)
Total Assets	\$ 6,880,125	\$ 6,610,920	\$ 269,205	4.07%
Deferred Outflow of Resources	\$ 169,753	\$ 179,054	\$ (9,301)	(5.19%)
Deferred Outflow Related to Pensions	246,343	327,859	(81,516)	(24.86%)
Deferred Outflow Related to OPEB	25,597	-	25,597	N/A
Total Deferred Outflows of Resources	\$ 441,693	\$ 179,054	\$ 16,296	9.10%
Long-Term Liabilities Outstanding	\$ 4,722,849	\$ 3,765,067	\$ 957,782	25.44%
Other Liabilities	364,730	205,461	159,269	77.52%
Total Liabilities	\$ 5,087,579	\$ 3,970,528	\$ 1,117,051	28.13%
Deferred Inflow Related to Pensions	\$ 92,877	\$ 39,668	\$ 53,209	134.14%
Deferred Inflow Related to OPEB	526,047	-	526,047	N/A
Total Deferred Inflows of Resources	\$ 618,924	\$ 39,668	\$ 53,209	134.14%
Net Position:				
Net Investment in Capital Assets	\$ 1,461,814	\$ 1,316,527	\$ 145,287	11.04%
Restricted	25,559	50,445	(24,886)	(49.33%)
Unrestricted	127,942	1,740,665	(1,612,723)	(92.65%)
Total Net Position	\$ 1,615,315	\$ 3,107,637	\$ (1,492,322)	(48.02%)

Table A-2
Mt. Enterprise Independent School District
Change in Net Position

	2018	2017	Increase/ (Decrease) 2017-2018	Percentage Change 2017-2018
Program Revenues:				
Charges for Services	\$ 60,268	\$ 66,398	\$ (6,130)	(9.23%)
Operating Grants & Contributions	2,046	540,471	(538,425)	(99.62%)
General Revenues:				
Property Taxes	695,229	686,388	8,841	1.29%
State Aid-Formula	3,427,681	3,394,763	32,918	0.97%
Other	11,542	184,841	(173,299)	(93.76%)
Total Revenues	\$ 4,196,766	\$ 4,872,861	\$ (676,095)	(13.87%)
Functions/Programs:				
Instructional and Instructional-Related Services	\$ 1,799,191	\$ 2,483,135	\$ (683,944)	(27.54%)
Instruction and School Leadership	146,058	224,115	(78,057)	(34.83%)
Support Services - Student	770,985	731,995	38,990	5.33%
Administrative Support Services	218,662	253,090	(34,428)	(13.60%)
Support Services - Non-Student Based	453,982	594,610	(140,628)	(23.65%)
Debt Service	58,459	140,363	(81,904)	(58.35%)
Capital Outlay	9,432	52,337	(42,905)	(81.98%)
Intergovernmental Charges	27,166	35,967	(8,801)	(24.47%)
Total Expenses	\$ 3,483,935	\$ 4,515,612	\$ (1,031,677)	(22.85%)
Increase/(Decrease) in Net Position	\$ 712,831	\$ 357,249	\$ 355,582	99.53%

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2018

Chart A-1
Mt. Enterprise Independent School District
Revenues for the Year Ended August 31, 2018

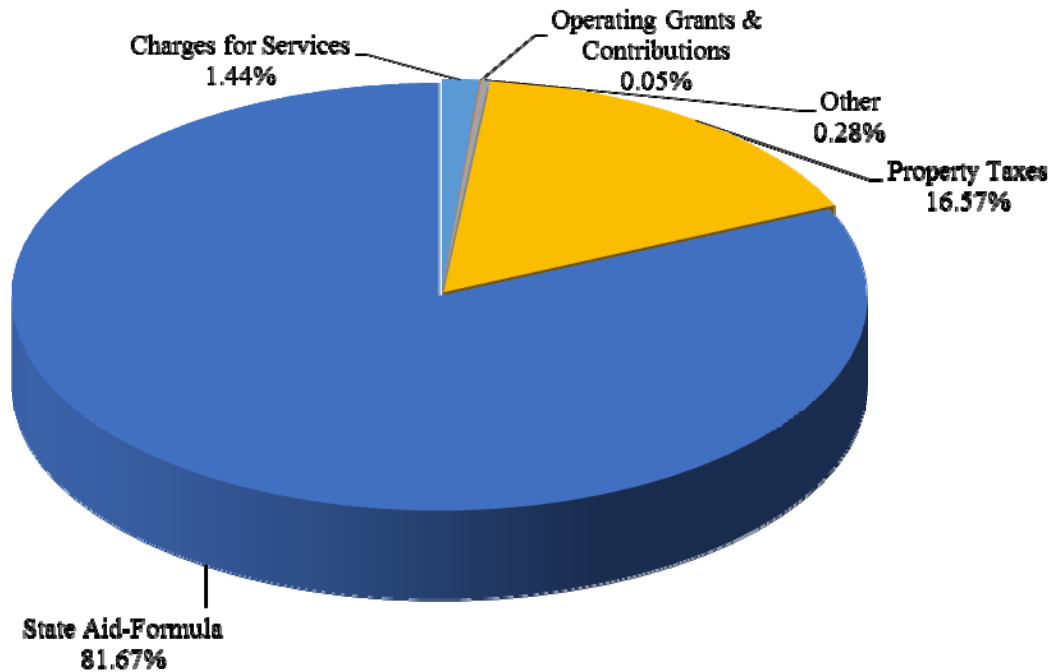
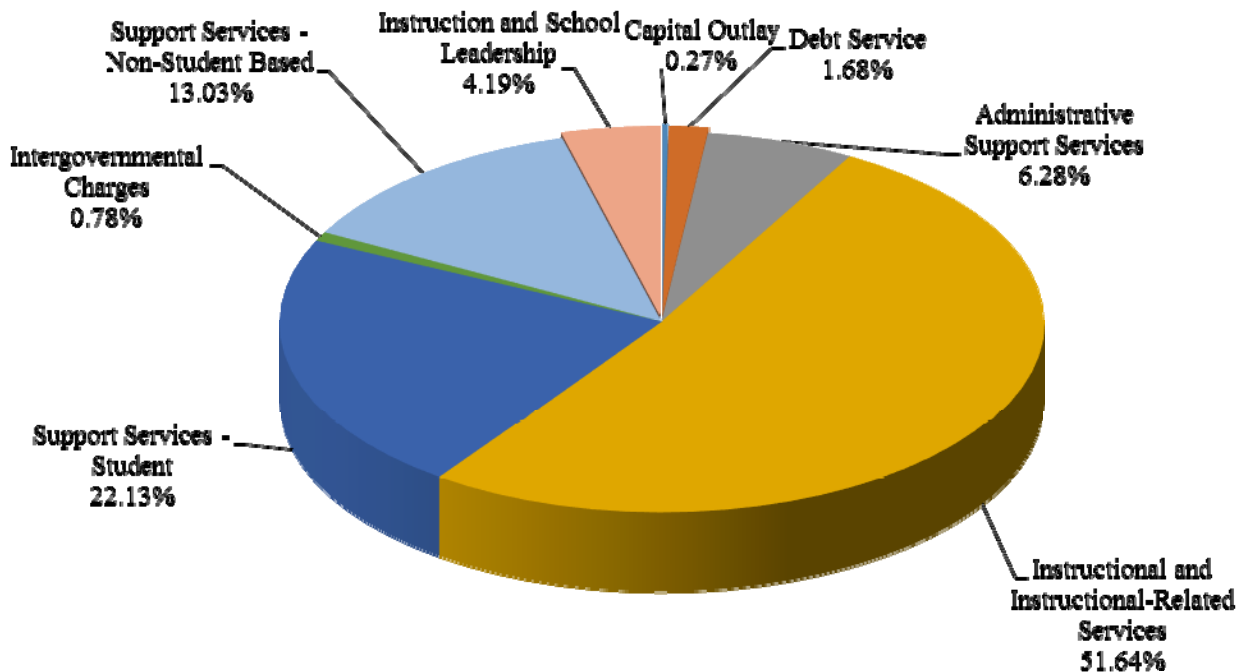


Chart A-2
Mt. Enterprise Independent School District
Expenses for the Year Ended August 31, 2018



MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2018

Change in net position. The District's total revenues were \$4,196,766. A significant portion, 81.67% comes from state aid – formula grants, 16.57% is from property taxes, .05% is from operating grants and contributions, 1.44% relates to charges for services, and .28% is from investment earnings and miscellaneous. The total cost of all programs and services was \$3,483,935; 73.77% of these costs are for instructional and student services.

The total property tax rate was \$1.23 per \$100 valuation with an M&O rate of \$1.17 per \$100 valuation and an I&S rate of \$0.0636 per \$100 valuation.

Table A-3 presents the cost of each of the District's largest functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what state revenues as well as local tax dollars funded.

- The cost of all governmental activities this year was \$3,483,935.
- The amount that our taxpayers paid for these activities through property taxes was \$695,229.
- Some of the cost was paid by those who directly benefited from the programs, \$60,268, or by grants and contributions, \$2,046.

Table A-3
Mt. Enterprise Independent School District
Net Cost of Selected District Functions

	Total Cost of Services			Net Cost of Services		
	2018	2017	% Change	2018	2017	% Change
Instruction	\$ 1,750,736	\$ 2,412,808	(27.44%)	\$ 1,845,252	\$ 2,124,348	(13.14%)
School Leadership	139,192	216,748	(35.78%)	163,792	205,963	(20.48%)
Food Services	149,706	161,401	(7.25%)	(46,222)	(31,708)	45.77%
Extracurricular Activities	363,744	378,386	(3.87%)	357,936	351,985	1.69%
General Administration	218,662	253,090	(13.60%)	237,360	244,431	(2.89%)
Facilities Maintenance & Operations	352,258	432,766	(18.60%)	375,294	423,222	(11.32%)

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$4,767,652, an increase of \$59,267 from the preceding year. State revenue increased by \$31,643. Local revenues decreased by \$2,637, and federal revenues increased by \$30,261. The District's overall fund balance increased by \$141,134.

General Fund Budgetary Highlights

During the year, the District revised its budget as needed to reallocate the original budgeted expenditures. Overall budgeted expenditures increased by \$20,585. Actual expenditures were \$212,627 below final budget amounts. Additionally, available general fund revenues exceeded the estimated amounts by \$168,978. The District had initially planned on using approximately \$215,585 of fund balance in the 2018 budget, but because expenditures were less than anticipated, and revenues were more than anticipated, the District did not use any of their fund balance, increasing the fund balance in the General Fund to \$2,192,095.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2018, the District had invested in \$8,611,148 in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.)

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT**MANAGEMENT'S DISCUSSION AND ANALYSIS**

AUGUST 31, 2018

Table A-4
Mt. Enterprise Independent School District
Capital Assets

	<u>Governmental Activities</u>		Increase/ (Decrease)	Percentage Change
	<u>2018</u>	<u>2017</u>	<u>2017-2018</u>	<u>2017-2018</u>
Land	\$ 117,176	\$ 117,176	\$ -	0.00%
Construction in Progress	-	29,000	(29,000)	(100.00%)
Buildings and Improvements	7,636,466	7,420,098	216,368	2.92%
Vehicles and Equipment	857,506	829,335	28,171	3.40%
Total Capital Assets	\$ 8,611,148	\$ 8,395,609	\$ 215,539	2.57%
Less: Accumulated Depreciation	(4,431,452)	(4,179,875)	(251,577)	6.02%
Net Capital Assets	\$ 4,179,697	\$ 4,215,734	\$ (36,037)	(0.85%)

The District's fiscal year 2019 capital budget projects spending another \$45,000 for capital projects. More detailed information about the District's capital assets is presented in Note E to the financial statements.

Long Term Debt

At year-end the District had \$4,722,849 in long-term debt outstanding as shown in Table A-5. More detailed information about the District's debt is presented in Note G to the financial statements.

Table A-5
Mt. Enterprise Independent School District
Long-Term Debt

	<u>Governmental Activities</u>		Increase/ (Decrease)	Percentage Change
	<u>2018</u>	<u>2017</u>	<u>2017-2018</u>	<u>2017-2018</u>
General Obligation Bonds:				
Principal amount of Debt	\$ 2,536,738	\$ 2,575,000	\$ (38,262)	(1.49%)
Add: Premium on Issuance	178,943	268,317	(89,374)	(33.31%)
Add: Accumulated Accretion on CABs	53,255	71,851	(18,596)	(25.88%)
Loans Payable	118,700	161,791	(43,091)	(26.63%)
Net Pension Liability	577,636	688,108	(110,472)	(16.05%)
Net OPEB Liability	1,257,577	-	1,257,577	N/A
Total Long-Term Debt	\$ 4,722,849	\$ 3,765,067	\$ 957,782	25.44%

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2018

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised value used for the 2018 budget preparation was \$59,719,222, a 1.76% increase from 2018, with an M&O rate of \$1.17 per \$100 valuation and an I&S rate of \$0.636 per \$100 valuation for a total tax rate of \$1.23 per \$100 valuation.
- The District's 2019 refined average daily attendance is expected to be 383. The District's 2019 enrollment is expected to be 408, a decrease from 2018.

These indicators were taken into account when adopting the general fund budget for 2019. Amounts available for appropriation in the general fund budget are \$4,244,060, an increase of \$79,547 from the final 2018 budget of \$4,164,513. The increase is due to anticipated increases in state program revenues for 2018. The District will use these revenues to finance the current programs that they offer.

Budgeted expenditures total \$4,279,060. If these estimates are realized, the District's General Fund budgetary fund balance is expected to decrease by approximately \$35,000 by the close of 2019.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT STAFF

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

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Basic Financial Statements

This page is left blank intentionally.

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT**STATEMENT OF NET POSITION**

AUGUST 31, 2018

		1
Data Control Codes		Governmental Activities
ASSETS:		
1110	Cash and Cash Equivalents	\$ 2,314,316
1225	Property Taxes Receivable (Net)	121,982
1240	Due from Other Governments	230,034
Capital Assets:		
1510	Land	117,176
1520	Buildings and Improvements, Net	3,893,204
1530	Furniture and Equipment, Net	169,317
1000	Total Assets	<u>6,846,029</u>
DEFERRED OUTFLOWS OF RESOURCES:		
	Deferred Outflow of Resources - Undesignated	169,753
	Deferred Outflow Related to Pensions	246,343
	Deferred Outflow Related to OPEB	25,597
1700	Total Deferred Outflows of Resources	<u>441,693</u>
LIABILITIES:		
2110	Accounts Payable	33,450
2140	Interest Payable	3,935
2165	Accrued Liabilities	202,910
2190	Due to Student Groups	1,619
2300	Unearned Revenue	88,720
Noncurrent Liabilities:		
2501	Due Within One Year	71,988
2502	Due in More Than One Year	2,815,648
2540	Net Pension Liability	577,636
2545	Net OPEB Liability	1,257,577
2000	Total Liabilities	<u>5,053,483</u>
DEFERRED INFLOWS OF RESOURCES:		
	Deferred Inflow Related to Pensions	92,877
	Deferred Inflow Related to OPEB	526,047
2600	Total Deferred Inflows of Resources	<u>618,924</u>
NET POSITION:		
3200	Net Investment in Capital Assets	1,461,814
Restricted For:		
3820	Federal and State Programs	23,189
3850	Debt Service	2,370
3900	Unrestricted	127,942
3000	Total Net Position	<u>\$ 1,615,315</u>

The accompanying notes are an integral part of this statement.

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2018

		1	3	4	Net (Expense) Revenue and Changes in Net Position
			Program Revenues		
Data Control Codes	Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
	Governmental Activities:				
11	Instruction	\$ 1,750,736	\$ --	\$ (94,516)	\$ (1,845,252)
12	Instructional Resources and Media Services	44,431	--	(8,416)	(52,847)
13	Curriculum and Staff Development	4,024	--	--	(4,024)
21	Instructional Leadership	6,866	--	130	(6,736)
23	School Leadership	139,192	--	(24,600)	(163,792)
31	Guidance, Counseling, & Evaluation Services	45,129	--	(8,847)	(53,976)
33	Health Services	13,983	--	--	(13,983)
34	Student Transportation	198,423	--	(4,531)	(202,954)
35	Food Service	149,706	41,416	154,512	46,222
36	Cocurricular/Extracurricular Activities	363,744	18,852	(13,044)	(357,936)
41	General Administration	218,662	--	(18,698)	(237,360)
51	Facilities Maintenance and Operations	352,258	--	(23,036)	(375,294)
52	Security and Monitoring Services	21,379	--	--	(21,379)
53	Data Processing Services	80,345	--	(7,824)	(88,169)
72	Interest on Long-term Debt	48,857	--	50,916	2,059
73	Bond Issuance Costs and Fees	9,602	--	--	(9,602)
81	Capital Outlay	9,432	--	--	(9,432)
93	Payments Related to Shared Services Arrangements	27,166	--	--	(27,166)
TG	Total Governmental Activities	3,483,935	60,268	2,046	(3,421,621)
TP	Total Primary Government	\$ 3,483,935	\$ 60,268	\$ 2,046	(3,421,621)
General Revenues:					
MT	Property Taxes, Levied for General Purposes				657,390
DT	Property Taxes, Levied for Debt Service				37,839
IE	Investment Earnings				7,366
GC	Grants and Contributions Not Restricted to Specific Programs				3,427,681
MI	Miscellaneous				4,176
TR	Total General Revenues				4,134,452
CN	Change in Net Position				712,831
NB	Net Position - Beginning				3,107,638
PA	Prior Period Adjustment				(2,205,154)
	Net Position - Beginning, as Restated				902,484
NE	Net Position - Ending				\$ 1,615,315

The accompanying notes are an integral part of this statement.

MT. ENTERPRISE 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 <i>Cash and Cash Equivalents</i>	\$ 2,284,660	\$ 63,755	\$ 2,348,415
1225 <i>Taxes Receivable, Net</i>	114,313	7,669	121,982
1240 <i>Due from Other Governments</i>	209,161	20,873	230,034
1000 <i>Total Assets</i>	<u>2,608,134</u>	<u>92,297</u>	<u>2,700,431</u>
LIABILITIES:			
Current Liabilities:			
2110 <i>Accounts Payable</i>	\$ 24,838	\$ 8,612	\$ 33,450
2160 <i>Accrued Wages Payable</i>	168,313	11,663	179,976
2190 <i>Due to Student Groups</i>	--	35,715	35,715
2200 <i>Accrued Expenditures</i>	21,897	1,037	22,934
2300 <i>Unearned Revenue</i>	86,678	2,042	88,720
2000 <i>Total Liabilities</i>	<u>301,726</u>	<u>59,069</u>	<u>360,795</u>
DEFERRED INFLOWS OF RESOURCES:			
<i>Deferred Revenue</i>	114,313	7,669	121,982
2600 <i>Total Deferred Inflows of Resources</i>	<u>114,313</u>	<u>7,669</u>	<u>121,982</u>
FUND BALANCES:			
Restricted Fund Balances:			
3450 <i>Federal/State Funds Grant Restrictions</i>	--	23,189	23,189
3480 <i>Retirement of Long-Term Debt</i>	--	2,370	2,370
3600 <i>Unassigned</i>	2,192,095	--	2,192,095
3000 <i>Total Fund Balances</i>	<u>2,192,095</u>	<u>25,559</u>	<u>2,217,654</u>
4000 <i>Total Liabilities, Deferred Inflow of Resources and Fund Balances</i>	<u>\$ 2,608,134</u>	<u>\$ 92,297</u>	<u>\$ 2,700,431</u>

The accompanying notes are an integral part of this statement.

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT
*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 AUGUST 31, 2018*

Total fund balances - governmental funds balance sheet	\$ 2,217,654
Amounts reported for governmental activities in the Statement of Net Position ("SNP") are different because:	
Capital assets used in governmental activities are not reported in the funds.	4,179,698
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	121,981
Payables for bond principal which are not due in the current period are not reported in the funds.	(2,536,738)
Payables for bond interest which are not due in the current period are not reported in the funds.	(3,934)
Payables for notes which are not due in the current period are not reported in the funds.	(118,699)
The unamortized deferred amount on bond refunding is not reported in the funds.	169,753
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(577,636)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(92,877)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	246,343
The accumulated accretion of interest on capital appreciation bonds is not reported in the funds.	(53,255)
Bond premiums are amortized in the SNA but not in the funds.	(178,946)
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.	(1,257,577)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.	(526,047)
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.	25,598
Rounding difference	(3)
Net position of governmental activities - Statement of Net Position	\$ <u>1,615,315</u>

The accompanying notes are an integral part of this statement.

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 725,194	\$ 78,747	\$ 803,941
5800 <i>State Program Revenues</i>	3,574,744	100,220	3,674,964
5900 <i>Federal Program Revenues</i>	33,553	255,194	288,747
5020 Total Revenues	<u>4,333,491</u>	<u>434,161</u>	<u>4,767,652</u>
EXPENDITURES:			
Current:			
0011 <i>Instruction</i>	2,211,348	137,313	2,348,661
0012 <i>Instructional Resources and Media Services</i>	62,672	--	62,672
0013 <i>Curriculum and Staff Development</i>	4,024	--	4,024
0021 <i>Instructional Leadership</i>	5,918	948	6,866
0023 <i>School Leadership</i>	198,647	--	198,647
0031 <i>Guidance, Counseling, & Evaluation Services</i>	65,420	--	65,420
0033 <i>Health Services</i>	13,983	--	13,983
0034 <i>Student Transportation</i>	182,802	--	182,802
0035 <i>Food Service</i>	--	179,986	179,986
0036 <i>Cocurricular/Extracurricular Activities</i>	282,087	--	282,087
0041 <i>General Administration</i>	276,479	--	276,479
0051 <i>Facilities Maintenance and Operations</i>	429,445	22,415	451,860
0052 <i>Security and Monitoring Services</i>	21,379	--	21,379
0053 <i>Data Processing Services</i>	96,131	--	96,131
0071 <i>Principal on Long-term Debt</i>	43,092	100,000	143,092
0072 <i>Interest on Long-term Debt</i>	6,111	88,981	95,092
0073 <i>Bond Issuance Costs and Fees</i>	--	300	300
0081 <i>Capital Outlay</i>	140,767	29,104	169,871
0093 <i>Payments to Shared Service Arrangements</i>	27,166	--	27,166
6030 Total Expenditures	<u>4,067,471</u>	<u>559,047</u>	<u>4,626,518</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>266,020</u>	<u>(124,886)</u>	<u>141,134</u>
Other Financing Sources and (Uses):			
7915 <i>Transfers In</i>	--	100,000	100,000
8911 <i>Transfers Out</i>	(100,000)	--	(100,000)
7080 Total Other Financing Sources and (Uses)	<u>(100,000)</u>	<u>100,000</u>	<u>--</u>
1200 Net Change in Fund Balances	<u>166,020</u>	<u>(24,886)</u>	<u>141,134</u>
0100 Fund Balances - Beginning	<u>2,026,075</u>	<u>50,445</u>	<u>2,076,520</u>
3000 Fund Balances - Ending	<u>\$ 2,192,095</u>	<u>\$ 25,559</u>	<u>\$ 2,217,654</u>

The accompanying notes are an integral part of this statement.

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT

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

Net change in fund balances - total governmental funds	\$	141,134
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:		
Capital outlays are not reported as expenses in the SOA.		215,540
The depreciation of capital assets used in governmental activities is not reported in the funds.		(251,575)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.		43,606
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.		100,000
Bond premiums are amortized in the SOA but not in the funds.		8,777
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.		43,092
The deferred amount on refunding is amortized in the SOA but not in the funds.		(9,302)
The accretion of interest on capital appreciation bonds is not reported in the funds.		37,452
(Increase) decrease in accrued interest from beginning of period to end of period.		6
Prior years' property tax collections are revenue in the funds but were reported in a prior period in the SOA.		(38,772)
Implementing GASB 68 required certain expenditures to be de-expended and recorded as deferred resource c		(127,758)
The District's share of the unrecognized deferred inflows and outflows for the pension plan was amortized.		103,505
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.		(500,449)
Implementing GASB 75 required certain expenditures to be de-expended and recorded as deferred resource c		962,612
OPEB contributions made after the measurement date but in current FY were de-expended & reduced NPL.		(15,035)
Rounding difference		(2)
Change in net position of governmental activities - Statement of Activities	\$	<u>712,831</u>

The accompanying notes are an integral part of this statement.

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT*STATEMENT OF FIDUCIARY NET POSITION**FIDUCIARY FUNDS**AUGUST 31, 2018*

<u>Data Control Codes</u>		<u>Agency Funds</u>
ASSETS:		
1110	<i>Cash and Cash Equivalents</i>	\$ 34,097
1000	Total Assets	<u>34,097</u>
LIABILITIES:		
Current Liabilities:		
2190	<i>Due to Student Groups</i>	\$ 34,097
2000	Total Liabilities	<u>34,097</u>
NET POSITION:		
3000	Total Net Position	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

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MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2018

A. Summary of Significant Accounting Policies

The basic financial statements of Mt. Enterprise Independent School District (the "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 ("Resource 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 has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental reporting entity and there are no component units included within the District's reporting entity.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Financial Statements: The statement of net position 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 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.

In addition, the District reports the following fund types:

Debt Service Fund: The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt.

Agency Funds: These funds are used to report student activity funds and other resources held in a 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.

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2018

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

b. Measurement Focus, Basis of Accounting

Government-wide and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. They 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 general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases 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.

3. Financial Statement Amounts

a. Property Taxes

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

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

b. Inventories and Prepaid Items

The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory in accordance with the Resource Guide.

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2018

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed 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.

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	15-75
Building Improvements	15-75
Transportation equipment	5-10
Furniture, fixtures, & equipment	3-10

d. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide Statement of Net Position and governmental funds balance sheet) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

e. 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.

f. Interfund Activity

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

g. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2018

h. Data Control Codes

Data Control Codes appear in the rows and above the columns of certain financial statements. The TEA requires the display of these codes in the financial statements filed with TEA in order to ensure accuracy in building a statewide database for policy development and funding plans.

i. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's Board of Trustees. Committed amounts cannot be used for any other purpose unless the Board of Trustees removes these constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Board of Trustees. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board of Trustees or by an official or body to which the Board of Trustees delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

j. Net Position Flow Assumption

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

k. Fund Balance Flow Assumptions

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

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2018

the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

4. Pensions

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

5. New Accounting Standards Adopted

In fiscal year 2018, the District adopted a new statement of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

-- Statement No. 75,

Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Benefits

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. It also improves information provided by state and local governmental employers about support for OPEB that is provided by other entities.

This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB.

The financial statements and note disclosures have been updated for the affects of the adoption of GASB Statement No. 75.

B. Compliance and Accountability

The Board of Trustees adopts an annual budget consistent with generally accepted accounting principles for the General Fund, Debt Service Fund, and the Food Service Fund (which is included in the Special Revenue Funds). All annual appropriations lapse at fiscal year end. Expenditures may not exceed budgeted appropriations at the function level. The budget is amended only by approval of the Board of Trustees. Proposed amendments are presented to the Board of Trustees in a public meeting, and each amendment must have the Board of Trustees approval. During the year, the budget was amended as necessary.

C. Deposits and Investments

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

1. Cash Deposits:

At August 31, 2018, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was 2,312,690 and the bank balance was 2,368,864. The District's cash deposits at August 31, 2018 and during the year ended August 31, 2018, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2018

2. Investments:

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

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, (1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) securities lending program, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) commercial paper.

3. Analysis of Specific Deposit and Investment Risks

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 rating 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 credit 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.

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2018

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.

Investment Accounting Policy

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

D. Property Taxes Receivable

	General Fund	Debt Service Fund	Total
Current Tax Year	\$ 31,359	\$ 1,745	\$ 33,104
Prior Tax Years	111,030	7,355	118,385
Total	142,389	9,100	151,489
Less: Allowance for Uncollectible Taxes	(28,076)	(1,431)	(29,507)
Net Taxes Receivable	\$ 114,313	\$ 7,669	\$ 121,982

E. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 117,176	\$ --	\$ --	\$ 117,176
Construction in progress	29,000	--	29,000	--
Total capital assets not being depreciated	146,176	--	29,000	117,176
<i>Capital assets being depreciated:</i>				
Buildings and improvements	7,420,098	216,368	--	7,636,466
Vehicles and equipment	829,335	28,172	--	857,506
Total capital assets being depreciated	8,249,433	244,540	--	8,493,972
Less accumulated depreciation for:				
Buildings and improvements	(3,529,371)	(213,890)	--	(3,743,261)
Vehicles and equipment	(650,504)	(37,686)	--	(688,190)
Total accumulated depreciation	(4,179,875)	(251,576)	--	(4,431,451)
Total capital assets being depreciated, net	4,069,558	(7,036)	--	4,062,521
Governmental activities capital assets, net	\$ 4,215,734	\$ (7,036)	\$ 29,000	\$ 4,179,697

Depreciation was charged to functions as follows:

Instruction	\$ 102,495
Student Transportation	24,797
Food Services	2,317
Extracurricular Activities	118,302
General Administration	894
Plant Maintenance and Operations	2,771
	\$ 251,576

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2018

F. Interfund Balances and Activities

Transfers To and From Other Funds

Transfers to and from other funds at August 31, 2018, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General fund	Debt service fund	\$ 100,000	Provide resources for repayment
	Total	\$ 100,000	

G. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2018, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
2015 Refunding CIBs	2,510,000	--	--	2,510,000	--
Add: Premium on Issuance	169,249	--	8,776	160,473	--
Capital Appreciation Bonds (CAI	65,000	--	38,262	26,738	26,738
Add: Premium on CABs	99,068	--	80,594	18,474	--
Accumulated accretion on CABs	71,851	43,142	61,738	53,255	--
Loan Payable - Bus	69,802	--	21,689	48,113	22,607
Loan Payable - Bus (2)	91,989	--	21,402	70,587	22,643
Net Pension Liability*	688,108	--	110,472	577,636	--
Net OPEB Liability*	2,220,189	--	962,612	1,257,577	--
Total governmental activities	\$ 5,985,256	\$ 43,142	\$ 1,305,545	\$ 4,722,853	\$ 71,988

* Other long-term liabilities

Liability	Activity Type	Fund
Net Pension Liability *	Governmental	General
Net OPEB Liability*	Governmental	General

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2018, are as follows:

Year Ending August 31,	Governmental Activities		
	Principal	Interest	Total
2019	\$ 71,988	\$ 166,315	\$ 238,303
2020	146,975	91,158	238,133
2021	126,475	84,805	211,280
2022	105,000	79,481	184,481
2023	115,000	74,494	189,494
2024-2028	650,000	292,693	942,693
2029-2033	755,000	181,294	936,294
2034-2038	685,000	54,694	739,694
Totals	\$ 2,655,438	\$ 1,024,934	\$ 3,680,372

The 2007 Unlimited School Building Bonds have interest rates that range from 4.65% to 6.625%, and the 2015 refunding bonds have interest rates that range from 3% to 4.75%. The loans payable for two buses are 4% and 4.25%, respectively.

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2018

3. Advance Refunding of Debt

GASB Statement No. 7, "Advance Refundings Resulting in Defeasance of Debt," provides that refunded debt and assets placed in escrow for the payment of related debt service be excluded from the financial statements. As of August 31, 2018, outstanding balances of bond issues that have been refunded and defeased in-substance by placing existing assets and the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments are as follows.

<u>Bond Issue</u>	<u>Amount</u>
2007 Unlimited Tax School Building Bonds	\$ 2,630,000
Total	<u>2,630,000</u>

H. Commitments Under Noncapitalized Leases

Commitments under operating (noncapitalized) lease agreements for facilities and equipment provide for minimum future rental payments as of August 31, 2018, as follows:

<u>Year Ending August 31,</u>	
2019	\$ 13,053
2020	13,053
2021	13,053
Total Minimum Rentals	<u>\$ 39,159</u>
Rental Expenditures in 2018	<u>\$ 13,053</u>

I. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2018, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

J. 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.

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

2. Pension Plan Fiduciary Net Position

Detail 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 <https://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.

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

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3. 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.

4. Contributions

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2017 and 2018.

<u>Contribution Rates</u>		
	<u>2017</u>	<u>2018</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (NECE - State)	6.8%	6.8%
Employers	6.8%	6.8%
District's 2018 Employer Contributions	\$ 68,446	
District's 2018 Member Contributions	\$ 198,480	
NECE 2017 On-Behalf Contributions to District	\$ 138,800	

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

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.

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NOTES TO THE FINANCIAL STATEMENTS

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

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

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution 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.

5. Actuarial Assumptions

The total pension liability in the August 31, 2017 actuarial evaluation 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%
Long-term expected Investment Rate of Return	8%
Inflation	2.5%
Salary Increases including inflation	3.5% to 9.5%
Payroll Growth Rate	2.5%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

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

6. Discount Rate

The discount rate used to measure the total pension liability was 8%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2017 are summarized below:

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2018

Teacher Retirement System of Texas Asset Allocation and Long-Term Expected Real Rate of Return As of August 31, 2017			
Asset Class	Target Allocation*	Long-term Expected Geometric Real Rate of Return	Expected Contribution to Long-term Portfolio Returns **
Global Equity			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy & 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	100%		8.7%

* Target allocations are based on the FY2014 policy model. Infrastructure was moved from Real Assets to Energy and Natural Resources in FY2017, but the reallocation does not affect the long term expected geometric real rate of return or expected contribution to long-term portfolio returns.

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

7. Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate 7%	Discount Rate 8%	1% Increase in Discount Rate 9%
District's proportionate share of the net pension liability	\$ 973,780	\$ 577,636	\$ 247,782

8. 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 \$577,636 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:

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District's proportionate share of the collective net pension liability	\$ 577,636
State's proportionate share that is associated with District	<u>1,356,981</u>
Total	<u>\$ 1,934,617</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 District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2016 through August 31, 2017.

At August 31, 2017 the employer's proportion of the collective net pension liability was 0.0018065%. which was an increase (decrease) of 0.0018065% from its proportion measured as of August 31, 2016.

Changes Since the Prior Actuarial Valuation - There were no changes to the actuarial assumptions of 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 \$196,204 and revenue of \$103,505 for support provided by the State.

At August 31, 2018, the District reported its proportionate share of the TRS' deferred outflows of resources and deferred inflows of resources related to pensions from the following sources: (The amounts below will be the cumulative layers from the current and prior years combined)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 8,451	\$ 31,151
Changes in actuarial assumptions	26,312	15,063
Difference between projected and actual investment earnings	--	42,097
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	143,134	4,566
Contributions paid to TRS subsequent to the measurement date	<u>68,446</u>	<u>--</u>
Total	<u>\$ 246,343</u>	<u>\$ 92,877</u>

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

Year Ended August 31	Pension Expense Amount
2019	\$ 15,815
2020	\$ 52,687
2021	\$ 12,981
2022	\$ 1,293
2023	\$ 3,374
Thereafter	\$ (1,129)

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FOR THE YEAR ENDED AUGUST 31, 2018

K. Defined Other Post-Employment Benefit Plans

1. Plan Description

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

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. Components of the net OPEB liability of the TRS-Care plan as of August 31, 2017 are as follows:

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

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 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:

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

* or surviving spouse

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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 .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

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

Current fiscal year District contributions	\$	25,402
Current fiscal year Member contributions	\$	16,755
2017 measurement year NECE contributions	\$	22,942

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to, regardless of whether 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 NECE 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 actuarial valuation of TRS-Care is similar to the actuarial valuations performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including mortality, and most of the economic assumptions are identical to those adopted by the Board in 2015 and are based on the 2014 actuarial experience study of TRS.

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

The 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:

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

Additional Actuarial Methods and Assumptions:

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

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

**Includes inflation at 2.50%

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

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, there are no investments and 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 not to 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 on the net OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used in measuring the net OPEB liability.

	1% Decrease in Discount Rate (2.42%)	Current Single Discount Rate (3.42%)	1% Increase in Discount Rate (4.42%)
District's proportionate share of net OPEB liability	\$ 1,484,253	\$ 1,257,577	\$ 1,075,381

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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 1% less than and 1% greater than the assumed healthcare cost trend rate:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of net OPEB liability	\$ 1,047,059	\$ 1,257,577	\$ 1,533,804

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 \$1,257,577 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	\$ 1,257,577
State's proportionate share that is associated with the District	\$ 1,768,442
Total	\$ 3,026,019

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

At August 31, 2017 the District's proportion of the collective net OPEB liability was 0.0028919.

10. Changes Since the Prior Actuarial Valuation.

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

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

The Affordable Care Act includes a 40% excise tax on high-cost health plans known as the "Cadillac tax." In this valuation the impact of this tax has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

- 2018 thresholds of \$850/\$2,292 were indexed annually by 2.50%.
- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2018

- c. There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

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

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

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

For the year ended August 31, 2018, the District recognized OPEB expense of \$(1,063,850) and revenue of \$(642,124) for support provided by the State.

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

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual economic experience	\$ --	\$ 26,253
Changes in actuarial assumptions	--	499,794
Differences between projected and actual investment earnings	191	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	5	--
Contributions paid to TRS subsequent to the measurement date	25,402	
	<u>\$ 25,598</u>	<u>526,047</u>

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

Year ended August 31,	Amount
2019	\$ (69,386)
2020	\$ (69,386)
2021	\$ (69,386)
2022	\$ (69,386)
2023	\$ (69,434)
Thereafter	\$ (178,872)

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2018

L. Employee Health Care Coverage

During the year ended August 31, 2018, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$ per pay period per employee and dependents to the Plan. All premiums were paid to a self-funded pool. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the District and the licensed insurer is renewable , and terms of coverage and premium costs are included in the contractual provisions.

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

M. Self-Funded Workers' Compensation

The District has joined together with other area districts to form a self-insurance workers' compensation risk pool (pool). Claims administration and processing for the Pool is provided by Claims Administrative Services, Inc. The agreement for the formation of the Pool provides that the Pool will be self sustaining through member premiums and will reinsure through commercial insurance companies for claims in excess of \$500,000 for each insured event, with an unlimited aggregate. The Pool contracts with Midwest Employers Casualty Company for reinsurance.

The District's administrative expenses for the years ended August 31, 2018 and 2017 were \$6,441 and \$9,270, respectively. Estimated total claims liability for the years ended August 31, 2018 and 2017, including estimated claims incurred but not reported, amount to \$18,425 and \$21,321, respectively. The estimated total liability for workers' compensation claims incurred but not reported claims amounted to \$16,651 and \$11,618 at August 31, 2017 and 2016, respectively.

	2018	2017
Claims liability, beginning of year	\$ 21,321	\$ 19,593
Incurred claims:		
Provision for insured events of current year	10,165	9,570
Increase (Decrease) in provision for insured events of prior years	(2,690)	(2,186)
Total incurred claims	7,475	7,384
Payments:		
Claims expenses attributable to insured events of current year	8,292	2,887
Claims expenses attributable to insured events of prior years	2,079	2,769
Total payments	10,371	5,656
Total unpaid claims at the end of the year	\$ 18,425	\$ 21,321

N. Commitments and Contingencies

1. Contingencies

The District participates in 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, refunds of any money received may be required and the collectibility of any related receivable 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 basic financial statements for such contingencies.

2. Litigation

No reportable litigation was pending against the District at August 31, 2018.

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2018

O. Shared Services Arrangements

Shared Services Arrangement - Membership

The District participates in a shared services arrangement ("SSA") for special education services with the following school districts:

Member Districts

Carlisle ISD

Laneville ISD

Leveretts Chapel ISD

Mt. Enterprise ISD

Overton ISD

Tatum ISD - Fiscal Agent

The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in capital assets purchased by the fiscal agent, Tatum ISD, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

The SSA is accounted for using a combination of Model 1 and Model 3 in the SSA section of the Resource Guide. Mt. Enterprise ISD remits funds to the fiscal agent for the director, counselors, diagnosticians, and shared teachers. The District accounts for this portion of the SSA using Model 3.

P. Prior Period Adjustment

During fiscal year 2018, the District adopted GASB Statement No. 75 for Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. With GASB 75, the District must assume their proportionate share of the Net OPEB liability of the Teacher Retirement System of Texas. Adoption of GASB 75 required a prior period adjustment to report the effect of GASB 75 retroactively. The prior period adjustment totaled \$(2,205,154), which resulted in a restated beginning net position balance of \$902,483.

Q. 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.

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2018

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.

	Operating Grants and Contributions	Negative On-Behalf Accruals	Operating Grants and Contributions (excluding on- behalf accruals)
11 Instruction	\$ (94,516)	\$ (447,011)	\$ 352,495
12 Instructional Resources and Media Services	(8,416)	(13,661)	5,245
21 Instructional Leadership	130	--	130
23 School Leadership	(24,600)	(39,927)	15,327
31 Guidance, Counseling, and Evaluation Services	(8,847)	(14,358)	5,511
34 Student Transportation	(4,531)	(7,353)	2,822
35 Food Service	154,512	(13,858)	168,370
36 Extracurricular Activities	(13,044)	(23,696)	10,652
41 General Administration	(18,698)	(32,171)	13,473
51 Facilities Maintenance and Operations	(23,036)	(37,390)	14,354
53 Data Processing Services	(7,824)	(12,699)	4,875
72 Interest on Long-term Debt	50,916	--	50,916
	<u>\$ 2,046</u>	<u>\$ (642,124)</u>	<u>\$ 644,170</u>

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Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

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MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT
EXHIBIT G-1
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	1		2	3	Variance with Final Budget Positive (Negative)
	Budgeted Amounts				
	Original	Final	Actual		
REVENUES:					
5700 <i>Local and Intermediate Sources</i>	\$ 687,750	\$ 687,750	\$ 725,194	\$	37,444
5800 <i>State Program Revenues</i>	3,461,763	3,461,763	3,574,744		112,981
5900 <i>Federal Program Revenues</i>	15,000	15,000	33,553		18,553
5020 <i>Total Revenues</i>	<u>4,164,513</u>	<u>4,164,513</u>	<u>4,333,491</u>		<u>168,978</u>
EXPENDITURES:					
Current:					
Instruction & Instructional Related Services:					
0011 <i>Instruction</i>	2,288,412	2,288,412	2,211,348		77,064
0012 <i>Instructional Resources and Media Services</i>	65,974	65,974	62,672		3,302
0013 <i>Curriculum and Staff Development</i>	12,654	6,710	4,024		2,686
Total Instruction & Instr. Related Services	<u>2,367,040</u>	<u>2,361,096</u>	<u>2,278,044</u>		<u>83,052</u>
Instructional and School Leadership:					
0021 <i>Instructional Leadership</i>	6,500	6,500	5,918		582
0023 <i>School Leadership</i>	217,288	217,288	198,647		18,641
Total Instructional & School Leadership	<u>223,788</u>	<u>223,788</u>	<u>204,565</u>		<u>19,223</u>
Support Services - Student (Pupil):					
0031 <i>Guidance, Counseling and Evaluation Services</i>	69,389	69,389	65,420		3,969
0033 <i>Health Services</i>	15,877	15,877	13,983		1,894
0034 <i>Student (Pupil) Transportation</i>	117,217	182,802	182,802		--
0036 <i>Cocurricular/Extracurricular Activities</i>	316,269	316,269	282,087		34,182
Total Support Services - Student (Pupil)	<u>518,752</u>	<u>584,337</u>	<u>544,292</u>		<u>40,045</u>
Administrative Support Services:					
0041 <i>General Administration</i>	298,418	298,418	276,479		21,939
Total Administrative Support Services	<u>298,418</u>	<u>298,418</u>	<u>276,479</u>		<u>21,939</u>
Support Services - Nonstudent Based:					
0051 <i>Plant Maintenance and Operations</i>	448,970	448,970	429,445		19,525
0052 <i>Security and Monitoring Services</i>	29,550	29,550	21,379		8,171
0053 <i>Data Processing Services</i>	97,534	97,534	96,131		1,403
Total Support Services - Nonstudent Based	<u>576,054</u>	<u>576,054</u>	<u>546,955</u>		<u>29,099</u>
Debt Service:					
0071 <i>Principal on Long-Term Debt</i>	150,000	50,000	43,092		6,908
0072 <i>Interest on Long-Term Debt</i>	11,282	11,282	6,111		5,171
0073 <i>Bond Issuance Costs and Fees</i>	100	100	--		100
Total Debt Service	<u>161,382</u>	<u>61,382</u>	<u>49,203</u>		<u>12,179</u>
Capital Outlay:					
0081 <i>Capital Outlay</i>	81,079	142,023	140,767		1,256
Total Capital Outlay	<u>81,079</u>	<u>142,023</u>	<u>140,767</u>		<u>1,256</u>
Intergovernmental Charges:					
0093 <i>Payments to Fiscal Agent/Member Dist.-SSA</i>	33,000	33,000	27,166		5,834
Total Intergovernmental Charges	<u>33,000</u>	<u>33,000</u>	<u>27,166</u>		<u>5,834</u>
6030 <i>Total Expenditures</i>	<u>4,259,513</u>	<u>4,280,098</u>	<u>4,067,471</u>		<u>212,627</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>					
1100 <i>Expenditures</i>	<u>(95,000)</u>	<u>(115,585)</u>	<u>266,020</u>		<u>381,605</u>
Other Financing Sources (Uses):					
8911 <i>Transfers Out</i>	--	(100,000)	(100,000)		--
7080 <i>Total Other Financing Sources and (Uses)</i>	<u>--</u>	<u>(100,000)</u>	<u>(100,000)</u>		<u>--</u>
1200 <i>Net Change in Fund Balance</i>	<u>(95,000)</u>	<u>(215,585)</u>	<u>166,020</u>		<u>381,605</u>
0100 <i>Fund Balance - Beginning</i>	<u>2,026,075</u>	<u>2,026,075</u>	<u>2,026,075</u>		<u>--</u>
3000 <i>Fund Balance - Ending</i>	<u>\$ 1,931,075</u>	<u>\$ 1,810,490</u>	<u>\$ 2,192,095</u>	<u>\$</u>	<u>381,605</u>

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT

Exhibit G-2

*SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM
LAST TEN FISCAL YEARS **

	2017	2016	2015	2014
District's proportion of the net pension liability (asset)	0.0018065%	0.0018209%	0.0018154%	0.0010359%
District's proportionate share of the net pension liability (asset)	\$ 577,636	\$ 688,108	\$ 641,720	\$ 276,703
State's proportionate share of the net pension liability (asset) associated with the District	1,356,981	1,631,497	1,531,389	1,366,796
Total	<u>\$ 1,934,617</u>	<u>\$ 2,319,605</u>	<u>\$ 2,173,109</u>	<u>\$ 1,643,499</u>
District's covered-employee payroll	\$ 2,423,656	\$ 2,356,817	\$ 2,189,914	\$ 2,229,109
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	23.83%	29.20%	29.30%	12.41%
Plan fiduciary net position as a percentage of the total pension liability	82.17%	78.00%	78.43%	83.25%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT

Exhibit G-3

**SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM
LAST TEN FISCAL YEARS ***

	2018	2017	2016	2015
Contractually required contribution	\$ 68,446	\$ 59,209	\$ 71,717	\$ 23,493
Contributions in relation to the contractually required contribution	(68,446)	(59,209)	(71,717)	(23,493)
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --
District's covered-employee payroll	\$ 2,577,655	\$ 2,423,746	\$ 2,356,817	\$ 2,189,914
Contributions as a percentage of covered-employee payroll	2.66%	2.44%	3.04%	1.07%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST TEN FISCAL YEARS **

	Measurment Year Ended August 31, <u>2017</u>
District's proportion of the collective net OPEB liability	0.00289190%
District's proportionate share of the collective net OPEB liability	\$ 1,257,577
State proportionate share of the collective net OPEB liability associated with the District Total	<u>1,918,927</u> \$ <u>3,176,504</u>
District's covered-employee payroll	\$ 2,423,746
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	51.89%
Plan fiduciary net position as a percentage of the total OPEB liability	0.91%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT*SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS**TEACHER RETIREMENT SYSTEM OF TEXAS**LAST TEN FISCAL YEARS **

	Fiscal Year Ended August 31, <u>2018</u>
Statutorily or contractually required District contribution	\$ 25,402
Contributions recognized by OPEB in relation to statutorily or contractually required contribution	<u>(25,402)</u>
Contribution deficiency (excess)	<u>\$ --</u>
District's covered-employee payroll	\$ 2,577,655
Contributions as a percentage of covered-employee payroll	0.99%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED AUGUST 31, 2018

Budget

The official budget was prepared for adoption for all Governmental 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.:

- a. Prior to August 21 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. 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.
- c. Prior to the beginning of the fiscal year, 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 that 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.

Defined Benefit Pension Plan

Changes of benefit terms

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

Changes of assumptions

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

*Combining Statements and Budget Comparisons
as Supplementary Information*

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT*COMBINING BALANCE SHEET**NONMAJOR GOVERNMENTAL FUNDS**AUGUST 31, 2018*

Data Control Codes		Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds (See Exhibit C-1)
ASSETS:				
1110	<i>Cash and Cash Equivalents</i>	\$ 58,876	\$ 4,879	\$ 63,755
1225	<i>Taxes Receivable, Net</i>	--	7,669	7,669
1240	<i>Due from Other Governments</i>	19,878	995	20,873
1000	Total Assets	<u>78,754</u>	<u>13,543</u>	<u>92,297</u>
LIABILITIES:				
Current Liabilities:				
2110	<i>Accounts Payable</i>	\$ 7,150	\$ 1,462	\$ 8,612
2160	<i>Accrued Wages Payable</i>	11,663	--	11,663
2190	<i>Due to Student Groups</i>	35,715	--	35,715
2200	<i>Accrued Expenditures</i>	1,037	--	1,037
2300	<i>Unearned Revenue</i>	--	2,042	2,042
2000	Total Liabilities	<u>55,565</u>	<u>3,504</u>	<u>59,069</u>
DEFERRED INFLOWS OF RESOURCES:				
	<i>Deferred Revenue</i>	--	7,669	7,669
2600	Total Deferred Inflows of Resources	<u>--</u>	<u>7,669</u>	<u>7,669</u>
FUND BALANCES:				
Restricted Fund Balances:				
3450	<i>Federal/State Funds Grant Restrictions</i>	23,189	--	23,189
3480	<i>Retirement of Long-Term Debt</i>	--	2,370	2,370
3000	Total Fund Balances	<u>23,189</u>	<u>2,370</u>	<u>25,559</u>
4000	Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 78,754</u>	<u>\$ 13,543</u>	<u>\$ 92,297</u>

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT

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

Data Control Codes	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds (See Exhibit C-2)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 41,417	\$ 37,330	\$ 78,747
5800 <i>State Program Revenues</i>	49,304	50,916	100,220
5900 <i>Federal Program Revenues</i>	255,194	--	255,194
5020 Total Revenues	<u>345,915</u>	<u>88,246</u>	<u>434,161</u>
EXPENDITURES:			
Current:			
0011 <i>Instruction</i>	137,313	--	137,313
0021 <i>Instructional Leadership</i>	948	--	948
0035 <i>Food Service</i>	179,986	--	179,986
0051 <i>Facilities Maintenance and Operations</i>	22,415	--	22,415
0071 <i>Principal on Long-term Debt</i>	--	100,000	100,000
0072 <i>Interest on Long-term Debt</i>	--	88,981	88,981
0073 <i>Bond Issuance Costs and Fees</i>	--	300	300
0081 <i>Capital Outlay</i>	29,104	--	29,104
6030 Total Expenditures	<u>369,766</u>	<u>189,281</u>	<u>559,047</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>(23,851)</u>	<u>(101,035)</u>	<u>(124,886)</u>
Other Financing Sources and (Uses):			
7915 <i>Transfers In</i>	--	100,000	100,000
7080 Total Other Financing Sources and (Uses)	<u>--</u>	<u>100,000</u>	<u>100,000</u>
1200 Net Change in Fund Balances	<u>(23,851)</u>	<u>(1,035)</u>	<u>(24,886)</u>
0100 Fund Balances - Beginning	<u>47,040</u>	<u>3,405</u>	<u>50,445</u>
3000 Fund Balances - Ending	<u>\$ 23,189</u>	<u>\$ 2,370</u>	<u>\$ 25,559</u>

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT*COMBINING BALANCE SHEET**NONMAJOR SPECIAL REVENUE FUNDS**AUGUST 31, 2018*

<u>Data Control Codes</u>		211 ESEA Title I Improving Basic Programs	240 National School Breakfast/Lunch Program	255 ESEA Title II Training & Recruiting
ASSETS:				
1110	<i>Cash and Cash Equivalents</i>	\$ --	\$ 23,161	\$ --
1240	<i>Due from Other Governments</i>	5,367	9,277	1,090
1000	Total Assets	<u>5,367</u>	<u>32,438</u>	<u>1,090</u>
LIABILITIES:				
Current Liabilities:				
2110	<i>Accounts Payable</i>	\$ --	\$ 7,150	\$ --
2160	<i>Accrued Wages Payable</i>	4,882	1,995	990
2190	<i>Due to Student Groups</i>	--	--	--
2200	<i>Accrued Expenditures</i>	485	104	100
2000	Total Liabilities	<u>5,367</u>	<u>9,249</u>	<u>1,090</u>
FUND BALANCES:				
Restricted Fund Balances:				
3450	<i>Federal/State Funds Grant Restrictions</i>	--	23,189	--
3000	Total Fund Balances	<u>--</u>	<u>23,189</u>	<u>--</u>
4000	Total Liabilities and Fund Balances	<u>\$ 5,367</u>	<u>\$ 32,438</u>	<u>\$ 1,090</u>

270 ESEA, Title VI Part B, Subpart 2 Rural School	289 Title IV, Part A Subpart 1	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds (See Exhibit H-1)
\$ --	\$ --	\$ 35,715	\$ 58,876
3,113	1,031	--	19,878
<u>3,113</u>	<u>1,031</u>	<u>35,715</u>	<u>78,754</u>
\$ --	\$ --	\$ --	\$ 7,150
2,861	935	--	11,663
--	--	35,715	35,715
252	96	--	1,037
<u>3,113</u>	<u>1,031</u>	<u>35,715</u>	<u>55,565</u>
--	--	--	23,189
<u>--</u>	<u>--</u>	<u>--</u>	<u>23,189</u>
\$ <u>3,113</u>	\$ <u>1,031</u>	\$ <u>35,715</u>	\$ <u>78,754</u>

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	211 ESEA Title I Improving Basic Programs	240 National School Breakfast/Lunch Program	255 ESEA Title II Training & Recruiting	270 ESEA, Title VI Part B, Subpart : Rural School
REVENUES:				
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ 41,417	\$ --	\$ --
5800 <i>State Program Revenues</i>	--	5,326	--	--
5900 <i>Federal Program Revenues</i>	40,841	161,611	6,831	32,540
5020 <i>Total Revenues</i>	<u>40,841</u>	<u>208,354</u>	<u>6,831</u>	<u>32,540</u>
EXPENDITURES:				
Current:				
0011 <i>Instruction</i>	40,023	--	6,701	32,540
0021 <i>Instructional Leadership</i>	818	--	130	--
0035 <i>Food Service</i>	--	179,986	--	--
0051 <i>Facilities Maintenance and Operations</i>	--	22,415	--	--
0081 <i>Capital Outlay</i>	--	29,104	--	--
6030 <i>Total Expenditures</i>	<u>40,841</u>	<u>231,505</u>	<u>6,831</u>	<u>32,540</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>				
1100 <i>Expenditures</i>	--	(23,151)	--	--
1200 <i>Net Change in Fund Balances</i>	--	(23,151)	--	--
0100 <i>Fund Balances - Beginning</i>	--	46,340	--	--
3000 <i>Fund Balances - Ending</i>	<u>\$ --</u>	<u>\$ 23,189</u>	<u>\$ --</u>	<u>\$ --</u>

2	289	410	427	429	Total
	Title IV, Part A Subpart 1	State Textbook Fund	State Funded Special Revenue Fund	State Funded Special Revenue Fund	Nonmajor Special Revenue Funds (See Exhibit H-2)
	\$ --	\$ --	\$ --	\$ --	\$ 41,417
	--	42,799	829	350	49,304
	10,371	--	3,000	--	255,194
	<u>10,371</u>	<u>42,799</u>	<u>3,829</u>	<u>350</u>	<u>345,915</u>
	10,371	42,799	3,829	1,050	137,313
	--	--	--	--	948
	--	--	--	--	179,986
	--	--	--	--	22,415
	--	--	--	--	29,104
	<u>10,371</u>	<u>42,799</u>	<u>3,829</u>	<u>1,050</u>	<u>369,766</u>
	--	--	--	(700)	(23,851)
	--	--	--	(700)	(23,851)
	--	--	--	700	47,040
	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 23,189</u>

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Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2018*

Year Ended August 31	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
2009 and Prior Years	\$	Various	\$	Various	\$	Various
2010		1.04		.098		59,688,483
2011		1.04		.1672		57,690,109
2012		1.04		.1736		57,972,479
2013		1.17		.0436		58,585,650
2014		1.17		.0436		54,296,803
2015		1.17		.0636		56,119,392
2016		1.17		.0636		53,818,885
2017		1.17		.0636		53,816,667
2018 (School Year Under Audit)		1.17		.0636		54,928,618

1000 Totals

9000 - Portion of Row 1000 for Taxes Paid into Tax Increment Zone Under Chapter 311, Tax Code

10 Beginning Balance 9/1/17	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/18
\$ 31,780	\$ --	\$ 2,395	\$ 185	\$ (1,078)	\$ 28,122
5,826	--	535	50	--	5,240
7,021	--	265	43	--	6,714
8,897	--	540	91	--	8,267
9,862	--	709	28	--	9,124
15,818	--	5,247	198	--	10,372
13,170	--	1,557	94	--	11,519
18,238	--	3,261	177	(10)	14,789
35,823	--	10,558	574	(450)	24,241
--	675,622	607,532	34,567	(423)	33,100
<u>\$ 146,435</u>	<u>\$ 675,622</u>	<u>\$ 632,600</u>	<u>\$ 36,007</u>	<u>\$ (1,961)</u>	<u>\$ 151,489</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-2

NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes		1	2	3
		Budget	Actual	Variance Positive (Negative)
REVENUES:				
5700	Local and Intermediate Sources	\$ 50,000	\$ 41,417	\$ (8,583)
5800	State Program Revenues	4,092	5,326	1,234
5900	Federal Program Revenues	96,000	161,611	65,611
5020	Total Revenues	150,092	208,354	58,262
EXPENDITURES:				
Current:				
Support Services - Student (Pupil):				
0035	Food Services	173,583	179,986	(6,403)
	Total Support Services - Student (Pupil)	173,583	179,986	(6,403)
Support Services - Nonstudent Based:				
0051	Plant Maintenance and Operations	22,415	22,415	--
	Total Support Services - Nonstudent Based	22,415	22,415	--
Capital Outlay:				
0081	Capital Outlay	29,104	29,104	--
	Total Capital Outlay	29,104	29,104	--
6030	Total Expenditures	225,101	231,505	(6,404)
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	(75,009)	(23,151)	51,858
1200	Net Change in Fund Balance	(75,009)	(23,151)	51,858
0100	Fund Balance - Beginning	46,340	46,340	--
3000	Fund Balance - Ending	\$ (28,669)	\$ 23,189	\$ 51,858

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-3

DEBT SERVICE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes		1	2	3 Variance Positive (Negative)
		Budget	Actual	
REVENUES:				
5700	Local and Intermediate Sources	\$ 36,795	\$ 37,330	\$ 535
5800	State Program Revenues	50,000	50,916	916
5020	Total Revenues	86,795	88,246	1,451
EXPENDITURES:				
Debt Service:				
0071	Principal on Long-Term Debt	99,900	100,000	(100)
0072	Interest on Long-Term Debt	88,981	88,981	--
0073	Bond Issuance Costs and Fees	400	300	100
	Total Debt Service	189,281	189,281	--
6030	Total Expenditures	189,281	189,281	--
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	(102,486)	(101,035)	1,451
Other Financing Sources (Uses):				
7915	Transfers In	100,000	100,000	--
7080	Total Other Financing Sources and (Uses)	100,000	100,000	--
1200	Net Change in Fund Balance	(2,486)	(1,035)	1,451
0100	Fund Balance - Beginning	3,405	3,405	--
3000	Fund Balance - Ending	\$ 919	\$ 2,370	\$ 1,451

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Morgan LaGrone, CPA, PLLC

Certified Public Accountant

Telephone: 903.657.0240
Fax: 903.655.1324

116 S Marshall
Henderson TX 75654

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

Board of Trustees
Mt. Enterprise Independent School District
301 NW 3rd St.
Mt. Enterprise, Texas 75681

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mt. Enterprise Independent School District, as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise Mt. Enterprise Independent School District's basic financial statements, and have issued our report thereon dated December 3, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

be reported under *Government Auditing Standards*.

Purpose of this Report

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

Respectfully submitted,

A handwritten signature in cursive script that reads "Morgan LaGrone".

Morgan LaGrone, CPA, PLLC

Henderson, TX
December 3, 2018

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2018

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards - N/A - Single Audit Not Required

Internal control over major programs:

One or more material weaknesses identified? Yes X N/A

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Type of auditor's report issued on compliance for major programs: N/A

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200? Yes X N/A

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
Not applicable	

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

Auditee qualified as low-risk auditee? Yes X N/A

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT***SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2018***

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
Not applicable for the year ended August 31, 2018.		

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT

CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED AUGUST 31, 2018

Not applicable for the year ended August 31, 2018.

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2018*

<u>Data Control Codes</u>		<u>Responses</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?	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 governmental agencies?	Yes
SF8	Did the school district <u>not</u> 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	What was the total accumulated accretion on capital appreciation bonds (CABs) included in government-wide financial statements at fiscal year-end?	\$ 53,253
SF11	Net Pension Assets (object 1920) at fiscal year-end.	\$ --
SF12	Net Pension Liabilities (object 2540) at fiscal year-end.	\$ 577,636
SF13	Pension Expense (object 6147) at fiscal year-end.	\$

In correspondence to all school administrators dated November 1, 2017, the TEA's Director of Financial Compliance stated "For 2017, and until further notice, no data should be entered in the field for data feed Schedule L-1 question SF13. If the AFR and data feed has been submitted no additional steps need to be taken."