

*ANNUAL FINANCIAL REPORT*

of the

**SAN FELIPE DEL RIO CONSOLIDATED  
INDEPENDENT SCHOOL DISTRICT**

For the Year Ended  
August 31, 2018

(This page intentionally left blank.)

# SAN FELIPE DEL RIO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

## TABLE OF CONTENTS

August 31, 2018

	<u>Page</u>	<u>Exhibit</u>
<b><u>INTRODUCTORY SECTION</u></b>		
Certificate of Board	3	
<b><u>FINANCIAL SECTION</u></b>		
Independent Auditors' Report	7	
Management's Discussion and Analysis (Required Supplementary Information)	13	
<b><u>BASIC FINANCIAL STATEMENTS</u></b>		
<b>Government-Wide Financial Statements</b>		
Statement of Net Position	23	A-1
Statement of Activities	25	B-1
<b>Fund Financial Statements</b>		
<b>Governmental Funds Financial Statements</b>		
Balance Sheet – Governmental Funds	26	C-1
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	29	C-1R
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	30	C-2
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	33	C-3
<b>Proprietary Fund Financial Statements</b>		
Statement of Net Position – Proprietary Funds	35	D-1
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	37	D-2
Statement of Cash Flows – Proprietary Funds	39	D-3
<b>Fiduciary Fund Financial Statements</b>		
Statement of Fiduciary Net Position – Fiduciary Funds	41	E-1
Notes to Financial Statements	43	
<b><u>REQUIRED SUPPLEMENTARY INFORMATION</u></b>		
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	79	G-1
Schedule of the District's Proportionate Share of the Net Pension Liability – Teacher Retirement System of Texas (TRS)	80	G-2
Schedule of District Contributions – Teacher Retirement System of Texas (TRS)	81	G-3

# SAN FELIPE DEL RIO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

## *TABLE OF CONTENTS (Continued)*

August 31, 2018

	<u>Page</u>	<u>Exhibit</u>
<b><u>REQUIRED SUPPLEMENTARY INFORMATION - Continued</u></b>		
Schedule of the District's Proportionate Share of the Net OPEB Liability – Teacher Public School Retired Employees Group Insurance Program (TRS- Care)	82	G-4
Schedule of Contributions – Teacher Public School Retired Employees Group Insurance Program (TRS-Care)	83	G-5
<b><u>OTHER SUPPLEMENTARY INFORMATION</u></b>		
Combining Balance Sheet – Nonmajor Governmental Funds	86	H-1
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	92	H-2
Schedule of Delinquent Taxes Receivable	98	J-1
Budgetary Comparison Schedule – National School Breakfast and Lunch Program	101	J-2
Budgetary Comparison Schedule – Debt Service Fund	103	J-3
<b><u>FEDERAL AWARDS AND COMPLIANCE SECTION</u></b>		
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	107	
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	109	
Summary Schedule of Prior Year Audit Findings	111	
Schedule of Findings and Questioned Costs	113	
Schedule of Expenditures of Federal Awards	114	K-1
Notes to Schedule of Expenditures of Federal Awards	116	
Schedule of Required Responses to Selected School First Indicators	117	L-1

***INTRODUCTORY SECTION***

(This page intentionally left blank.)

CERTIFICATE OF BOARD

San Felipe Del Rio Consolidated  
Independent School District  
\_\_\_\_\_  
Name of School District

Val Verde  
\_\_\_\_\_  
County

233-901  
\_\_\_\_\_  
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 21<sup>st</sup> day of January, 2019.

Diana E. Gonzales  
\_\_\_\_\_  
Signature of Board Secretary

Raymond H. Meza  
\_\_\_\_\_  
Signature of Board President

If the Board of Trustees disapproved of the auditors' report, the reason(s) for disapproving it is (are):

(attach list as necessary)

(This page intentionally left blank.)



***FINANCIAL SECTION***

(This page intentionally left blank.)



## ***INDEPENDENT AUDITORS' REPORT***

To the Board of Trustees of  
San Felipe Del Rio Consolidated Independent School District:

### **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 San Felipe Del Rio Consolidated 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.

### **Auditors' 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 auditors' 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 the District as of August 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

### *Change in Accounting Principle*

In 2018, the 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, budgetary comparison information, schedules of the District's proportionate share of the net pension and OPEB liability, and schedules of District contributions, identified as Required Supplementary Information on the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, other supplementary information, and the schedule of required responses to selected school first indicators are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the schedule of expenditures of federal awards, 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 the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and the schedule of required responses to selected school first indicators have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*BELT HARRIS PECHACEK, LLP*

Belt Harris Pechacek, LLLP  
*Certified Public Accountants*  
Houston, Texas  
January 17, 2019

(This page intentionally left blank.)

***MANAGEMENT'S DISCUSSION  
AND ANALYSIS***





# **SAN FELIPE DEL RIO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**For the Year Ended August 31, 2018**

The purpose of the Management's Discussion and Analysis (MD&A) is to give the readers an objective and easily readable analysis of the financial activities of San Felipe Del Rio Consolidated Independent School District (the "District") for the year ending August 31, 2018. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the District's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Please read the MD&A in conjunction with the District's financial statements, which follow this section.

### **FINANCIAL HIGHLIGHTS**

- The District's total combined net position at August 31, 2018 was \$23,906,839.
- For the fiscal year ended August 31, 2018, the District's general fund reported a total fund balance of \$31,326,205, of which \$387,939 is nonspendable, \$4,216,439 is committed for construction-related purposes, and \$26,721,827 is unassigned.
- At the end of the fiscal year, the District's governmental funds (the general fund plus all state and federal grant funds, the debt service fund, and the capital projects fund) reported combined ending fund balances of \$49,821,345.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The annual report consists of three parts – *Management's Discussion and Analysis* (this section), the *Basic Financial Statements*, and *Required Supplementary Information*. The basic financial statements include two kinds of statements that present different views of the District.

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in more detail than the government-wide statements.
- The *governmental funds* statements tell how *general government* services were financed in the *short-term* as well as what remains for future spending.
- *Proprietary fund* statements provide information about the financial relationships in which the District acts in a manner similar to that of a private business. These statements include the District's internal service fund.
- *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 fiduciary resources belong. These statements include the student activity fund.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The notes to the financial statements are followed by a section entitled *Required Supplementary Information* that further explains and supports the information in the financial statements.

**SAN FELIPE DEL RIO CONSOLIDATED  
INDEPENDENT SCHOOL DISTRICT**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)*  
For the Year Ended August 31, 2018

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide statements report information about the District as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about cost of services, operating results, and financial position of the District as an economic entity. The Statement of Net Position and the Statement of Activities, which appear first in the District's financial statements, report information on the District's activities that enable the reader to understand the financial condition of the District. These statements are prepared using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account even if cash has not yet changed hands.

The Statement of Net Position presents information on all of the District's assets, liabilities, and deferred outflows/inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other nonfinancial factors, such as changes in the District's tax base, staffing patterns, enrollment, and attendance, need to be considered in order to assess the overall health of the District.

The Statement of Activities presents information showing how the District's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows – the accrual method rather than modified accrual that is used in the fund level statements.

The Statement of Net Position and the Statement of Activities include the following class of activities:

*Governmental Activities* – Most of the District's basic services such as instruction, extracurricular activities, curriculum and staff development, health services, general administration, and plant operation and maintenance are included in *governmental activities*. Locally assessed property taxes, together with State foundation program entitlements, which are based upon student enrollment and attendance, finance most of the governmental activities.

The government-wide financial statements can be found after the MD&A.

**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 simply accounting devices that are used to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and other funds are mandated by bond agreements or bond covenants.
- The Board of Trustees (the "Board") establishes other funds to control and manage money set aside for particular purposes or to show that the District is properly using certain taxes and grants.
- Other funds are used to account for assets held by the District in a custodial capacity – these assets do not belong to the District, but the District is responsible to properly account for them.

**SAN FELIPE DEL RIO CONSOLIDATED  
INDEPENDENT SCHOOL DISTRICT**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)*  
For the Year Ended August 31, 2018

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, additional information is provided at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.
- *Proprietary funds* – The District maintains an internal service fund as a proprietary fund. Internal service funds account for services provided to other departments of the District on a cost-reimbursement basis. The District uses this fund to account for the health insurance fund. The District accumulates resources in the health insurance fund from all District funds. Normal expenses in the health insurance fund are expenses related to claims and administrative expenses.
- *Fiduciary funds* – The District serves as the trustee, or fiduciary, for certain funds such as student activity funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. These activities are excluded from the District's government-wide financial statements because the District cannot use these assets to finance its governmental operations.

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

The District's combined net position was \$23,906,839 at August 31, 2018. *Table 1* focuses on net position while *Table 2* shows the revenues and expenses that changed the net position balance during the fiscal year ended August 31, 2018. Within *Table 2*, the prior year revenues and expenses have been updated to remove fund level on-behalf revenues and expenses (excluding Medicare Part D) for Teacher Retirement System of Texas contributions for comparative purposes, as a result of current year recognition changes. This change had no impact on net position. *Table 1* indicates the District's net position increased \$13,161,455 in total from the prior year. The details of this increase can be seen in *Table 2*. Current assets increased a significant amount compared to the prior due to the issuance of maintenance tax notes. Deferred outflows of resources related to the pension plan decreased significantly compared to the prior year due to changes in actuarially determined amounts that are deferred. Current liabilities decreased significantly compared to the prior year due to a decrease in accounts payable related to prior year capital projects and roof repairs. Long-term liabilities decreased significantly compared to the prior year due largely to the decrease in pension and other postemployment benefits (OPEB) liabilities. Deferred inflows of resources increased significantly due to changes in actuarially determined amounts for the pension plan that are deferred and for the implementation of the new OPEB standards.

The District experienced a decrease in total revenue of \$13,356,003 or roughly 13 percent compared to the prior year. This decrease was largely due to OPEB related on-behalf contributions recognized during the fiscal year and a decrease in State aid. Expenses decreased by \$29,938,995, or roughly 28 percent, compared to the prior year due largely to OPEB related on-behalf contributions recognized and decreases in pension and OPEB liabilities.

**SAN FELIPE DEL RIO CONSOLIDATED  
INDEPENDENT SCHOOL DISTRICT**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)*  
For the Year Ended August 31, 2018

**Table 1**  
**Net Position**

<u>Description</u>	<u>Governmental Activities</u>		<u>Total Change</u>
	<u>2018</u>	<u>2017</u>	<u>2018-2017</u>
Current assets	\$ 62,795,580	\$ 49,742,564	\$ 13,053,016
Capital assets	99,136,262	99,377,078	(240,816)
<b>Total Assets</b>	<u>161,931,842</u>	<u>149,119,642</u>	<u>12,812,200</u>
Deferred charge on refunding	1,462,681	1,987,726	(525,045)
Deferred outflows - pensions	6,619,059	9,387,091	(2,768,032)
Deferred outflows - OPEB	601,377	499,570	101,807
<b>Total Deferred Outflows of Resources</b>	<u>8,683,117</u>	<u>11,874,387</u>	<u>(3,191,270)</u>
Current liabilities	7,477,401	9,410,537	(1,933,136)
Long-term liabilities	118,270,192	139,479,077	(21,208,885)
<b>Total Liabilities</b>	<u>125,747,593</u>	<u>148,889,614</u>	<u>(23,142,021)</u>
Deferred inflows - pensions	3,481,495	1,359,031	2,122,464
Deferred inflows - OPEB	17,479,032	-	17,479,032
<b>Total Deferred Inflows of Resources</b>	<u>20,960,527</u>	<u>1,359,031</u>	<u>19,601,496</u>
<b>Net Position:</b>			
Net investment			
in capital assets	60,828,509	61,128,043	(299,534)
Restricted	1,822,618	1,672,499	150,119
Unrestricted	(38,744,288)	(52,055,158)	13,310,870
<b>Total Net Position</b>	<u>\$ 23,906,839</u>	<u>\$ 10,745,384</u>	<u>\$ 13,161,455</u>

**SAN FELIPE DEL RIO CONSOLIDATED  
INDEPENDENT SCHOOL DISTRICT**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)*  
For the Year Ended August 31, 2018

**Table 2**  
**Changes in Net Position**

	Governmental Activities		Total Change
	2018	2017	2018-2017
<b>Revenues</b>			
Program revenues:			
Charges for services	\$ 1,391,039	\$ 2,066,240	\$ (675,201)
Operating grants and contributions	8,023,441	16,067,411	(8,043,970)
General revenues:			
Property taxes	19,701,608	19,803,228	(101,620)
Grants and contributions not restricted for specific programs	60,519,855	65,543,638	(5,023,783)
Investment earnings	250,268	279,397	(29,129)
Other revenue	2,185,791	1,668,091	517,700
<b>Total Revenue</b>	<u>92,072,002</u>	<u>105,428,005</u>	<u>(13,356,003)</u>
<b>Expenses</b>			
Instruction	39,620,377	55,617,971	(15,997,594)
Instructional resources and media services	1,007,058	1,640,080	(633,022)
Curriculum/instructional staff development	2,158,493	3,658,653	(1,500,160)
Instructional leadership	950,998	2,084,074	(1,133,076)
School leadership	3,056,740	4,264,852	(1,208,112)
Guidance, counseling, and evaluation services	1,730,560	4,170,750	(2,440,190)
Social work services	281,243	319,800	(38,557)
Health services	709,721	1,057,077	(347,356)
Student (pupil) transportation	2,634,485	3,176,476	(541,991)
Food services	4,973,481	6,478,531	(1,505,050)
Extracurricular activities	3,422,169	3,647,192	(225,023)
General administration	739,707	5,265,036	(4,525,329)
Plant maintenance and operations	11,054,611	10,501,513	553,098
Security and monitoring services	1,188,166	1,609,052	(420,886)
Data processing services	1,919,882	2,150,925	(231,043)
Community services	358,674	1,034,561	(675,887)
Debt service - interest	1,876,301	1,414,797	461,504
Facilities acquisition and construction	671,789	209,647	462,142
Other intergovernmental charges	556,092	548,555	7,537
<b>Total Expenses</b>	<u>78,910,547</u>	<u>108,849,542</u>	<u>(29,938,995)</u>
<b>Change in Net Position</b>	13,161,455	(3,421,537)	16,582,992
Beginning net position	10,745,384	14,166,921	(3,421,537)
<b>Ending Net Position</b>	<u>\$ 23,906,839</u>	<u>\$ 10,745,384</u>	<u>\$ 13,161,455</u>

**SAN FELIPE DEL RIO CONSOLIDATED  
INDEPENDENT SCHOOL DISTRICT**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)*  
For the Year Ended August 31, 2018

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

At the close of the fiscal year ending August 31, 2018, the District's governmental funds reported a combined fund balance of \$49,821,345. This compares to a combined fund balance of \$36,464,842 at August 31, 2017. The fund balance in the general fund decreased by \$3,466,138. Compared to the prior year, revenues increased by \$2,333,336 due largely to an increase in State foundation program revenues related to an increase in the weighted average daily attendance of the District. Compared to the prior year, expenditures decreased by \$3,170,570 due largely to prior year capital projects.

The debt service fund had an increase in fund balance of \$19,707 due to refunding bond proceeds in excess of payments to escrow agent and issuance costs.

The national school breakfast and lunch program fund had an increase in fund balance of \$171,680 due to an operating surplus.

The capital projects fund had an increase in fund balance of \$16,672,522 due to proceeds from the issuance of maintenance tax notes.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

In accordance with State law and generally accepted accounting standards, the District prepares an annual budget for the general fund, the food service special revenue fund, and the debt service fund. Special revenue funds have budgets approved by the funding agency and are amended throughout the year as required.

During the period ended August 31, 2018, the District amended its budget as required by State law and to reflect current levels of revenue and anticipated expenses. The general fund's budgeted revenues were less than actual revenues by \$725,898 as a result of more local, State, and federal funding than anticipated. Total general fund budgeted expenditures exceeded actual expenditures by \$3,846,888 with the largest positive variances in instructional resources and media services, curriculum/instructional staff development, health services, extracurricular activities, plant maintenance and operations, security and monitoring services, and facilities acquisition and construction.

**CAPITAL ASSETS**

Capital assets are generally defined as those items that have useful lives of two years or more and have an initial cost or value (if donated) of an amount determined by the Board. During the fiscal year ended August 31, 2018, the District used a capitalization threshold of \$5,000, which means that all capital type assets, including library books, with a cost or initial value of less than \$5,000 were not included in the capital assets inventory.

At August 31, 2018, the District had a total of \$170,498,467 invested in capital assets such as land, buildings, and District equipment. This total includes \$4,274,894 invested during the fiscal year ended August 31, 2018.

More detailed information about the District's capital assets can be found in note III.B. to the financial statements.

**SAN FELIPE DEL RIO CONSOLIDATED  
INDEPENDENT SCHOOL DISTRICT**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)*  
For the Year Ended August 31, 2018

**LONG-TERM DEBT**

At year end, the District had \$49,214,993 in general obligation bonds outstanding versus \$35,889,993 last year. The District paid \$7,945,000 in principal payments during the year. At year end, the District had \$568,645 in capital lease obligations outstanding.

During the fiscal year the District issued \$4,850,000 of Unlimited Tax Refunding Bonds, Series 2017 to provide resources for debt service payments of \$5,210,000 of Unlimited Tax Refunding Bonds, Series 2007. The District also issued \$16,420,000 of Maintenance Tax Notes, Series 2018.

More detailed information about the District's long-term liabilities is presented in note III.C. to the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The District's budgeted expenditures for the 2018-2019 school year total \$100,620,305 and the District's Board adopted a Maintenance and Operations tax rate of \$1.1598 and an Interest and Sinking rate of \$0.0000 for a combined rate of \$1.1598 per \$100 of valuation, which is unchanged from the prior year.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office at San Felipe Del Rio Consolidated Independent School District, Administration Building, 315 Griner Street, Del Rio, Texas 78840 or by calling (830) 778-4005. The District's website address is [www.sfdr-cisd.org](http://www.sfdr-cisd.org).

(This page intentionally left blank.)



***BASIC FINANCIAL STATEMENTS***

(This page intentionally left blank.)

# SAN FELIPE DEL RIO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

## STATEMENT OF NET POSITION - EXHIBIT A-1

August 31, 2018

<u>Data Control Codes</u>		<u>1 Governmental Activities</u>
	<b><u>Assets</u></b>	
1110	Cash and cash equivalents	\$ 6,506,216
1120	Current investments	44,259,589
1220	Property taxes receivables	3,280,413
1230	Allowance for uncollectible taxes	(165,333)
1240	Due from other governments	4,282,006
1290	Other receivables (net)	4,160,163
1300	Inventories	472,526
		<hr/>
		62,795,580
	Capital assets:	
1510	Land	3,684,804
1520	Buildings and improvements, net	89,199,788
1530	Vehicles, furniture and equipment, net	4,861,823
1580	Construction in progress	1,389,847
		<hr/>
		99,136,262
1000	<b>Total Assets</b>	<hr/> <hr/> 161,931,842
	<b><u>Deferred Outflows of Resources</u></b>	
1700	Deferred charge on refunding	1,462,681
1705	Deferred outflows - pensions	6,619,059
1710	Deferred outflows - OPEB	601,377
1700	<b>Total Deferred Outflows of Resources</b>	<hr/> <hr/> 8,683,117
	<b><u>Liabilities</u></b>	
2110	Accounts payable	2,232,260
2120	Short-term debt payable	1,681,396
2140	Accrued interest payable	223,921
2150	Payroll deductions payable	187,607
2160	Accrued wages payable	3,032,721
2180	Due to other governments	24,909
2300	Unearned revenue	94,587
		<hr/>
		7,477,401
	Noncurrent liabilities:	
2501	Long-term liabilities due within one year	3,970,373
2502	Long-term liabilities due in more than one year	53,114,115
2540	Net pension liability	19,400,017
2545	Net OPEB liability	41,785,687
		<hr/>
		118,270,192
2000	<b>Total Liabilities</b>	<hr/> <hr/> 125,747,593
	<b><u>Deferred Inflows of Resources</u></b>	
2605	Deferred inflows - pensions	3,481,495
2610	Deferred inflows - OPEB	17,479,032
	<b>Total Deferred Inflows of Resources</b>	<hr/> <hr/> 20,960,527
	<b><u>Net Position</u></b>	
3200	Net investment in capital assets	60,828,509
	Restricted for:	
3820	Federal and state programs	250,523
3850	Debt service	1,457,104
3870	Campus activities	114,991
3900	Unrestricted	(38,744,288)
3000	<b>Total Net Position</b>	<hr/> <hr/> <hr/> \$ 23,906,839

See Notes to Financial Statements.

(This page intentionally left blank.)

# SAN FELIPE DEL RIO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES - EXHIBIT B-1

For the Year Ended August 31, 2018

Data Control Codes	1	Program Revenues		Net (Expense)	
		3	4	Revenue and Changes in Net Position	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	6 Primary Gov. Governmental Activities	
<b>Primary Government</b>					
<b>Governmental Activities</b>					
11	Instruction	\$ 39,620,377	\$ 488,959	\$ 493,761	\$ (38,637,657)
12	Instructional resources				
12	and media services	1,007,058	21,159	(73,191)	(1,059,090)
13	Curriculum/instructional				
13	staff development	2,158,493	49,207	962,486	(1,146,800)
21	Instructional leadership	950,998	9,103	160,414	(781,481)
23	School leadership	3,056,740	36,841	(446,091)	(3,465,990)
31	Guidance, counseling, and				
31	evaluation services	1,730,560	21,484	(199,079)	(1,908,155)
32	Social work services	281,243	2,277	(11,825)	(290,791)
33	Health services	709,721	6,101	(950)	(704,570)
34	Student (pupil) transportation	2,634,485	22,355	(71,960)	(2,684,090)
35	Food services	4,973,481	556,647	5,294,807	877,973
36	Extracurricular activities	3,422,169	42,425	(91,175)	(3,470,919)
41	General administration	739,707	22,347	(239,902)	(957,262)
51	Plant maintenance and operations	11,054,611	84,370	(26,330)	(10,996,571)
52	Security and monitoring services	1,188,166	10,694	(86,479)	(1,263,951)
53	Data processing services	1,919,882	16,082	(133,968)	(2,037,768)
61	Community services	358,674	988	489,269	131,583
72	Debt service - interest	1,464,311	-	2,003,654	539,343
73	Debt service - issuance costs				
73	and fees	411,990	-	-	(411,990)
81	Facilities acquisition and construction	671,789	-	-	(671,789)
99	Other intergovernmental charges	556,092	-	-	(556,092)
TG		<u>\$ 78,910,547</u>	<u>\$ 1,391,039</u>	<u>\$ 8,023,441</u>	<u>(69,496,067)</u>
TP		<u>\$ 78,910,547</u>	<u>\$ 1,391,039</u>	<u>\$ 8,023,441</u>	<u>(69,496,067)</u>
<b>General Revenues</b>					
MT	Property taxes, levied for general purposes				17,945,036
DT	Property taxes, levied for debt service				1,756,572
GC	Grants and contributions not restricted				
GC	for specific program				60,519,855
IE	Investment earnings				250,268
MI	Miscellaneous local and intermediate revenue				2,185,791
TR					<u>Total General Revenues</u>
CN					82,657,522
NB					<u>Change in Net Position</u>
NE					13,161,455
	Beginning net position				10,745,384
					<u>Ending Net Position</u>
					<u>\$ 23,906,839</u>

See Notes to Financial Statements.

# SAN FELIPE DEL RIO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

## BALANCE SHEET

### GOVERNMENTAL FUNDS - EXHIBIT C-1

August 31, 2018

Data Control Codes	10  General	50  Debt Service	24  National School Breakfast and Lunch Program	60  Capital Projects	
<b><u>Assets</u></b>					
1110	Cash and cash equivalents	\$ 426,916	\$ 89,429	\$ 723,540	\$ 2,585,170
1120	Investment - current	27,290,352	1,384,754	-	15,584,483
1220	Taxes receivables	2,963,553	316,860	-	-
1230	Allowance for uncollectible taxes	(149,363)	(15,970)	-	-
1240	Due from other governments	2,800,045	-	286,074	-
1260	Due from other funds	2,535,773	-	-	-
1290	Other receivables	3,090,682	180,290	803,240	-
1300	Inventories	387,939	-	84,587	-
1000	<b>Total Assets</b>	<b>\$ 39,345,897</b>	<b>\$ 1,955,363</b>	<b>\$ 1,897,441</b>	<b>\$ 18,169,653</b>
<b><u>Liabilities</u></b>					
2110	Accounts payable	\$ 473,709	\$ -	\$ 75,346	\$ 1,497,131
2150	Payroll deductions payable	187,607	-	-	-
2160	Accrued wages payable	2,857,955	-	2,207	-
2170	Due to other funds	-	-	1,563,621	-
2180	Due to other governments	-	17,078	-	-
2300	Unearned revenue	-	-	84,587	-
2000	<b>Total Liabilities</b>	<b>3,519,271</b>	<b>17,078</b>	<b>1,725,761</b>	<b>1,497,131</b>
<b><u>Deferred Inflows of Resources</u></b>					
2600	Unavailable revenue - property taxes	4,500,421	481,181	-	-
<b><u>Fund Balances</u></b>					
Nonspendable:					
3410	Inventories	387,939	-	84,587	-
Restricted:					
3450	Federal or state funds grant restrictions	-	-	87,093	-
3480	Retirement of long-term debt	-	1,457,104	-	-
3470	Capital acquisitions	-	-	-	16,672,522
3490	Other restricted fund balance	-	-	-	-
Committed:					
3510	Construction	3,351,439	-	-	-
3545	Other committed fund balance	865,000	-	-	-
3600	Unassigned	26,721,827	-	-	-
3000	<b>Total Fund Balances</b>	<b>31,326,205</b>	<b>1,457,104</b>	<b>171,680</b>	<b>16,672,522</b>
4000	<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 39,345,897</b>	<b>\$ 1,955,363</b>	<b>\$ 1,897,441</b>	<b>\$ 18,169,653</b>

See Notes to Financial Statements.

<b>Nonmajor Governmental Funds</b>	<b>98 Total Governmental Funds</b>
\$ 197,734	\$ 4,022,789
-	44,259,589
-	3,280,413
-	(165,333)
1,195,887	4,282,006
-	2,535,773
85,951	4,160,163
-	472,526
<u>\$ 1,479,572</u>	<u>\$ 62,847,926</u>
\$ 123,196	\$ 2,169,382
-	187,607
172,559	3,032,721
972,152	2,535,773
7,831	24,909
10,000	94,587
<u>1,285,738</u>	<u>8,044,979</u>
-	4,981,602
-	472,526
78,843	165,936
-	1,457,104
-	16,672,522
114,991	114,991
-	3,351,439
-	865,000
-	26,721,827
<u>193,834</u>	<u>49,821,345</u>
<u>\$ 1,479,572</u>	<u>\$ 62,847,926</u>

(This page intentionally left blank.)



**SAN FELIPE DEL RIO CONSOLIDATED  
INDEPENDENT SCHOOL DISTRICT**  
*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION - EXHIBIT C-1R*  
August 31, 2018

Total fund balances for governmental funds \$ 49,821,345

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.

Capital assets - nondepreciable	5,074,651	
Capital assets - depreciable	94,061,611	
	99,136,262	99,136,262

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.

4,981,602

The assets and liabilities of the internal service funds is included in the governmental activities in the Statement of Net Position.

739,153

Some liabilities, including bonds payable, are not reported as liabilities in the governmental funds.

Deferred charge on refunding	1,462,681	
Deferred outflows - pensions	6,619,059	
Deferred outflows - OPEB	601,377	
Deferred inflows - pensions	(3,481,495)	
Deferred inflows - OPEB	(17,479,032)	
Net pension liability	(19,400,017)	
Net OPEB liability	(41,785,687)	
Accrued interest payable	(223,921)	
Noncurrent liabilities due in one year	(3,970,373)	
Noncurrent liabilities due in more than one year	(53,114,115)	
	(130,771,523)	(130,771,523)

**Net Position of Governmental Activities** \$ 23,906,839

See Notes to Financial Statements.

# SAN FELIPE DEL RIO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

### GOVERNMENTAL FUNDS - EXHIBIT C-2

For the Year Ended August 31, 2018

Data Control Codes	10 <u>General</u>	50 <u>Debt Service</u>	24 <u>National School Breakfast and Lunch Program</u>	60 <u>Capital Projects</u>	
<b>Revenues</b>					
5700	Local, intermediate, and out-of-state	\$ 20,256,372	\$ 2,076,694	\$ 521,419	\$ 28,744
5800	State program revenues	64,444,108	2,003,654	32,566	-
5900	Federal program revenues	1,696,698	-	5,840,159	-
5020	<b>Total Revenues</b>	<u>86,397,178</u>	<u>4,080,348</u>	<u>6,394,144</u>	<u>28,744</u>
<b>Expenditures</b>					
0011	Instruction	47,774,973	-	-	-
0012	Instructional resources and media services	1,264,457	-	-	-
0013	Curriculum and instructional staff development	1,705,623	-	-	-
0021	Instructional leadership	1,347,525	-	-	-
0023	School leadership	4,353,569	-	-	-
0031	Guidance, counseling, and evaluation services	3,180,327	-	-	-
0032	Social work services	337,068	-	-	-
0033	Health services	903,219	-	-	-
0034	Student (pupil) transportation	3,309,323	-	-	-
0035	Food services	132,027	-	6,094,841	-
0036	Extracurricular activities	4,375,594	-	-	-
0041	General administration	3,308,036	-	-	-
0051	Plant maintenance and operations	10,447,454	-	127,623	1,497,131
0052	Security and monitoring services	1,583,100	-	-	-
0053	Data processing services	2,380,717	-	-	-
0061	Community services	146,203	-	-	-
<b>Debt service:</b>					
0071	Principal	229,268	2,735,000	-	-
0072	Interest	41,036	1,309,181	-	-
0073	Bond issuance costs and fees	-	166,078	-	245,912
0073	Payment to escrow agent	-	5,227,462	-	-
<b>Capital outlay:</b>					
0081	Facilities acquisition and construction	2,486,876	-	-	-
<b>Intergovernmental:</b>					
0099	Other governmental charges	556,092	-	-	-
6030	<b>Total Expenditures</b>	<u>89,862,487</u>	<u>9,437,721</u>	<u>6,222,464</u>	<u>1,743,043</u>
1100	<b>Excess (Deficiency) of Revenues</b>				
1100	<b>Over (Under) Expenditures</b>	<u>(3,465,309)</u>	<u>(5,357,373)</u>	<u>171,680</u>	<u>(1,714,299)</u>
<b>Other Financing Sources (Uses)</b>					
7911	Issuance of refunding bonds	-	4,850,000	-	-
7912	Sale of real and personal property	642	-	-	-
7914	Issuance of maintenance tax notes	-	-	-	16,420,000
7916	Premium/discount on bonds	-	527,080	-	1,966,821
8949	Other (uses)	(1,471)	-	-	-
7080	<b>Total Other Financing Sources (Uses)</b>	<u>(829)</u>	<u>5,377,080</u>	<u>-</u>	<u>18,386,821</u>
1200	<b>Net Change in Fund Balances</b>	<u>(3,466,138)</u>	<u>19,707</u>	<u>171,680</u>	<u>16,672,522</u>
0100	Beginning fund balances	34,792,343	1,437,397	-	-
3000	<b>Ending Fund Balances</b>	<u>\$ 31,326,205</u>	<u>\$ 1,457,104</u>	<u>\$ 171,680</u>	<u>\$ 16,672,522</u>

See Notes to Financial Statements.

<b>Nonmajor Governmental Funds</b>	<b>98 Total Governmental Funds</b>
\$ 285,318	\$ 23,168,547
1,753,440	68,233,768
8,985,295	16,522,152
<u>11,024,053</u>	<u>107,924,467</u>
6,622,839	54,397,812
116,509	1,380,966
1,567,413	3,273,036
592,162	1,939,687
82,358	4,435,927
662,593	3,842,920
-	337,068
95,793	999,012
182,984	3,492,307
206,975	6,433,843
51,951	4,427,545
-	3,308,036
155,989	12,228,197
455	1,583,555
-	2,380,717
727,300	873,503
-	2,964,268
-	1,350,217
-	411,990
-	5,227,462
-	2,486,876
-	556,092
<u>11,065,321</u>	<u>118,331,036</u>
<u>(41,268)</u>	<u>(10,406,569)</u>
-	4,850,000
-	642
-	16,420,000
-	2,493,901
-	(1,471)
-	<u>23,763,072</u>
(41,268)	13,356,503
235,102	36,464,842
<u>\$ 193,834</u>	<u>\$ 49,821,345</u>

(This page intentionally left blank.)

**SAN FELIPE DEL RIO CONSOLIDATED  
INDEPENDENT SCHOOL DISTRICT**  
*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES - EXHIBIT C-3*  
For the Year Ended August 31, 2018

Net change in fund balances - total governmental funds	\$ 13,356,503
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation	(4,515,710)
Capital outlay	4,274,894
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(28,261)
The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued; whereas, these amounts are deferred and amortized in the Statement of Activities.	
Refunding bonds issuance	(4,850,000)
Tax note issuance	(16,420,000)
Principal repayments on bonds	2,735,000
Principal repayments on capital lease	229,268
Defeasance of debt refunded	5,210,000
Loss on refunding	(525,045)
Amortization of premiums	(1,727,166)
Amortization of discounts	(40,861)
Accreted interest	(73,540)
Accrued interest	(223,921)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Change in compensated absences	(7,365)
Change in net pension liability	4,168,717
Amortization of deferred inflows - pensions	(4,118,216)
Amortization of deferred outflows - pensions	(772,280)
Change in net OPEB liability	31,984,832
Amortization of deferred inflows - OPEB	(17,479,032)
Amortization of deferred outflows - OPEB	101,807
Net on-behalf contributions adjustment - revenues	(12,288,371)
Net on-behalf contributions adjustment - expenses	12,288,371
Some revenues/expenditures reported in governmental funds are not recognized as revenues/expenses in the Statement of Activities.	
Fund level on-behalf adjustment - revenues	(3,536,845)
Fund level on-behalf adjustment - expenses	3,536,845
The internal service fund is used by management to charge the costs of certain activities, such as self-insurance, to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.	
	1,881,831
<b>Change in Net Position of Governmental Activities</b>	<b>\$ 13,161,455</b>

See Notes to Financial Statements.

(This page intentionally left blank.)

**SAN FELIPE DEL RIO CONSOLIDATED  
INDEPENDENT SCHOOL DISTRICT**

*STATEMENT OF NET POSITION  
PROPRIETARY FUNDS - EXHIBIT D-1*

August 31, 2018

<u>Data Control Codes</u>		<u>Internal Service</u>
	<u>Assets</u>	
1110	Cash and cash equivalents	\$ 2,483,427
1000		
	<b>Total Assets</b>	<u>2,483,427</u>
	<u>Liabilities</u>	
	Current liabilities:	
2110	Accounts payable	62,878
2160	Short-term debt payable	1,681,396
2000		
	<b>Total Liabilities</b>	<u>1,744,274</u>
	<u>Net Position</u>	
3900	Unrestricted net position	739,153
4000		
	<b>Total Net Position</b>	<u>\$ 739,153</u>

See Notes to Financial Statements.

(This page intentionally left blank.)



**SAN FELIPE DEL RIO CONSOLIDATED  
INDEPENDENT SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS - EXHIBIT D-2  
For the Year Ended August 31, 2018**

<u>Data Control Dates</u>		<u>Internal Service</u>
<b><u>Operating Revenues</u></b>		
5700	Local and intermediate sources	\$ 10,775,729
5020		Total Operating Revenues <u>10,775,729</u>
 <b><u>Operating Expenses</u></b>		
6200	Professional and contracted services	576,046
6400	Other operating costs	<u>8,317,852</u>
6030		Total Operating Expenses <u>8,893,898</u>
1200		Change in Net Position 1,881,831
0100	Beginning net position	<u>(1,142,678)</u>
3000		Ending Net Position <u>\$ 739,153</u>

See Notes to Financial Statements.

(This page intentionally left blank.)

**SAN FELIPE DEL RIO CONSOLIDATED  
INDEPENDENT SCHOOL DISTRICT**

*STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS - EXHIBIT D-3*

For the Year Ended August 31, 2018

	<b>Internal Service</b>
<b><u>Cash Flows from Operating Activities</u></b>	
Cash received from user charges	\$ 10,807,300
Cash payments for insurance claims	(8,151,137)
Cash payments for professional and contracted services	(513,168)
<b>Net Cash Provided by Operating Activities</b>	<b>2,142,995</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>2,142,995</b>
Beginning cash and cash equivalents	340,432
<b>Ending Cash and Cash Equivalents</b>	<b>\$ 2,483,427</b>
 <b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
Operating income	\$ 1,881,831
Adjustments to reconcile operating income to net cash provided by operating activities:	
<b>Increase (Decrease) in:</b>	
(Increase) decrease in other receivables	31,571
Increase (decrease) in accounts payable	62,878
Increase (decrease) in short-term debt payable	166,715
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 2,142,995</b>

See Notes to Financial Statements.

(This page intentionally left blank.)

**SAN FELIPE DEL RIO CONSOLIDATED  
INDEPENDENT SCHOOL DISTRICT**  
*STATEMENT OF FIDUCIARY NET POSITION*  
*FIDUCIARY FUNDS - EXHIBIT E-1*  
August 31, 2018

<u>Data Control Codes</u>		<u>Student Activity Account</u>
	<b><u>Assets</u></b>	
1110	Cash and cash equivalents	\$ 75,249
1120	Investment - current	422,966
1000		
	<b>Total Assets</b>	<u>\$ 498,215</u>
	<b><u>Liabilities</u></b>	
	Current liabilities:	
2110	Accounts payable	\$ 10,594
2190	Due to student groups	487,621
2000		
	<b>Total Liabilities</b>	<u>\$ 498,215</u>

See Notes to Financial Statements.

(This page intentionally left blank.)

# SAN FELIPE DEL RIO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended August 31, 2018

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting Entity

San Felipe Del Rio Consolidated Independent School District (the “District”) is a public educational agency operating under the applicable laws and regulations of the State of Texas (the “State”). It is governed by a seven-member Board of Trustees (the “Board”) elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and it complies with the requirements of the appropriate version of the Texas Education Agency’s (TEA) *Financial Accountability System Resource Guide* (the “Resource Guide”) and the requirements of contracts and grants of agencies from which it receives funds.

The District is an independent political subdivision of the State governed by a board elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations, and is considered a primary government. As required by GAAP, basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the District’s financial reporting entity. No other entities have been included in the District’s reporting entity. Additionally, as the District is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the District’s financial reporting entity are based on criteria prescribed by GAAP. These same criteria are evaluated in considering whether the District is a part of any other governmental or other type of reporting entity. The overriding elements associated with the prescribed criteria considered in determining that the District’s financial reporting entity status is that of a primary government are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Additionally, prescribed criteria under GAAP include considerations pertaining to organizations for which the primary government is financially accountable, and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

#### B. Government-Wide Financial Statements

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

#### C. Basis of Presentation – Government-Wide Financial Statements

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

# **SAN FELIPE DEL RIO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT**

## ***NOTES TO FINANCIAL STATEMENTS (Continued)***

**For the Year Ended August 31, 2018**

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

### **D. Basis of Presentation – Fund Financial Statements**

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

The District reports the following governmental funds:

#### **General Fund**

The general fund is the District's primary operating fund. It is used to account for and report all financial resources not accounted for and reported in another fund. The general fund is always considered a major fund for reporting purposes.

#### **Debt Service Fund**

The debt service fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest on all long-term debt of the District. The primary source of revenue for debt service is local property taxes. While the debt service fund does not meet the requirements to be considered a major fund, it is reported as such due to its significance.

#### **Capital Projects Fund**

The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlay, including the acquisition or construction of capital facilities and other capital assets. The capital projects fund is considered a major fund for reporting purposes.

#### **Special Revenue Funds**

The special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt service. The restricted or committed proceeds of specific revenue sources comprise a substantial portion of the inflows of these special revenue funds. Most federal and some state financial assistance is accounted for in a special revenue fund. The national school breakfast and lunch program fund is considered a major fund for reporting purposes. The remaining special revenue funds are not considered major funds for reporting purposes.



# **SAN FELIPE DEL RIO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT**

## ***NOTES TO FINANCIAL STATEMENTS (Continued)***

**For the Year Ended August 31, 2018**

### **Proprietary Funds**

Proprietary funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the District's internal services are accounted for through proprietary funds. The measurement focus is on determination of net income, financial position, and cash flows. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues include charges for services. Operating expenses include costs of professional and contracted services, claims, and administrative costs. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The proprietary fund type used by the District include the following:

#### **Internal Service Funds**

This fund is used to account for and report revenue and expenses related to services provided to parties inside the District on a cost-reimbursement basis. This fund accounts for the District's self-insured health insurance plan. Because the principal users of the internal service fund are the District's governmental activities, this fund type is included in the governmental activities column of the governmental-wide financial statements.

### **Fiduciary Funds**

The fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the District's own programs. The District has the following type of fiduciary funds:

#### **Agency Funds**

The agency fund is custodial in nature and does not present results of operations or have a measurement focus. The agency fund is accounted for using the accrual basis of accounting. This fund is used to account for the District's student activity funds.

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

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

# SAN FELIPE DEL RIO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2018

### E. Measurement Focus and Basis of Accounting

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

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, grant revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the District.

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

#### 1. Cash and Cash Equivalents

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

#### 2. Investments

Investments, except for certain investment pools, commercial paper, money market funds, and investment contracts, are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost. Money market funds, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations and commercial paper that have a remaining maturity of one year or less upon

**SAN FELIPE DEL RIO CONSOLIDATED  
INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO FINANCIAL STATEMENTS (Continued)*  
For the Year Ended August 31, 2018

acquisition, are reported at amortized cost. Investments in nonparticipating interest earning contracts, such as certificates of deposits, are reported at cost.

The District has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Governmental Code. In summary, the District is authorized to invest in the following:

- Direct obligations of the U.S. Government
- Fully collateralized certificates of deposit and money market accounts
- Government investment pools and commercial paper

**3. Inventories and Prepaid Items**

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred (i.e., the purchase method). Certain payments to vendors reflect costs applicable to the future accounting period (prepaid expenditures) are recognized as expenditures when utilized.

**4. Restricted Assets**

Certain proceeds of bonds, as well as other resources set aside for specific purposes, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants or contractual agreements.

**5. Capital Assets**

Capital assets, which include land, buildings, furniture, and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant, and equipment of the District are depreciated using the straight-line method over the following estimated useful years:

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Buildings	40 years
Building improvements	40 years
Vehicles	10 years
Office equipment	5 years
Computer equipment	5 years

**SAN FELIPE DEL RIO CONSOLIDATED  
INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO FINANCIAL STATEMENTS (Continued)*  
For the Year Ended August 31, 2018

**6. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement, *deferred outflows of resources*, represents a consumption of net position that applies to one or more future periods and so will not be recognized as an outflow of resources (expenses/expenditures) until then. The District has six items that qualify for reporting in this category on the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its acquisition price. This amount is deferred and amortized over the shorter of the life of the refunded and refunding debt. Deferred charges have been recognized as a result of differences between the actuarial expectations and the actual economic experience and for the changes in actuarial assumptions related to the District's defined benefit pension plan. These amounts are deferred and amortized over the average of the expected service lives of pension plan members. A deferred charge has been recognized for employer pension and OPEB plan contributions that were made subsequent to the measurement date through the end of the District's fiscal year. This amount is deferred and recognized as a reduction to the net pension and OPEB liability during the measurement period in which the contributions were made. Deferred outflows of resources are recognized for the difference between the projected and actual investment earnings on the OPEB plan assets. This amount is deferred and amortized over a period of five years. Another deferral is recognized for the changes in proportion and difference between the employer's contributions and the proportionate share of contributions related to the District's defined benefit pension and OPEB plans. Those amounts are deferred and amortized over the average of the expected service lives of pension and OPEB plan members.

In addition to liabilities, the statement 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. The District has four items that qualify for reporting in this category in the government-wide Statement of Net Position. Deferred charges have been recognized as a result of differences between the actuarial expectations and the actual economic experience and for the changes in actuarial assumptions related to the District's defined pension and OPEB plans. These amounts are amortized over the average of the expected service lives of pension and OPEB plan members. Another deferral is recognized for the changes in proportion and difference between the employer's contributions and the proportionate share of contributions related to the District's defined benefit pension plan. Those amounts are deferred and amortized over the average of the expected service lives of pension plan members. Deferred inflows of resources are recognized for the difference between the projected and actual investment earnings on the pension plan assets. This amount is deferred and amortized over a period of five years. At the fund level, the District has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

# **SAN FELIPE DEL RIO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT**

## ***NOTES TO FINANCIAL STATEMENTS (Continued)***

**For the Year Ended August 31, 2018**

### **7. Compensated Employee Absences**

The State has created a minimum leave program consisting of five days of personal leave per year with no limit on accumulation and transferability among districts for every person regularly employed in Texas public schools. Local school districts may provide additional sick leave beyond the State minimum. District employees are granted local sick leave depending upon their calendar. The District's policy is to use substitute personnel when classroom employees utilize their earned sick days.

A full-time employee who retires from employment with the District and is eligible for monthly retirement benefits of the Teacher Retirement System of Texas (TRS) shall, upon completion of employment, receive a lump sum payment for accrued local sick leave. The employee shall be reimbursed for each day of local sick leave to a maximum of 45 days at one-half the employee's daily rate of pay at the time of retirement.

### **8. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payment of principal and interest reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable, available financial resources.

The property tax rate is allocated each year between the general and debt service funds. The full amount estimated to be required for debt service on general obligation debt is provided by the tax along with the interest earned in the debt service fund.

### **9. Net Position Flow Assumption**

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

### **10. 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

# **SAN FELIPE DEL RIO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT**

## ***NOTES TO FINANCIAL STATEMENTS (Continued)***

**For the Year Ended August 31, 2018**

the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

### **11. Fund Balance Policies**

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

Amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact are classified as nonspendable fund balance. Amounts that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions are classified as restricted fund balance.

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

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

### **12. Estimates**

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

### **13. Data Control Codes**

The data control codes refer to the account code structure prescribed by the TEA in the Resource Guide. The TEA requires school districts to display these codes in the financial statements filed with the TEA in order to ensure accuracy in building a statewide database for policy development and funding plans.

# SAN FELIPE DEL RIO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2018

### 14. 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 other postemployment benefit (OPEB) plans with a special funding situation where non-employer contributing entities (NECE) also participate in contributions to the plans. TRS and Texas Public School Retired Employees Group Insurance Program ("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 Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

During the year under audit, the NECE expense was negative due to changes in benefits within TRS-Care. 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.

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

Data Control Codes	Functions/Programs	Operating Grants and Contributions (Excluding On- Behalf Accruals)	Negative On-Behalf Contributions	Operating Grants and Contributions As Reported
11	Instruction	\$ 7,521,479	\$ (7,027,718)	\$ 493,761
12	Instructional resources			
12	and media services	90,244	(163,435)	(73,191)
13	Curriculum/instructional			
13	staff development	1,447,877	(485,391)	962,486
21	Instructional leadership	617,541	(457,127)	160,414
23	School leadership	137,607	(583,698)	(446,091)
31	Guidance, counseling, and			
31	evaluation services	723,778	(922,857)	(199,079)
32	Social work services	6,608	(18,433)	(11,825)
33	Health services	113,332	(114,282)	(950)
34	Student (pupil) transportation	247,538	(319,498)	(71,960)
35	Food services	5,963,294	(668,487)	5,294,807
36	Extracurricular activities	85,778	(176,953)	(91,175)
41	General administration	64,850	(304,752)	(239,902)
51	Plant maintenance and operations	481,180	(507,510)	(26,330)
52	Security and monitoring services	31,489	(117,968)	(86,479)
53	Data processing services	46,671	(180,639)	(133,968)
61	Community services	728,892	(239,623)	489,269
72	Debt service - interest	2,003,654	-	2,003,654
TG		<u>\$ 20,311,812</u>	<u>\$ (12,288,371)</u>	<u>\$ 8,023,441</u>

# **SAN FELIPE DEL RIO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT**

## ***NOTES TO FINANCIAL STATEMENTS (Continued)***

**For the Year Ended August 31, 2018**

### **15. Pensions**

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

### **16. Other Postemployment Benefits**

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

### **17. Self-Funded Program**

The District sponsors a modified self-funded plan to provide health care benefits for its employees. The District accounts for health care claims in accordance with the GASB 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, as amended by GASB 30, *Risk Financing Omnibus, an Amendment of GASB Statement 10*.

### **18. Indirect Expenses**

School districts are required to report all expenses by function, except certain indirect expenses. General administration and data processing service functions (data control codes 41 and 53, respectively) include expenses that are indirect expenses of other functions. These indirect expenses are not allocated to other functions.

## **G. Revenues and Expenditures/Expenses**

### **1. Program Revenues**

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



# SAN FELIPE DEL RIO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2018

### 2. Property Taxes

All taxes due to the District on real or personal property are payable at the Office of the Tax Assessor-Collector and may be paid at any time after the tax rolls for the year have been completed and approved, which is no later than October 1. Taxes are due by January 31, and all taxes not paid prior to this date are deemed delinquent and are subject to such penalty and interest.

Property taxes attach as an enforceable lien on property as of January 1 each year. Taxes are levied on October 1 and are payable prior to the next February 1. District property tax revenues are recognized when collected.

### 3. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the internal service funds are charges to other departments of the District for services provided. Operating expenses for the internal service funds include the cost of sales and services, payments to employees, and claims and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

## II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with GAAP. The original budget is adopted by the District prior to the beginning of the year. The legal level of control is the function code stated in the approved budget. Appropriations lapse at the end of the year, excluding capital project budgets. Supplemental budget appropriations were made for the year.

In accordance with State law and generally accepted accounting standards, the District prepares an annual budget for the general fund, the national school lunch and breakfast program special revenue fund, and the debt service fund. Special revenue funds have budgets approved by the funding agency and are amended throughout the year as required.

During the year, the District amended its budget as required by State law and to reflect current levels of revenue and anticipated expenditures. There were no material changes between the original budget and the final amended budget.

For the year ended August 31, 2018, expenditures exceeded appropriations at the legal level of control as follows:

General Fund	
Function 11: Instruction	\$504,855
Function 99: Other governmental charges	\$ 14,828
Data control code 8949: Other (uses)	\$ 1,471
National School Breakfast and Lunch Program Fund	
Function 35: Food services	\$163,392

# SAN FELIPE DEL RIO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

## *NOTES TO FINANCIAL STATEMENTS (Continued)*

For the Year Ended August 31, 2018

### III. DETAILED NOTES ON ALL FUNDS

#### A. Deposits and Investments

As of August 31, 2018, the District had the following investments:

<u>Investments</u>	<u>Amount</u>	<u>Weighted Average Maturity (Years)</u>
Certificate of deposit	\$ 5,000,000	0.29
Commercial paper	9,800,190	0.36
U.S. agency obligations	13,423,917	1.13
Investment pools:		
Lone Star	5,349,068	0.16
TexPool	11,109,380	0.08
	\$ 44,682,555	
Portfolio weighted average maturity		0.49

#### Fair Value Measurements

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

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

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

Fair value is measured in a manner consistent with one of the three approaches: market approach, cost approach, and the income approach. The valuation methodology used is based upon whichever technique is the most appropriate and provides the best representation of fair value for that particular asset or liability. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities, or groups of assets and liabilities. The cost approach reflects the amount that would be required to replace the present service capacity of an asset. The income approach converts future amounts, such as cash flows, to a single current (discounted) amount.

# SAN FELIPE DEL RIO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

## *NOTES TO FINANCIAL STATEMENTS (Continued)*

For the Year Ended August 31, 2018

At August 31, 2018, the District had the following recurring fair value measurements:

Description	August 31, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
<b>Investments by Fair Value</b>			
U.S. agency obligations	\$ 13,423,917	\$ 13,423,917	\$ -
Commercial paper	9,800,190	-	9,800,190
<b>Total</b>	<u>\$ 23,224,107</u>	<u>\$ 13,423,917</u>	<u>\$ 9,800,190</u>

U.S. agency obligations are classified in Level 1 while commercial paper is classified in Level 2 of the fair value hierarchy and are both valued using the market approach.

*Concentration of credit risk and interest rate risk.* The District places no limit on the amount it may invest in any one issuer.

These risks are addressed through separately adopted written investment strategies for each of the funds or group of funds under the Board's control and for each specific investment and expected cash flow. Each investment strategy must describe the investment objectives for the particular fund under the following priorities in order of importance:

1. Understanding of the suitability of the investment to the financial requirements of the Board
2. Preservation and safety of principal
3. Liquidity
4. Marketability of the investment if the investment needs to be liquidated before maturity
5. Diversification of the investment portfolio
6. Yield

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's investment policy requires funds on deposit at the depository bank to be collateralized. As of August 31, 2018, deposit accounts were entirely insured or collateralized with securities as provided by State laws and regulations and FDIC insurance.

*Custodial credit risk – investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. A portion of the District's investments are held in external investment pools which are not subject to custodial credit risk. Investments in money market mutual funds and investment pools must be rated at least AAA by Standard & Poor's. Investments in commercial paper must be rated no less than A1/P1 or its equivalent by two nationally recognized rating agencies, not to exceed 180 days to stated maturity. Certificates of deposit must be fully insured or collateralized. Obligations of, or guaranteed by, the U.S. government, its agencies, and instrumentalities may not to exceed three years to stated maturity.

# **SAN FELIPE DEL RIO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT**

## ***NOTES TO FINANCIAL STATEMENTS (Continued)***

**For the Year Ended August 31, 2018**

### **TexPool**

TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Standard & Poor's rated TexPool "AAAm". As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review.

TexPool operates in compliance with the Public Funds Investment Act, Chapter 2256, Texas Government Code. TexPool states all investments at amortized cost to value portfolio assets and follows the criteria established by GASB Statement No. 79, *Certain External Investment Pools and Pool Participants* for the use of amortized cost. Deposits and withdrawals can be made on any business day of the week. TexPool has a redemption notice of one day which may be redeemed daily. TexPool may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium, or a national state of emergency that affects TexPool's liquidity. There are no limits on the number of accounts a participant can have or the number of transactions.

### **Lone Star**

Lone Star is a public funds investment pool organized under the authority of the Interlocal Cooperation Act of the Texas Government Code, Chapter 791, and the Public Funds Investment Act, Texas Government Code, Chapter 2256. Lone Star is sponsored by the Texas Association of School Boards (TASB). The Lone Star Investment Pool Board (the "Board") acts as trustee and is comprised of 11 members representing school districts that have adopted the investment agreement, including school board members, school administrators, and school business officials. The Board has entered into an agreement with First Public, LLC to act as administrator for Lone Star. Responsibilities of First Public include daily servicing of participant's accounts, negotiating contracts with investment advisors and other service providers, and performing related administrative services. Finally, Standard & Poor's rates Lone Star "AAAm". As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review.

Lone Star investments are measured at net asset value. Lone Star has a redemption notice of one day which may be redeemed daily. Lone Star may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium, or a national state of emergency that affects Lone Star's liquidity. The District has no unfunded commitments related to Lone Star.

# SAN FELIPE DEL RIO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2018

### B. Capital Assets

A summary of changes in capital assets for governmental activities at year end is as follows:

	Beginning Balances	Increases	(Decreases)	Ending Balances
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 3,684,804	\$ -	\$ -	\$ 3,684,804
Construction in progress	6,853,414	2,398,960	(7,862,527)	1,389,847
<b>Total Capital Assets Not         Being Depreciated</b>	10,538,218	2,398,960	(7,862,527)	5,074,651
Other capital assets:				
Buildings and improvements	138,381,012	8,415,503	-	146,796,515
Vehicles, furniture, and equipment	17,304,343	1,322,958	-	18,627,301
<b>Total Other Capital Assets</b>	155,685,355	9,738,461	-	165,423,816
Less accumulated depreciation for:				
Buildings and improvements	(54,302,048)	(3,294,679)	-	(57,596,727)
Vehicles, furniture, and equipment	(12,544,447)	(1,221,031)	-	(13,765,478)
<b>Total Accumulated Depreciation</b>	(66,846,495)	(4,515,710)	-	(71,362,205)
Other capital assets, net	88,838,860	5,222,751	-	94,061,611
<b>Governmental Activities         Capital Assets, Net</b>	\$ 99,377,078	\$ 7,621,711	\$ (7,862,527)	99,136,262
			Less associated debt	(56,442,956)
			Plus deferred charge on refunding	1,462,681
			Plus unspent bond proceeds	16,672,522
			<b>Net Investment in Capital Assets</b>	<b>\$ 60,828,509</b>

Depreciation was charged to governmental functions as follows:

	Governmental Activities
11 Instruction	\$ 3,061,604
12 Instructional resources and media services	38,089
13 Curriculum and instructional staff development	3,311
21 Instructional leadership	37,721
23 School leadership	84,795
31 Guidance, counseling, and evaluation services	3,630
32 Social work services	500
34 Student (pupil) transportation	253,672
35 Food services	55,809
36 Extracurricular activities	361,216
41 General administration	84,670
51 Plant maintenance and operations	313,146
52 Security and monitoring services	44,250
53 Data processing services	128,945
81 Facilities acquisition and construction	44,352
<b>Total Depreciation Expense</b>	<b>\$ 4,515,710</b>

# SAN FELIPE DEL RIO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2018

### C. Long-Term Debt

The following is a summary of changes in the District's total governmental long-term liabilities for the year. In general, the District uses the general and debt service funds to liquidate governmental long-term liabilities.

Governmental Activities:	Beginning Balance	Additions	(Reductions)	Ending Balance	Amounts Due Within One Year
Bonds payable:					
Series 2007	\$ 5,549,993	\$ -	\$ (5,210,000)	\$ 339,993	\$ -
Series 2008	420,000	-	(420,000)	-	-
Series 2013	13,380,000	-	(1,400,000)	11,980,000	1,470,000
Series 2015	8,180,000	-	(815,000)	7,365,000	835,000
Series 2016	8,360,000	-	-	8,360,000	420,000
Series 2017	-	4,850,000	(100,000)	4,750,000	90,000
Maintenance tax note:					
Series 2018	-	16,420,000	-	16,420,000	475,000
	<u>35,889,993</u>	<u>21,270,000</u>	<u>(7,945,000)</u>	<u>49,214,993</u>	<u>* 3,290,000</u>
Capital leases:					
Copiers	317,612	-	(118,317)	199,295	124,092
Virtual network - equipment	102,294	-	(24,066)	78,228	25,044
Virtual network - software	378,007	-	(86,885)	291,122	91,777
	<u>797,913</u>	<u>-</u>	<u>(229,268)</u>	<u>568,645</u>	<u>* 240,913</u>
Other liabilities:					
Compensated absences	634,167	488,289	(480,924)	641,532	439,460
Unamortized premium	3,589,716	2,493,901	(766,735)	5,316,882	*
Unamortized discount	(40,861)	-	40,861	-	*
Accreted interest	1,268,896	73,540	-	1,342,436	*
Net pension liability	23,568,734	-	(4,168,717)	19,400,017	-
Net OPEB liability	73,770,519	-	(31,984,832)	41,785,687	-
<b>Total Governmental Activities</b>	<u>\$ 139,479,077</u>	<u>\$ 24,325,730</u>	<u>\$ (45,534,615)</u>	<u>\$ 118,270,192</u>	<u>\$ 3,970,373</u>
				<u>\$ 114,299,819</u>	
				<u>\$ 56,442,956</u>	

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

# SAN FELIPE DEL RIO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

## *NOTES TO FINANCIAL STATEMENTS (Continued)*

For the Year Ended August 31, 2018

### Current Refunding

The District issued \$4,850,000 of Unlimited Tax Refunding Bonds, Series 2017 to provide resources for debt services payments of \$5,210,000 of Unlimited Tax Refunding Bonds, Series 2007. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the Statement of Net Position. The net carrying amount of the old debt exceeded the reacquisition price by \$52,868. This amount is being amortized over the remaining life of the refunded debt, which is the same as the life of the new debt issued. This current refunding was undertaken to reduce the total debt service payments over the next 14 years by \$627,630 and resulted in an economic gain of \$527,817.

### Maintenance Tax Notes

During the fiscal year, the District issued \$16,420,000 of Maintenance Tax Notes, Series 2018. Proceeds will be used for the purposes of paying lawful maintenance expenses of the District including repair, rehabilitation, renovation, or replacement of heating, air conditioning, ventilation, electric, lighting, and other building systems of existing school properties throughout the District. The notes mature on August 15, 2037 and have an interest rate ranging from 4.00% to 5.00%.

Long-term debt at year end was comprised of the following debt issues:

Description	Interest Rates	Balance
<b>General Obligation Bonds</b>		
Unlimited Tax Refunding Bonds		
Series 2007	4.51% - 4.53%	\$ 339,993
Series 2013	3.00% - 5.00%	11,980,000
Series 2015	2.00% - 4.00%	7,365,000
Series 2016	3.00% - 4.00%	8,360,000
Series 2017	2.00% - 4.00%	4,750,000
<b>Total General Obligation Bonds</b>		<b>\$ 32,794,993</b>
 <b>Maintenance Tax Notes</b>		
Series 2018	4.00% - 5.00%	\$ 16,420,000
<b>Total Maintenance Tax Notes</b>		<b>\$ 16,420,000</b>
 <b>Capital Leases</b>		
Copiers	4.77%	\$ 199,295
Virtual Network - Equipment	4.06%	78,228
Virtual Network - Software	5.63%	291,122
<b>Total Capital Leases</b>		<b>\$ 568,645</b>

**SAN FELIPE DEL RIO CONSOLIDATED  
INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO FINANCIAL STATEMENTS (Continued)*  
For the Year Ended August 31, 2018

The annual requirements to amortize bond and notes issuances outstanding at year end were as follows:

Year Ended Aug 31	Principal	Interest	Total Requirements
2019	\$ 3,290,000	\$ 2,093,075	\$ 5,383,075
2020	3,510,000	1,874,575	5,384,575
2021	3,650,000	1,735,000	5,385,000
2022	3,805,000	1,581,200	5,386,200
2023	3,985,000	1,420,250	5,405,250
2024-2028	14,034,993	5,082,113	19,117,106
2029-2033	12,175,000	2,614,800	14,789,800
2034-2037	4,765,000	610,250	5,375,250
Total	<u>\$ 49,214,993</u>	<u>\$ 17,011,263</u>	<u>\$ 66,226,256</u>

The annual requirements to amortize capital lease obligations outstanding at year end were as follows:

Year Ended Aug 31	Principal	Interest	Total Requirements
2019	\$ 240,913	\$ 26,392	\$ 267,305
2020	198,171	14,586	212,757
2021	129,561	6,868	136,429
Total	<u>\$ 568,645</u>	<u>\$ 47,846</u>	<u>\$ 616,491</u>

Capital assets acquired under current capital leases obligations totaled \$1,092,455 less accumulated depreciation of \$450,575.

Federal Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions consisting of complex regulations with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed, or are not performed correctly, a substantial liability to the District could result. The District periodically engages an arbitrage consultant to perform the calculations in accordance with the rules and regulations of the IRS.

**D. Commitments Under Noncapitalized Leases**

The District has previously entered into a vehicle lease for the Drivers Education Program for the use of three vehicles. The District also has active leases for copiers and technology equipment. The total operating lease expense during the current year was \$16,831.



**SAN FELIPE DEL RIO CONSOLIDATED  
INDEPENDENT SCHOOL DISTRICT**

*NOTES TO FINANCIAL STATEMENTS (Continued)*

For the Year Ended August 31, 2018

The future minimum lease payments for these leases are as follows:

<u>Year Ended August 31</u>	<u>Future Minimum Lease Payments</u>
2019	\$ 38,222
2020	29,522
2021	29,522
2022	29,522
2023	21,392
<b>Total</b>	<b>\$ 148,180</b>

**E. Interfund Transactions**

The following is a summary of the District's interfund transactions for the year:

<u>Due To</u>	<u>Due From</u>	<u>Amounts</u>
General fund	Other governmental funds	\$ 972,152
General fund	National school breakfast and lunch program	1,563,621
		\$ 2,535,773

Amounts recorded as due to/from are considered to be temporary loans and will be repaid during the following year.

**IV. OTHER INFORMATION**

**A. Risk Management**

The District's exposed risk of loss related to torts: theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters for which the District purchases insurance from TASB. There have been no significant reductions in coverage from the prior year and settlements have not exceeded amounts of coverage in the past three years.

The District provides a health insurance plan (the "Plan"), and pays the contribution, for all employees. The employee pays for any family member coverage. This is provided through a self-insured plan and the District hires TML Intergovernmental Employee Benefits Pool to administer the Plan and the District also pays for stop-loss coverage. Transactions related to the Plan are accounted for in an internal service fund.

**B. Contingent Liabilities**

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

# SAN FELIPE DEL RIO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2018

The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the District's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the District.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors. No claim liabilities are reported at year end.

### C. Defined Benefit Pension Plan

#### Teacher Retirement System

##### 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 TRS. It is a defined benefit pension plan established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

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

##### Pension Plan Fiduciary Net Position

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

##### Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3% (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.

# SAN FELIPE DEL RIO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

## *NOTES TO FINANCIAL STATEMENTS (Continued)*

For the Year Ended August 31, 2018

There are no automatic postemployment benefit changes, including automatic cost-of-living adjustments (COLAs). Ad hoc postemployment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan Description above.

### Contributions

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

<u>Contribution Rates</u>	<u>2017</u>	<u>2018</u>
Member	7.7%	7.7%
NECE (State)	6.8%	6.8%
Employers	6.8%	6.8%
2017 Employer Contributions	\$1,988,513	
2017 Member Contributions	\$1,967,362	
2017 NECE On-behalf Contributions	\$2,940,339	

Contributors to the plan include members, employers, and the State as the only NECE. 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 GAA.

As the NECE for public education and junior colleges, the State 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 as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational, and general or local funds.

# SAN FELIPE DEL RIO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

## *NOTES TO FINANCIAL STATEMENTS (Continued)*

For the Year Ended August 31, 2018

- 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 TRS, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

When a school district or charter school does not contribute to the Federal Old-Age, Survivors, and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees and 100% of the state contribution rate for all other employees.

### Actuarial Assumptions

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

Valuation date	August 31, 2017
Actuarial cost method	Individual entry age normal
Asset valuation method	Market value
Single discount rate	8.0%
Long-term expected investment rate of return	8.0%
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 postemployment benefit changes	None

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

### Discount Rate

The discount rate used to measure the total pension liability was 8%. 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 NECE 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

# SAN FELIPE DEL RIO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2018

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 System's target asset allocation as of August 31, 2017 are summarized below:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns *
<b>Global Equity</b>			
U.S.	18.0%	4.6%	1.0%
Non-U.S. Developed	13.0%	5.1%	0.8%
Emerging Markets	9.0%	5.9%	0.7%
Directional Hedge Funds	4.0%	3.2%	0.1%
Private Equity	13.0%	7.0%	1.1%
<b>Stable Value</b>			
U.S. Treasuries	11.0%	0.7%	0.1%
Absolute Return	0.0%	1.8%	0.0%
Stable Value (Hedge Funds)	4.0%	3.0%	0.1%
Cash	1.0%	-0.2%	0.0%
<b>Real Return</b>			
Global Inflation Linked Bonds	3.0%	0.9%	0.0%
Real Assets	16.0%	5.1%	1.1%
Energy and Natural Resources	3.0%	6.6%	0.2%
Commodities	0.0%	1.2%	0.0%
<b>Risk Parity</b>			
Risk Parity	5.0%	6.7%	0.3%
Inflation Expectation	0.0%		2.2%
Alpha	0.0%		1.0%
<b>Total</b>	100.0%		8.7%

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

**SAN FELIPE DEL RIO CONSOLIDATED  
INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO FINANCIAL STATEMENTS (Continued)*  
For the Year Ended August 31, 2018

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.

	<b>1% Decrease in Discount Rate (7%)</b>	<b>Current Discount Rate (8%)</b>	<b>1% Increase in Discount Rate (9%)</b>
District's proportionate share of the net pension liability	\$ 32,704,595	\$ 19,400,017	\$ 8,321,796

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

At August 31, 2018, the District reported a liability of \$19,400,017 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 19,400,017
State's proportionate share that is associated with the District	28,746,378
<b>Total</b>	<b>\$ 48,146,395</b>

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 District's proportion of the collective net pension liability was 0.0606732%, which was a decrease of 0.0016969% from its proportion measured as of August 31, 2016.

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

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

For the year ended August 31, 2018, the District recognized pension expense of \$2,192,659 and revenue of \$2,192,659 for support provided by the State.

**SAN FELIPE DEL RIO CONSOLIDATED  
INDEPENDENT SCHOOL DISTRICT**

*NOTES TO FINANCIAL STATEMENTS (Continued)*

For the Year Ended August 31, 2018

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual economic experience	\$ 283,831	\$ 1,046,217
Changes in actuarial assumptions	883,702	505,899
Difference between projected and actual investment earnings	-	1,413,831
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	3,440,796	515,548
Contributions paid to TRS subsequent to the measurement	2,010,730	-
<b>Total</b>	<b>\$ 6,619,059</b>	<b>\$ 3,481,495</b>

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

<b>Year Ended August 31</b>	<b>Pension Expense</b>
2019	\$ 150,351
2020	1,388,704
2021	55,207
2022	(320,451)
2023	(61,835)
Thereafter	(85,142)
<b>Total</b>	<b>\$ 1,126,834</b>

**D. Defined Other Postemployment Benefit Plans**

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 benefit OPEB plan that has a special funding situation. TRS-Care is administered through a trust by the TRS Board of Trustees (the "Board"). It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

OPEB Plan Fiduciary Net Position

Detailed information about the TRS-Care's fiduciary net position is available in 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 [www.trs.state.tx.us/about/documents/cafr.pdf#CAFR](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.

# SAN FELIPE DEL RIO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

## *NOTES TO FINANCIAL STATEMENTS (Continued)*

For the Year Ended August 31, 2018

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

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

### Benefits Provided

TRS-Care provides a basic health insurance coverage, TRS-Care 1 (the “Basic Plan”) 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 (the “Optional Health Insurance”). Eligible retirees and dependents enrolled in Medicare may elect to participate in one of the two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least ten 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 postemployment benefit changes, including automatic cost-of-living adjustments.

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 and B coverage, with 20 to 29 years of service, for the Basic Plan and the two Optional Health Insurance plans:

**TRS-Care Plan Premium Rates**  
**Effective September 1, 2016 - December 31, 2017**

	<b>TRS-Care 1</b>	<b>TRS-Care 2</b>	<b>TRS-Care 3</b>
	<b>Basic Plan</b>	<b>Optional Plan</b>	<b>Optional Plan</b>
Retiree*	\$ -	\$ 70	\$ 100
Retiree and spouse	\$ 20	\$ 175	\$ 255
Retiree and children	\$ 41	\$ 132	\$ 182
Retiree and family	\$ 61	\$ 237	\$ 337
Surviving children only	\$ 28	\$ 62	\$ 82

*\*or surviving spouse*

### Contributions

Contribution rates for TRS-Care are established in state statute by the Texas Legislature and there is no continuing obligation to provide benefits beyond each fiscal year. TRS-Care 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



# SAN FELIPE DEL RIO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

## *NOTES TO FINANCIAL STATEMENTS (Continued)*

For the Year Ended August 31, 2018

school districts based upon public school district payroll. The TRS Board 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 1.00 percent of the employee's salary. Section 1575.203 establishes the active employee's rate, which is 0.65 percent 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 TRS-Care by type of contributor:

	Contribution Rates	
	Fiscal Year	
	2017	2018
Active employee	0.65%	0.65%
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	\$	82,259
Current fiscal year member contributions	\$	33,739
2017 measurement year NECE contributions	\$	124,097

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

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

### 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 TRS pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including mortality, and most of the economic assumptions are identical to those which were adopted by the Board in 2015 and are based on the 2014 actuarial experience study of TRS.
- The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females. The post-retirement mortality rates were based on the 2015 TRS of Texas Healthy Pensioner Mortality Tables.

# SAN FELIPE DEL RIO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

## *NOTES TO FINANCIAL STATEMENTS (Continued)*

For the Year Ended August 31, 2018

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:

- |                                  |                            |
|----------------------------------|----------------------------|
| 1. Rates of Mortality            | 5. General Inflation       |
| 2. Rates of Retirement           | 6. Wage Inflation          |
| 3. Rates of Termination          | 7. Expected Payroll Growth |
| 4. Rates of Disability Incidence |                            |

Additional actuarial methods and assumptions are as follows:

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 postemployment 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.

### Discount Rate

A single discount rate of 3.42 percent was used to measure the total OPEB liability. There was a change of 0.44 percent in the discount rate since the previous year. Because TRS-Care is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the NECE are made at the statutorily required rates. Based on those assumptions, TRS-Care's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. The source of the municipal bond rate was fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of August 31, 2017.

# SAN FELIPE DEL RIO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2018

### Sensitivity of the Net OPEB Liability

**Discount Rate Sensitivity Analysis** – The following schedule shows the impact of the net OPEB liability if the discount rate used was one percent less than and one percent greater than the discount rate that was used in measuring the net OPEB liability:

	<b>1% Decrease in Discount Rate (2.42%)</b>	<b>Current Single Discount Rate (3.42%)</b>	<b>1% Increase in Discount Rate (4.42%)</b>
District's proportionate share of net OPEB liability	\$ 49,317,484	\$ 41,785,687	\$ 35,731,820

**Healthcare Cost Trend Rates Sensitivity Analysis** – The following presents the net OPEB liability of TRS-Care using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one percent less than or one percent higher than the assumed healthcare cost trend rate:

	<b>1% Decrease in Healthcare Cost Trend Rate</b>	<b>Current Healthcare Cost Trend Rate</b>	<b>1% Increase in Healthcare Cost Trend Rate</b>
District's proportionate share of net OPEB liability	\$ 34,790,759	\$ 41,785,687	\$ 50,963,914

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

At August 31, 2018, the District reported a liability of \$41,785,687 for its proportionate share of TRS-Care'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	\$ 41,785,687
State's proportionate share that is associated with the District	43,290,532
<b>Total</b>	<b>\$ 85,076,219</b>

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 TRS-Care relative to the contributions of all employers to TRS-Care for the period September 1, 2016 through August 31, 2017.

At the August 31, 2017 measurement date, the District's proportion of the collective net OPEB liability was 0.0960894 percent, which was the same proportion measured as of August 31, 2016.

**SAN FELIPE DEL RIO CONSOLIDATED  
INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO FINANCIAL STATEMENTS (Continued)*  
For the Year Ended August 31, 2018

Changes Since the Prior Actuarial Valuation

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

- 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 percent as of August 31, 2016 to 3.42 percent as of August 31, 2017. This change lowered total OPEB liability.

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

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

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

Future actuarial measurements may differ significantly from the current measurements due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions, changes in economic or demographic assumptions, increases or decreases expected as part of the natural operation of the methodology used for these measurements, and changes in plan 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 (\$14,486,163) and revenue of (\$14,486,163) for support provided by the State.

**SAN FELIPE DEL RIO CONSOLIDATED  
INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO FINANCIAL STATEMENTS (Continued)*  
For the Year Ended August 31, 2018

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual economic experience	\$ -	\$ 872,308
Changes in actuarial assumptions	-	16,606,724
Differences between projected and actual investment earnings	6,347	-
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	192	-
Contributions paid to TRS subsequent to the measurement date	594,838	-
<b>Total</b>	<b>\$ 601,377</b>	<b>\$ 17,479,032</b>

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:

<b>Year Ended August 31,</b>	<b>Expense Amount</b>
2019	\$ (2,305,515)
2020	(2,305,515)
2021	(2,305,515)
2022	(2,305,515)
2023	(2,307,102)
Thereafter	(5,943,331)
	<b>\$ (17,472,493)</b>

**E. Employee Health Care Coverage**

During the year ended August 31, 2018, the District contributed \$596.84 per month for each employee which was deposited into the health insurance fund (the "Fund"). The contribution is deposited monthly into the Fund account and administrative costs are expensed when incurred and reported. The District obtained excess loss insurance (stop-loss coverage), which limited the amount of claims for any one individual to \$600,000 and an unlimited aggregate limit. Claims payable, including an estimate for claims incurred but not reported, at August 31, 2018 are \$1,681,396. The Plan is funded to discharge liabilities for the Fund as they become due.

# **SAN FELIPE DEL RIO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT**

## ***NOTES TO FINANCIAL STATEMENTS (Continued)***

**For the Year Ended August 31, 2018**

### **F. Workers' Compensation Insurance**

During the year ended August 31, 2018, the District met its statutory workers' compensation obligations through participation in the TASB Risk Management Fund (the "Fund"). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's workers' compensation program is authorized by Chapter 504, Texas Labor Code. All members participating in the Fund execute interlocal agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members' injured employees.

The Fund and its members are protected against higher than expected claims costs through the purchase of stop-loss coverage for any claim in excess of the Fund's self-insured retention of \$2 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2017, the Fund carries a discounted reserve of \$51,843,324 for future development on reported claims and claims that have been incurred but not yet reported. For the year ended August 31, 2018, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2017 are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

### **G. Unemployment Compensation**

During the year ended August 31, 2018, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the "Fund"). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's unemployment compensation program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute interlocal agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop-loss coverage for the unemployment compensation pool. For the year ended August 31, 2018, the Fund anticipates that the District has no additional liability beyond the contractual obligation for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2017 are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

# SAN FELIPE DEL RIO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

## *NOTES TO FINANCIAL STATEMENTS (Continued)*

For the Year Ended August 31, 2018

### H. Restatement

Beginning net position for governmental activities was restated to recognize GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The District also restated beginning fund balance for the general fund to remove workers' compensation and unemployment liabilities that have carried forward from prior years.

	<b>General</b>	<b>Governmental Activities</b>
Beginning fund balance/net position - as reported	\$ 34,271,888	\$ 83,495,878
Restatement - payroll liabilities	520,455	520,455
Restatement - net OPEB liability	-	(73,770,519)
Restatement - deferred outflows	-	499,570
Beginning fund balance/net position - restated	\$ 34,792,343	\$ 10,745,384

(This page intentionally left blank.)



***REQUIRED SUPPLEMENTARY INFORMATION***

(This page intentionally left blank.)

**SAN FELIPE DEL RIO CONSOLIDATED  
INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND - EXHIBIT G-1**  
For the Year Ended August 31, 2018

Data Control Codes		Budgeted Amounts		Actual	Variance With Final Budget
		Original	Final		
<b>Revenues</b>					
5700	Local and intermediate sources	\$ 18,589,572	\$ 19,716,300	\$ 20,256,372	\$ 540,072
5800	State program revenues	64,166,961	64,362,590	64,444,108	81,518
5900	Federal program revenues	1,592,390	1,592,390	1,696,698	104,308
5020	<b>Total Revenues</b>	<u>84,348,923</u>	<u>85,671,280</u>	<u>86,397,178</u>	<u>725,898</u>
<b>Expenditures</b>					
0011	Instruction	46,490,016	47,270,118	47,774,973	(504,855) *
0012	Instructional resources and media services	1,339,982	1,390,444	1,264,457	125,987
0013	Curriculum/instructional staff development	2,050,787	2,059,607	1,705,623	353,984
0021	Instructional leadership	1,284,032	1,351,175	1,347,525	3,650
0023	School leadership	4,299,428	4,444,683	4,353,569	91,114
0031	Guidance, counseling, and evaluation services	3,067,693	3,185,463	3,180,327	5,136
0032	Social work services	229,142	343,236	337,068	6,168
0033	Health services	966,084	1,007,404	903,219	104,185
0034	Student (pupil) transportation	2,837,795	3,309,840	3,309,323	517
0035	Food services	85,899	199,856	132,027	67,829
0036	Extracurricular activities	3,455,964	4,761,318	4,375,594	385,724
0041	General administration	3,178,529	3,351,318	3,308,036	43,282
0051	Plant maintenance and operations	10,660,826	10,619,358	10,447,454	171,904
0052	Security and monitoring services	1,592,366	1,784,443	1,583,100	201,343
0053	Data processing services	2,040,916	2,381,235	2,380,717	518
0061	Community services	144,431	170,523	146,203	24,320
<b>Debt service:</b>					
0071	Principal	-	249,339	229,268	20,071
0072	Interest	130,033	41,036	41,036	-
<b>Capital outlay:</b>					
0081	Facilities acquisition and construction	-	5,247,715	2,486,876	2,760,839
<b>Intergovernmental:</b>					
0099	Other governmental charges	495,000	541,264	556,092	(14,828) *
6030	<b>Total Expenditures</b>	<u>84,348,923</u>	<u>93,709,375</u>	<u>89,862,487</u>	<u>3,846,888</u>
1100	<b>(Deficiency) of Revenues (Under) Expenditures</b>	<u>-</u>	<u>(8,038,095)</u>	<u>(3,465,309)</u>	<u>4,572,786</u>
<b>Other Financing Sources (Uses)</b>					
7912	Sale of real and personal property	-	-	642	642
8949	Other (uses)	-	-	(1,471)	(1,471) *
7080	<b>Total Other Financing (Uses)</b>	<u>-</u>	<u>-</u>	<u>(829)</u>	<u>(829)</u>
1200	<b>Net Change in Fund Balance</b>	<u>-</u>	<u>(8,038,095)</u>	<u>(3,466,138)</u>	<u>4,571,957</u>
0100	Beginning fund balance	34,792,343	34,792,343	34,792,343	-
3000	<b>Ending Fund Balance</b>	<u>\$ 34,792,343</u>	<u>\$ 26,754,248</u>	<u>\$ 31,326,205</u>	<u>\$ 4,571,957</u>

Notes to Required Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
2. \*Expenditures exceeded appropriations at the legal level of control.

**SAN FELIPE DEL RIO CONSOLIDATED  
INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY*  
**TEACHER RETIREMENT SYSTEM OF TEXAS (TRS) - EXHIBIT G-2**  
For the Year Ended August 31, 2018

	<b>Measurement Year*</b>			
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
District's proportion of the net pension liability (asset)	0.0606732%	0.0623701%	0.0645439%	0.0428135%
District's proportionate share of the net pension liability (asset)	\$ 19,400,017	\$ 23,568,734	\$ 22,815,410	\$ 11,436,077
State's proportionate share of the net pension liability (asset) associated with the District	28,746,378	35,021,451	32,665,742	29,038,237
<b>Total</b>	<u>\$ 48,146,395</u>	<u>\$ 58,590,185</u>	<u>\$ 55,481,152</u>	<u>\$ 40,474,314</u>
District's covered payroll**	\$ 59,508,901	\$ 59,432,234	\$ 56,506,425	\$ 55,211,617
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	32.60%	39.66%	40.38%	20.71%
Plan fiduciary net position as a percentage of the total pension liability	82.17%	78.00%	78.43%	83.25%

\* Only four years' worth of information is currently available.

\*\* As of the measurement date.

**Notes to Required Supplementary Information:**

*Changes in Assumptions:* There were no changes in assumptions that affected measurement of the total pension liability during the measurement period.

*Changes in benefits:* There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

**SAN FELIPE DEL RIO CONSOLIDATED  
INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF DISTRICT CONTRIBUTIONS*  
*TEACHER RETIREMENT SYSTEM OF TEXAS (TRS) - EXHIBIT G-3*  
For the Year Ended August 31, 2018

	Fiscal Year*			
	2018	2017	2016	2015
Contractually required contribution	\$ 2,010,730	\$ 1,988,526	\$ 1,979,560	\$ 1,911,172
Contributions in relations to the contractually required contribution	2,010,730	1,988,526	1,979,560	1,911,172
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 59,999,224	\$ 59,508,901	\$ 59,432,234	\$ 56,506,425
Contributions as a percentage of covered payroll	3.35%	3.34%	3.33%	3.38%

\* Only four years' worth of information is currently available.

**SAN FELIPE DEL RIO CONSOLIDATED  
INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF THE DISTRICT'S PROPORTIONATE  
SHARE OF THE NET OPEB LIABILITY  
TEXAS PUBLIC SCHOOL RETIRED EMPLOYEES  
GROUP INSURANCE PROGRAM ("TRS-CARE") - EXHIBIT G-4*  
For the Year Ended August 31, 2018

	<b>Measurement Year*</b>
	<b>2017</b>
District's proportion of the collective net OPEB liability (asset)	0.0960894%
District's proportionate share of the collective net OPEB liability (asset)	\$ 41,785,687
State's proportionate share of the collective net OPEB liability (asset) associated with the District	43,290,532
Total	\$ 85,076,219
District's covered payroll**	\$ 59,508,901
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	70.22%
Plan fiduciary net position as a percentage of the total OPEB liability	0.91%

\* Only one year's worth of information is currently available.

**Notes to Required Supplementary Information:**

*Changes in Assumptions:* There were no changes in assumptions that affected measurement of the total OPEB liability during the measurement period.

*Changes in Benefits:* There were no changes of benefit terms that affected measurement of the total OPEB liability during the measurement period.

**SAN FELIPE DEL RIO CONSOLIDATED  
INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF CONTRIBUTIONS*  
*TEXAS PUBLIC SCHOOL RETIRED EMPLOYEES*  
**GROUP INSURANCE PROGRAM ("TRS-CARE") - EXHIBIT G-5**  
For the Year Ended August 31, 2018

	<b>Fiscal Year*</b>
	<b>2018</b>
Statutorily required contributions	\$ 594,838
Contributions in relations to the statutorily required contributions	594,838
Contribution deficiency (excess)	\$ -
District's covered payroll	\$ 59,999,224
Contributions as a percentage of covered payroll	0.99%

\* Only one year's worth of information is currently available.

(This page intentionally left blank.)



***OTHER SUPPLEMENTARY  
INFORMATION***

**SAN FELIPE DEL RIO CONSOLIDATED  
INDEPENDENT SCHOOL DISTRICT**

*COMBINING BALANCE SHEET*

*NONMAJOR GOVERNMENTAL FUNDS - EXHIBIT H-1 (Page 1 of 3)*

August 31, 2018

<b>Data Control Codes</b>		<b>Special Revenue Funds</b>			
		205	211	212	224
		<b>Head Start</b>	<b>Part A Improving Basic Prog</b>	<b>ESEA Title 1, Pt. C Migrant</b>	<b>IDEA-B Formula</b>
	<b><u>Assets</u></b>				
1110	Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
1240	Due from other governments	242,018	351,412	77,494	201,544
1290	Other receivables	-	-	-	-
1000	<b>Total Assets</b>	\$ 242,018	\$ 351,412	\$ 77,494	\$ 201,544
	<b><u>Liabilities</u></b>				
2110	Accounts payable	\$ -	\$ 313	\$ 117	\$ -
2160	Accrued wages payable	59,538	31,504	5,097	59,113
2170	Due to other funds	182,480	319,595	72,280	142,431
2180	Due to other governments	-	-	-	-
2300	Unearned revenue	-	-	-	-
2000	<b>Total Liabilities</b>	242,018	351,412	77,494	201,544
	<b><u>Fund Balances</u></b>				
	Restricted:				
3450	Federal/state fund grant restrictions	-	-	-	-
3490	Other restrictions of fund balance	-	-	-	-
3000	<b>Total Fund Balances</b>	-	-	-	-
4000	<b>Total Liabilities and Fund Balances</b>	\$ 242,018	\$ 351,412	\$ 77,494	\$ 201,544

**Special Revenue Funds**

225	242	244	255	263	270
<b>IDEA-B Preschool</b>	<b>Summer Feeding Program</b>	<b>Career and Technical Basic</b>	<b>ESEA Title II Part A Training</b>	<b>Title III ELA</b>	<b>Medicaid Admin. Claim MAC</b>
\$ -	\$ 33,728	\$ -	\$ -	\$ -	\$ -
3,536	-	9,760	95,898	31,992	11,173
-	-	-	-	-	-
<u>\$ 3,536</u>	<u>\$ 33,728</u>	<u>\$ 9,760</u>	<u>\$ 95,898</u>	<u>\$ 31,992</u>	<u>\$ 11,173</u>
\$ -	\$ 40	\$ -	\$ 19,558	\$ -	\$ 1,848
-	-	-	5,020	81	1,928
3,536	-	9,760	71,320	31,911	7,397
-	-	-	-	-	-
-	-	-	-	-	-
<u>3,536</u>	<u>40</u>	<u>9,760</u>	<u>95,898</u>	<u>31,992</u>	<u>11,173</u>
-	33,688	-	-	-	-
-	-	-	-	-	-
-	<u>33,688</u>	-	-	-	-
<u>\$ 3,536</u>	<u>\$ 33,728</u>	<u>\$ 9,760</u>	<u>\$ 95,898</u>	<u>\$ 31,992</u>	<u>\$ 11,173</u>

**SAN FELIPE DEL RIO CONSOLIDATED  
INDEPENDENT SCHOOL DISTRICT**

*COMBINING BALANCE SHEET*

*NONMAJOR GOVERNMENTAL FUNDS - EXHIBIT H-1 (Page 2 of 3)*

August 31, 2018

<u>Data Control Codes</u>		<u>Special Revenue Funds</u>			
		272	289	386	397
		<u>Medicaid Admin. Claim MAC</u>	<u>LEP Summer School</u>	<u>Regional Day School for the Deaf</u>	<u>Advanced Placement Incentives</u>
<b><u>Assets</u></b>					
1110	Cash and cash equivalents	\$ 32,562	\$ -	\$ -	\$ -
1240	Due from other governments	-	14,576	6,226	-
1290	Other receivables	-	-	-	-
1000	<b>Total Assets</b>	<u>\$ 32,562</u>	<u>\$ 14,576</u>	<u>\$ 6,226</u>	<u>\$ -</u>
<b><u>Liabilities</u></b>					
2110	Accounts payable	\$ -	\$ 7,172	\$ -	\$ -
2160	Accrued wages payable	-	35	4,714	-
2170	Due to other funds	-	5,464	1,512	-
2180	Due to other governments	-	-	-	-
2300	Unearned revenue	-	-	-	-
2000	<b>Total Liabilities</b>	<u>-</u>	<u>12,671</u>	<u>6,226</u>	<u>-</u>
<b><u>Fund Balances</u></b>					
Restricted:					
3450	Federal/state fund grant restrictions	32,562	1,905	-	-
3490	Other restrictions of fund balance	-	-	-	-
3000	<b>Total Fund Balances</b>	<u>32,562</u>	<u>1,905</u>	<u>-</u>	<u>-</u>
4000	<b>Total Liabilities and Fund Balances</b>	<u>\$ 32,562</u>	<u>\$ 14,576</u>	<u>\$ 6,226</u>	<u>\$ -</u>

**Special Revenue Funds**

410	429	461	482	485	487
State Textbook	Miscellaneous State Special Revenue Program	Campus Activity	Loss Prevention Grant	Building Capacity Rural School	Healthy Futures of Texas
\$ -	\$ 15,453	\$ 114,991	\$ 1,000	\$ -	\$ -
128,000	7,907	-	-	14,351	-
-	-	-	-	-	85,951
<u>\$ 128,000</u>	<u>\$ 23,360</u>	<u>\$ 114,991</u>	<u>\$ 1,000</u>	<u>\$ 14,351</u>	<u>\$ 85,951</u>
\$ 15,768	\$ -	\$ -	\$ -	\$ -	\$ 78,380
-	5,529	-	-	-	-
106,554	-	-	-	14,351	3,561
-	7,831	-	-	-	-
-	10,000	-	-	-	-
<u>122,322</u>	<u>23,360</u>	<u>-</u>	<u>-</u>	<u>14,351</u>	<u>81,941</u>
5,678	-	-	1,000	-	4,010
-	-	114,991	-	-	-
<u>5,678</u>	<u>-</u>	<u>114,991</u>	<u>1,000</u>	<u>-</u>	<u>4,010</u>
<u>\$ 128,000</u>	<u>\$ 23,360</u>	<u>\$ 114,991</u>	<u>\$ 1,000</u>	<u>\$ 14,351</u>	<u>\$ 85,951</u>

(This page intentionally left blank.)

**SAN FELIPE DEL RIO CONSOLIDATED  
INDEPENDENT SCHOOL DISTRICT**

*COMBINING BALANCE SHEET*

*NONMAJOR GOVERNMENTAL FUNDS - EXHIBIT H-1 (Page 3 of 3)*

August 31, 2018

<b>Data Control Codes</b>		<b>Total Nonmajor Governmental Funds</b>
	<b><u>Assets</u></b>	
1110	Cash and cash equivalents	\$ 197,734
1240	Due from other governments	1,195,887
1290	Other receivables	85,951
1000	<b>Total Assets</b>	<b>\$ 1,479,572</b>
	<b><u>Liabilities</u></b>	
2110	Accounts payable	\$ 123,196
2160	Accrued wages payable	172,559
2170	Due to other funds	972,152
2180	Due to other governments	7,831
2300	Unearned revenue	10,000
2000	<b>Total Liabilities</b>	<b>1,285,738</b>
	<b><u>Fund Balances</u></b>	
	Restricted:	
3450	Federal/state fund grant restrictions	78,843
3490	Other restrictions of fund balance	114,991
3000	<b>Total Fund Balances</b>	<b>193,834</b>
4000	<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,479,572</b>

**SAN FELIPE DEL RIO CONSOLIDATED  
INDEPENDENT SCHOOL DISTRICT**  
*COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES*  
**NONMAJOR GOVERNMENTAL FUNDS - EXHIBIT H-2 (Page 1 of 3)**  
For the Year Ended August 31, 2018

Data Control Codes		Special Revenue Funds			
		205	211	212	224
		Head Start	Part A Improving Basic Prog	ESEA Title 1, Pt. C Migrant	IDEA-B Formula
<b>Revenues</b>					
5700	Local, intermediate, and out-of-state	\$ -	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-	-
5900	Federal program revenues	2,239,563	3,382,812	420,721	1,902,012
5020	<b>Total Revenues</b>	<u>2,239,563</u>	<u>3,382,812</u>	<u>420,721</u>	<u>1,902,012</u>
<b>Expenditures</b>					
Current:					
0011	Instruction	1,546,392	2,245,342	87,562	1,461,055
0012	Instructional resources and media services	65,571	-	-	-
0013	Curriculum/instructional staff development	36,235	135,656	-	6,267
0021	Instructional leadership	114,749	211,757	146,780	103,818
0023	School leadership	31,176	13,897	6,021	-
0031	Guidance, counseling, and evaluation services	58,992	122,397	76,570	330,872
0033	Health services	60,774	5,859	3,976	-
0034	Student transportation	85,412	90,925	1,429	-
0035	Food service	25,171	-	-	-
0036	Extracurricular activities	-	-	-	-
0051	Plant maintenance and operations	110,470	15,954	16,724	-
0052	Security and monitoring services	-	455	-	-
0061	Community services	104,621	540,570	81,659	-
6030	<b>Total Expenditures</b>	<u>2,239,563</u>	<u>3,382,812</u>	<u>420,721</u>	<u>1,902,012</u>
1200	<b>Net Change in Fund Balances</b>	-	-	-	-
0100	Beginning fund balances	-	-	-	-
3000	<b>Ending Fund Balances</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



**Special Revenue Funds**

225	242	244	255	263	270
IDEA-B Preschool	Summer Feeding Program	Career and Technical Basic	ESEA Title II Part A Training	Title III ELA	Medicaid Admin. Claim MAC
\$ -	\$ 804	\$ -	\$ -	\$ -	\$ -
-	1,885	-	-	-	-
40,751	104,376	120,516	433,792	175,734	89,529
<u>40,751</u>	<u>107,065</u>	<u>120,516</u>	<u>433,792</u>	<u>175,734</u>	<u>89,529</u>
40,751	-	47,539	1,089	-	17,679
-	-	-	-	-	-
-	-	-	423,511	167,367	71,850
-	-	-	9,192	4,561	-
-	-	-	-	1,258	-
-	-	72,977	-	785	-
-	-	-	-	1,570	-
-	-	-	-	-	-
-	103,424	-	-	-	-
-	-	-	-	-	-
-	12,520	-	-	193	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>40,751</u>	<u>115,944</u>	<u>120,516</u>	<u>433,792</u>	<u>175,734</u>	<u>89,529</u>
-	(8,879)	-	-	-	-
-	42,567	-	-	-	-
<u>\$ -</u>	<u>\$ 33,688</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**SAN FELIPE DEL RIO CONSOLIDATED  
INDEPENDENT SCHOOL DISTRICT**

*COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES*

*NONMAJOR GOVERNMENTAL FUNDS - EXHIBIT H-2 (Page 2 of 3)*

For the Year Ended August 31, 2018

<b>Data Control Codes</b>		<b>Special Revenue Funds</b>			
		272	289	386	397
		Medicaid Admin. Claim MAC	LEP Summer School	Regional Day School for the Deaf	Advanced Placement Incentives
<b>Revenues</b>					
5700	Local, intermediate, and out-of-state	\$ -	\$ -	\$ -	\$ -
5800	State program revenues	-	-	65,058	570
5900	Federal program revenues	17,498	57,991	-	-
5020	<b>Total Revenues</b>	17,498	57,991	65,058	570
<b>Expenditures</b>					
Current:					
0011	Instruction	-	27,095	65,058	-
0012	Instructional resources and media services	-	-	-	-
0013	Curriculum/instructional staff development	-	22,468	-	570
0021	Instructional leadership	-	1,305	-	-
0023	School leadership	-	-	-	-
0031	Guidance, counseling, and evaluation services	-	-	-	-
0033	Health services	23,614	-	-	-
0034	Student transportation	-	5,218	-	-
0035	Food service	-	-	-	-
0036	Extracurricular activities	-	-	-	-
0051	Plant maintenance and operations	-	-	-	-
0052	Security and monitoring services	-	-	-	-
0061	Community services	-	-	-	-
6030	<b>Total Expenditures</b>	23,614	56,086	65,058	570
1200	<b>Net Change in Fund Balances</b>	(6,116)	1,905	-	-
0100	Beginning fund balances	38,678	-	-	-
3000	<b>Ending Fund Balances</b>	\$ 32,562	\$ 1,905	\$ -	\$ -

**Special Revenue Funds**

410	429	461	482	485	487
State Textbook	Miscellaneous State Special Revenue Program	Campus Activity	Loss Prevention Grant	Building Capacity Rural School	Healthy Futures of Texas
\$ 210	\$ -	\$ 96,423	\$ 1,000	\$ 145,111	\$ 41,770
642,785	964,074	-	-	688	78,380
-	-	-	-	-	-
<u>642,995</u>	<u>964,074</u>	<u>96,423</u>	<u>1,000</u>	<u>145,799</u>	<u>120,150</u>
640,960	412,155	10,825	-	-	19,337
-	-	50,938	-	-	-
-	551,341	-	-	145,799	6,349
-	-	-	-	-	-
-	-	1,263	-	-	28,743
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	78,380
-	-	51,951	-	-	-
-	128	-	-	-	-
-	-	-	-	-	-
-	450	-	-	-	-
<u>640,960</u>	<u>964,074</u>	<u>114,977</u>	<u>-</u>	<u>145,799</u>	<u>132,809</u>
2,035	-	(18,554)	1,000	-	(12,659)
<u>3,643</u>	<u>-</u>	<u>133,545</u>	<u>-</u>	<u>-</u>	<u>16,669</u>
<u>\$ 5,678</u>	<u>\$ -</u>	<u>\$ 114,991</u>	<u>\$ 1,000</u>	<u>\$ -</u>	<u>\$ 4,010</u>

(This page intentionally left blank.)

**SAN FELIPE DEL RIO CONSOLIDATED  
INDEPENDENT SCHOOL DISTRICT**  
*COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES*  
**NONMAJOR GOVERNMENTAL FUNDS - EXHIBIT H-2 (Page 3 of 3)**  
For the Year Ended August 31, 2018

<u>Data Control Codes</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Revenues</u>	
5700	Local, intermediate, and out-of-state	\$ 285,318
5800	State program revenues	1,753,440
5900	Federal program revenues	8,985,295
5020	<b>Total Revenues</b>	<u>11,024,053</u>
	<u>Expenditures</u>	
	Current:	
0011	Instruction	6,622,839
0012	Instructional resources and media services	116,509
0013	Curriculum/instructional staff development	1,567,413
0021	Instructional leadership	592,162
0023	School leadership	82,358
0031	Guidance, counseling, and evaluation services	662,593
0033	Health services	95,793
0034	Student transportation	182,984
0035	Food service	206,975
0036	Extracurricular activities	51,951
0051	Plant maintenance and operations	155,989
0052	Security and monitoring services	455
0061	Community services	727,300
6030	<b>Total Expenditures</b>	<u>11,065,321</u>
1200	<b>Net Change in Fund Balances</b>	(41,268)
0100	Beginning fund balances	<u>235,102</u>
3000	<b>Ending Fund Balances</b>	<u>\$ 193,834</u>

**SAN FELIPE DEL RIO CONSOLIDATED  
INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF DELINQUENT TAXES RECEIVABLE - EXHIBIT J-1*  
For the Year Ended August 31, 2018

Last Ten Fiscal Years	Tax Rates		3 Net Assessed/ Appraised Value For School Tax Purposes
	1	2	
	Maintenance	Debt Service	
2009 and prior	Various	Various	Various
2010	\$ 1.0400	\$ 0.1594	\$ 1,263,758,458
2011	\$ 1.0400	\$ 0.1450	\$ 1,332,854,958
2012	\$ 1.0400	\$ 0.1487	\$ 1,366,457,781
2013	\$ 1.0400	\$ 0.1395	\$ 1,392,619,198
2014	\$ 1.0400	\$ 0.1324	\$ 1,495,975,941
2015	\$ 1.0400	\$ 0.1279	\$ 1,537,636,267
2016	\$ 1.0400	\$ 0.1203	\$ 1,562,522,724
2017	\$ 1.0400	\$ 0.1198	\$ 1,657,294,791
2018	\$ 1.0400	\$ 0.1198	\$ 1,673,625,065
<b>1000 Totals</b>			

<b>10</b>	<b>20</b>	<b>31</b>	<b>32</b>	<b>40</b>	<b>50</b>
<b>Beginning Balance 9/1/17</b>	<b>Current Year's Total Levy</b>	<b>Maintenance Total Collected</b>	<b>Debt Service Total Collected</b>	<b>Entire Year's Adjustments</b>	<b>Ending Balance 8/31/18</b>
\$ 575,565	\$ -	\$ 21,489	\$ 4,952	\$ (4,384)	\$ 544,740
114,729	-	6,182	1,250	51	107,348
137,720	-	9,476	1,725	131	126,650
160,762	-	18,023	4,263	8,686	147,162
180,726	-	32,096	6,955	11,026	152,701
248,214	-	56,510	9,992	9,700	191,412
328,505	-	81,883	14,197	301	232,726
472,905	-	134,414	29,294	15,449	324,646
874,990	-	305,640	34,026	(35,670)	499,654
-	19,410,704	16,579,329	1,878,001	-	953,374
<u>\$ 3,094,116</u>	<u>\$ 19,410,704</u>	<u>\$ 17,245,042</u>	<u>\$ 1,984,655</u>	<u>\$ 5,290</u>	<u>\$ 3,280,413</u>

(This page intentionally left blank.)



**SAN FELIPE DEL RIO CONSOLIDATED  
INDEPENDENT SCHOOL DISTRICT**  
*BUDGETARY COMPARISON SCHEDULE*  
**NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM - EXHIBIT J-2**  
For the Year Ended August 31, 2018

Data Control Codes		Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
		Original	Final		
<b>Revenues</b>					
5700	Local and intermediate sources	\$ 1,271,742	\$ 1,283,109	\$ 521,419	\$ (761,690)
5800	State program revenues	35,000	36,281	32,566	(3,715)
5900	Federal program revenues	4,721,827	4,721,827	5,840,159	1,118,332
5020	<b>Total Revenues</b>	<u>6,028,569</u>	<u>6,041,217</u>	<u>6,394,144</u>	<u>352,927</u>
<b>Expenditures</b>					
Current:					
0035	Food services	5,815,951	5,931,449	6,094,841	(163,392) *
0051	Security and monitoring services	242,331	139,481	127,623	11,858
6030	<b>Total Expenditures</b>	<u>6,058,282</u>	<u>6,070,930</u>	<u>6,222,464</u>	<u>(151,534)</u>
1100	<b>Excess (Deficiency) of Revenues</b>				
1100	<b>Over (Under) Expenditures</b>	<u>(29,713)</u>	<u>(29,713)</u>	<u>171,680</u>	<u>201,393</u>
1200	<b>Net Change in Fund Balance</b>	<u>(29,713)</u>	<u>(29,713)</u>	<u>171,680</u>	<u>201,393</u>
0100	Beginning fund balance	-	-	-	-
3000	<b>Ending Fund Balance</b>	<u>\$ (29,713)</u>	<u>\$ (29,713)</u>	<u>\$ 171,680</u>	<u>\$ 201,393</u>

Notes for Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
2. \*Expenditures exceeded appropriations at the legal level of control.

(This page intentionally left blank.)

**SAN FELIPE DEL RIO CONSOLIDATED  
INDEPENDENT SCHOOL DISTRICT**  
*BUDGETARY COMPARISON SCHEDULE*  
*DEBT SERVICE FUND - EXHIBIT J-3*  
For the Year Ended August 31, 2018

Data Control Codes		Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
		Original	Final		
<b>Revenues</b>					
5700	Local and intermediate sources	\$ 2,071,144	\$ 2,103,644	\$ 2,076,694	\$ (26,950)
5800	State program revenues	2,023,760	2,041,630	2,003,654	(37,976)
5020	<b>Total Revenues</b>	<u>4,094,904</u>	<u>4,145,274</u>	<u>4,080,348</u>	<u>(64,926)</u>
<b>Expenditures</b>					
<b>Debt service:</b>					
0071	Principal	2,740,000	2,784,413	2,735,000	49,413
0072	Interest	1,311,901	1,311,901	1,309,181	2,720
0073	Bond issuance costs and fees	43,003	166,078	166,078	-
0073	Bond issuance costs and fees	-	5,227,462	5,227,462	-
6030	<b>Total Expenditures</b>	<u>4,094,904</u>	<u>9,489,854</u>	<u>9,437,721</u>	<u>52,133</u>
1100	<b>(Deficiency) of Revenues</b>				
1100	<b>(Under) Expenditures</b>	<u>-</u>	<u>(5,344,580)</u>	<u>(5,357,373)</u>	<u>(12,793)</u>
<b>Other Financing Sources (Uses):</b>					
7911	Issuance of bonds	-	4,850,000	4,850,000	-
7916	Bond premium	-	527,080	527,080	-
7080	<b>Total Other Financing Sources</b>	<u>-</u>	<u>5,377,080</u>	<u>5,377,080</u>	<u>-</u>
1200	<b>Net Change in Fund Balance</b>	-	32,500	19,707	(12,793)
0100	Beginning fund balance	1,437,397	1,437,397	1,437,397	-
3000	<b>Ending Fund Balance</b>	<u>\$ 1,437,397</u>	<u>\$ 1,469,897</u>	<u>\$ 1,457,104</u>	<u>\$ (12,793)</u>

Notes for Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

(This page intentionally left blank.)

***FEDERAL AWARDS AND COMPLIANCE SECTION***

(This page intentionally left blank.)



**INDEPENDENT AUDITORS' 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**

January 17, 2019

To the Board of Trustees of  
San Felipe Del Rio Consolidated Independent School District:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of San Felipe Del Rio Consolidated 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 and have issued our report thereon dated January 17, 2019.

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

*BELT HARRIS PECHACEK, LLLP*

Belt Harris Pechacek, LLLP  
*Certified Public Accountants*  
Houston, Texas





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

January 17, 2019

To the Board of Trustees of  
San Felipe Del Rio Consolidated Independent School District:

**Report on Compliance for Each Major Federal Program**

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

**Management's Responsibility**

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

**Auditors' Responsibility**

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

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

## **Opinion on Each Major Federal Program**

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

## **Report on Internal Control Over Compliance**

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

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

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

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

*BELT HARRIS PECHACEK, LLLP*

Belt Harris Pechacek, LLLP  
*Certified Public Accountants*  
Houston, Texas

**SAN FELIPE DEL RIO CONSOLIDATED  
INDEPENDENT SCHOOL DISTRICT**  
*SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS*  
For the Year Ended August 31, 2018

**A. SUMMARY OF PRIOR YEAR AUDIT FINDINGS**

No prior year findings.

(This page intentionally left blank.)

**SAN FELIPE DEL RIO CONSOLIDATED  
INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF FINDINGS AND QUESTIONED COSTS*  
For the Year Ended August 31, 2018

**A. SUMMARY OF AUDIT RESULTS**

1. The auditors' report expresses an unmodified opinion on the financial statements of the District.
2. Significant deficiencies in internal control were not disclosed by the audit of the basic financial statements.
3. No instances of noncompliance material to the financial statements were disclosed during the audit.
4. Significant deficiencies in internal control over major federal award programs were not disclosed by the audit.
5. The auditors' report on compliance for the major federal award programs expresses an unmodified opinion.
6. No audit findings relative to the major federal award programs for the District are reported in Part C of this schedule.
7. The programs included as major programs are:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I, Part A
84.011	Migrant Education

8. The threshold for distinguishing Type A and B programs was \$750,000.
9. The District did qualify as a low-risk auditee.

**B. FINDINGS – BASIC FINANCIAL STATEMENT AUDIT**

*None Noted*

**C. FINDINGS – FEDERAL AWARDS**

*None Noted*

# SAN FELIPE DEL RIO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - (Page 1 of 2) - EXHIBIT K-1 For the Year Ended August 31, 2018

(1)	(2)	(2A)	(3)
Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Direct Programs</i>			
Impact Aid - P.L. 81.874	84.041	233-901	\$ 122,771
<i>Passed Through State Department of Education</i>			
ESEA Title I, Part A*	84.010A	17610101233901	111,975
ESEA Title I, Part A*	84.010A	18610101233901	3,352,759
ESEA Title I, Part A*	84.010A	19610101233901	45,428
ESEA Title I, Part C*	84.011	18615001233901	399,036
ESEA Title I, Part C*	84.011	19615001233901	37,905
Title III, Part A	84.365A	18671001233901	150,303
Title III, Part A	84.365A	19671001233901	28,946
Career and Technical, Basic Grant	84.048	18420006233901	118,583
Career and Technical, Basic Grant	84.048	19420006233901	6,398
Title II, Part A, Teacher and Principal	84.367A	17694501233901	3,352
Title II, Part A, Teacher and Principal	84.367A	18694501233901	441,866
Title II, Part A, Teacher and Principal	84.367A	19694501233901	5,238
Title VI, Part B, Subpart 2 - Rural and Low Income School	84.358B	18696001233901	84,581
Title VI, Part B, Subpart 2 - Rural and Low Income School	84.358B	19696001233901	8,518
Summer School LEP	84.369A	69551702	7,123
Title IV, Part A, Subpart 1	84.424A	18680101233901	52,808
Title IV, Part A, Subpart 1	84.424A	19680101233901	240
Special Education Cluster:			
IDEA B, Formula Grant*	84.027	186600012339016000	1,882,110
IDEA B, Formula Grant*	84.027	196600012339016000	90,993
IDEA B, Preschool*	84.173	186610012339016000	42,272
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<b>6,993,205</b>

# SAN FELIPE DEL RIO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - (Page 2 of 2) - EXHIBIT K-1

For the Year Ended August 31, 2018

(1)	(2)	(2A)	(3)
<u>Federal Grantor/Pass Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<i>Passed Through Texas Dept. of Human Services</i>			
Medicaid Administrative Claiming Program - MAC	93.778	233-901	\$ 17,498
<i>Passed Through State Department of Education</i>			
Head Start	93.600	06CH7135-02-00	2,239,563
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<u>2,257,061</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through State Department of Agriculture</i>			
Child Nutrition Cluster:			
School Breakfast Program*	10.553	01098 (71401701)	116,083
School Breakfast Program*	10.553	01098 (71401801)	1,061,837
National School Lunch Program - Cash Assistance*	10.555	01098 (71301701)	439,918
National School Lunch Program - Cash Assistance*	10.555	01098 (71301801)	3,699,909
Summer Feeding Program*	10.559	01098	104,376
Food Distribution Cluster:			
National School Lunch Program - Non-Cash Assistance	10.565	01098	522,412
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<u>5,944,535</u>
<b>U.S. DEPARTMENT OF DEFENSE</b>			
<i>Direct Program</i>			
ROTC	12.000	233-901	129,699
<b>TOTAL U.S. DEPARTMENT OF DEFENSE</b>			<u>129,699</u>
<b>FEDERAL COMMUNICATIONS COMMISSION</b>			
<i>Direct Program</i>			
Universal E-Rate	32.000	233-901	240,250
<b>TOTAL FEDERAL COMMUNICATIONS COMMISSION</b>			<u>240,250</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 15,564,750</u>

\* Indicates clustered program under OMB Uniform Guidance (2.CFR.200)

The accompanying notes are an integral part of this schedule.

Federal revenue per SEFA	\$ 15,564,750
SHARS	957,402
C-2 Federal revenue	<u>\$ 16,522,152</u>

**SAN FELIPE DEL RIO CONSOLIDATED  
INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS*  
For the Year Ended August 31, 2018

**NOTE 1: BASIS OF ACCOUNTING**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the District, and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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



**SAN FELIPE DEL RIO CONSOLIDATED  
INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF REQUIRED RESPONSES TO  
SELECTED SCHOOL FIRST INDICATORS - EXHIBIT L-1*  
For the Year Ended 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	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 District make timely payments to the Teacher Retirement System, Texas Workforce Commission, Internal Revenue Service, and other government agencies?	Yes
SF8	Did the District <u>not</u> receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program funds as a result of a financial hardship?	Yes
SF10	What was the total accumulated accretion on capital appreciation bonds included in government-wide financial statements at fiscal year end?	<u>\$ 1,342,436</u>
SF11	Net pension asset (1920) at fiscal year end	<u>\$ -</u>
SF12	Net pension liability (2540) at fiscal year end	<u>\$ 19,400,017</u>

(This page intentionally left blank.)