

DEWEYVILLE INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2018

**DEWEYVILLE INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2018**

TABLE OF CONTENTS

Exhibit

	Certificate of Board	1
	Independent Auditor's Report	2-4
	Management's Discussion and Analysis	5-11
	Basic Financial Statements	
	Government-wide Financial Statements	
A-1	Statement of Net Position	12
B-1	Statement of Activities	13
	Governmental Fund Financial Statements	
C-1	Balance Sheet	14
C-2	Reconciliation for C-1	15
C-3	Statement of Revenues, Expenditures and Changes in Fund Balances	16
C-4	Reconciliation for C-3	17
	Fiduciary Fund Financial Statement	
E-1	Statement of Fiduciary Net Position	18
	Notes to the Financial Statements	19-48
	Required Supplementary Information	
G-1	Budgetary Comparison Schedule – General Fund	49
G-2	Schedule of The District's Proportionate Share of the Net Pension Liability – Teacher Retirement System of Texas	50
G-3	Schedule of District Contributions for Pensions – Teacher Retirement System of Texas	51
G-4	Schedule of The District's Proportionate Share of the Net OPEB Liability – Teacher Retirement System of Texas	52
G-5	Schedule of District Contributions for OPEB – Teacher Retirement System of Texas	53
	Required TEA Schedules	
J-1	Schedule of Delinquent Taxes Receivable	54-55
J-2	National School Breakfast and Lunch Program – Budgetary Comparison Schedule	56
J-3	Debt Service Fund – Budgetary Comparison Schedule	57
	Federal Awards Section	
	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>	58-59
	Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance	60-61
	Schedule of Findings and Responses	62-63
	Status of Prior Year's Findings	64
K-1	Schedule of Expenditures of Federal Awards	65
	Notes to the Schedule of Expenditures of Federal Awards	66

CERTIFICATE OF BOARD

Deweyville Independent School District
Name of School District

Newton
County

176-903
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 17th day of December, 2018.



Signature of Board Secretary



Signature of Board President

If the Board of Trustees disapproved of the auditor's report, the reason(s) for disapproving it is (are): (Attach list as necessary.)

J. Pat O'Neill, III, CPA
Michael W. Kiefer, CPA, CFE, CFF



Troy W. Domingue, CPA
Stanley "Chip" Majors, Jr., CPA, CITP, CGMA
Jane P. Burns, CPA, CDFA

December 6, 2018

INDEPENDENT AUDITOR'S REPORT

UNMODIFIED OPINIONS ON BASIC FINANCIAL STATEMENTS ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION AND OTHER INFORMATION

Board of Trustees
Deweyville Independent School District
Deweyville, TX

Members of the Board:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Deweyville Independent School District as of August 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 9 and 14 to the financial statements, in the current fiscal year, the District adopted new accounting guidance prescribed by GASB Statement No. 75 for its Other Post-Employment Benefit (OPEB) plan – a multiple-employer, cost-sharing, defined benefit OPEB plan that has a special funding situation. Because GASB Statement No. 75 implements new measurement criteria and reporting provisions, significant information has been added to the Government-Wide Statements. Exhibit A-1 discloses the District's Net OPEB Liability and Deferred Resource Outflows and Deferred Resource Inflows related to the District's OPEB plan. Exhibit B-1 discloses the adjustment to the District's Beginning Net Positions. Our opinion is not modified with respect to the matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on page 5 through 11, the budgetary comparison information on page 49, and the Schedules of the District's Proportionate Share of the Net Pension Liability, the District Contributions for Pensions, the District's Proportionate Share of the Net OPEB Liability, and the District Contribution for OPEB related to the Teacher Retirement System of Texas on pages 50 through 53 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 on pages 5 through 11 and pages 50 through 53 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. The required supplementary information on page 49 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 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, this information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Deweyville Independent School District's basic financial statements. The accompanying schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. In addition, the TEA required schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards and the TEA required schedules 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. This 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 schedule of expenditures of federal awards and the TEA required schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2018, on our consideration of Deweyville Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Deweyville Independent School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Deweyville Independent School District's internal control over financial reporting and compliance.

Wathen, DeShong & Juncker, L.L.P.

WATHEN, DeSHONG & JUNCKER, L.L.P.
Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 Deweyville 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 was \$9,684,326 at August 31, 2018.
- During the year, the District's expenses were \$2,152,964 less than the \$9,214,627 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs was \$7,061,663.
- For the year, the District's general fund reported a total fund balance of \$6,573,526, of which \$73,600 is nonspendable and \$6,499,926 is unassigned.

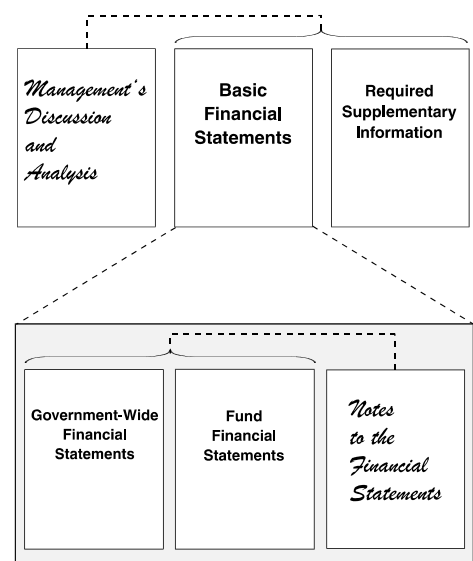
OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements themselves.

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

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-1
Required Components of
Deweyville Independent School District's
Annual Financial Report



Summary ↔ Detail

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

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

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

Government-wide Statements

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

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

- Over time, increases or decreases in the District's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's tax base, changes in the District's student population, the makeup of the student population in regards to funding for special programs, and non-funded federal and state mandates.

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

Fund Financial Statements

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

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

The District has two kinds of funds:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explains the relationship (or differences) between them.
- *Fiduciary funds* – The District is the trustee, or *fiduciary*, for certain funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

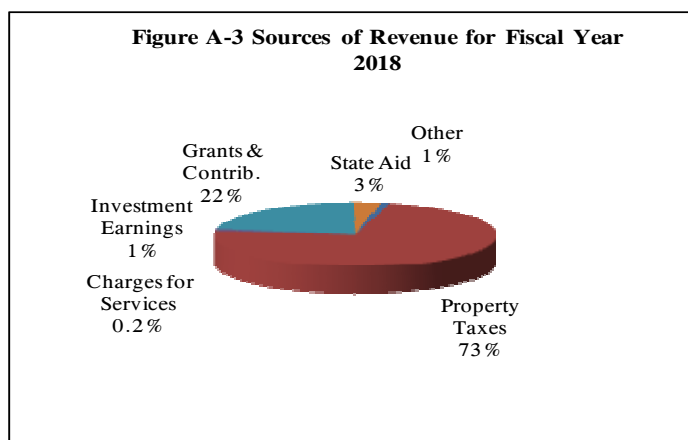
FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position. The District's *combined* net position was \$9,684,326 at August 31, 2018. (See Table A-1).

Table A-1
The District's Net Position

	Governmental Activities		Percentage Change
	2018	2017	
Current and Other Assets	\$ 8,064,689	\$ 7,155,716	12.7%
Capital and Non-Current Assets	15,554,331	15,840,218	-1.8%
Total Assets	23,619,020	22,995,934	2.7%
Deferred Outflows of Resources	384,854	507,955	-24.2%
Current Liabilities	3,663,707	3,780,922	-3.1%
Long Term Liabilities	9,415,325	12,082,105	-22.1%
Total Liabilities	13,079,032	15,863,027	-17.6%
Deferred Inflows of Resources	1,240,516	109,500	1032.9%
Net Position:			
Net investment in capital assets	8,950,070	8,905,218	0.5%
Restricted	606,899	607,653	-0.1%
Unrestricted	127,357	(1,981,509)	-106.4%
Total Net Position	\$ 9,684,326	\$ 7,531,362	28.6%

Changes in net position. The District's total revenues were \$9,214,627. A significant portion, 73%, of the District's revenue comes from taxes. (See Figure A-3). 22% comes from Grants and Contributions not restricted for specific programs, while only 0.2% relates to charges for services.



The total cost of all programs and services was \$7,061,663; 62.5% of these costs are for instructional and student services.

Governmental Activities Property tax rates increased from \$1.195 to \$1.19583 per \$100 valuation. The total taxes levied decreased by \$45,739 due to a decrease in appraised values.

Average daily attendance decreased by 8.5 students from 2017 to 2018.

Table 2
Changes in the District's Net Position

	Governmental Activities		Total % Change
	2018	2017	
Revenues:			
<u>Program Revenues</u>			
Charges for Services	\$ 61,538	\$ 55,291	11.3%
Operating Grants and Contributions	(59,376)	232,384	-125.6%
<u>General Revenues</u>			
Property Taxes	6,736,192	6,708,446	0.4%
Investment Earnings	80,443	31,065	159.0%
State Aid - formula	280,125	-	n/a
Grants and contributions not restricted for specific programs	2,018,089	4,647,782	-56.6%
Other	97,616	72,699	34.3%
Extraordinary item - impairment loss	-	(1,104,480)	-100.0%
Total Revenues	9,214,627	10,643,187	
<u>Expenses:</u>			
Instruction and instruction related services	3,493,062	5,067,798	-31.1%
Instructional leadership/school administration	235,275	272,185	-13.6%
Guidance, social work, health, transportation	443,094	671,415	-34.0%
Food services	195,079	198,537	-1.7%
Extracurricular activities	285,752	308,079	-7.2%
General Administration	232,701	386,229	-39.8%
Facilities maintenance and security	703,120	844,665	-16.8%
Data processing services	83,823	102,891	-18.5%
Debt Service	356,214	353,465	0.8%
Capital Outlay	677,022	-	n/a
Other Intergovernmental Charges	356,521	421,775	-15.5%
Total Expenses	7,061,663	8,627,039	
Change in Net Position	2,152,964	2,016,148	-6.8%
Beginning Net Position	7,531,362	10,206,650	-26.2%
Prior Period Adjustments	-	(4,691,436)	-100.0%
Ending Net Position	\$ 9,684,326	\$ 7,531,362	

See Footnote 15 for explanation of reduction in various expenses by function.

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

- The cost of all *governmental* activities this year was \$7,061,663.
- The amount that our taxpayers paid for these activities through property taxes was \$6,736,192.
- Some of the cost was paid by those who directly benefited from the programs \$61,538, or
- By grants and contributions \$1,958,713.

Table A-3
Net Cost of Selected District Functions

	Total cost of Services		%	Net Cost of Services		%
	2018	2017		2018	2017	
Instruction	\$ 3,302,988	\$ 4,861,479	-32.1%	\$ 3,557,588	\$ 4,861,479	-26.8%
School Leadership	235,275	272,185	-13.6%	280,255	272,185	3.0%
Student Transportation	223,864	395,741	-43.4%	183,685	395,741	-53.6%
Food Services	195,079	198,537	-1.7%	(62,823)	89,138	-170.5%
Extracurricular Activities	285,752	308,079	-7.2%	301,445	308,079	-2.2%
General Administration	232,701	386,229	-39.8%	262,908	386,229	-31.9%
Facilities Maintenance and Operations	699,983	843,376	-17.0%	709,280	843,376	-15.9%
Interest on Long-term Debt	335,214	328,465	2.1%	335,214	328,465	2.1%
Capital Outlay	677,022	-	n/a	677,022	-	n/a

See Footnote 15 for explanation of reduction in various expenses by function.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$9,102,591 a decrease of 20.4% from the preceding year. This overall decrease consisted of a decrease of 0.4% in local funds, a decrease of 15.2% in state funds, and a 57.9% decrease in federal funds. The decrease in federal funds was related to a decrease in the FEMA public assistance grants.

General Fund Budgetary Highlights

- Over the course of the year, the District revised its budget several times. Actual expenditures were \$471,260 above final budget amounts. The most significant overages occurred in Principal and Interest on Long Term Debt and Facilities Acquisition and Construction. Actual revenues were \$1,113,875 above budgeted amounts due primarily to federal revenue budget to actual comparisons.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2018, the District had invested \$23.2 million in capital assets, including land, equipment, buildings and vehicles. (See Table A-4). This amount represents a net increase (including additions and adjustments) of \$279,261 or 1.2% percent above last year.

Table A-4			
District's Capital Assets			
	Governmental Activities		%
	2018	2017	Change
Land	\$ 456,153	\$ 456,153	0.0%
Construction in Progress	279,261	-	n/a
Buildings and Improvements	21,341,494	21,341,494	0.0%
Furniture and equipment	1,099,074	1,099,074	0.0%
Totals at Historical Cost	23,175,982	22,896,721	1.2%
Total Accumulated Depreciation	(7,621,651)	(7,056,503)	8.0%
Net Capital Assets	<u>\$ 15,554,331</u>	<u>\$ 15,840,218</u>	-1.8%

Long-Term Debt

At the end of the fiscal year, the District had \$12.7 million in long-term debt outstanding as shown in Table A-5. The District's bonds presently carry a Moody's rating of Aaa with a Permanent School Fund guarantee and "A+" with no assistance.

Table A-5			
District's Long-Term Debt			
	Governmental Activities		%
	2018	2017	Change
Bonds payable	\$ 6,325,000	\$ 6,935,000	-8.8%
Maintenance Tax Note	2,645,000	2,825,000	-6.4%
Compensated absences payable	70,935	60,490	17.3%
OPEB related debt	2,479,104	4,376,733	-43.4%
Pension related debt	1,160,286	1,352,975	-14.2%
Total long-term debt	<u>\$ 12,680,325</u>	<u>\$ 15,550,198</u>	

More detailed information about the District's debt is presented in the Notes to the Financial Statements.

Prior Period Adjustment

Prior period adjustments are listed below. See footnote 14 for additional information.

	Govnermental Fund Statement of Revenues, Exp. and Changes in Fund Balance	Government- Wide Statement of Activities
FEMA receivable overstatement	\$ 287,306	\$ 287,306
Net OPEB Liability (GASB 75)	-	4,343,640
Compensated absences payable	-	60,490
Prior Period Adjustment	<u>\$ 287,306</u>	<u>\$ 4,691,436</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The District's taxable value used for the 2019 budget preparation increased \$14,838,506, which was a 2.7% increase from 2018. The district set a tax rate of \$1.1908, which is a decrease of \$0.005 from last year's rate.
- General Operating Fund budgeted spending per student decreased in the 2018/19 budget to \$11,952 up from 2017/18 actual of \$12,997, which is a decrease of 8.7%.
- The District's 2019 refined average daily attendance is expected to be 567, which is an increase of 43 students from 2018.

These indicators were taken into account when adopting the General Fund budget for 2019. Amounts available for appropriation in the General Fund budget are \$6,776,725, a decrease of 9.1% over the final 2018 actual revenues of \$7,453,260. Expenditures are budgeted to decrease 0.5% to \$6,776,725.

If these estimates are realized, the District's budgetary General Fund fund balance is expected to remain at \$6,573,526 at the close of 2019.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

DEWEYVILLE ISD
STATEMENT OF NET POSITION
AUGUST 31, 2018

EXHIBIT A-1

Data	Primary Government
Control	Governmental
Codes	Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 1,409,018
1120 Current Investments	5,526,125
1220 Property Taxes Receivable (Delinquent)	593,192
1230 Allowance for Uncollectible Taxes	(177,958)
1240 Due from Other Governments	621,963
1290 Other Receivables, net	1,039
1300 Inventories	20,409
1410 Prepayments	70,901
Capital Assets:	
1510 Land	456,153
1520 Buildings, Net	14,638,350
1530 Furniture and Equipment, Net	180,567
1580 Construction in Progress	279,261
1000 Total Assets	<u>23,619,020</u>
DEFERRED OUTFLOWS OF RESOURCES	
1703 Deferred Outflow Related to TRS OPEB	30,176
1705 Deferred Outflow Related to TRS Pension	354,678
1700 Total Deferred Outflows of Resources	<u>384,854</u>
LIABILITIES	
2110 Accounts Payable	113,112
2160 Accrued Wages Payable	219,335
2180 Due to Other Governments	50,488
2200 Accrued Expenses	5,476
Noncurrent Liabilities:	
2501 Due Within One Year	3,275,296
2502 Due in More Than One Year	5,775,935
2540 Net Pension Liability (District's Share)	1,160,286
2545 Net OPEB Liability (District's Share)	2,479,104
2000 Total Liabilities	<u>13,079,032</u>
DEFERRED INFLOWS OF RESOURCES	
2603 Deferred Inflow Related to TRS OPEB	1,037,014
2605 Deferred Inflow Related to TRS Pension	203,502
2600 Total Deferred Inflows of Resources	<u>1,240,516</u>
NET POSITION	
3200 Net Investment in Capital Assets	8,950,070
3850 Restricted for Debt Service	606,899
3900 Unrestricted	127,357
3000 Total Net Position	<u><u>\$ 9,684,326</u></u>

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

DEWEYVILLE ISD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		3	4	
		Charges for Services	Operating Grants and Contributions	6 Primary Gov. Governmental Activities
	Expenses			
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 3,302,988	\$ -	\$ (254,600)	\$ (3,557,588)
12 Instructional Resources and Media Services	82,862	-	(16,726)	(99,588)
13 Curriculum and Staff Development	107,212	-	18,847	(88,365)
23 School Leadership	235,275	-	(44,980)	(280,255)
31 Guidance, Counseling and Evaluation Services	138,367	-	52,345	(86,022)
33 Health Services	80,863	-	(19,108)	(99,971)
34 Student (Pupil) Transportation	223,864	-	40,179	(183,685)
35 Food Services	195,079	39,106	218,796	62,823
36 Extracurricular Activities	285,752	22,432	(38,125)	(301,445)
41 General Administration	232,701	-	(30,207)	(262,908)
51 Facilities Maintenance and Operations	699,983	-	(9,297)	(709,280)
52 Security and Monitoring Services	3,137	-	-	(3,137)
53 Data Processing Services	83,823	-	23,500	(60,323)
72 Debt Service - Interest on Long Term Debt	335,214	-	-	(335,214)
73 Debt Service - Bond Issuance Cost and Fees	21,000	-	-	(21,000)
81 Capital Outlay	677,022	-	-	(677,022)
99 Other Intergovernmental Charges	356,521	-	-	(356,521)
[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 7,061,663</u>	<u>\$ 61,538</u>	<u>\$ (59,376)</u>	<u>(7,059,501)</u>
Data Control Codes	General Revenues:			
	Taxes:			
MT	Property Taxes, Levied for General Purposes			5,858,164
DT	Property Taxes, Levied for Debt Service			878,028
SF	State Aid - Formula Grants			280,125
GC	Grants and Contributions not Restricted			2,018,089
IE	Investment Earnings			80,443
MI	Miscellaneous Local and Intermediate Revenue			97,616
TR	Total General Revenues			<u>9,212,465</u>
CN	Change in Net Position			2,152,964
NB	Net Position - Beginning			12,222,798
PA	Prior Period Adjustment			(4,691,436)
NE	Net Position--Ending			<u>\$ 9,684,326</u>

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

GOVERNMENTAL FUND FINANCIAL STATEMENTS

DEWEYVILLE ISD
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2018

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 1,493,917	\$ 5,303	\$ (90,202)	\$ 1,409,018
1120 Investments - Current	4,991,114	535,011	-	5,526,125
1220 Property Taxes - Delinquent	507,676	85,516	-	593,192
1230 Allowance for Uncollectible Taxes (Credit)	(152,303)	(25,655)	-	(177,958)
1240 Receivables from Other Governments	384,614	6,724	230,625	621,963
1290 Other Receivables	1,039	-	-	1,039
1300 Inventories	2,699	-	17,710	20,409
1410 Prepayments	70,901	-	-	70,901
1000 Total Assets	<u>\$ 7,299,657</u>	<u>\$ 606,899</u>	<u>\$ 158,133</u>	<u>\$ 8,064,689</u>
LIABILITIES				
2110 Accounts Payable	\$ 112,707	\$ -	\$ 405	\$ 113,112
2160 Accrued Wages Payable	203,284	-	16,051	219,335
2180 Due to Other Governments	50,488	-	-	50,488
2200 Accrued Expenditures	4,279	-	1,197	5,476
2000 Total Liabilities	<u>370,758</u>	<u>-</u>	<u>17,653</u>	<u>388,411</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	355,373	59,861	-	415,234
2600 Total Deferred Inflows of Resources	<u>355,373</u>	<u>59,861</u>	<u>-</u>	<u>415,234</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3410 Inventories	2,699	-	17,710	20,409
3430 Prepaid Items	70,901	-	-	70,901
Restricted Fund Balance:				
3480 Retirement of Long-Term Debt	-	547,038	-	547,038
Committed Fund Balance:				
3545 Other Committed Fund Balance	-	-	122,770	122,770
3600 Unassigned Fund Balance	6,499,926	-	-	6,499,926
3000 Total Fund Balances	<u>6,573,526</u>	<u>547,038</u>	<u>140,480</u>	<u>7,261,044</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 7,299,657</u>	<u>\$ 606,899</u>	<u>\$ 158,133</u>	<u>\$ 8,064,689</u>

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

DEWEYVILLE ISD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2018

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$ 7,261,044
1 Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	15,554,331
2 Property taxes receivable are not available to pay for current period expenditures and, therefore, are deferred in the funds.	415,234
3 Bonds are not due and payable in the current period and, therefore, are not reported in the funds.	(8,970,000)
4 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68. The net position related to TRS included a deferred resource outflow in the amount of \$354,678, a deferred resource inflow in the amount of \$203,502, and a net pension liability in the amount of \$1,160,286. This resulted in a decrease in net position.	(1,009,110)
5 Included in the items related to debt is the recognition of the District's proportionate share of the net OPEB liability required by GASB 75. The net position related to TRS included a deferred resource outflow in the amount of \$30,176, a deferred resource inflow in the amount of \$1,037,014, and a net OPEB liability in the amount of \$2,479,104. This resulted in a decrease in net position.	(3,485,942)
6 Other liabilities which are not due and payable in the current period and, therefore, are not reported in the funds.	(81,231)
Compensated Absences \$(70,935)	
Accrued Interest (10,296)	
19 Net Position of Governmental Activities	<u><u>\$ 9,684,326</u></u>

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

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

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 5,937,286	\$ 887,361	\$ 39,106	\$ 6,863,753
5800 State Program Revenues	599,426	12,309	39,035	650,770
5900 Federal Program Revenues	916,548	-	671,520	1,588,068
5020 Total Revenues	<u>7,453,260</u>	<u>899,670</u>	<u>749,661</u>	<u>9,102,591</u>
EXPENDITURES:				
Current:				
0011 Instruction	3,040,557	-	299,368	3,339,925
0012 Instructional Resources and Media Services	94,434	-	-	94,434
0013 Curriculum and Instructional Staff Development	82,926	-	33,013	115,939
0023 School Leadership	270,606	-	1,616	272,222
0031 Guidance, Counseling and Evaluation Services	79,432	-	67,785	147,217
0033 Health Services	92,830	-	-	92,830
0034 Student (Pupil) Transportation	207,613	-	-	207,613
0035 Food Services	189	-	230,976	231,165
0036 Extracurricular Activities	312,978	-	-	312,978
0041 General Administration	275,541	-	-	275,541
0051 Facilities Maintenance and Operations	681,491	-	41,106	722,597
0052 Security and Monitoring Services	3,137	-	-	3,137
0053 Data Processing Services	60,323	-	23,500	83,823
Debt Service:				
0071 Principal on Long Term Debt	180,000	610,000	-	790,000
0072 Interest on Long Term Debt	95,783	239,550	-	335,333
0073 Bond Issuance Cost and Fees	20,000	1,000	-	21,000
Capital Outlay:				
0081 Facilities Acquisition and Construction	956,283	-	-	956,283
Intergovernmental:				
0099 Other Intergovernmental Charges	356,521	-	-	356,521
6030 Total Expenditures	<u>6,810,644</u>	<u>850,550</u>	<u>697,364</u>	<u>8,358,558</u>
1200 Net Change in Fund Balances	642,616	49,120	52,297	744,033
0100 Fund Balance - September 1 (Beginning)	6,218,216	497,918	88,183	6,804,317
1300 Prior Period Adjustment	(287,306)	-	-	(287,306)
3000 Fund Balance - August 31 (Ending)	<u>\$ 6,573,526</u>	<u>\$ 547,038</u>	<u>\$ 140,480</u>	<u>\$ 7,261,044</u>

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

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

Total Net Change in Fund Balances - Governmental Funds	\$ 744,033
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.	(285,887)
Depreciation Expense	\$ (565,148)
Capital Outlays	279,261
Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	112,036
Prior year delinquent taxes collected in year ended August 31, 2018	\$100,434
Current year uncollected levy net of allowance for uncollectible portion	11,602
The repayment of the principal of long-term debt and capital leases consumes the current financial resources of the governmental funds. This transaction has no effect on net assets.	790,000
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. Conversely, certain items reported as expenditures in the governmental funds are considered assets in the governmental-wide statements.	(10,326)
Compensated Absences	\$(10,445)
Accrued Interest	119
GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in the ending net position to increase by \$99,853. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in net position totaling \$100,434. Finally, the District's proportionate share of the TRS pension plan expense as a whole decreased the change in net position by \$54,009. The net result is to decrease the change in net position.	(54,590)
GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resources outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$29,787. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in net position totaling \$33,093. Finally, the proportionate share of the TRS OPEB expense on the plan as a whole had to be recorded. The net OPEB expense decreased the change in net position by \$(861,004). The net result is an increase in the change in net position.	857,698
Change in Net Position of Governmental Activities	<u><u>\$ 2,152,964</u></u>

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

FIDUCIARY FUND FINANCIAL STATEMENT

DEWEYVILLE ISD
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2018

	Agency Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 76,904
Total Assets	<u>\$ 76,904</u>
LIABILITIES	
Due to Student Groups	\$ 76,904
Total Liabilities	<u>\$ 76,904</u>

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

NOTES TO THE FINANCIAL STATEMENTS

DEWEYVILLE INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
YEAR ENDED AUGUST 31, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

The Board of Trustees ("Board"), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined by the GASB in its Statement No. 14 "The Financial Reporting Entity" and there are no component units included within this reporting entity.

B. GOVERNMENT-WIDE AND FUND 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 District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities normally are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges for services such as food service or extracurricular activities and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. 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.

DEWEYVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
YEAR ENDED AUGUST 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

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.

Grant revenues and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental fund:

The General Fund is established to account for resources financing the fundamental operations of the District, in partnership with the community, in enabling and motivating students to reach their full potential. All revenues and expenditures not required to be accounted for in other funds are included here. This is a budgeted fund and any fund balances are considered resources available for current operations. Fund balances may be appropriated by the Board to implement its responsibilities.

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

Additionally, the government reports the following other fund types:

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

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Amounts reported as *program revenues* include 1) charges for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

DEWEYVILLE INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
YEAR ENDED AUGUST 31, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

In accordance with the FASRG, the District has adopted and installed an accounting system, which exceeds the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. Specifically, the District's accounting system uses codes and the code structure presented in the Accounting Code Section of the FASRG. Mandatory codes are utilized in the form provided in that section.

D. ASSETS, LIABILITIES, AND NET POSITION

1. Cash and cash equivalents

The District's cash and cash equivalents are considered to be cash on hand and demand deposits.

2. Property taxes

Property tax receivables are shown net of an allowance for uncollectibles. The property tax receivable allowance is equal to 25% of the outstanding property taxes at August 31, 2018.

3. Inventories

The purchase method is used to account for inventories of food products, school supplies and athletic equipment. Under this method, these items are recorded as an expenditure when purchased.

4. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	40
Equipment	10
Buses	10
Vehicles	10

DEWEYVILLE INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
YEAR ENDED AUGUST 31, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. ASSETS, LIABILITIES, AND NET POSITION (CONTINUED)

5. Compensated absences

Vacations are to be taken within the same year they are earned. Any liability would be immaterial and none has been accrued in the accompanying financial statements. Employees of the District are entitled to sick leave based on category/class of employment. In addition to state personal leave, the District has a policy, which provides seven days per year of local sick leave for all employees in the District.

Local sick leave is noncumulative. Employees are reimbursed for unused local leave to a maximum of seven days per school year..

Upon retirement from the District, eligible employees are paid for the total unused state days at the rate of \$30 to \$40 per day. This program represents the only potential non-payroll cost to the District and is estimated to be \$70,935 at August 31, 2018.

6. 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 amortized over the term of the related debt.

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

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position (Exhibit A-1) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The District has two items that qualify for reporting in this category. They are contributions made to the pension plan and the OPEB plan in the 2018 fiscal year.

DEWEYVILLE INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
YEAR ENDED AUGUST 31, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. ASSETS, LIABILITIES, AND NET POSITION (CONTINUED)

7. Deferred Outflows/Inflows of Resources (continued)

In addition to liabilities, the statement of financial position (Exhibit A-1) 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 a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The District has three types of items; the first arises only under a modified accrual basis of accounting that qualifies for the reporting in this category. Accordingly, the item unavailable revenue – property taxes, is reported only in the governmental funds balance sheet (Exhibit C-1). This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available. The second is the deferrals of pension expense that result from the implementation of GASB Statement 68. The third is the deferrals of OPEB expense that result from the implementation of GASB Statement 75. The deferrals for pension and OPEB are only reported in the government-wide statement of net position (Exhibit A-1).

8. Fund equity

The District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- *Nonspendable fund balance* – amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- *Restricted fund balance* – amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher level government), through constitutional provisions or by enabling legislation.
- *Committed fund balance* – amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., Board of Trustees). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.
- *Assigned fund balance* – amounts the District intends to use for a specific purpose. Intent can be expressed by the Board or by an official or body to which the Board delegates the authority.
- *Unassigned fund balance* – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The Board establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. At August 31, 2018, Deweyville Independent School District reported \$73,600 in Nonspendable Fund Balance and no Assigned Fund Balance in the General Fund. At August 31, 2018, the District Special Revenue Funds reported \$17,710 of Nonspendable Fund Balance in Child Nutrition Services and \$122,554 as Committed to Child Nutrition Services with \$216 as Committed for Teacher Stipends.

DEWEYVILLE INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
YEAR ENDED AUGUST 31, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. ASSETS, LIABILITIES, AND NET POSITION (CONTINUED)

9. Net Position Flow Assumptions

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 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. Use of Estimates

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

12. Pensions

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

DEWEYVILLE INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
YEAR ENDED AUGUST 31, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. ASSETS, LIABILITIES, AND NET POSITION (CONTINUED)

13. Other Post-Employment Benefits

In the current fiscal year the District implemented the following new standard: GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions* ("GASB 75") establishes accounting and financial reporting standards for other post-employment benefits (OPEB) that are provided to the employees of state and local governmental employers through plans that are administered through trusts or similar arrangements that meet certain criteria. The Statement establishes standards for measuring and recognizing liabilities, deferred outflow of resources, deferred inflow of resources and expense/expenditures. Implementation is reflected in the financial statements, notes to the financial statements and required supplementary information.

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

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

Formal budgetary accounting is employed for all required Governmental Fund Types, as outlined in TEA's FASRG module, and is presented on the modified accrual basis of accounting consistent with generally accepted accounting principles. The budget is prepared and controlled at the function level within each organization to which responsibility for controlling operations is assigned.

The official school budget is prepared for adoption for required Governmental Fund Types prior to August 20 of the preceding fiscal year for the subsequent fiscal year beginning September 1. The budget is formally adopted by the Board at a public meeting held at least ten days after public notice has been given.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, the Debt Service Fund and the Food Service Special Revenue Fund. The remaining special revenue funds adopt project-length budgets which do not correspond to the District's fiscal year. Each annual budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles. The budget was properly amended throughout the year by the Board of Trustees. Such amendments are before the fact and are reflected in the official minutes of the Board.

DEWEYVILLE INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
YEAR ENDED AUGUST 31, 2018**

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

B. REQUIRED INDIVIDUAL FUND DISCLOSURES

For the year ended August 31, 2018, expenditures exceeded appropriations as follows:

<u>Fund</u>	<u>Final Budget</u>	<u>Actual Expenditure</u>	<u>Variance</u>
General Fund			
23 School Leadership	\$ 270,526	\$ 270,606	\$ (80)
33 Health Services	92,799	92,830	(31)
35 Food Services	-	189	(189)
36 Extracurricular Activities	312,536	312,978	(442)
71 Principal on L-T Debt	-	180,000	(180,000)
72 Interest on L-T Debt	-	95,783	(95,783)
73 Bond Issuance Cost and Fees	-	20,000	(20,000)
81 Facilities Acq and Construction	-	956,283	(956,283)

For the year ended August 31, 2018 no Child Nutrition Fund or Debt Service Fund functional expenditure category exceeded budget. There were no fund balances in a deficit position.

C. DATA CONTROL CODES

Data control codes refer to the account code structure prescribed by the Texas Education Agency, Financial Accountability System Resource Guide.

D. HEALTH CARE

Effective September 1, 2002, the District enrolled in the State sponsored TRS Active Care health insurance program. The District contributes to the State sponsored program \$179 per month per employee (in addition to the \$75 per month that is provided by the State of Texas). Employees, at their option, contribute for dependent coverage through payroll withholdings.

The District does not provide any post-retirement health benefits to its employees.

E. RISK MANAGEMENT AND PARTICIPATION IN RISK POOLS

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Most of these risks are protected by insurance. There were no significant reductions in coverage in the past fiscal year.

In March, 2016, the Sabine River crested at 35 ½ feet resulting in historic flooding within the District's boundaries including submersion of the elementary school and all equipment on the premises. As a result, the District recognized an Extraordinary item – impairment loss of \$1,104,480 for the fiscal year ended August 31, 2017.

DEWEYVILLE INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
YEAR ENDED AUGUST 31, 2018**

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

E. RISK MANAGEMENT AND PARTICIPATION IN RISK POOLS (CONTINUED)

The District participates in the following risk pools:

During the year ended August 31, 2018, the Deweyville Independent School 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 obligations to the Texas Workforce Commission. Expenses are accrued each month until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for the Unemployment Compensation pool. For the year ended August 31, 2018, the Fund anticipates that Deweyville ISD has no additional liability beyond the contractual obligation for payment of contribution.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. This 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 The Texas Department of Insurance in Austin.

During the year ended August 31, 2018, the District provided workers' compensation coverage to its employees through participation in the Deep East Texas Self Insurance Fund, a public entity risk pool, which is self-sustained through member premiums. The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund reinsures to statutory limits through commercial companies for claims in excess of \$1,000,000.

The District has no known premium liability for workers' compensation coverage in excess of the stated annual premium. However, if the assets of the Fund were to be exhausted, members would be liable for their portion of the Fund's liabilities. This would indicate that members would be contingently liable for the portion of the liability applicable to their political entity. As of the most recent audit date, the Fund had adequate assets to cover 100% of the projected liability.

During the year ended August 31, 2018, Deweyville Independent School District participated in the Risk Management Program of Regional Pool Alliance with the following coverage: vehicle liability and damages; general liability; professional liability; employment practices. The District also participated in the Property Disaster Recovery Program of Regional Pool Alliance with the following coverage: Fire, Windstorm, Vandalism, Hurricane, Flood and all perils not otherwise excluded.

DEWEYVILLE INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
YEAR ENDED AUGUST 31, 2018**

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

E. RISK MANAGEMENT AND PARTICIPATION IN RISK POOLS (CONTINUED)

Regional Pool Alliance is not a public pool, but rather is an organization that assists clients with the process of obtaining insurance coverage and related services at a reduced cost through group purchasing. Deweyville Independent School District has the previously listed coverage through participation in specific insurance policies with A and A+ companies including Lloyd's of London. Specific properties, perils, and coverage amounts are listed as policy addendums.

NOTE 3. BUDGETARY LEGAL COMPLIANCE

The Official Budget was prepared for adoption for the General Fund, Food Service Fund and Debt Service Fund prior to August 24, 2017 and was adopted by the Board on August 31, 2017. The budget is prepared by fund, function, object, and organization. The budget is controlled at the organizational level by the appropriate department head or campus principal within Board allocations. Therefore, organizations may transfer appropriations as necessary without the approval of the Board unless the intent is to cross fund or function or increase the overall budget allocations. Control of appropriations by the Board is maintained within Fund Groups at the function code level.

The Budget is formally adopted by the Board at a duly advertised public meeting in accordance with law prior to the expenditure of funds. The approved budget is filed with the Texas Education Agency (TEA) through the Public Education Information Management System.

Should any change in the approved budget be required, budget amendment requests are presented to the Board for consideration. Amendments are requested and approved before the fact and once approved are reflected in the official minutes. During the year, the budget was properly amended in accordance with the above procedures.

NOTE 4. DEPOSITS AND INVESTMENTS

Under Texas state law, a bank serving as the school depository must have a bond or in lieu thereof, deposited or pledged securities with the District or an independent third party agent, an amount equal to the highest daily balance of all deposits the District may have during the term of the depository contract, less any applicable FDIC insurance.

1. Cash Deposits: At August 31, 2018, the carrying amount of the District's cash, savings and time deposits was \$1,485,922. The bank balance was \$1,509,555. During 2017 - 2018, the District's combined deposits were fully insured by federal depository insurance or securities pledged to the District and held by the depository's agent in the District's name.

DEWEYVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
YEAR ENDED AUGUST 31, 2018

NOTE 4. DEPOSITS AND INVESTMENTS (CONTINUED)

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

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

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

3. Deposit and Investment Risks:

Interest rate risk. In accordance with its investing policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to one year or less.

Credit risk. For fiscal year 2018, the District invested in Lone Star Investment Pool. Lone Star Investment Pool is duly chartered by the State of Texas Interlocal Cooperation Act and is administered by First Public, LLC formerly the Texas Association of School Boards Financial Services. The District's investments in Lone Star Investment Pool were rated AAA by Standard & Poor's Investors Service.

Concentration of credit risk. The District's investment policy does not limit an investment in any one issuer. The District monitors the need to diversify investments on a regular basis.

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. As of August 31, 2018, District deposits at the local depository were insured and collateralized with pledged assets by the depository's agent.

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. The District is not exposed to custodial risk due to the fact that investments are insured or registered, or the investments are held by the District or its agent in the District's name.

The District's investments at August 31, 2018 are shown below.

<u>Investments</u>	<u>Maturity</u>	<u>Amount</u>	<u>Rating</u>
Lone Star Investment Pool	n/a	<u>\$5,526,125</u>	AAAm

DEWEYVILLE INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
YEAR ENDED AUGUST 31, 2018**

NOTE 4. DEPOSITS AND INVESTMENTS (CONTINUED)

Investment Accounting Policy

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

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The District's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

Fair values of Lone Star Investment Pool are based on quoted market prices of the underlying assets as provided by the Fund Sponsor, First Public, LLC. The investments are reported by the School District at cost which approximates market value. Governmental Accounting Standards Board Statement (GASB) No. 79, "Certain External Investment Pools and Pool Participants" allows the reporting of these investments at cost due to short-term maturities.

NOTE 5. PROPERTY TAXES

Property taxes are considered available when collected within the current period. The District levies its taxes on October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. The assessed value of the property tax roll on August 1, 2017, upon which the levy for the 2017 - 2018 fiscal year was based, was \$556,838,169. Taxes are delinquent if not paid by June 30. Delinquent taxes are subject to both penalty and interest charges plus 15 % delinquent collection fees for attorney costs.

DEWEYVILLE INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
YEAR ENDED AUGUST 31, 2018**

NOTE 5. PROPERTY TAXES (CONTINUED)

The tax rates assessed for the year ended August 31, 2018, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.04 and \$0.15583 per \$100 valuation, respectively, for a total of \$1.19583 per \$100 valuation.

Current tax collections for the year ended August 31, 2018 were 98.4% of the year-end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. As of August 31, 2018, property taxes receivable, net of estimated uncollectible taxes of \$152,303 and \$25,655, totaled \$355,373 and \$59,861 for the General and Debt Service Funds, respectively.

NOTE 6. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal, state, and local governments as of August 31, 2018, are summarized below. Federal grants shown below are passed primarily through the Texas Education Agency and are reported on the combined financial statements as Due from Other Governments.

<u>Fund</u>	<u>Local Governments</u>	<u>State Entitlement and Awards</u>	<u>Federal Entitlement and Awards</u>	<u>Total</u>
General	\$ 44,027	\$ 29,892	\$ 310,695	\$ 384,614
Special Revenue	-	2,791	227,834	230,625
Debt Service	6,724	-	-	6,724
	<u>\$ 50,751</u>	<u>\$ 32,683</u>	<u>\$ 538,529</u>	<u>\$ 621,963</u>

DEWEYVILLE INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
YEAR ENDED AUGUST 31, 2018**

NOTE 7. CAPITAL ASSETS

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

	Balance September 1, 2017	Additions	Retirements & Transfers	Balance August 31, 2018
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 456,153	\$ -	\$ -	\$ 456,153
Construction in progress	-	279,261	-	279,261
Total capital assets not being depreciated	456,153	279,261	-	735,414
Capital assets, being depreciated:				
Buildings and Improvements	21,341,494	-	-	21,341,494
Furniture and Equipment	1,099,074	-	-	1,099,074
Total Capital assets being depreciated	22,440,568	-	-	22,440,568
Less accumulated depreciation for:				
Buildings and Improvements	(6,177,334)	(525,810)	-	(6,703,144)
Furniture and Equipment	(879,169)	(39,338)	-	(918,507)
Total accumulated depreciation	(7,056,503)	(565,148)	-	(7,621,651)
Total capital assets, being depreciated, net	15,384,065	(565,148)	-	14,818,917
Governmental activities capital assets, net	<u>\$ 15,840,218</u>	<u>\$(285,887)</u>	<u>\$ -</u>	<u>\$ 15,554,331</u>

Depreciation expense was charged to functions of the District as follows:

Governmental activities:	
11 Instruction	\$ 524,510
34 Student (Pupil) Transportation	28,122
35 Food Services	7,157
36 Athletics & Co-curricular	718
51 Plant Maintenance and Operations	<u>4,641</u>
Total depreciation expense - governmental activities	<u>\$ 565,148</u>

DEWEYVILLE INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
YEAR ENDED AUGUST 31, 2018**

NOTE 8. DEFINED BENEFIT PENSION PLAN

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

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

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

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

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

DEWEYVILLE INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
YEAR ENDED AUGUST 31, 2018**

NOTE 8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

	<u>Contribution Rates</u>	
	<u>2017</u>	<u>2018</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Current Fiscal Year Employer Contributions		\$ 99,853
Current Fiscal Year Member Contributions		\$ 274,427
2017 Measurement Year NECE On-Behalf Contributions		\$ 208,461

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

As the non-employer contributing entity for public education, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers including public schools are required to pay the employer contribution rate in the following instances:

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

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

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

DEWEYVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
YEAR ENDED AUGUST 31, 2018

NOTE 8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term Expected Investment Rate of Return	8.00%
Inflation	2.5%
Salary Increases Including Inflation	3.5% to 9.5%
Benefit Changes During the Year	None
Ad hoc Post Employment Benefit Changes	None

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

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

DEWEYVILLE INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
YEAR ENDED AUGUST 31, 2018**

NOTE 8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Asset Allocation and Long-Term Expected Real Rate of Return

Asset Class	Target Allocation*	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Return**
Global Equity			
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%
Stable Value			
U.S. Treasuries	11.0%	0.7%	0.1%
Absolute Return	0.0%	1.8%	0.0%
Hedge Funds (Stable Value)	4.0%	3.0%	0.1%
Cash	1.0%	-0.2%	0.0%
Real Return			
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%
Risk Parity			
Risk Parity	5.0%	6.7%	0.3%
Inflation Expectations	0.0%	0.0%	2.2%
Alpha	0.0%	0.0%	1.0%
Total	<u>100.0%</u>		<u>8.7%</u>

* Target allocations are based on the FY 2014 policy model. Infrastructure was moved from Real Assets to Energy and Natural Resources in FY2017, but the reallocation does not affect the long-term expected geometric real rate of return or expected contribution to long-term portfolio returns.

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

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than or 1% greater than the discount rate that was used (8%) in measuring the 2017 Net Pension Liability.

	1% Decrease in Discount Rate (7%)	Discount Rate (8%)	1% Increase in Discount Rate (9%)
Deweyville's proportionate share of the net pension liability:	<u>\$ 1,956,013</u>	<u>\$ 1,160,286</u>	<u>\$ 497,714</u>

DEWEYVILLE INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
YEAR ENDED AUGUST 31, 2018**

NOTE 8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension. At August 31, 2018, Deweyville Independent School District reported a liability of \$1,160,286 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	\$ 1,160,286
State's proportionate share that is associated with the District	<u>2,038,028</u>
Total	<u><u>\$ 3,198,314</u></u>

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

At August 31, 2017, the employer's proportion of the collective net pension liability was 0.0036288% which was a decrease of 0.0000484% from its proportion measured as of August 31, 2016.

Change 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 \$309,896 and revenue of \$155,453 for support provided by the State in the Government Wide Statement of Activities.

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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 16,976	\$ 62,573
Changes in actuarial assumptions	52,853	30,257
Difference between projected and actual investment earnings	-	84,559
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	<u>184,996</u>	<u>26,113</u>
Total as of August 31, 2017 measurement date	254,825	203,502
Contributions paid to TRS subsequent to the measurement date	<u>99,853</u>	<u>-</u>
Total	<u><u>\$ 354,678</u></u>	<u><u>\$ 203,502</u></u>

DEWEYVILLE INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
YEAR ENDED AUGUST 31, 2018**

NOTE 8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Deferred outflow of resources related to pensions resulting from contributions subsequent to the measurement date of \$99,853 will be recognized as a reduction of the net pension liability for the year ending August 31, 2019. Other amounts reported as deferred outflow and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended August 31:</u>	<u>Pension Expense</u>
2019	\$ 2,855
2020	76,919
2021	(2,834)
2022	(24,674)
2023	(1,678)
Thereafter	735
	<u>\$ 51,323</u>

NOTE 9. SCHOOL DISTRICT RETIREE HEALTH PLAN

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

OPEB Plan Fiduciary Net Position. Detail information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained by visiting the TRS web-site at www.trs.state.tx.us/about/documents/cafr.pdf#CAFR; by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701-2698; or by calling the TRS Communications Department at 1-512-542-6592.

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

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

DEWEYVILLE INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
YEAR ENDED AUGUST 31, 2018**

NOTE 9. SCHOOL DISTRICT RETIREE HEALTH PLAN(CONTINUED)

Benefits Provided (Continued)

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

TRS-Care Plan Premium Rates

Effective September 1, 2016 - December 31, 2017

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

**or surviving spouse*

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

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

	<u>Contribution Rates</u>	<u>2017</u>	<u>2018</u>
Member		0.65%	0.65%
Non-Employer Contributing Entity (State)		1.00%	1.25%
Employers		0.55%	0.75%
Federal/Private Funding Remitted by Employers		1.00%	1.25%
Current Fiscal Year Employer Contributions			\$ 29,787
Current Fiscal Year Member Contributions			\$ 23,166
2017 Measurement Year NECE On-Behalf Contributions			\$ 35,060

DEWEYVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
YEAR ENDED AUGUST 31, 2018

NOTE 9. SCHOOL DISTRICT RETIREE HEALTH PLAN (CONTINUED)

Contributions (Continued)

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

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

Actuarial Assumptions. The total OPEB liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions. The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2017 TRS pension actuarial valuation:

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

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.5%
Discount Rate	3.42%
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expense 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%

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

DEWEYVILLE INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
YEAR ENDED AUGUST 31, 2018**

NOTE 9. SCHOOL DISTRICT RETIREE HEALTH PLAN (CONTINUED)

Discount rate. A single discount rate of 3.42% was used to measure the total OPEB liability. There was a change of .44 percent in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

	1% Decrease in Discount Rate (2.42%)	Discount Rate (3.42%)	1% Increase in Discount Rate (4.42%)
Deweyville's proportionate share of the Net OPEB liability:	<u>\$ 2,925,958</u>	<u>\$ 2,479,104</u>	<u>\$ 2,119,934</u>

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At August 31, 2018, the District reported a liability of \$2,478,104 for its proportionate share of the TRS’s Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	\$ 2,479,104
State's proportionate share that is associated with the District	<u>2,932,525</u>
Total	<u>\$ 5,411,629</u>

The Net OPEB Liability was measured as of August 31, 2017 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The District’s proportion of the Net OPEB Liability was based on the District’s contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2016 thru August 31, 2017.

At August 31, 2017 the employer’s proportion of the collective Net OPEB Liability was 0.0057009% which was the same proportion measured as of August 31, 2016.

DEWEYVILLE INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
YEAR ENDED AUGUST 31, 2018**

NOTE 9. SCHOOL DISTRICT RETIREE HEALTH PLAN (CONTINUED)

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

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 from the August 31, 2017 valuation. Although there is uncertainty regarding these federal subsidies, the new assumption better reflects the current substantive plan. This change was unrelated to the plan amendment, and its impact was included as an assumption change in the reconciliation of the total OPEB liability. This change significantly lowered the OPEB liability.
- The discount rate changed from 2.98% as of August 31, 2016 to 3.42% as of August 31, 2017. This change lowered the total OPEB liability.

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

For the year ended August 31, 2018, the District recognized OPEB expense of \$(1,809,212) and revenue of \$(981,301) for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experience	\$ -	\$ 51,753
Changes in actuarial assumptions	-	985,261
Difference between projected and actual investment earnings	377	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	12	-
Total as of August 31, 2017 measurement date	389	1,037,014
Contributions paid to TRS subsequent to the measurement date	29,787	-
Total	<u>\$ 30,176</u>	<u>\$ 1,037,014</u>

DEWEYVILLE INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
YEAR ENDED AUGUST 31, 2018**

NOTE 9. SCHOOL DISTRICT RETIREE HEALTH PLAN (CONTINUED)

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

Deferred outflow of resources related to OPEB resulting from contributions subsequent to the measurement date of \$29,787 will be recognized as a reduction of the net OPEB liability for the year ending August 31, 2019. Other amounts reported as deferred outflow and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended August 31:</u>	<u>OPEB Expense Amount</u>
2019	\$ (136,783)
2020	(136,783)
2021	(136,783)
2022	(136,783)
2023	(136,878)
Thereafter	(352,615)

Medicare Part D On-Behalf Payments. The Medicare Prescription Drug Act of 2003, which became effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments for Deweyville Independent School District for the years August 31, 2018, 2017 and 2016 were \$11,803, \$11,379, and \$16,124, respectively.

The Early Retiree Reinsurance Program (ERRP) is a provision of the Patient Protection and Affordable Care Act (PPACA) and provides reimbursement for a portion of the cost of health care benefits to retirees between the ages of 55 – 64 and their covered dependents. TRS-Care did not participate in this program for the year ended August 31, 2018.

During the fiscal year ended August 31, 2018, the District paid \$1,070 for previously retired public school employees for whom the District had a TRS-Care Premium payment responsibility.

DEWEYVILLE INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
YEAR ENDED AUGUST 31, 2018**

NOTE 10. LONG TERM LIABILITIES

The District's long-term liabilities consist of general obligation bonds to provide funds for the construction of major capital facilities, maintenance tax notes, compensated absences payable, net pension liability, and net OPEB liability. General obligation bonds and maintenance tax notes are direct obligations and pledge the full faith and credit of the District. The current requirements for principal and interest expenditures for general obligation bonds are accounted for in the Debt Service Fund. The current requirements for maintenance tax notes and compensated absences payable are accounted for in the General Fund. The net pension liability is discussed in Note 8 and is funded annually through the funds impacted by the related payroll expenditures. The net OPEB liability is discussed in Note 9 and is funded annually through the funds impacted by the related payroll expenditures.

Changes in long-term liabilities

Long-term liability activity for the year ended August 31, 2018 was as follows:

Series	Interest Rate Payable	Amounts Original Issue	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2003 Series Schoolhouse bonds	4.25-6.25%	\$ 5,650,000	\$ 480,000	\$ -	\$ -	\$ 480,000	\$ -
2010 Series Unlimited Tax refunding bonds	2.00-4.00%	9,705,000	6,455,000	-	(610,000)	5,845,000	620,000
2017 Series maint tax note	3.35%	2,825,000	2,825,000	-	(2,825,000)	-	-
2018 Series maint tax note	3.95%	2,645,000	-	2,645,000	-	2,645,000	2,645,000
Total debt payable			9,760,000	2,645,000	(3,435,000)	8,970,000	3,265,000
Compensated absences payable			60,490	10,445	-	70,935	-
Net OPEB liability			4,376,733	-	(1,897,629)	2,479,104	-
Net pension liability			1,352,975	-	(192,689)	1,160,286	-
			5,790,198	10,445	(2,090,318)	3,710,325	-
Total governmental activities long-term liabilities			\$ 15,550,198	\$ 2,655,445	\$ (5,525,318)	\$ 12,680,325	\$ 3,265,000

In the 2017-2018 fiscal year, the District entered into a maintenance tax note contract with a financial institution. The note is due July 25, 2019 and has an interest rate of 3.95%.

DEWEYVILLE INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
YEAR ENDED AUGUST 31, 2018**

NOTE 10. LONG TERM LIABILITIES (CONTINUED)

Annual debt service requirements to maturity for general obligation bonds and maintenance tax notes are as follows:

Year Ended August 31,	General Obligation Debt		
	Principal	Interest	Total Requirements
2019	\$ 620,000	\$ 224,300	\$ 844,300
2020	645,000	205,700	850,700
2021	660,000	186,350	846,350
2022	680,000	166,550	846,550
2023	710,000	142,750	852,750
2024 -2028	3,010,000	333,100	3,343,100
	<u>\$ 6,325,000</u>	<u>\$ 1,258,750</u>	<u>\$ 7,583,750</u>

Year Ended August 31,	Maintenance Tax Note		
	Principal	Interest	Total Requirements
2018	<u>\$ 2,645,000</u>	<u>\$ 104,187</u>	<u>\$ 2,749,187</u>

Year Ended August 31,	Total		
	Principal	Interest	Total Requirements
2019	\$ 3,265,000	\$ 328,487	\$ 3,593,487
2020	645,000	205,700	850,700
2021	660,000	186,350	846,350
2022	680,000	166,550	846,550
2023	710,000	142,750	852,750
2024 -2028	3,010,000	333,100	3,343,100
	<u>\$ 8,970,000</u>	<u>\$ 1,362,937</u>	<u>\$ 10,332,937</u>

DEWEYVILLE INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
YEAR ENDED AUGUST 31, 2018**

NOTE 11. LEASE OBLIGATIONS

A. Operating Leases

The District entered into several lease agreements with Ramtech Building Systems, Inc. effective August 15, 2016 for the lease of portable buildings. The lease agreements are 36-month terms and will extend through August 15, 2019. The monthly rental payment ranges from \$6,745 to \$9,120. The following is a schedule of minimum lease payments under non-cancelable operating leases as of August 31, 2018.

<u>Year Ending August 31,</u>	<u>General Fund Activities</u>
2019	<u>\$ 355,080</u>
Total	<u>\$ 355,080</u>

For the year ended August 31, 2018, lease expenditures were \$414,260 which included prior year unpaid amounts of \$59,180.

NOTE 12. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Property Taxes	\$ 5,790,608	\$ -	\$ 869,334	\$ 6,659,942
Athletic Receipts	22,432	-	-	22,432
Food Service Receipts	-	39,106	-	39,106
Investment Income	67,611	-	12,832	80,443
Penalties, interest and other tax related income	30,385	-	5,195	35,580
Other	<u>26,250</u>	<u>-</u>	<u>-</u>	<u>26,250</u>
Total	<u>\$ 5,937,286</u>	<u>\$ 39,106</u>	<u>\$ 887,361</u>	<u>\$ 6,863,753</u>

DEWEYVILLE INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
YEAR ENDED AUGUST 31, 2018**

NOTE 13. LITIGATION AND CONTINGENCIES

At various times, the District is a party to various actual and threatened legal actions. The District intends to vigorously defend these actions. No provision for any potential losses or legal expenses has been recorded in the accompanying financial statements.

The District participates in numerous state and Federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2018 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

NOTE 14. PRIOR PERIOD ADJUSTMENT

The General Fund fund balance at August 31, 2017 was overstated by \$(287,306) due to an over accrual of a FEMA receivable. The beginning fund balance has been reduced by the \$(287,306) on the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance.

During fiscal year 2018, the District adopted GASB Statement No. 75 for Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions. With GASB 75, the District must assume its proportionate share of the Net OPEB liability of the Teacher Retirement System of Texas. Adoption of GASB 75 required a prior period adjustment to report the effect of GASB 75 retroactively. The prior period adjustment totaled \$(4,343,640).

Compensated absences payable of \$(60,490) was omitted from the long-term liabilities as of August 31, 2017. Beginning Net Position has been restated for the omission.

Prior period adjustments have been reflected in these financial statements as follows:

	Govnermental Fund Statement of Revenues, Exp. and Changes in Fund Balance	Government- Wide Statement of Activities
FEMA receivable overstatement	\$ 287,306	\$ 287,306
Net OPEB Liability (GASB 75)	-	4,343,640
Compensated absences payable	-	60,490
Prior Period Adjustment	<u>\$ 287,306</u>	<u>\$ 4,691,436</u>

DEWEYVILLE INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
YEAR ENDED AUGUST 31, 2018**

NOTE 15. NEGATIVE OPERATING GRANTS AND CONTRIBUTIONS – STATEMENT OF ACTIVITIES

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

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

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

Functional Allocation	Operating Grants & Contributions- Statement of Activities	GASB 75 Negative Government- Wide On- Behalf Accrual	Operating Grants and Contributions. Statement of Activities (excluding the effects of GASB 75 negative On- Behalf accrual)
6011 Instruction	\$ (254,600)	\$ (664,163)	\$ 409,563
6012 Instructional Resources and Media Services	(16,726)	(20,094)	3,368
6013 Curriculum Development and Instructional Staff Development	18,847	(17,018)	35,865
6023 School Leadership	(44,980)	(55,979)	10,999
6031 Guidance, Counseling and Evaluation Services	52,345	(18,548)	70,893
6033 Health Services	(19,108)	(22,955)	3,847
6034 Student (Pupil) Transportation	40,179	(25,270)	65,449
6035 Food Services	218,796	(14,632)	233,428
6036 Extracurricular Activities	(38,125)	(45,801)	7,676
6041 General Administration	(30,207)	(36,289)	6,082
6051 Facilities Maintenance and Operations	(9,297)	(60,552)	51,255
6053 Data Processing Services	23,500	-	23,500
	<u>\$ (59,376)</u>	<u>\$ (981,301)</u>	<u>\$ 921,925</u>

REQUIRED SUPPLEMENTARY INFORMATION

DEWEYVILLE ISD
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 5,650,050	\$ 5,652,858	\$ 5,937,286	\$ 284,428
5800	State Program Revenues	608,150	626,527	599,426	(27,101)
5900	Federal Program Revenues	60,000	60,000	916,548	856,548
5020	Total Revenues	6,318,200	6,339,385	7,453,260	1,113,875
EXPENDITURES:					
Current:					
0011	Instruction	3,044,693	3,120,277	3,040,557	79,720
0012	Instructional Resources and Media Services	88,456	95,430	94,434	996
0013	Curriculum and Instructional Staff Development	80,844	83,192	82,926	266
0023	School Leadership	263,136	270,526	270,606	(80)
0031	Guidance, Counseling and Evaluation Services	78,521	79,571	79,432	139
0033	Health Services	91,299	92,799	92,830	(31)
0034	Student (Pupil) Transportation	186,961	211,976	207,613	4,363
0035	Food Services	-	-	189	(189)
0036	Extracurricular Activities	304,110	312,536	312,978	(442)
0041	General Administration	293,740	295,990	275,541	20,449
0051	Facilities Maintenance and Operations	743,761	752,011	681,491	70,520
0052	Security and Monitoring Services	2,200	4,481	3,137	1,344
0053	Data Processing Services	70,479	70,479	60,323	10,156
Debt Service:					
0071	Principal on Long Term Debt	-	-	180,000	(180,000)
0072	Interest on Long Term Debt	-	-	95,783	(95,783)
0073	Bond Issuance Cost and Fees	-	-	20,000	(20,000)
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	-	956,283	(956,283)
Intergovernmental:					
0091	Contracted Instructional Services Between Schools	720,000	592,595	-	592,595
0099	Other Intergovernmental Charges	350,000	357,521	356,521	1,000
6030	Total Expenditures	6,318,200	6,339,384	6,810,644	(471,260)
1200	Net Change in Fund Balances	-	1	642,616	642,615
0100	Fund Balance - September 1 (Beginning)	6,218,216	6,218,216	6,218,216	-
1300	Prior Period Adjustment	-	-	(287,306)	(287,306)
3000	Fund Balance - August 31 (Ending)	\$ 6,218,216	\$ 6,218,217	\$ 6,573,526	\$ 355,309

DEWEYVILLE ISD
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2018

	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
District's Proportion of the Net Pension Liability (Asset)	0.0036287%	0.0035803%	0.0038391%	0.0027062%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 1,160,286	\$ 1,352,975	\$ 1,357,071	\$ 722,864
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	2,038,028	2,759,931	2,675,366	2,375,420
Total	<u>\$ 3,198,314</u>	<u>\$ 4,112,906</u>	<u>\$ 4,032,437</u>	<u>\$ 3,098,284</u>
District's Covered Payroll	\$ 3,772,323	\$ 4,019,400	\$ 4,063,726	\$ 4,059,610
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	30.76%	33.66%	33.39%	17.81%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.17%	78.00%	78.43%	83.25%

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

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

DEWEYVILLE ISD
SCHEDULE OF DISTRICT CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2018

	2018	2017	2016	2015
Contractually Required Contribution	\$ 99,853	\$ 116,082	\$ 117,260	\$ 113,677
Contribution in Relation to the Contractually Required Contribution	(99,853)	(116,082)	(117,260)	(113,677)
Contribution Deficiency (Excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
District's Covered Payroll	\$ 3,563,987	\$ 3,772,323	\$ 4,019,400	\$ 4,063,726
Contributions as a Percentage of Covered Payroll	2.80%	3.08%	2.92%	2.80%

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

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

DEWEYVILLE ISD
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2018

	FY 2018 Plan Year 2017
District's Proportion of the Net Liability (Asset) for Other Post Employment Benefits	0.005700892%
District's Proportionate Share of Net Post Employment Benefit Liability (Asset)	\$ 2,479,104
State's Proportionate Share of the Net Post Employment Benefit Liability (Asset) associated with the District	2,932,525
Total	\$ 5,411,629
District's Covered Payroll	\$ 3,772,323
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	65.72%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.91%

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

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

DEWEYVILLE ISD
SCHEDULE OF DISTRICT CONTRIBUTIONS FOR OTHER POST EMPLOYMENT BENEFITS (OPEB)
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2018

	2018
Contractually Required Contribution	\$ 29,787
Contribution in Relation to the Contractually Required Contribution	(29,787)
Contribution Deficiency (Excess)	\$ -0-
District's Covered Payroll	\$ 3,563,987
Contributions as a Percentage of Covered Payroll	0.84%

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

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

REQUIRED TEA SCHEDULES

DEWEYVILLE ISD
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2018

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2009 and prior years	Various	Various	\$ Various
2010	1.040000	0.250000	399,986,589
2011	1.040000	0.250000	414,482,946
2012	1.040000	0.250000	518,403,411
2013	1.040000	0.173200	521,704,336
2014	1.040000	0.202500	561,460,765
2015	1.040000	0.205700	554,190,415
2016	1.040000	0.205700	535,762,629
2017	1.040000	0.155000	561,051,554
2018 (School year under audit)	1.040000	0.155828	556,838,169
1000 TOTALS			

(10) Beginning Balance 9/1/2017	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2018
\$ 95,936	\$ -	\$ 3,145	\$ 446	\$ -	\$ 92,345
14,085	-	386	93	-	13,606
15,932	-	1,194	287	-	14,451
21,198	-	2,369	570	-	18,259
25,988	-	2,573	428	(364)	22,623
35,058	-	4,085	795	105,329	135,507
49,450	-	7,598	1,503	385	40,734
67,578	-	12,413	2,455	4,381	57,091
107,128	-	25,702	3,831	(2,722)	74,873
-	6,658,827	5,700,196	854,087	19,159	123,703
<u>\$ 432,353</u>	<u>\$ 6,658,827</u>	<u>\$ 5,759,661</u>	<u>\$ 864,495</u>	<u>\$ 126,168</u>	<u>\$ 593,192</u>

DEWEYVILLE ISD
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 60,000	\$ 60,000	\$ 39,106	\$ (20,894)
5800	State Program Revenues	9,000	9,000	5,333	(3,667)
5900	Federal Program Revenues	230,500	230,500	239,965	9,465
5020	Total Revenues	299,500	299,500	284,404	(15,096)
EXPENDITURES:					
0035	Food Services	299,500	299,500	230,976	68,524
6030	Total Expenditures	299,500	299,500	230,976	68,524
1200	Net Change in Fund Balances	-	-	53,428	53,428
0100	Fund Balance - September 1 (Beginning)	86,836	86,836	86,836	-
3000	Fund Balance - August 31 (Ending)	\$ 86,836	\$ 86,836	\$ 140,264	\$ 53,428

DEWEYVILLE ISD
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 851,025	\$ 851,025	\$ 887,361	\$ 36,336
5800	State Program Revenues	11,000	11,000	12,309	1,309
5020	Total Revenues	862,025	862,025	899,670	37,645
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	610,000	610,000	610,000	-
0072	Interest on Long Term Debt	251,025	251,025	239,550	11,475
0073	Bond Issuance Cost and Fees	1,000	1,000	1,000	-
6030	Total Expenditures	862,025	862,025	850,550	11,475
1200	Net Change in Fund Balances	-	-	49,120	49,120
0100	Fund Balance - September 1 (Beginning)	497,918	497,918	497,918	-
3000	Fund Balance - August 31 (Ending)	\$ 497,918	\$ 497,918	\$ 547,038	\$ 49,120

FEDERAL AWARDS SECTION

J. Pat O'Neill, III, CPA
Michael W. Kiefer, CPA, CFE, CFF

**Wathen,
DeShong
& Juncker,**

L.L.P.
Certified Public Accountants

Troy W. Domingue, CPA
Stanley "Chip" Majors, Jr., CPA, CITP, CGMA
Jane P. Burns, CPA, CDFA

December 6, 2018

INDEPENDENT AUDITOR'S REPORT

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

Board of Trustees
Deweyville Independent School District
Deweyville, Texas

Members of the Board:

We have audited, 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, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Deweyville Independent School District as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements of Deweyville Independent School District and have issued our report thereon dated December 6, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance And Other Matters

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

Purpose of This Report

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

Wathen, DeShong & Juncker, L.L.P.

WATHEN, DeSHONG & JUNCKER, L.L.P.
Certified Public Accountants

J. Pat O'Neill, III, CPA
Michael W. Kiefer, CPA, CFE, CFF

**Wathen,
DeShong
& Juncker,**

L.L.P.
Certified Public Accountants

Troy W. Domingue, CPA
Stanley "Chip" Majors, Jr., CPA, CITP, CGMA
Jane P. Burns, CPA, CDFA

December 6, 2018

INDEPENDENT AUDITOR'S REPORT

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

Board of Trustees
Deweyville Independent School District
Deweyville, Texas

Members of the Board:

Report on Compliance for Each Major Federal Program

We have audited Deweyville Independent School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2018. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Responses.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report of Internal Control Over Compliance

The management of Deweyville Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 Deweyville Independent School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or 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.

Wathen, DeShong & Juncker, L.L.P.

WATHEN, DeSHONG & JUNCKER, L.L.P.
Certified Public Accountants

DEWEYVILLE INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED AUGUST 31, 2018

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:

- Material weakness identified? _____ yes ☒ no
- Significant deficiency identified? _____ yes ☒ none reported

Noncompliance material to financial statements noted? _____ yes ☒ no

Federal Awards

Internal control over major programs:

- Material weakness identified? _____ yes ☒ no
- Significant deficiency identified? _____ yes ☒ none reported

Type of auditor's report issued on compliance for major programs: unmodified

Any audit findings disclosed that are required to
be reported in accordance with Uniform Guidance? _____ yes ☒ no

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
97.036	Disaster Grants

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

Auditee qualified as low-risk auditee? ☒ yes _____ no

DEWEYVILLE INDEPENDENT SCHOOL DISTRICT

**SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED AUGUST 31, 2018
(CONTINUED)**

Section II – Financial Statement Findings and Responses

-- NONE NOTED --

Section III – Federal Award Findings and Responses

-- NONE NOTED --

DEWEYVILLE INDEPENDENT SCHOOL DISTRICT

P. O. BOX 408
Deweyville, Texas
409-746-2731

Keith Jones, Superintendent
T.J. Hardin, President
Doug Clark, Vice President
Julie Lavergne, Secretary

Gary Brinson, Member
Bob Buxton, Member
Rodney Whitfield, Member
Kenny Willis, Member

DEWEYVILLE INDEPENDENT SCHOOL DISTRICT

**STATUS OF PRIOR YEAR'S FINDINGS
YEAR ENDED AUGUST 31, 2018**

2017-001 Capital asset reconciliation procedures

The District has developed procedures to analyze and record capital asset activity on a contemporaneous basis. Additionally, the District now has a detailed listing of capital assets including accumulated depreciation.

DEWEYVILLE ISD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2018

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
DIRECT U.S. DEPARTMENT OF EDUCATION			
<u>Direct Programs:</u>			
Rural Education Achievement Program	84.358A	S3584A172664	\$ 31,478
Total Direct Programs			31,478
TOTAL DIRECT U.S. DEPARTMENT OF EDUCATION			31,478
U.S. DEPARTMENT OF HOMELAND SECURITY			
<u>Passed Through State Dept of Public Safety</u>			
Public Assist. Grant, 4266, Severe Storms&Flooding	97.036	PA-06-TX-4266	843,177
Total Passed Through State Dept of Public Safety			843,177
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			843,177
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education</u>			
*IDEA - Part B, Formula	84.027A	186600011769036000	120,197
*IDEA - Part B, Preschool	84.173A	186610011769036000	4,292
Total Special Education Cluster (IDEA)			124,489
ESEA, Title I, Part A - Improving Basic Programs	84.010A	18610101176903	110,964
Title II, Part A, Supporting Effective Instr	84.367A	18694501176903	18,760
Title IV, Part A, Subpart 1	84.424A	18680101176903	9,996
Restart Hurricane Recovery	84.938A	18511701176903	41,106
Emergency Impact Aid to LEAs	84.938C	51271901	94,762
Total Passed Through State Department of Education			400,077
TOTAL U.S. DEPARTMENT OF EDUCATION			400,077
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	71401801	65,504
*National School Lunch Program	10.555	71301801	154,309
Total Child Nutrition Cluster			219,813
Commodity Supplemental Program	10.565	084-902	20,152
Total Passed Through the State Department of Agriculture			239,965
TOTAL U.S. DEPARTMENT OF AGRICULTURE			239,965
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 1,514,697

*Clustered Programs

DEWEYVILLE INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2018**

1. The accompanying Schedule Of Expenditures Of Federal Awards (Schedule) includes the federal grant activity of Deweyville Independent School District (the District) under programs of the Federal government for the year ended August 31, 2018. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.
2. Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of the general purpose financial statements.
3. The District utilizes the fund types specified in the Texas Education Agency's Financial Accountability System Resource Guide.

Special Revenue Funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund. Generally, unused balances are returned to the grantor at the close of specified project periods.

4. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All federal grant funds were accounted for in the Special Revenue Fund, a component of the Governmental Fund type. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for the Governmental Fund Types and Agency Funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

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

5. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 90 days beyond the federal project period ending date or as specified in a program regulation, in accordance with provisions in Office of Management and Budget (OMB) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* - Section 200.343 Closeout.
6. A reconciliation of Federal Revenue reported on Exhibit C-3 to Federal Revenue reported on the Schedule of Expenditures of Federal Awards (Exhibit K-1) follows:

Federal Revenue Reported on Exhibit K-1	\$ 1,514,697
Medicaid Revenue	<u>73,371</u>
Federal Revenue Reported on Exhibit C-3	<u><u>\$ 1,588,068</u></u>

SCHOOLS FIRST QUESTIONNAIRE

Deweyville ISD

Fiscal Year 2018

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	0
SF11	Net Pension Assets (1920) at fiscal year-end.	0
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$1,160,286
SF13	Pension Expense (6147) at fiscal year-end.	