

PAINT CREEK
INDEPENDENT SCHOOL DISTRICT
HASKELL COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2018

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

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CERTIFICATE OF BOARD

**Paint Creek
Independent School District**

Name of School District

Haskell

County

104907

County – District 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 President

Signature of Board Secretary

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

James E. Rodgers and Company, P.C.

Certified Public Accountants

20 Southwest Third Street • PO Box 669 • Hamlin, Texas 79520 • Tel: 325-576-2356 • Fax: 325-576-3525

E-mail: rodgerscpa@att.net

Member of Texas Society of CPA's and American Institute of CPA's

Richard E. Rodgers CPA • Gerald L. Rodgers CPA

December 17, 2018

Unmodified Report on Financial Statements Accompanied by Required Supplementary Information, Supplementary Information, and Other Information

Independent Auditor's Report

To the Board of Trustees
Paint Creek Independent School District
Haskell, Texas 79521

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 Paint Creek 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 to the financial statements, in 2018, the District adopted new accounting guidance prescribed by GASB 75 for its other post-employment benefit plan (OPEB), a multiple-employer, cost-sharing, health insurance plan for retirees that has a special funding situation. Because GASB 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 OPEB liability and some 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 Position. 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, budgetary comparison information, and the pension and OPEB reporting schedules be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Paint Creek Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements, and the Texas Education Agency required information in conformity with laws and regulations of the State of Texas in Exhibits J-1 through J-3, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the Texas Education Agency required information in conformity with laws and regulations of the state of Texas in Exhibits J-1 through J-3 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

James E. Rodgers and Company, P.C.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2018, on our consideration of the Paint Creek 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Paint Creek Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,



James E. Rodgers and Company, P.C.



Paint Creek Independent School District

4485 F M 600
Haskell, Texas 79521

Cheryl Floyd, Ed. D.
Superintendent
Phone 940.864.2868

Roy Gardner
Principal
Fax 940.863.0069

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the administration of **Paint Creek Independent School District**, discuss and analyze the District's financial performance for the fiscal year ended August 31, 2018 (current fiscal year). Please read it in conjunction with the independent auditor's report and the District's Basic Financial Statements.

FINANCIAL HIGHLIGHTS

Highlights of Current Fiscal Year Finances

Government Wide Total Net Position at the End of the Year	\$	2,898,100
Government Wide Revenues for the Current Fiscal Year		4,050,656
Government Wide Expenses for the Current Fiscal Year		2,364,757
Fund Balance in the General Fund at the End of Year		2,482,590

Changes in the Government Wide Finances from the Previous Fiscal Year

	Increase (Decrease)	
	\$	%
<u>Change in Net Position:</u>		
Change in the Government Wide Total Net Position	\$ 544,362	23.13%
<u>Revenue Changes:</u>		
Change in the Government Wide Total Revenues	\$ 1,300,926	47.31%
Change in the Government Wide Property Tax Revenues	199,218	8.66%
Change in the Government Wide State Aid Formula Grants	194,290	178.72%
Change in Operating Grants and Contributions	(19,723)	-8.23%
<u>Expense Changes:</u>		
Change in the Government Wide Total Expenses	\$ (24,047)	-1.01%
<u>Other Information:</u>		
Change in General Fund Balance	\$ 809,905	48.42%
Excess (Deficit) of Actual Revenue over Budgeted Revenue	275,629	14.96%

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 are comprised 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 information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to that of a private sector business.

The *statement of net position* presents information on all of the District's assets and deferred outflows of resources, and liabilities and deferred inflows of resources with the difference between the two reported a *net position*. Over time, increases or decreases in net position may serve as a useful indicator as to whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods such as uncollected property tax and earned but unused sick and vacation leave.

The government-wide financial statements distinguish functions of the District that are principally supported by taxes, intergovernmental revenues, and user fees & charges (*governmental activities*). The governmental activities of the District include the education of District students and the programs necessary to support such education.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between *governmental funds* and *governmental activities*.

The District maintains numerous individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund as it is considered a major fund. Data from the other funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The District adopts an annual appropriated budget for the General Fund. A budgetary comparison schedule has been provided for this fund to demonstrate compliance with this budget. Supplementary budgetary comparison schedules have also been prepared for the Child Nutrition and Debt Service Fund and are included in the other

supplementary information section of this report.

Proprietary funds. The District maintains proprietary funds. An *internal service fund* is an accounting device used to accumulate and allocate costs internally among the District’s various functions. The District uses this internal service fund to account for its workers compensation self-insurance program. Internal service funds are generally considered a *governmental activity* and are included in the government-wide financial statements.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District’s own programs. The District maintains student activity accounts as fiduciary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information. In addition, certain information required by the Texas Education Agency and the federal government regarding tax collection and grant expenditures is also presented along with required supplementary information related to the District’s contributions to a cost-sharing pension plan with the Teacher Retirement System of Texas

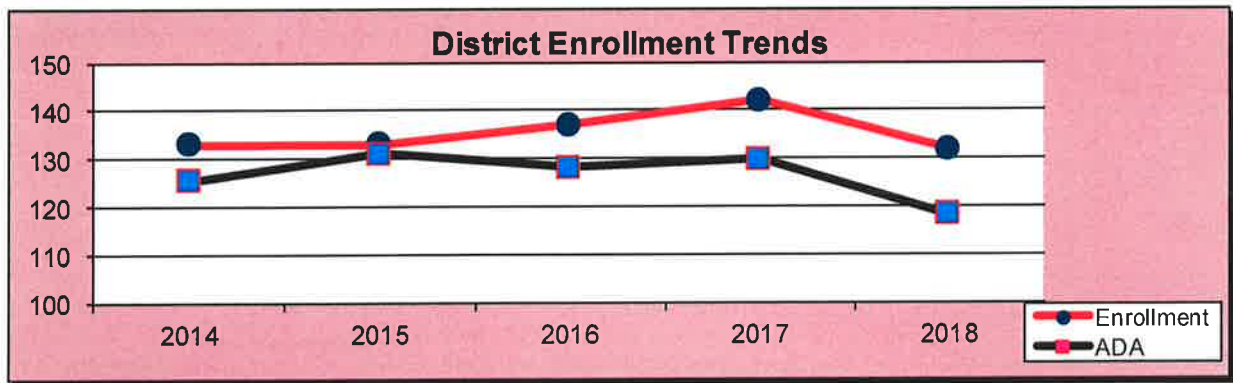
DISTRICT FINANCES

District operations are primarily funded from local property tax revenue and funding from the State of Texas under the foundation school program that provides funding to all public school districts in the State of Texas.

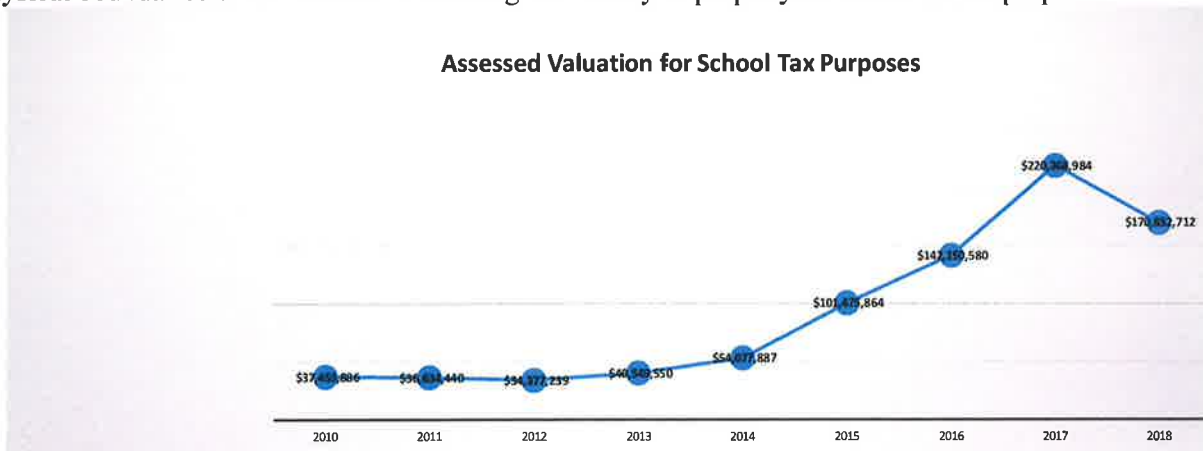
State funding in Texas is based upon the District’s average daily attendance, thus the District’s state revenue is highly dependent on enrollment trends. The District receives additional weighted funding for students enrolled in career and technology coursework, gifted and talented, special education, bilingual, and compensatory education programs. The demographics of the District continually change having an immediate impact on school finances. The following chart details the enrollment trends of the District.

ENROLLMENT TRENDS

Year	Enrollment	ADA
2014	133	125.5
2015	133	131.0
2016	137	128.1
2017	142	129.8
2018	132	118.3



The ability of the District to assess and generate property tax revenue depends on the valuation of property within the physical boundaries of the District. Following is a history of property valuation for tax purposes.



GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following table indicates the net position at the end of the prior fiscal year and the current fiscal year.

Table I Net Position						
	Governmental Activities		Business-Type Activities		Totals	
	2017	2018	2017	2018	2017	2018
Current and other assets	\$ 1,796,902	\$2,925,367	\$ -	\$ -	\$1,796,902	\$2,925,367
Capital assets	2,138,360	5,515,598	-	-	2,138,360	5,515,598
Deferred outflow of resources	154,705	185,199	-	-	154,705	185,199
Total assets & deferred outflows	\$ 4,089,967	\$8,626,164	\$ -	\$ -	\$4,089,967	\$8,626,164
Long-term liabilities	\$ 1,396,940	\$4,401,825	\$ -	\$ -	\$1,396,940	\$4,401,825
Other current liabilities	75,148	89,048	-	-	75,148	89,048
Net pension liability	249,751	272,252	-	-	249,751	272,252
Net OPEB liability	-	650,996	-	-	-	650,996
Deferred inflow of resources	14,390	313,943	-	-	14,390	313,943
Total liabilities & deferred inflows	\$ 1,736,229	\$5,728,064	\$ -	\$ -	\$1,736,229	\$5,728,064
Net Position:						
Net Investment in Capital Assets	\$ 754,783	\$1,132,303	\$ -	\$ -	\$ 754,783	\$1,132,303
Restricted	11	306,222	-	-	11	306,222
Unrestricted	1,598,944	1,459,575	-	-	1,598,944	1,459,575
Total net position	\$ 2,353,738	\$2,898,100	\$ -	\$ -	\$2,353,738	\$2,898,100

The following table indicates the changes in net position for the current and prior fiscal years.

Table II						
Changes in Net Position						
	Governmental Activities		Business-Type Activities		Totals	
	2017	2018	2017	2018	2017	2018
Program Revenues:						
Charges for Services	\$ 22,794	\$ 28,238	\$ -	\$ -	\$ 22,794	\$ 28,238
Operating grants & contributions	239,531	219,808	-	-	239,531	219,808
Effect of GASB 75 Negative Accruals	-	(302,615)	-	-	-	(302,615)
General Revenues:						
Maintenance & operations taxes	2,300,795	1,790,098	-	-	2,300,795	1,790,098
Debt service taxes	-	709,915	-	-	-	709,915
State aid - formula grants	108,712	303,002	-	-	108,712	303,002
Grants and contributions not restricted to specific functions	5,582	735	-	-	5,582	735
Investment earnings	13,488	100,857	-	-	13,488	100,857
Miscellaneous	58,828	1,200,618	-	-	58,828	1,200,618
Total Revenues	\$ 2,749,730	\$ 4,050,656	\$ -	\$ -	\$ 2,749,730	\$ 4,050,656
Expenses						
Instruction, curriculum & media services	\$ 1,074,624	\$ 752,304	\$ -	\$ -	\$ 1,074,624	\$ 752,304
Instructional & school leadership	33,259	69,636	-	-	33,259	69,636
Student support services	294,703	126,187	-	-	294,703	126,187
Food services	137,172	104,177	-	-	137,172	104,177
Extracurricular activities	70,860	68,753	-	-	70,860	68,753
General administration & data processing	320,796	247,279	-	-	320,796	247,279
Plant maintenance & security	294,588	244,432	-	-	294,588	244,432
Interest/Fees on long term debt	49,364	200,017	-	-	49,364	200,017
Other business-type activities & intergovernmental	113,438	551,972	-	-	113,438	551,972
Total Expenses	\$ 2,388,804	\$ 2,364,757	\$ -	\$ -	\$ 2,388,804	\$ 2,364,757
Increase in Net Position before transfers and special items	\$ 360,926	\$ 1,685,899	\$ -	\$ -	\$ 360,926	\$ 1,685,899
GASB 75 OPEB Reporting Change	-	(1,141,537)	-	-	-	(1,141,537)
Net position at 9/1	1,992,812	2,353,738	-	-	1,992,812	2,353,738
Total Net Position	\$ 2,353,738	\$ 2,898,100	\$ -	\$ -	\$ 2,353,738	\$ 2,898,100

Analysis of Change in Government Wide Net Position:

Excess of Revenues Over Expenditures for Governmental Funds	\$ 1,114,905
Current Year Purchases of Capital Assets	3,477,428
Current Year Debt Principal Payments	705,067
Depreciation	(100,190)
Reclassification of debt proceeds as increase in debt	(3,530,000)
Other Modified to Full Accrual Revenue Adjustments	(180,292)
Net Adjustment to Pension Expense per GASB 68	(28,492)
Net Adjustments for OPEB Plan required by GASB 75	227,473
Change in Net Position of Governmental Activities	<u>\$ 1,685,899</u>

THE DISTRICT'S FUNDS

A financial summary of the District's funds for the current year is as follows:

Governmental Fund Financial Statements					
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Total
Revenues	\$ 3,444,119	\$ 171,355	\$ 714,147	\$ 57,076	\$ 4,386,697
Expenditures	(2,469,703)	(205,228)	(820,713)	(3,518,840)	(7,014,484)
Other Financing Sources	2,960	33,873	133,598	3,742,692	3,913,123
Other Financing Uses	(167,471)	-	-	(2,960)	(170,431)
Net Change in Fund Balance	\$ 809,905	\$ -	\$ 27,032	\$ 277,968	\$ 1,114,905
Beginning Fund Balance	1,672,685		11	18,358	1,691,054
Ending Fund Balance					
All Governmental Funds	\$ 2,482,590	\$ -	\$ 27,043	\$ 296,326	\$ 2,805,959

The District did modify its budget during the year resulting in a net increase from the original adopted budget to the final amended budget. None on the amendments were considered significant.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the current fiscal year, the District had invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This year's major additions and the net change in total capital assets are as follows:

Fees From Construction Placed in Service	\$ 21,742
Six Classroom Elementary	2,242,824
Field House/Concession Building	1,155,394
Ice Maker For Cafeteria	4,275
2018 Chevrolet Suburban	39,405
Special Ed Playground	12,600
34 Lockers	22,930
TOTAL	\$ 3,499,170
Total Additions	\$ 3,499,170
Total Deletions	(16,457)
Net Change	\$ 3,515,627

Debt

The District's outstanding long term debt as of the end of the current fiscal year is as follows:

	Interest Rate on Issue	Amounts Original Issue	Interest Current Year	Outstanding End of Year	Next Year's Total Principal and Interest Requirement
Series 2007 Lease Revenue Bonds	3.25%	497,320	12,783	334,517	45,140
Series 2007 Lease Revenue Bonds	3.25%	497,320	13,098	344,508	46,489
Series 2011 Lease Revenue Bonds	4.35%	218,973	9,433	168,444	15,888
Series 2017 Tax School Bonds	2.00-3.00%	3,530,000	91,935	2,935,000	535,250
2018 Blue Bird Bus Lease	2.99%	90,604	1,969	55,794	19,604
2011 Qualified School Construction Bond (QSCB) Tax Note	1.45%	510,000	5,637	370,247	30,296
Totals End of Year		\$ 5,344,217	\$ 134,855	\$ 4,208,510	\$ 692,667

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

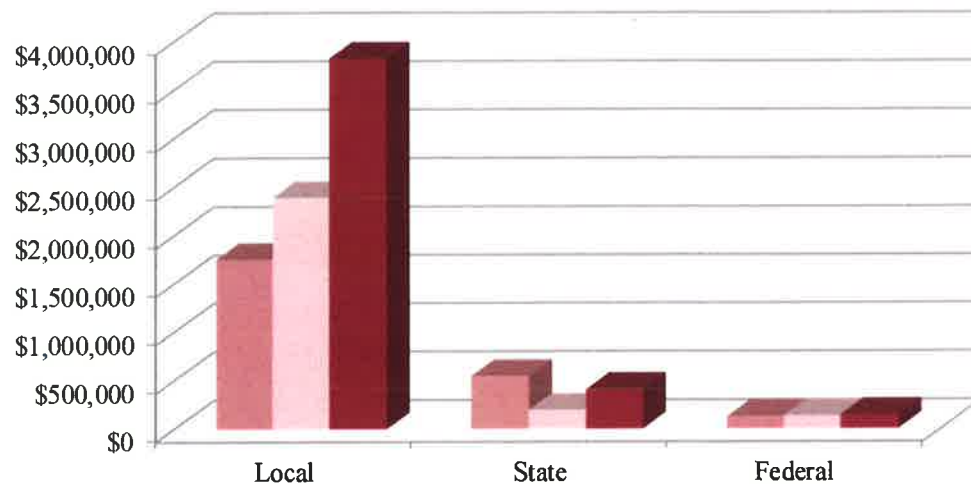
The District's elected and appointed officials considered many factors when setting the subsequent fiscal year budget and tax rates. Those factors included a changes in assessed property tax valuations and the expected student population. These indicators were taken into account when adopting the General Fund budget for next year. A summary of the next year fiscal year budget is as follows:

Fiscal Year 2018 - 2019 Adopted Budget				
	General Fund	Child Nutrition Fund	Debt Service Fund	TOTALS
Revenues	\$ 1,758,919	\$ 89,500		\$ 1,848,419
Expenditures	(2,401,522)	(123,576)		(2,525,098)
Other Financing Sources	-	34,076		34,076
Other Financing Uses	(34,076)	-		(34,076)
Net Change in Fund Balance	\$ (676,679)	\$ -	\$ -	\$ (676,679)
Beginning of Year Fund Balance	2,482,590		27,043	2,509,633
Projected End of Year Fund Balance	\$ 1,805,911	\$ -	\$ 27,043	\$ 1,832,954

The following graph indicates the District's revenues by source for the last three years.

PAINT CREEK INDEPENDENT SCHOOL DISTRICT			
REVENUES BY SOURCE			
	Fiscal Year 2015-2016	Fiscal Year 2016-2017	Fiscal Year 2017-2018
ADA	128,117	129,753	118,342
Local	\$1,757,450	\$2,395,924	\$3,830,066
State	549,429	200,115	410,203
Federal	132,012	139,679	146,428
Total	\$2,438,891	\$2,438,891	\$4,386,697

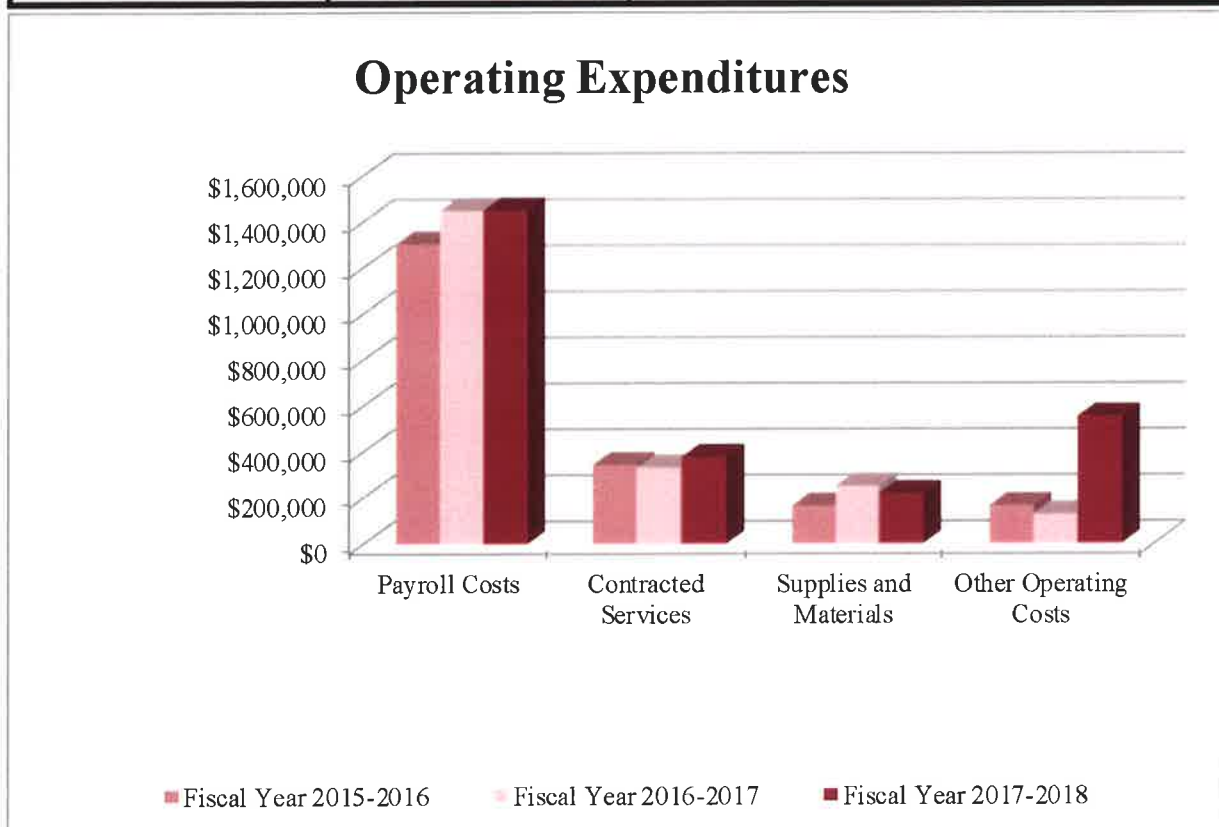
Revenues by Source



■ Fiscal Year 2015-2016
 ■ Fiscal Year 2016-2017
 ■ Fiscal Year 2017-2018

The following graph indicates the District's operating expenditures by object for the last three years.

PAINT CREEK INDEPENDENT SCHOOL DISTRICT			
Expenditures By Type Excluding Capital Outlay and Debt Service			
	Fiscal Year 2015-2016	Fiscal Year 2016-2017	Fiscal Year 2017-2018
Total Staff	29.40	30.95	30.77
Payroll Costs	\$1,304,334	\$1,449,324	\$1,449,977
Contracted Services	344,351	333,086	377,001
Supplies and Materials	165,473	251,361	217,996
Other Operating Costs	165,282	128,560	554,258
Total	\$1,979,440	\$2,162,331	\$2,599,232



CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our taxpayers, students and their parents, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office, at **Paint Creek Independent School District, 4485 FM 600, Haskell, Texas 79521; (940) 864-2471** or visit our website at <http://www.paintcreek.esc14.net>.

BASIC FINANCIAL STATEMENTS

PAINT CREEK INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2018

EXHIBIT A-1

Data Control Codes	Primary Government
	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 394,091
1120 Current Investments	2,213,810
1220 Property Taxes - Delinquent	40,480
1230 Allowance for Uncollectible Taxes	(10,120)
1240 Due from Other Governments	277,795
1290 Other Receivables, Net	9,311
Capital Assets:	
1510 Land	2,000
1520 Buildings, Net	5,257,557
1530 Furniture and Equipment, Net	256,041
1000 Total Assets	8,440,965
DEFERRED OUTFLOWS OF RESOURCES	
1705 Deferred Outflow Related to TRS Pension	175,954
1706 Deferred Outflow Related to TRS OPEB	9,245
1700 Total Deferred Outflows of Resources	185,199
LIABILITIES	
2110 Accounts Payable	8,616
2160 Accrued Wages Payable	60,644
2180 Due to Other Governments	9,264
2200 Accrued Expenses	10,524
Noncurrent Liabilities:	
2501 Due Within One Year	578,477
2502 Due in More Than One Year	3,823,348
2540 Net Pension Liability (District's Share)	272,252
2545 Net OPEB Liability (District's Share)	650,996
2000 Total Liabilities	5,414,121
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Resource Inflow Related to TRS Pension	41,630
2606 Deferred Resource Inflow Related to TRS OPEB	272,313
2600 Total Deferred Inflows of Resources	313,943
NET POSITION	
3200 Net Investment in Capital Assets	1,132,303
3850 Restricted for Debt Service	9,896
3860 Restricted for Capital Projects	296,326
3900 Unrestricted	1,459,575
3000 Total Net Position	\$ 2,898,100

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

PAINT CREEK INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2018

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
		Expenses	3 Charges for Services	4 Operating Grants and Contributions
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 719,529	\$ -	\$ (81,953)	\$ (801,482)
12 Instructional Resources and Media Services	21,281	-	(5,107)	(26,388)
13 Curriculum and Instructional Staff Development	11,494	-	(777)	(12,271)
23 School Leadership	69,636	-	(14,763)	(84,399)
31 Guidance, Counseling and Evaluation Services	23,519	-	(7,179)	(30,698)
33 Health Services	10,908	6,390	(2,240)	(6,758)
34 Student (Pupil) Transportation	91,760	-	(4,328)	(96,088)
35 Food Services	104,177	7,757	81,636	(14,784)
36 Extracurricular Activities	68,753	7,054	(4,950)	(66,649)
41 General Administration	192,324	-	(22,037)	(214,361)
51 Facilities Maintenance and Operations	243,822	7,037	(12,801)	(249,586)
52 Security and Monitoring Services	610	-	-	(610)
53 Data Processing Services	54,955	-	(8,308)	(63,263)
72 Debt Service - Interest on Long-Term Debt	102,115	-	-	(102,115)
73 Debt Service - Bond Issuance Cost and Fees	97,902	-	-	(97,902)
91 Contracted Instructional Services Between Schools	440,081	-	-	(440,081)
93 Payments Related to Shared Services Arrangements	38,940	-	-	(38,940)
99 Other Intergovernmental Charges	72,951	-	-	(72,951)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 2,364,757	\$ 28,238	\$ (82,807)	(2,419,326)

Data Control Codes	General Revenues:		
	Taxes:		
MT	Property Taxes, Levied for General Purposes		1,790,098
DT	Property Taxes, Levied for Debt Service		709,915
SF	State Aid - Formula Grants		303,002
GC	Grants and Contributions not Restricted		735
IE	Investment Earnings		100,857
MI	Miscellaneous Local and Intermediate Revenue		1,200,618
TR	Total General Revenues		4,105,225
CN	Change in Net Position		1,685,899
NB	Net Position - Beginning		2,353,738
PA	Prior Period Adjustment - GASB 75 OPEB Reporting		(1,141,537)
NE	Net Position--Ending		\$ 2,898,100

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

PAINT CREEK INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2018

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
ASSETS			
1110 Cash and Cash Equivalents	\$ 274,232	\$ 26,839	\$ 90,540
1120 Investments - Current	1,969,603	-	244,207
1220 Property Taxes - Delinquent	38,636	1,844	-
1230 Allowance for Uncollectible Taxes	(9,659)	(461)	-
1240 Due from Other Governments	276,184	204	-
1260 Due from Other Funds	40,896	-	-
1290 Other Receivables	1,993	-	-
1000 Total Assets	<u>\$ 2,591,885</u>	<u>\$ 28,426</u>	<u>\$ 334,747</u>
LIABILITIES			
2110 Accounts Payable	\$ 7,018	\$ -	\$ 905
2160 Accrued Wages Payable	53,901	-	-
2170 Due to Other Funds	8,988	-	37,516
2180 Due to Other Governments	9,264	-	-
2200 Accrued Expenditures	1,147	-	-
2000 Total Liabilities	<u>80,318</u>	<u>-</u>	<u>38,421</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	28,977	1,383	-
2600 Total Deferred Inflows of Resources	<u>28,977</u>	<u>1,383</u>	<u>-</u>
FUND BALANCES			
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3470 Capital Acquisition and Contractual Obligation	-	-	296,326
3480 Retirement of Long-Term Debt	-	27,043	-
Committed Fund Balance:			
3510 Facilities Improvements	125,000	-	-
3600 Unassigned Fund Balance	2,357,590	-	-
3000 Total Fund Balances	<u>2,482,590</u>	<u>27,043</u>	<u>296,326</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 2,591,885</u>	<u>\$ 28,426</u>	<u>\$ 334,747</u>

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

Other Funds	Total Governmental Funds
\$ 1,804	\$ 393,415
-	2,213,810
-	40,480
-	(10,120)
1,407	277,795
-	40,896
7,318	9,311
<u>\$ 10,529</u>	<u>\$ 2,965,587</u>
\$ 25	\$ 7,948
6,743	60,644
3,380	49,884
-	9,264
381	1,528
<u>10,529</u>	<u>129,268</u>
-	30,360
-	30,360
-	-
-	296,326
-	27,043
-	125,000
-	2,357,590
<u>-</u>	<u>2,805,959</u>
<u>\$ 10,529</u>	<u>\$ 2,965,587</u>

PAINT CREEK INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET POSITION
 AUGUST 31, 2018

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$	2,805,959
1 The District uses internal service funds to charge the costs of certain activities, such as self-insurance for workers compensation, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.		-
2 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets less the accumulated depreciation increases net position. In addition, long-term liabilities, including bonds and notes payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.		741,420
3 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the current fiscal year capital outlays and debt principal payments is to decrease net position.		4,182,495
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, a deferred resource inflow related to TRS, and a deferred resource outflow related to TRS. This amounted to a decrease in net position.		(137,928)
5 The District implemented GASB 75 reporting requirements for the OPEB benefit plan through TRS-Care. Since this is the first year of implementation, a prior period adjustment had to be reported. The District's share of the TRS-Care plan resulted in a net OPEB liability, a deferred outflow related to TRS OPEB, and a deferred inflow related to TRS OPEB. This resulted in a difference between the ending fund balance and the ending net position.		(914,064)
6 The current year depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(100,190)
7 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, reclassifying the proceeds of long-term debt issues as an increase in long-term liabilities, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.		(3,679,592)
19 Net Position of Governmental Activities	<u>\$</u>	<u>2,898,100</u>

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

PAINT CREEK INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 3,051,086	\$ 714,147	\$ 57,076
5800 State Program Revenues	392,451	-	-
5900 Federal Program Revenues	582	-	-
5020 Total Revenues	<u>3,444,119</u>	<u>714,147</u>	<u>57,076</u>
EXPENDITURES:			
Current:			
0011 Instruction	904,165	-	-
0012 Instructional Resources and Media Services	31,018	-	-
0013 Curriculum and Instructional Staff Development	13,270	-	-
0023 School Leadership	104,020	-	-
0031 Guidance, Counseling and Evaluation Services	37,215	-	-
0033 Health Services	15,162	-	-
0034 Student (Pupil) Transportation	123,436	-	-
0035 Food Services	2,454	-	-
0036 Extracurricular Activities	76,330	-	22,930
0041 General Administration	260,274	-	-
0051 Facilities Maintenance and Operations	259,678	-	-
0052 Security and Monitoring Services	610	-	-
0053 Data Processing Services	70,680	-	-
Debt Service:			
0071 Principal on Long-Term Debt	17,635	687,432	-
0072 Interest on Long-Term Debt	1,784	133,071	-
0073 Bond Issuance Cost and Fees	-	210	97,692
Capital Outlay:			
0081 Facilities Acquisition and Construction	-	-	3,398,218
Intergovernmental:			
0091 Contracted Instructional Services Between Schools	440,081	-	-
0093 Payments to Fiscal Agent/Member Districts of SSA	38,940	-	-
0099 Other Intergovernmental Charges	72,951	-	-
6030 Total Expenditures	<u>2,469,703</u>	<u>820,713</u>	<u>3,518,840</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>974,416</u>	<u>(106,566)</u>	<u>(3,461,764)</u>
OTHER FINANCING SOURCES (USES):			
7911 Capital Related Debt Issued (Regular Bonds)	-	-	3,530,000
7915 Transfers In	2,960	133,598	-
7916 Premium or Discount on Issuance of Bonds	-	-	212,692
8911 Transfers Out (Use)	(167,471)	-	(2,960)
7080 Total Other Financing Sources (Uses)	<u>(164,511)</u>	<u>133,598</u>	<u>3,739,732</u>
1200 Net Change in Fund Balances	809,905	27,032	277,968
0100 Fund Balance - September 1 (Beginning)	<u>1,672,685</u>	<u>11</u>	<u>18,358</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 2,482,590</u>	<u>\$ 27,043</u>	<u>\$ 296,326</u>

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

Other Funds	Total Governmental Funds
\$ 7,757	\$ 3,830,066
17,752	410,203
145,846	146,428
171,355	4,386,697
71,888	976,053
-	31,018
-	13,270
982	105,002
-	37,215
-	15,162
1,000	124,436
131,358	133,812
-	99,260
-	260,274
-	259,678
-	610
-	70,680
-	705,067
-	134,855
-	97,902
-	3,398,218
-	440,081
-	38,940
-	72,951
205,228	7,014,484
(33,873)	(2,627,787)
-	3,530,000
33,873	170,431
-	212,692
-	(170,431)
33,873	3,742,692
-	1,114,905
-	1,691,054
\$ -	\$ 2,805,959

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

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$	1,114,905
<p>The District uses internal service funds to charge the costs of certain activities, such as self-insurance for workers compensation insurance, to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase net position.</p>		
		-
<p>Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the current fiscal year capital outlays and debt principal payments is to decrease net position.</p>		
		4,182,495
<p>Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.</p>		
		(100,190)
<p>Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position.</p>		
		(3,710,292)
<p>GASB 68 relating to pension reporting requires that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 8/31/2017 caused the change in the ending net position to increase. Contributions made before the measurement but during the 2018 fiscal year were also de-expended and recorded as a reduction in the net pension liability for the district that resulted in an increase in net position. The District recorded their proportionate share of the pension expense during the measurement period as part of the net pension liability. This caused a net decrease in the change in net position. The impact of all of these is to decrease the change in net position.</p>		
		(28,492)
<p>GASB 75 requires that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase. 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 the change in net position. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net OPEB expense increased the change in net position. The net result is an increase in the change in net position.</p>		
		227,473
Change in Net Position of Governmental Activities	\$	1,685,899

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

PAINT CREEK INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 AUGUST 31, 2018

	Governmental Activities -	
	Internal Service Fund	
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 676	
Due from Other Funds	8,988	
Total Assets	9,664	
LIABILITIES		
Current Liabilities:		
Accounts Payable	668	
Accrued Expenses	8,996	
Total Liabilities	9,664	
NET POSITION		
Unrestricted Net Position	-	
Total Net Position	\$ -	

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

PAINT CREEK INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2018

	Governmental Activities -	
	Internal Service Fund	
OPERATING REVENUES:		
Local and Intermediate Sources	\$ 2,958	
Total Operating Revenues	2,958	
OPERATING EXPENSES:		
Payroll Costs	2,958	
Total Operating Expenses	2,958	
Operating Income	-	
Total Net Position - September 1 (Beginning)	-	
Total Net Position - August 31 (Ending)	\$ -	

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

PAINT CREEK INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2018

	Governmental Activities -
	Internal Service Fund
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Assessments - Other Funds	\$ 5,923
Cash Payments for Insurance Claims	(5,248)
Net Cash Provided by Operating Activities	675
Net Increase in Cash and Cash Equivalents	675
Cash and Cash Equivalents at Beginning of Year	1
Cash and Cash Equivalents at End of Year	\$ 676
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating Income (Loss):	\$ -
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (increase) in Receivables	2,965
Increase (decrease) in Accounts Payable	668
Increase (decrease) in Accrued Claims Liability	(2,958)
Net Cash Provided by Operating Activities	\$ 675
<u>Reconciliation of Total Cash and Cash Equivalents:</u>	
Cash and Cash Equivalents on Balance Sheet	\$ 676
Pooled Cash and Cash Equivalents on Balance Sheet	-
Total Cash and Cash Equivalents	\$ 676

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

PAINT CREEK INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2018

	Agency Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 31,436
Total Assets	<u>\$ 31,436</u>
LIABILITIES	
Due to Student Groups	\$ 31,436
Total Liabilities	<u>\$ 31,436</u>

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

**PAINT CREEK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Paint Creek Independent School District (the "District") a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles accepted in the United States of America as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The District also 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 (the "Board") is elected by the public and has the authority to make decisions, appoint administrators and managers, and significantly influence operations. For financial reporting purposes, the accompanying financial statements include all of the operations over which the District is financially accountable. The District applies current GASB criteria to potential component units and other related entities in evaluating the potential inclusion in the reporting entity. The criteria for inclusion in the reporting entity involves whether the District or its officials appoint a voting majority of an organization's governing body, and is either able to impose its will on the organization or there is a potential for the organization to provide specific financial benefits or to impose specific financial burdens on the District such that exclusion of such information would cause the District's financial statements to be incomplete. For the current fiscal year, the reporting entity of the District does not include any component units.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

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

D. FUND ACCOUNTING

The District reports the following major governmental funds:

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

Debt Service Fund – The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund. The fund was a major fund under governmental reporting standards for the current fiscal year.

Capital Projects Fund – Proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund. The fund was a major fund under governmental reporting standards for the current fiscal year.

The District does not maintain major enterprise funds.

Additionally, the District reports the following fund type(s):

Governmental Funds:

Special Revenue Funds – The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund and sometimes unused balances must be returned to the grantor at the close of specified project periods.

Debt Service Funds – The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund when applicable.

Capital Projects Funds – Proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund when applicable.

Proprietary Funds:

Enterprise Funds – The District's activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities are accounted for in an enterprise fund when applicable.

Internal Service Funds – Revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis (such as workers' compensation) are accounted for in an internal service fund when applicable.

Fiduciary Funds:

Private Purpose Trust Funds – The District accounts for donations for which the donor has stipulated that both the principal and the income may be used for purposes that benefit parties outside the District. When applicable, the District maintains a private purpose trust fund to provide scholarships for students that have graduated from the District.

Agency Funds – The District accounts for resources held for others in a custodial capacity in agency funds including funds used to account for student activities.

Transactions between funds that are representative of lending / borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to / from other funds". While these balances are reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included in the governmental activities column. Similarly, balances between the funds included in any business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

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

E. OTHER ACCOUNTING POLICIES

1. For purposes of the statement of cash flows for proprietary funds, the District considers highly liquid investments to be cash equivalents if they have maturity of three months or less when purchased.
2. The District reports inventories of supplies using the first-in, first-out inventory cost method. The supplies include consumable maintenance, instructional, office, athletic, and transportation items. Under the purchase method, supplies are recorded as expenditures when they are purchased. Inventories of food commodities are recorded at market values supplied by the Department of Agriculture. Although commodities are received at no cost, their fair market value is supplied by the Department of Agriculture and recorded as revenue and expenditures when received. Material inventories (if any) including food commodities are recorded as an asset and a corresponding amount of expenditures are reduced at year-end. The District had no material inventory amounts at the end of the current fiscal year.
3. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as current period expenditures.

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

4. It is the District's policy to permit some employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.
5. Capital assets, which include land, buildings, furniture and equipment and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, furniture and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

ASSETS	YEARS
Buildings	40
Buildings and Improvements	40
Infrastructure	40
Vehicles	10
Office Equipment	10
Computer Equipment	10

6. Since Internal Service Funds in the District support the operations of governmental funds, they are consolidated with the governmental funds in the government-wide financial statements. The expenditures of governmental funds that create the revenues of internal service funds are eliminated to avoid "grossing up" the revenues and expenses of the District as a whole.
7. Restricted assets, if applicable, of the District are limited to cash and certificates of deposit which have been gifted to the District with the stipulation that only the earnings are available for current and future scholarship recipients.
8. The District participates in a self-funded workers' compensation program which executes an inter-local agreements that defines the responsibilities of the parties. The program provides statutory workers' compensation benefits to its members and their injured employees.

9. Net Position and Fund Balances:

Government-wide and Proprietary Fund Net Position:

Government-wide and proprietary fund net position is divided into three components:

- Net investment in capital assets—consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.
- Restricted net position—consist of assets that are restricted by the District's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
- Unrestricted—all other net position is reported in this category.

Governmental Fund Balances:

In the governmental fund financial statements, fund balances are classified as follows:

- Nonspendable—Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- Restricted—Amounts that can be spent only for specific purposes because of the District's state or federal laws, or externally imposed conditions by grantors or creditors.
- Committed—Amounts that can be used only for specific purposes determined by a formal action by Board of Trustees' ordinance.
- Assigned—Amounts that are designated by the Superintendent for a particular purpose but are not spendable until a budget ordinance is passed or there is a majority vote approval (for capital projects or debt service) by the Board of Trustees.
- Unassigned—All amounts not included in other spendable classification

10. Use of Restricted Resources: When an expenditure/expense is incurred that can be paid using either restricted or unrestricted resources (net position), the District's policy is to first apply the expenditure/expense toward restricted resources and then toward unrestricted resources. In governmental funds, the District's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications—committed and then assigned fund balances before using unassigned fund balances.
11. The District applies Governmental Accounting Standards Board (“GASB”) Statement No. 72, Fair Market Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.
12. Investment income reported in one fund has not been assigned directly to another fund by the District.
13. The Data Control Codes refer to the account code structure prescribed by the Texas Education Agency (TEA) in the *Financial Accountability System Resource Guide*. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a statewide database for policy development and funding plans.
14. Deferred Outflows of Resources: The District reports decreases in net assets that relate to future periods as deferred outflows of resources in a separate section of its government-wide and proprietary funds statements of net position. No deferred outflows of resources affect the governmental funds financial statements in the current year. Deferred outflows of resources

related to pension and other post-employment benefits reporting is presented in the government wide statements.

15. **Deferred Inflow of Resources:** The District's governmental funds report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net assets that applies to a future periods. The District will not recognize the related revenues until a future event occurs. The District reports various types of items which occurs because governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the District's fiscal year) under the modified accrual basis of accounting that qualifies for reporting in this category. Deferred property taxes and grants are reported in the governmental funds balance sheet. A deferred inflow related to pension and other post-employment benefits reporting is presented in the government wide statements.
16. **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.
17. The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS-Care Plan has been determined using the flow of economic resource measurement focus and full accrual basis of accounting. This includes for purposes of measuring the new OPEB liability, deferred outflows of resources and deferred inflows or 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.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net position for governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds. The details of capital assets and long-term debt at the beginning of the year were as follows:

Capital Assets at the Beginning of the Year	Historical Cost	Accumulated Depreciation	Net Value at Beginning of Year	Change in Net Position
Land	\$ 2,000	\$ -	\$ 2,000	
Buildings and Improvements	2,859,687	(949,544)	1,910,143	
Furniture and Equipment	344,938	(140,463)	204,475	
Construction in Progress	21,742	-	21,742	
Change in Net Position				\$ 2,138,360
Long-term Liabilities at the Beginning of the Year			Payable at Beginning of Year	
Bonds Payable			\$ 915,241	
QSCB Tax Notes			394,907	
Notes and Capital Leases Payable			73,429	
Accrued Interest - Bonds, Notes, and Capital Leases			13,363	
Change in Net Position				1,396,940
Net Adjustment to Net Position				\$ 741,420

B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Exhibit C-4 provides reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net position of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net position balance and the change in net position shown in Exhibit C-2 and Exhibit C-4. The details of this adjustment are as follows:

	Amount	Adjustments To Changes in Net	Adjustments to Net Position
Current Year Capital Outlay:			
Buildings & Improvements	\$ 3,419,960		
Furniture & Equipment	79,210		
Construction in Progress	(21,742)		
Total Capital Outlay	3,477,428	3,477,428	3,477,428
Debt Principal Payments:			
Bond Principal	687,432		
Capital Lease Payments	17,635		
Total Principal Payments	705,067	705,067	705,067
Total Adjustment to Net Position		\$ 4,182,495	\$ 4,182,495

Another element of the reconciliation on Exhibits C-2 and C-4 are described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This adjustment is the result of several items. The details of this adjustment are as follows:

Amount	Adjustments to Change in Net Position	Adjustments to Net Position
<u>Adjustments to Revenue, Unearned Revenue, Beginning Net Position:</u>		
Begin year unearned property tax revenue	\$ 30,700	\$ -
Modified to Full Accrual Property Tax Adjustments	(340)	(340)
Other Revenue Adjustments (Rounding)		-
<u>Reclassify Proceeds of Bonds, Loans & Capital Leases:</u>		
New Loans / Capital Leases Issued	(3,530,000)	(3,530,000)
<u>Adjust Expenditures to Full Accrual From Modified Accrual:</u>		
Adjust Interest Expense to Full Accrual Basis	(179,952)	(179,952)
Other Expense Adjustments	-	-
Totals	\$ (3,710,292)	\$ (3,679,592)

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund, and the Food Service Fund (which is included in the Special Revenue Funds). The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1 and the other two reports are in the J Exhibits as reported in the required TEA Exhibits.

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

- Prior to August 20, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
- A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days public notice of the meeting must be given.
- Prior to September 1, the budget is legally enacted through passage of a resolution by the board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. None of those amendments were significant.

- Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as adopted and amended by the Board of Trustees. All budget appropriations lapse at year-end. A reconciliation of fund balances for both appropriated budget and non-appropriated budget special revenue funds is as follows:

	End of Year Fund Balance
Appropriated Budget Funds - Food Service Special Revenue Fund	\$ -
Non-appropriated Budget Funds	-
All Special Revenue Funds	\$ -

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The District did not have an excess of expenditures over appropriations for any functions that were material to the financial statements in legally required budgeted funds for the current year.

C. DEFICIT FUND EQUITY

The District did not incur a deficit fund balance in any fund during the current fiscal year.

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents

The carrying amount of the District’s cash and temporary investments at the end of the fiscal year follows:

CASH AND INVESTMENTS - BY ACCOUNT TYPE	End of Fiscal Year
Demand Deposit Accounts (Both interest and non-interest bearing)	\$ 425,527
Certificates of Deposit	400,000
Investment Pool	1,813,810
Total Cash and Investments by Account Tupe	\$ 2,639,337

CASH AND INVESTMENTS - BY FUND	End of Fiscal Year
Cash and Investments - General Fund	\$ 2,243,835
Cash and Investments - Major Debt Service Governmental Fund	26,839
Cash and Investments - Major Capital Projects Governmental Fund	334,747
Cash and Investments - Non-Major Governmental	1,804
Cash and Investments - Internal Service	676
Cash and Investments - Agency	31,436
Total Cash and Investments by Fund	\$ 2,639,337

District Policies and Legal and Contractual Provisions Governing Deposits

Custodial Credit Risk for Deposits: State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. The District's cash deposits at year end and at the date of the highest cash balance were entirely covered by FDIC insurance and/or pledged collateral or bond held by the District's

agent bank in the District's name, and therefore, the District was not exposed to custodial credit risk during the current year.

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

As of the end of the current fiscal year, the following are the District's cash and cash equivalents with respective maturities and credit rating:

Type of Deposit for Cash and Cash Equivalents	Fair Value	% of Total	Maturity in less than 1 year	Maturity in 1 - 10 years	Credit Rating
Demand Deposit Accounts (FDIC Insured)	\$ 425,527	16.12%	\$ 425,527	\$ -	n/a
Certificates of Deposit	400,000	15.16%	400,000	-	n/a
Investment Pools:					
Texpool	1,813,810	68.72%	1,813,810	-	AAA
Total Cash and Cash Equivalents	\$ 2,639,337	100.00%	\$2,639,337	\$ -	

Investments

District Policies and Legal and Contractual Provisions Governing Investments

Compliance with the Public Funds Investment Act

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires a governmental entity 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, (9) and bid solicitation preferences for certificates of deposit.

Statutes authorize the entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas and its agencies; (2) guaranteed or secured certificates of deposit issued by state and national banks domiciled in Texas; (3) obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality not less than an "A"; (4) No load money market funds with a weighted average maturity of 90 days or less; (5) fully collateralized repurchase agreements; (6) commercial paper having a stated maturity of 270 days or less from the date of issuance and is not rated less than A-1 or P-1 by two nationally recognized credit rating agencies OR one nationally recognized credit agency and is fully secured by an irrevocable letter of credit; (7) secured corporate bonds rated not lower than "AA-" or the equivalent; (8) public funds investment pools; and (9) guaranteed investment contracts for bond proceeds investment only, with a defined termination date and secured by U.S. Government direct or agency obligations approved by the Texas Public Funds Investment Act in an amount equal to the bond proceeds. The Act also requires the entity to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

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

Credit Risk: To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the District limits investments to money market accounts and investment pool accounts

Custodial Credit Risk for Investments: To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party the District requires counterparties to register the securities in the name of the district and hand them over to the District or its designated agent. This includes securities in securities lending transactions. All of the securities are in the District's name and held by the District or its agent.

Concentration of Credit Risk: The District's investments are excluded from the 5% disclosure requirement.

Interest Rate Risk: The District's investments are excluded from the interest rate risk disclosure.

Foreign Currency Risk for Investments: Not applicable to the District's investments.

The District categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. the hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below. In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

As of the end of the current fiscal year, the District had an investment in Texpool that is subject to the fair value measurement, and that investment was measured at the Net Asset Value (NAV) per Share.

B. PROPERTY TAXES

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

C. DELINQUENT TAXES RECEIVABLE

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

D. INTERFUND BALANCES AND TRANSFERS

Inter-fund balances at year-end consisted of the following amounts:

FUND	Due From Other Funds	Due To Other Funds
<u>General Fund:</u>		
Major Governmental Funds	\$ 37,516	\$ -
Non-major Governmental Funds	3,380	-
Internal Service Funds	-	8,988
Total General Fund	<u>\$ 40,896</u>	<u>\$ 8,988</u>
<u>Major Governmental Funds:</u>		
General Fund	\$ -	\$ 37,516
Non-major Governmental Funds	-	-
Internal Service Funds	-	-
All Others	-	-
Total Major Governmental Funds	<u>\$ -</u>	<u>\$ 37,516</u>
<u>Non-major Governmental Funds:</u>		
General Fund	\$ -	\$ 3,380
Other Major Governmental Funds	-	-
Internal Service Funds	-	-
All Others	-	-
Total Non-major Governmental Funds	<u>\$ -</u>	<u>\$ 3,380</u>
<u>Internal Service Funds:</u>		
General Fund	\$ 8,988	\$ -
Major Governmental Fund	-	-
Non-major Governmental Funds	-	-
All Others	-	-
Total Internal Service Funds	<u>\$ 8,988</u>	<u>\$ -</u>
Total Interfund Receivables / Payables	<u>\$ 49,884</u>	<u>\$ 49,884</u>

The purpose of the interfund receivables and payables are as follows:

- The \$8,988 receivable / payable between the General Fund and the Internal Service Fund represents the unfunded amount of workers compensation incurred but not reported or paid claims liabilities in the Internal Service Fund as of the end of year. The District's policy is to actually fund the payment of the workers compensation claims when payment is requested by the external claims administrator. Repayment has not been scheduled for the subsequent year.
- The \$37,516 receivable / payable between the General Fund and the Capital Projects Fund represents a short-term advance of funds for payment of costs by the General Fund which are applicable to the Capital Projects Fund.
- The \$3,380 receivable / payable between the General Fund and non-major governmental funds represents short-term advances of funds pending cost reimbursements to be received from other governmental agencies. These advances resulted from pooled cash accounts.

Inter-fund transfers for the current year-end consisted of the following individual amounts:

FUND	Transfers In	Transfers Out
General Fund:		
Major Governmental Funds	\$ 2,960	\$ 133,598
Non-Major Governmental Funds	-	33,873
All Others	-	-
Total General Fund	<u>\$ 2,960</u>	<u>\$ 167,471</u>
Major Governmental Funds:		
General Fund	\$ 133,598	\$ 2,960
Other Major Governmental Funds	-	-
Non-Major Governmental Funds	-	-
All Others	-	-
Total Major Governmental Funds	<u>\$ 133,598</u>	<u>\$ 2,960</u>
Non-Major Governmental Funds:		
General Fund	\$ 33,873	\$ -
Other Major Governmental Funds	-	-
All Others	-	-
Total Non-Major Governmental Funds	<u>\$ 33,873</u>	<u>\$ -</u>
Total Interfund Transfers	<u>\$ 170,431</u>	<u>\$ 170,431</u>

The purposes of the interfund transfers were as follows:

- \$133,598 was transferred from the General Fund to the Debt Service Fund to provide funds for principal and interest payments on the District's long-term debt.
- \$33,873 was transferred from the General Fund to the Food Service Fund to supplement operating costs in excess of reimbursements received from the National School Breakfast and Lunch programs and food sales revenues.
- \$2,960 was transferred from the Capital Projects Fund to the General Fund to refund prior year project costs when bond proceeds were received in September 2017.

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at year-end were as follows:

	Property Taxes	Other Governments	Due From Other Funds	Other	Total Receivables
<u>Governmental Activities:</u>					
General Fund	\$ 38,636	\$ 276,184	\$ 40,896	\$ 1,993	\$ 357,709
Other Major Governmental Funds	1,844	204	-	-	2,048
Non-major Governmental Funds	-	1,407	-	7,318	8,725
Internal Service Funds	-	-	8,988	-	8,988
Total Governmental Activities	<u>\$ 40,480</u>	<u>\$ 277,795</u>	<u>\$ 49,884</u>	<u>\$ 9,311</u>	<u>\$ 377,470</u>
Amounts not scheduled for collection during subsequent year	\$ -	\$ -	\$ -	\$ -	\$ -

Payables at year-end were as follows:

	Accounts Payable	Accrued Salaries Payable	Due To Other Funds	Accrued Benefits Payable	Due To Other Govt.	Other	Total Payables
Governmental Activities:							
General Fund	\$ 7,018	\$ 53,901	\$ 8,988	\$ 1,147	\$ 9,264	\$ -	\$ 80,318
Other Major Governmental Funds	905	-	37,516	-	-	-	38,421
Non-major Governmental Funds	25	6,743	3,380	381	-	-	10,529
Internal Service Funds	668	-	-	-	-	8,996	9,664
Total Governmental Type Activities	\$ 8,616	\$ 60,644	\$ 49,884	\$ 1,528	\$ 9,264	\$ 8,996	\$ 138,932
Amounts not scheduled for payment during subsequent year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

F. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the current year was as follows:

	Primary Government			
	Beginning Balance	Additions	Retirements (Adjustments)	Ending Balance
Governmental Activities:				
<u>Capital Assets Not Being Depreciated:</u>				
Land	\$ 2,000	\$ -	\$ -	\$ 2,000
Construction In Progress	21,742	-	21,742	-
<u>Capital Assets Being Depreciated:</u>				
Buildings and Improvements	2,859,687	3,419,960	-	6,279,647
Furniture and Equipment	344,938	79,210	16,457	407,691
Infrastructure	-	-	-	-
Totals at Historic Cost	\$ 3,228,367	\$ 3,499,170	\$ 38,199	\$ 6,689,338
Less Accumulated Depreciation for:				
Buildings and Improvements	\$ 949,544	\$ 72,546	\$ -	\$ 1,022,090
Furniture and Equipment	140,463	27,644	16,457	151,650
Infrastructure	-	-	-	-
Total Accumulated Depreciation	\$ 1,090,007	\$ 100,190	\$ 16,457	\$ 1,173,740
Governmental Activities Capital Assets-Net	\$ 2,138,360	\$ 3,398,980	\$ 21,742	\$ 5,515,598

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 63,061
Student (Pupil) Transportation	19,263
Food Services	1,516
Cocurricular/Extracurricular Activities	2,407
General Administration	1,458
Plant Maintenance and Operations	12,485
In addition, depreciation on capital assets held by the District's Internal Service Fund(s) is charged to the various functions based on their usage of the assets	-
Total Depreciation Expense	\$ 100,190

The District has no capital assets that are not being depreciated as of the current fiscal year end except for land and construction in progress as previously disclosed.

G. SHORT-TERM DEBT PAYABLE

The District accounts for short-term debts for maintenance purposes through the General Fund. Short-term debts include notes made in accordance with the provisions of the Texas Education Code Section 45.108. The proceeds from loans are shown in the governmental fund financial statements as Other Resources and principal payments are shown as Other Uses. The District had no short-term debt payable at any time during the current year.

H. BONDS AND LONG-TERM NOTES PAYABLE

Bonded indebtedness of the District is reflected in the General Long-Term Debt Account Group. Current requirements for principal and interest expenditures are accounted for in the Debt Service Fund. A summary of changes in general long-term debt for the current year end is as follows:

Description	Interest Rate Payable	Amounts Original Issue	Interest Current Year	Payable Amounts		Retired / Refunded	Payable Amounts Outstanding End of Year
				Outstanding Begin Year	Issued		
Series 2007 Revenue Bonds	3.25%	497,320	13,098	374,332	-	29,823	344,509
Series 2007 Revenue Bonds	3.25%	497,320	12,783	364,748	-	30,232	334,517
Series 2011 Revenue Refunding Bonds	4.35%	218,973	9,433	176,161	-	7,717	168,444
2011 QSCB Tax Note	1.45%	510,000	5,637	394,907	-	24,659	370,248
Series 2017 Tax School Bonds	2.0-3.0%	3,530,000	91,935	-	3,530,000	595,000	2,935,000
2018 Blue Bird Bus Lease	2.99%	90,604	1,969	73,429	-	17,635	55,794
TOTAL		\$ 5,344,217	\$134,855	\$ 1,383,577	\$ 3,530,000	\$ 705,067	\$ 4,208,510

In prior years, the District has not defeased general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, no trust account assets and liabilities for the defeased bonds exist and none are included in the District's financial statements.

There are a number of limitations and restrictions contained in the revenue bond and QSCB note agreements. District administration has indicated that the District is in compliance with all significant limitations and restrictions at year-end.

I. COMMITMENTS UNDER OPERATING LEASES

Commitments under operating (non-capitalized) lease agreements for facilities and equipment provide for minimum future rental payments at year-end as follows (the imputed interest on the leases range from 2.00% to 5.00%):

Year Ending August 31	
2019	\$ -
2020	-
2021	-
2022	-
2023	-
2024-2028	-
2029-2033	-
Total Minimum Future Rentals	\$ -
Rental Expenditures in Current Fiscal Year	\$ 40,929

J. DEBT SERVICE REQUIREMENTS – BONDS, CAPITAL LEASES, & OTHER LONG-TERM DEBT

Debt service requirements for bonds and other long-term debt are as follows:

General Obligations - Bonds and Notes Payable			
Year Ended August 31	Principal	Interest	Total Requirements
2019	\$ 541,839	\$ 131,224	\$ 673,063
2020	469,914	119,249	589,163
2021	443,653	104,411	548,063
2022	432,362	87,102	519,463
2023	431,281	70,182	501,463
2024-2028	1,663,220	150,967	1,814,188
2029-2033	170,447	12,703	183,149
2034-2038	-	-	-
2039-2043	-	-	-
2044-2048	-	-	-
Totals	\$ 4,152,716	\$ 675,837	\$ 4,828,554

Capital Leases and Other Long-Term Debt

The District executed a capital lease agreement during a prior fiscal year. The purpose of the capital lease was for the purchase of a school bus; capital leases are authorized under the Texas Education Code 48.05, the total amount capitalized under the capital leases is **\$90,604**, the minimum annual payments are **\$19,604**, and the effective rate of interest is 2.68%. Debt service requirements for the capital lease is as follows.

Capital Lease Obligations

Year Ended August 31	Principal	Interest	Total Requirements
2019	\$ 18,108	\$ 1,496	\$ 19,604
2020	18,594	1,010	19,604
2021	19,092	512	19,604
2022	-	-	-
2023	-	-	-
2024-2028	-	-	-
2029-2033	-	-	-
2034-2038	-	-	-
2039-2043	-	-	-
2044-2048	-	-	-
Total Capital Lease Payments	\$ 55,794	\$ 3,018	\$ 58,812

K. ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS

Upon retirement or death of certain employees, the District pays any accrued sick leave and vacation leave in “lump sum” cash payment to such employee or his/her estate. Individuals employed after October 1, 1985, are not eligible to receive the lump sum payments. The District did not have any accumulated compensated absence payable amounts at the end of the fiscal year.

L. DEFINED BENEFIT PENSION PLAN

a. Plan Description

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

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

b. Pension Plan Fiduciary Net Position

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

c. Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members

who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description in (A) above.

d. Contributions

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2015 and 2016. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2017 and 2018.

	Contribution Rates	
	2017	2018
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Current fiscal year employer contributions		\$ 27,818
Current fiscal year member contributions		\$ 88,020
2017 measurement year NECE on-behalf contributions		\$ 65,709
<u>Payments made by the State On-Behalf of the District for Medicare, Part D:</u>		
Fiscal year 2016 Medicare, Part D On-Behalf		\$ 3,829
Fiscal year 2017 Medicare, Part D On-Behalf		\$ 3,244
Fiscal year 2018 Medicare, Part D On-Behalf		\$ 3,549

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

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

(public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

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

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

e. Actuarial Assumptions

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

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term expected investment rate of return	8.00%
Inflation	2.50%
Salary Increases including inflation	3.5 % to 9.5%
Payroll Growth Rate	2.50%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

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

f. Discount Rate

The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non- employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future

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

Teacher Retirement System of Texas
 Asset Allocation and Long-Term Expected Real Rate of Return
 As of August 31, 2017

	Target Allocation % (1)	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns (2)
Global Equity			
U.S.	18.0%	4.6%	1.0%
Non-U.S.Developed	13.0%	5.1%	0.8%
Emergin 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 & 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 Expectation			2.2%
Alpha			1.0%
Total	100.0%		8.7%

(1) Target allocations are based on the FY2014 policy model. Infrastructure was moved from Real Assets to Energy and natural Resources in FY2017, but the reallocation does not affect the long-term expected geometric real rate of return or expected contribution to long-term portfolio returns. (2) The Expected Contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns.

g. Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
District's proportionate share of the net pension liability:	\$ 458,963	\$ 272,252	\$ 116,785

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

At August 31, 2018, the Paint Creek Independent School District reported the liability for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the Paint Creek Independent School District. The amount recognized by the Paint Creek Independent School 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 Paint Creek Independent School District were as follows:

District's proportionate share of the collective net pension liability	\$ 272,252
State's proportionate share that is associated with the District	642,404
Total	<u>\$ 914,656</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 thru August 31, 2017.

At August 31, 2017 the employer's proportion of the collective net pension liability and the percentage increase (decrease) from its proportion measured as of August 31, 2016 are shown in the required supplementary information in Exhibit G-2.

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

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

For the year ended August 31, 2018, the Paint Creek Independent School district recognized the following:

Year Ended August 31, 2018 pension expense	<u>\$ 105,310</u>
Revenue for support provided by the State	<u>\$ 49,000</u>

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experiences	\$ 3,983	\$ 14,682
Changes in actuarial assumptions	12,402	7,100
Differences between projected and actual investment earnings	-	19,841
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	131,751	7
Total as of August 31, 2017 measurement date	\$ 148,136	\$ 41,630
Contributions paid to TRS subsequent to the measurement date	27,818	
Total as of fiscal year-end	\$ 175,954	\$ 41,630

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

Fiscal year ended August 31,	Pension Expense Amount
2019	\$ 20,073
2020	20,073
2021	37,451
2022	18,739
2023	12,810
Thereafter	10,297

M. HEALTH CARE COVERAGE

The District provided health insurance coverage for employees under the provisions of the Teacher Retirement System of Texas (TRS) active care health insurance plan during the current year. The District paid monthly premiums for covered employees to the plan. Employees, at their option, authorized payroll withholdings to pay premiums in excess of the amount paid by the District as set by policy. The plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

N. CHANGES IN LONG-TERM LIABILITIES

Long-term debt activity as shown in the Statement of Net Position at year-end was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds and Notes Payable:					
QSCB Tax Note	\$ 394,907	\$ -	\$ 24,659	\$ 370,248	\$ 25,018
Lease Revenue Bonds	915,241	-	67,772	847,469	71,821
Tax School Building Bonds	-	3,530,000	595,000	2,935,000	445,000
Unamortized Premium/Discount	-	212,693	37,907	174,785	-
Total Bonds and Notes Payable	\$ 1,310,148	\$ 3,742,693	\$ 725,338	\$ 4,327,501	\$ 541,839
Other Liabilities:					
Capital Leases	\$ 73,429	\$ -	\$ 17,635	\$ 55,794	\$ 18,108
Net Pension Liability (District's Share)	249,751	50,407	27,906	272,252	-
Net OPEB Liability (District's Share)	1,149,300	(490,521)	7,783	650,996	-
Accrued Interest	13,363	140,022	134,855	18,530	18,530
Total Other Liabilities	\$ 1,485,843	\$ (300,092)	\$ 188,179	\$ 997,572	\$ 36,638
Total Governmental Activities Long-Term Liabilities	\$ 2,795,991	\$ 3,442,601	\$ 913,517	\$ 5,325,073	\$ 578,477

O. DEFERRED INFLOWS OF RESOURCES – GOVERNMENTAL FUND STATEMENTS

Unavailable revenue at year-end consisted of the following:

	General Fund	Special Revenue Funds	Debt Service Fund	Total
Net Tax Revenue	\$ 28,977	\$ -	\$ 1,383	\$ 30,360
State and Federal Grants	-	-	-	-
Total Unearned Revenue	\$ 28,977	\$ -	\$ 1,383	\$ 30,360

P. 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 and state governments at year end are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as "Due from State Agencies" except for some federal programs which are received directly from the federal government for grants such as the REAP Program.

FUND	Due from State - Foundation Entitlements	Due from State - State and Federal Source Grants	Due from Other Governments	TOTAL
General	\$ 274,044	\$ -	\$ 2,140	\$ 276,184
Special Revenue	-	1,407	-	1,407
Debt Service	-	-	204	204
Totals	\$ 274,044	\$ 1,407	\$ 2,344	\$ 277,795

Q. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

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

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
Property Taxes	\$ 1,778,694	\$ -	\$ 704,339	\$ -	\$ 2,483,033
Property Taxes Penalty & Interest	13,127	-	4,193	-	17,320
Investment Income	38,166	-	5,615	57,076	100,857
Food Sales	-	7,757	-	-	7,757
Extracurricular Student Activities	7,054	-	-	-	7,054
Sec 313 Agreement Payments	1,194,831	-	-	-	1,194,831
Other Miscellaneous Revenue	19,214	-	-	-	19,214
Totals	\$ 3,051,086	\$ 7,757	\$ 714,147	\$ 57,076	\$ 3,830,066

R. LITIGATION

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is aware of potential exposure to claims related to these areas; however, legal counsel and the District do not expect any financial exposure to assets of the District.

S. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS AND CONTINGENCIES

The District had no significant commitments or contingencies at year end.

T. JOINT VENTURE-SHARED SERVICE ARRANGEMENTS

The District is a member of various shared services arrangements (SSA's) that are accounted for using Model 3 in the Texas Education Agency (TEA) accounting guide for school districts. The SSA's provides services for member districts. Other districts serve as the fiscal agent for the SSA's. In addition to the District, other member districts participate in the shared services arrangements also. The fiscal agent for each SSA provides SSA services. The member districts provide the funds to the fiscal agent. According to guidance provided in TEA's Resource Guide, the fiscal agent for each SSA has accounted for the fiscal agent's activities of the SSA in special revenue funds. The Shared Services Arrangements listed below have been accounted for used Model 3 in the SSA section of the Resources Guide. The District has accounted for the payments to the fiscal agent in the General Funds No. 199 as intergovernmental expenditures (function 93). A chart detailing the District's participation in those shared services arrangements is as follows:

Shared Services Arrangement	Type of Services	Fiscal Agent	Funding Source	Fiscal Agent Special Revenue Fund	District Special Revenue Fund	Program Expenditures Current Year
Haskell Knox SSA	Special Education	Knox City-O'Brien CISD	Special Education	437	N.A.	\$ 38,940
TOTAL FUNCTION 93 EXPENDITURES						\$ 38,940

The District also participates in shared service arrangements with other school districts for various educational activities. In addition to the District, other member districts participate in the educational cooperatives and the fiscal agent provides SSA services. The funding for each activity is received by the fiscal agent from the grantor agency. The fiscal agent then provides the funds to the member districts. According to guidance provided in TEA's Resource Guide, the Fiscal Agent has accounted for the fiscal agent's activities of the SSA in a Special Revenue Fund. The Shared Services Arrangements has been accounted for using Model 1 in the SSA section of the TEA Resource Guide. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, nor does the district have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the shared services arrangement. Presented below are the shared service arrangements in which the District participates and the extent of funding received and expended under each program.

Shared Services Arrangement	Type of Services	Fiscal Agent	Funding Source	Fiscal Agent Special Revenue Fund	District Special Revenue Fund	Program Expenditures Current Year
Haskell-Knox Education SSA	Special Education	Knox City-O'Brien CISD	IDEA, Part B - Formula	313	224	\$ -

U. SUBSEQUENT EVENTS

In preparing the basic financial statements, District administration has evaluated events and transactions for potential recognition or disclosure through December 17, 2018, the date this Annual Financial Report was available to be issued

V. RELATED ORGANIZATIONS

The District at present does not maintain an Educational Foundation and it does not receive material support from related entities as defined under GASB Statement 39. These entities are usually established as a not-for-profit entity to provide assistance and support for teachers and students to develop special programs and projects and other school district supported activities.

W. RELATED PARTY TRANSACTIONS

The District did not incur any material reportable related party transactions or balances as of and during the current year.

X. FUND BALANCE / NET POSITION ADJUSTMENTS

The District did not make fund balance adjustments, but did make a net position adjustment during the current fiscal year. During fiscal year 2018, the District adopted GASB Statement No. 75 for Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. With GASB 75, the District must assume their proportionate share of the Net OPEB liability of the Teacher Retirement System of Texas. Adoption of GASB 75 required a prior period adjustment to report the effect of GASB 75 retroactively.

	General	Nonmajor Governmental	
	Fund	Funds	Total
Governmental Fund Balance			
No Fund Balance Adjustments	\$ -	\$ -	\$ -
Totals	\$ -	\$ -	\$ -

Government Wide Net Position		
Increase (Decrease) Beginning of Year Net Position:		
Prior Period Adjustments (GASB 75 required OPEB changes)		\$(1,141,537)
Totals		\$(1,141,537)

Y. WORKERS COMPENSATION / PROPERTY & CASUALTY / UNEMPLOYMENT

Workers' Compensation Program

In prior years, the District established a self-insurance plan for workers' compensation benefits as authorized by Section 504.011 of the Labor Code. The District participates in this plan (West Texas Educational Insurance Association self-funded workers' compensation program) along with other participating entities. The District contributes annual amounts determined by Claims Administrative Services, Inc. As claims arise, they are submitted to and paid by Claims Administrative Services, Inc. on behalf of the District under terms of a contractual agreement. According to state statute, the District is protected against unanticipated catastrophic claims and aggregate loss by coverage carried through a commercial insurer licensed or eligible to do business in Texas in accordance with the Texas Insurance Code. Coverage was in effect for specific occurrences exceeding \$225,000 and aggregate retention at \$2,000,000.

The costs associated with this self-insurance plan are reported as Interfund transactions to the extent of amounts actuarially determined. Accordingly, they are treated as operating revenues of the Internal Service Fund and operating expenditures of the General Fund. The liabilities of the plan include incurred but not reported claims. These liabilities reported in the funds are based on the requirements of Governmental Accounting Standards Board No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. These liabilities include an amount for claims that have been incurred but not reported.

Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims and other economic and social factors. Workers' compensation liabilities for incurred losses to be settled by fixed or reasonably determinable payments over a long period of time were computed by an actuary and are reported at their present value using an expected future investment yield assumption.

Estimates of claims payable and of claims incurred, but not reported at August 31 are reflected as accounts and claims payable of the Fund. The plan is funded to discharge liabilities of the Fund as they become due. Changes in the balances of claims liabilities during the past year are as follows:

	Prior Fiscal Year	Current Fiscal Year
Unpaid claims, beginning of year	\$ 7,485	\$ 11,954
Incurred claims / Change in Liability Estimate (including IBNR's)	13,761	2,290
Claim Payments	(9,292)	(5,248)
Accrued Claims Liability (including IBNR's)	\$ 11,954	\$ 8,996

Property Program

During the current fiscal year, the District participated in the TASB Risk Management Fund's (the Fund's) Property Program with coverage in

- Crime
- Equipment Breakdown
- Property

The Fund was created and is operated under the provision 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 purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for the Property Program. The terms and limits of the stop-loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the current fiscal year, the Fund anticipates the District has no additional liability beyond the contractual obligations for payment of contributions. The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31 each year, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

Unemployment Compensation Pool

During the current fiscal year ended August 31, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for the Unemployment Compensation pool. The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31 of each fiscal year are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

The fund was created and is operated under the provisions of the Interlocal Cooperation Act. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the current fiscal year ended, the Fund anticipates that the District has no additional liability beyond the contractual obligations for payment of contributions.

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

Z. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

Plan Description

The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined 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 require supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to the TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512)-542-6592.

Components of the net OPEB liability of the TRS-Care plan as of the measurement date (August 31, 2017) are as follows:

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

Benefits Provided

TRS-Care provides a basic health insurance coverage (TRS-Care 1), at no cost to all retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee. Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits (TRS-Care 2 and TRS-Care 3). Eligible retirees and dependent enrolled in Medicare may elect to participate in one of the two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLAs.

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

TRS-Care Plan Premium Rates			
Effective Sept. 1, 2016 - Dec. 31, 2017			
	TRS Care-1	TRS Care-2	TRS Care-3
	Basic Plan	Optional Plan	Optional Plan
Retiree*	\$0	\$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

Contribution

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 charge based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and school districts based upon public school district payroll. The TRS Board of trustees does not have the authority to set or amend contribution rates. Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.0% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

	Contribution Rates	
	2017	2018
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		\$ 9,142
Current fiscal year member contributions		\$ 7,430
2017 measurement year NECE on-behalf contributions		\$ 10,812

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$15.6 million in fiscal year 2017. House Bill 21 was passed in special session and provided a supplemental appropriation in the amount of \$212 million in fiscal year 2018.

The District's proportionate share of the \$212,000,000 received during the district's 2018 fiscal year is reported in the fund level financial statements as an on-behalf contributions as required by GASB 85 and GASB 24.

Actuarial Assumptions

The total OPEB liability at the measurement date (August 31, 2017) actuarial valuation was determined using the following actuarial assumptions:

The actuarial valuation of TRS-Care is similar to the actuarial valuations performed for the pension plan except that the OPEB valuation is more complex. All of the demographic assumptions, including mortality, and most of the economic assumptions are identical to those which were adopted by the Board in 2015 and are based on the 2014 actuarial experience study of TRS.

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

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

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

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

** Includes inflation at 2.50%

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

Discount Rate

A single discount rate of 3.42% was used to measure the total OPEB liability. There was a change of .44 percent in the discount rate since the previous year. The Discount Rate can be found in the 2017 TRS CAFR on page 83. 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 a statutorily required rates. Based

on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. The source of the municipal bond rate was fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of August 31, 2017.

Sensitivity of the Net OPEB Liability:

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 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%)
Proportionate share of the net OPEB liability	\$ 768,337	\$ 650,996	\$ 556,680

Healthcare Cost Trend Rates Sensitivity Analysis

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Proportionate share of net OPEB liability	\$ 542,019	\$ 650,996	\$ 793,987

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

At August 31, 2018, Paint Creek Independent School District reported a liability of \$650,996 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 Paint Creek Independent School District were as follows:

District's proportionate share of the collective net OPEB liability	\$ 650,996
State's proportionate share that is associated with the District	904,335
Total	<u>\$ 1,555,331</u>

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

At August 31, 2017 the employer's proportion of the collective Net OPEB Liability was 0.0014970154% which was the same proportion measured as of August 31, 2016. Since this is the

first year of implementation, the District does not have the proportion measured as of August 31, 2016. The Notes to the Financial Statements for August 31, 2016 for TRS stated that the change in proportion was immaterial and, therefore, disregarded this year.

Changes Since the Prior Actuarial Valuation

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

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

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

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

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

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

For the year ended August 31, 2018, Paint Creek Independent School District recognized OPEB expense of \$(520,946) and revenue of \$(302,615) for support proved by the State.

At August 31, 2018, Paint Creek Independent School 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 experiences	\$ -	\$ 13,590
Changes in actuarial assumptions	-	258,723
Differences between projected and actual investment earnings	99	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	4	-
Contributions paid to TRS subsequent to the measurement date	9,142	
Total as of fiscal year-end	\$ 9,245	\$ 272,313

The net amounts of the employer's balances of deferred outflows and inflows (not including the deferred contribution paid subsequent to the measurement date) of resources related to OPEBs will be recognized in OPEB expense as follows:

Fiscal year ended August 31,	OPEB Expense Amount
2019	\$ (35,918)
2020	(35,918)
2021	(35,918)
2022	(35,918)
2023	(35,944)
Thereafter	(92,594)

AA. TAX ABATEMENT

On October 19, 2015, the Paint Creek ISD Board of Trustees approved an Agreement with OCI Alamo 7 LLC for a Limitation On Appraised Value of Property for School District Maintenance and Operations Taxes pursuant to the Chapter 313 of the Texas Tax Code, i.e., the Texas Economic Development Act, as set forth in Chapter 313 of the Texas Tax Code, as amended. OCI Alamo 7 LLC qualified for a tax limitation agreement under Texas Tax Code §313.024(b)(5), as a renewable energy electric generation project.

Value limitation agreements are a part of a state program, originally created in 2001 which allows school districts to limit the taxable value of an approved project for Maintenance and Operations (M&O) for a period of years specified in statute. The project(s) under the Chapter 313 agreement must be consistent with the state's goal to "encourage large scale capital investments in this state." Chapter 313 of the Tax Code grants eligibility to companies engaged in manufacturing, research and development, renewable electric energy production, clean coal projects, nuclear power generation and data centers.

In order to qualify for a value limitation agreement, each applicant, including OCI Alamo 7 LLC has been required to meet a series of capital investment, job creation, and wage requirements specified by state law. At the time of the application's approval, the agreement was found to have done so by both the District's Board of Trustees and the Texas Comptroller's Office, which recommended approval of the project. The application, the agreements and state reporting requirement documentation can be viewed at the Texas Comptroller's website. The agreement and all supporting documentation was assigned Texas Comptroller Application No. 1056.

For fiscal year 2018, which is year 2 of the agreement, the M&O tax rate was \$1.04 per \$ 100 and such property was valued at \$169,729,000 without considering the limit, and \$20,000,000 with the limit. The District thus forgoes collecting \$1,557,182 in M&O tax revenue. In addition to the tax abatement, OCI Alamo 7 LLC paid supplemental payments to the district in the amount of \$1,194,831.

AB.NEGATIVE OPERATING GRANTS AND CONTRIBUTIONS - STATEMENT OF ACTIVITIES

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

During the current year 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:

Function	Functional Activity	Operating Grants & Contributions - Statement of Activities	GASB 75 Negative Government-Wide On-Behalf Accrual Adjustment	Operating Grants & Contributions - Statement of Activities (excluding the effects of GASB 75 negative on-behalf accrual)
11	Instruction	\$ (81,953)	\$ (188,936)	\$ 106,983
12	Instructional Resources and Media Services	(5,107)	(6,273)	1,166
13	Curriculum Development and Instructional Staff Development	(777)	(954)	177
21	Instructional Leadership	-	-	-
23	School Leadership	(14,763)	(19,336)	4,573
31	Guidance, Counseling and Evaluation Services	(7,179)	(8,817)	1,638
32	Social Work Services	-	-	-
33	Health Services	(2,240)	(2,750)	510
34	Student (Pupil) Transportation	(4,328)	(6,544)	2,216
35	Food Services	81,636	(9,938)	91,574
36	Extracurricular Activities	(4,950)	(6,079)	1,129
41	General Administration	(22,037)	(27,064)	5,027
51	Facilities Maintenance and Operations	(12,801)	(15,721)	2,920
52	Security and Monitoring Services	-	-	-
53	Data Processing Services	(8,308)	(10,203)	1,895
Totals		\$ (82,807)	\$ (302,615)	\$ 219,808

REQUIRED SUPPLEMENTARY INFORMATION

PAINT CREEK INDEPENDENT SCHOOL DISTRICT
 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	\$ 3,008,717	\$ 3,020,107	\$ 3,051,086	\$ 30,979
5800	State Program Revenues	143,383	143,383	392,451	249,068
5900	Federal Program Revenues	5,000	5,000	582	(4,418)
5020	Total Revenues	3,157,100	3,168,490	3,444,119	275,629
EXPENDITURES:					
Current:					
0011	Instruction	943,840	1,028,373	904,165	124,208
0012	Instructional Resources and Media Services	33,293	35,543	31,018	4,525
0013	Curriculum and Instructional Staff Development	11,172	18,672	13,270	5,402
0023	School Leadership	38,605	114,721	104,020	10,701
0031	Guidance, Counseling and Evaluation Services	24,910	38,802	37,215	1,587
0033	Health Services	70	16,484	15,162	1,322
0034	Student (Pupil) Transportation	85,985	144,801	123,436	21,365
0035	Food Services	3,178	3,178	2,454	724
0036	Extracurricular Activities	92,959	140,419	76,330	64,089
0041	General Administration	245,897	267,206	260,274	6,932
0051	Facilities Maintenance and Operations	255,440	297,311	259,678	37,633
0052	Security and Monitoring Services	2,000	3,500	610	2,890
0053	Data Processing Services	52,989	76,171	70,680	5,491
Debt Service:					
0071	Principal on Long-Term Debt	19,450	19,450	17,635	1,815
0072	Interest on Long-Term Debt	-	-	1,784	(1,784)
Intergovernmental:					
0091	Contracted Instructional Services Between Schools	662,000	662,000	440,081	221,919
0093	Payments to Fiscal Agent/Member Districts of SSA	39,000	39,000	38,940	60
0099	Other Intergovernmental Charges	75,000	75,000	72,951	2,049
6030	Total Expenditures	2,585,788	2,980,631	2,469,703	510,928
1100	Excess of Revenues Over Expenditures	571,312	187,859	974,416	786,557
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	-	-	2,960	2,960
8911	Transfers Out (Use)	(187,859)	(187,859)	(167,471)	20,388
7080	Total Other Financing Sources (Uses)	(187,859)	(187,859)	(164,511)	23,348
1200	Net Change in Fund Balances	383,453	-	809,905	809,905
0100	Fund Balance - September 1 (Beginning)	1,672,685	1,672,685	1,672,685	-
3000	Fund Balance - August 31 (Ending)	\$ 2,056,138	\$ 1,672,685	\$ 2,482,590	\$ 809,905

PAINT CREEK INDEPENDENT SCHOOL DISTRICT
 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)	0.000851463%	0.0006609%	0.0007127%	0.0002326%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 272,252	\$ 249,751	\$ 251,930	\$ 62,131
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	642,404	767,755	737,546	592,971
Total	\$ 914,656	\$ 1,017,506	\$ 989,476	\$ 655,102
District's Covered Payroll	\$ 1,134,427	\$ 1,026,926	\$ 1,000,538	\$ 904,092
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	24.00%	24.32%	25.18%	6.87%
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."

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

	2018	2017	2016	2015
Contractually Required Contribution	\$ 27,818	\$ 27,906	\$ 20,999	\$ 21,104
Contribution in Relation to the Contractually Required Contribution	(27,818)	(27,906)	(20,999)	(21,104)
Contribution Deficiency (Excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-
District's Covered Payroll	\$ 1,143,160	\$ 1,134,426	\$ 1,026,926	\$ 1,000,538
Contributions as a Percentage of Covered Payroll	2.43%	2.46%	2.04%	2.11%

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."

PAINT CREEK INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR THE YEAR ENDED AUGUST 31, 2018

	<u>FY 2018</u> <u>Plan Year 2017</u>
District's Proportion of the Net Liability (Asset) for Other Post Employment Benefits	0.001497015%
District's Proportionate Share of Net Post Employment Benefit Liability (Asset)	\$ 650,996
State's Proportionate Share of the Net Post Employment Benefit Liability (Asset) Associated with the District	904,335
Total	<u>\$ 1,555,331</u>
District's Covered Payroll	\$ 1,134,427
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	57.39%
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.

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

	2018
Contractually Required Contribution	\$ 9,142
Contribution in Relation to the Contractually Required Contribution	(9,142)
Contribution Deficiency (Excess)	\$ -0-
District's Covered Payroll	\$ 1,143,160
Contributions as a Percentage of Covered Payroll	0.80%

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.

**PAINT CREEK INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2018**

A. Notes to Schedules for the TRS Pension

Changes of benefit terms

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

Changes of assumptions

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

B. Notes to Schedules for the TRS OPEB Plan

Changes in Benefit

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

Changes in Assumptions

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

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

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

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

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

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

**OTHER SUPPLEMENTARY INFORMATION –
COMBINING SCHEDULES**

PAINT CREEK INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2018

Data Control Codes	211 ESEA I, A Improving Basic Program	240 National Breakfast and Lunch Program	255 ESEA II,A Training and Recruiting	270 ESEA VI, Pt B Rural & Low Income
ASSETS				
1110	Cash and Cash Equivalents	\$ 1,804	\$ -	\$ -
1240	Due from Other Governments	1,407	-	-
1290	Other Receivables	-	7,318	-
1000	Total Assets	<u>\$ 3,211</u>	<u>\$ 7,318</u>	<u>\$ -</u>
LIABILITIES				
2110	Accounts Payable	\$ -	\$ 25	\$ -
2160	Accrued Wages Payable	2,914	3,829	-
2170	Due to Other Funds	-	3,380	-
2200	Accrued Expenditures	297	84	-
2000	Total Liabilities	<u>3,211</u>	<u>7,318</u>	<u>-</u>
FUND BALANCES				
Restricted Fund Balance:				
3450	Federal or State Funds Grant Restriction	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 3,211</u>	<u>\$ 7,318</u>	<u>\$ -</u>

289 ESEA Title IV, Part A	410 State Instructional Materials	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 1,804
-	-	1,407
-	-	7,318
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,529</u>
\$ -	\$ -	\$ 25
-	-	6,743
-	-	3,380
-	-	381
<u>-</u>	<u>-</u>	<u>10,529</u>
<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,529</u>

PAINT CREEK INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	211 ESEA I, A Improving Basic Program	240 National Breakfast and Lunch Program	255 ESEA II, A Training and Recruiting	270 ESEA VI, Pt B Rural & Low Income
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ 7,757	\$ -	\$ -
5800 State Program Revenues	-	1,012	-	-
5900 Federal Program Revenues	24,070	88,716	1,356	21,932
5020 Total Revenues	24,070	97,485	1,356	21,932
EXPENDITURES:				
Current:				
0011 Instruction	24,070	-	1,356	19,950
0023 School Leadership	-	-	-	982
0034 Student (Pupil) Transportation	-	-	-	1,000
0035 Food Services	-	131,358	-	-
6030 Total Expenditures	24,070	131,358	1,356	21,932
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(33,873)	-	-
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	33,873	-	-
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

289 ESEA Title IV, Part A	410 State Instructional Materials	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 7,757
-	16,740	17,752
9,772	-	145,846
9,772	16,740	171,355
9,772	16,740	71,888
-	-	982
-	-	1,000
-	-	131,358
9,772	16,740	205,228
-	-	(33,873)
-	-	33,873
-	-	-
-	-	-
\$ -	\$ -	\$ -

PAINT CREEK INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FOR THE YEAR ENDED AUGUST 31, 2018

	BALANCE SEPTEMBER 1 2017	ADDITIONS	DEDUCTIONS	BALANCE AUGUST 31 2018
STUDENT ACTIVITY ACCOUNT				
Assets:				
Cash and Temporary Investments	\$ 29,208	\$ 42,952	\$ 40,724	\$ 31,436
Liabilities:				
Due to Student Groups	\$ 29,208	\$ 42,952	\$ 40,724	\$ 31,436
TOTAL AGENCY FUNDS				
Assets:				
Cash and Temporary Investments	\$ 29,208	\$ 42,952	\$ 40,724	\$ 31,436
Liabilities:				
Due to Student Groups	\$ 29,208	\$ 42,952	\$ 40,724	\$ 31,436

REQUIRED TEXAS EDUCATION AGENCY SCHEDULES

PAINT CREEK INDEPENDENT SCHOOL DISTRICT
 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	1.170000	0.000000	37,453,886
2011	1.170000	0.000000	36,634,440
2012	1.170000	0.000000	34,377,239
2013	1.162000	0.000000	40,549,550
2014	1.162000	0.000000	54,077,887
2015	1.040000	0.000000	101,475,864
2016	1.170000	0.000000	142,150,580
2017	1.042400	0.000000	220,368,984
2018 (School year under audit)	1.040000	0.220000	170,852,712
1000 TOTALS			

\$320,992,164 is the assessed valuation for debt service purposes. The assessed valuation for maintenance and operations includes a valuation agreement under Section 313 of the Texas Economic Development Act. The value limitation agreement resulted in a tax abatement of \$1,557,182

(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
\$ 10,497	\$ -	\$ 73	\$ -	\$ (1,592)	\$ 8,832
2,478	-	14	-	-	2,464
2,086	-	62	-	-	2,024
932	-	49	-	(157)	726
3,253	-	49	-	(557)	2,647
3,760	-	139	-	(557)	3,064
3,144	-	274	-	(499)	2,371
4,420	-	663	-	(562)	3,195
10,363	-	9,221	-	3,453	4,595
-	2,483,051	1,768,150	704,339	-	10,562
<u>\$ 40,933</u>	<u>\$ 2,483,051</u>	<u>\$ 1,778,694</u>	<u>\$ 704,339</u>	<u>\$ (471)</u>	<u>\$ 40,480</u>

PAINT CREEK INDEPENDENT SCHOOL DISTRICT
 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	\$ 8,500	\$ 8,500	\$ 7,757	\$ (743)
5800	State Program Revenues	500	500	1,012	512
5900	Federal Program Revenues	82,500	82,500	88,716	6,216
5020	Total Revenues	91,500	91,500	97,485	5,985
EXPENDITURES:					
0035	Food Services	127,858	143,359	131,358	12,001
6030	Total Expenditures	127,858	143,359	131,358	12,001
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(36,358)	(51,859)	(33,873)	17,986
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	51,859	51,859	33,873	(17,986)
1200	Net Change in Fund Balances	15,501	-	-	-
0100	Fund Balance - September 1 (Beginning)	-	-	-	-
3000	Fund Balance - August 31 (Ending)	\$ 15,501	\$ -	\$ -	\$ -

PAINT CREEK INDEPENDENT SCHOOL DISTRICT
 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	\$ 693,628	\$ 693,628	\$ 714,147	\$ 20,519
5020	Total Revenues	693,628	693,628	714,147	20,519
EXPENDITURES:					
Debt Service:					
0071	Principal on Long-Term Debt	784,628	784,628	687,432	97,196
0072	Interest on Long-Term Debt	45,000	45,000	133,071	(88,071)
0073	Bond Issuance Cost and Fees	-	-	210	(210)
6030	Total Expenditures	829,628	829,628	820,713	8,915
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(136,000)	(136,000)	(106,566)	29,434
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	136,000	136,000	133,598	(2,402)
1200	Net Change in Fund Balances	-	-	27,032	27,032
0100	Fund Balance - September 1 (Beginning)	-	11	11	-
3000	Fund Balance - August 31 (Ending)	\$ -	\$ 11	\$ 27,043	\$ 27,032

REPORTS ON COMPLIANCE and INTERNAL CONTROLS

James E. Rodgers and Company, P.C.

Certified Public Accountants

20 Southwest Third Street • PO Box 669 • Hamlin, Texas 79520 • Tel: 325-576-2356 • Fax: 325-576-3525

E-mail: rodgerscpa@att.net

Member of Texas Society of CPA's and American Institute of CPA's

Richard E. Rodgers CPA • Gerald L. Rodgers CPA

December 17, 2018

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

**To the Board of Trustees
Paint Creek Independent School District
Haskell, Texas 79521**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Paint Creek Independent School District, as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise Paint Creek Independent School District's basic financial statements, and have issued our report thereon dated December 17, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Paint Creek 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 Paint Creek Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Paint Creek 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.

James E. Rodgers and Company, P.C.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Paint Creek 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 required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Respectfully submitted,



James E. Rodgers and Company, P.C.

**PAINT CREEK INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED AUGUST 31, 2018**

I. Summary of Auditor Results:		
1.	Type of report issued on the financial statements:	Unmodified
2. a.	Significant deficiencies in internal control:	None
b.	Significant deficiencies that were material weaknesses:	None
3.	Noncompliance, which is material to financial statements:	None

II. Findings Relating to the Financial Statements Which Are Required To Be Reported in Accordance with <i>Generally Accepted Government Auditing Standards (GAGAS)</i>:		
Finding 2018-001: No current year finding		
a.	Condition:	Not applicable
b.	Criteria:	Not applicable
c.	Cause:	Not applicable
d.	Effect:	Not applicable
e.	Recommendation:	Not applicable
f.	District Response:	Not applicable