

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
Annual Financial Report  
Year Ended August 31, 2018

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CERTIFICATE OF THE BOARD

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
Name of School District

PECOS  
County

186-903  
County -  
District  
Number

We, the undersigned, certify that the attached annual financial report of the above-named School District was reviewed and

X approved \_\_\_ disapproved for the year ended August 31, 2018, at a meeting of the Board of Trustees of such School District  
(Check One)

on the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

\_\_\_\_\_  
Margaret G. Holmes  
Signature of Board Secretary

\_\_\_\_\_  
Steve H. Garlock  
Signature of Board President

If the Board of Trustees disapproved the annual financial report, the reason(s) for disapproving it is (are) (attach list as necessary):

FINANCIAL SECTION



**A Limited Liability Partnership**

Michael E. Oliphant, CPA  
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American Institute of CPAs  
Texas Society of CPAs

**INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
Iraan-Sheffield Independent School District  
P.O. Box 486  
Iraan, TX 79744-0486

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Iraan-Sheffield Independent School District as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the 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 risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Iraan-Sheffield 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 Note I., K. to the financial statements, in 2018 the District adopted new accounting guidance prescribed by GASB Statement No. 75 for its other postemployment benefit (OPEB) plan - a multiple-employer, cost-sharing defined other postemployment benefit (OPEB) plan that has a special funding situation. Because GASB Statement No. 75 implements new measurement criteria and reporting provisions, significant information has been added to the government-wide statements. Exhibit A-1 discloses the District's net OPEB liability and deferred resource outflows and deferred resource inflows related to the District's OPEB plan. Exhibit B-1 discloses the adjustment to the District's beginning net 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 net pension liability and contributions information and net OPEB liability and contributions information for the Teacher Retirement System of Texas on pages 4 through 8, 47, and 48 through 51, respectively, 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 Iraan-Sheffield Independent School District's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2018, on our consideration of the Iraan-Sheffield 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 the effectiveness of the Iraan-Sheffield Independent School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Iraan-Sheffield Independent School District's internal control over financial reporting and compliance.

***Eckert & Company, LLP***

November 28, 2018

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Iraan-Sheffield Independent School District's financial performance provides an overview of the District's financial activities for the year ended August 31, 2018. It should be read in conjunction with the District's basic financial statements and independent auditor's report.

### Financial Highlights

The District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the end of the current year by \$19,921,359 (net position). Of this amount, \$218,696 (unrestricted) may be used to meet the District's ongoing obligations.

The District's total net position decreased by \$2,367,226 or 11%. This amount consists of a \$1,419,583 increase attributable to current year operations and a \$3,786,809 decrease attributable to prior period adjustments described in Note IV., L. to the financial statements. The District's statement of activities shows total revenues of \$13,099,231 and total expenses of \$11,679,648.

The total fund balance of the General Fund is \$2,047,589 which is an increase of \$407,150 or 25% compared to the prior year.

### Overview of the Financial Statements

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

**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 a private-sector business.

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

The statement of activities presents information showing how the District's net position changed during the current 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 years.

## MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

### Overview of the Financial Statements - Continued

The governmental activities of the District include all activities related to public elementary and secondary education within the jurisdiction of the District.

The District has no component units.

**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 current year.

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 District'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 this comparison between governmental funds and governmental activities.

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 and the Debt Service Fund, both of which are considered to be major funds. Data from other governmental funds are combined into a single, aggregated presentation.

The District adopts an annual appropriated budget for its General Fund, Food Service Special Revenue Fund, and Debt Service Fund. A budgetary comparison statement has been provided for each of these funds to demonstrate compliance with the budget for each fund.

**Proprietary Funds** - The District's Internal Service Fund is used to accumulate and allocate costs internally among the District's various functions. The District uses an internal service fund to account for its employee health insurance program. Because this service predominantly benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

The Internal Service Fund is presented in the proprietary fund financial statements.

**Fiduciary Funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the District. 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 accounting used for fiduciary funds is much like that used for proprietary 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.

**MANAGEMENT’S DISCUSSION AND ANALYSIS - Continued**

**Government-Wide Financial Analysis**

**Net Position** - A summary of the District’s net position is presented below:

NET POSITION

	Governmental Activities	
	August 31,	
	2018	2017
Current and Other Assets	\$ 6,924,316	\$ 8,182,861
Capital Assets	25,784,753	26,984,394
Total Assets	\$ 32,709,069	\$ 35,167,255
Deferred Outflows of Resources	\$ 186,486	\$ 209,604
Long-Term Liabilities Outstanding	\$ 10,849,635	\$ 10,016,946
Other Liabilities	833,118	2,752,114
Total Liabilities	\$ 11,682,753	\$ 12,769,060
Deferred Inflows of Resources	\$ 1,291,443	\$ 319,214
Net Position		
Net Investment in Capital Assets	\$ 17,547,943	\$ 17,597,812
Restricted	2,154,720	1,640,979
Unrestricted	218,696	3,049,794
Total Net Position	\$ 19,921,359	\$ 22,288,585

A large portion of the District's net position (\$17,547,943) reflects the District's investment in capital assets, less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide public elementary and secondary education within the jurisdiction of the District; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District’s net position (\$2,154,720) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$218,696) may be used to meet the District’s ongoing obligations.

## MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

### Government-Wide Financial Analysis - Continued

**Governmental Activities** - Governmental activities increased the District's net position by \$1,419,583 and decreased the District's net position by \$578,721 for the fiscal year ended August 31, 2018 and 2017, respectively. Key elements of these increases (decreases) are as follows:

#### CHANGES IN NET POSITION

	Governmental Activities	
	Year Ended August 31,	
	2018	2017
Revenues		
Program Revenues		
Charges for Services	\$ 192,417	\$ 225,129
Operating Grants and Contributions*	(497,823)	772,488
General Revenues		
Maintenance and Operations Taxes	9,421,036	9,010,868
Debt Service Taxes	1,344,317	980,703
State Aid - Formula Grants	1,257,530	2,635,587
Investment Earnings	159,872	80,976
Section 313 Agreement	1,172,786	471,296
Other	49,096	215,748
Total Revenues	\$ 13,099,231	\$ 14,392,795
Expenses		
Instruction and Instructional-Related Services	\$ 3,467,900	\$ 4,945,838
Instructional and School Leadership	621,676	865,425
Support Services - Student (Pupil)	1,178,277	1,558,076
Administrative Support Services	670,963	791,489
Support Services - Nonstudent Based	1,541,112	1,694,289
Debt Service	101,673	123,444
Intergovernmental Charges	4,098,047	4,992,955
Total Expenses	\$ 11,679,648	\$ 14,971,516
Change in Net Position	\$ 1,419,583	\$ (578,721)
Net Position - Beginning	22,288,585	22,811,279
Prior Period Adjustments	(3,786,809)	56,027
Net Position - Ending	\$ 19,921,359	\$ 22,288,585

\*See Note IV., K.

## MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

### Financial Analysis of the District's Funds

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds** - The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. The unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the current year.

The District's governmental funds reported combined ending fund balances of \$4,186,570, an increase of \$925,809 or 28% in comparison with the prior year. These fund balances are reported in various governmental funds as follows:

General Fund \$2,047,589. Of this balance is \$18,978 is nonspendable representing prepaid contractual services.

Special Revenue Funds \$13,719. This balance is committed for campus activities.

Debt Service Fund \$2,125,262. This balance is restricted for payment of long-term debt principal and interest.

### General Fund Budget

The original budget for the General Fund was \$12,590,775, and the final amended budget was \$13,851,775 which represents an \$1,261,000 increase in appropriations. Variances between the original budget and the final amended budget are reflected in Exhibit F-1 in the required supplementary information section of the audit report.

The District has adopted a budget for the General Fund in the amount of \$13,607,215 for the fiscal year 2019, which is a decrease of \$244,560 from the fiscal year 2018.

### Capital Assets and Debt

**Capital Assets** - Financial statement footnote III., D. discloses the District's capital asset activity for the year ended August 31, 2018.

**Long-Term Debt** - Financial statement footnote III., G. discloses the District's debt activity for the year ended August 31, 2018.

### Requests for Information

The financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Michael Meek, Superintendent, Iraan-Sheffield Independent School District, P.O. Box 486, Iraan, TX 79744-0486.

Basic Financial Statements

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
AUGUST 31, 2018

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 6,410,557
1220 Property Taxes - Delinquent	559,130
1230 Allowance for Uncollectible Taxes	(162,292)
1240 Due from Other Governments	92,679
1290 Other Receivables, Net	5,264
1410 Prepayments	18,978
Capital Assets:	
1510 Land	24,530
1520 Buildings, Net	25,524,040
1530 Furniture and Equipment, Net	236,183
1000 Total Assets	32,709,069
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
1705 Deferred Outflow Related to TRS Pension	151,300
1706 Deferred Outflow Related to TRS OPEB	35,186
1700 Total Deferred Outflows of Resources	186,486
<b>LIABILITIES</b>	
2110 Accounts Payable	217,847
2140 Interest Payable	9,772
2160 Accrued Wages Payable	272,121
2180 Due to Other Governments	327,856
2300 Unearned Revenue	5,522
Noncurrent Liabilities:	
2501 Due Within One Year	1,089,916
2502 Due in More Than One Year	6,983,949
2540 Net Pension Liability (District's Share)	622,289
2545 Net OPEB Liability (District's Share)	2,153,481
2000 Total Liabilities	11,682,753
<b>DEFERRED INFLOWS OF RESOURCES</b>	
2602 Deferred Gain on Refunding	162,969
2605 Deferred Inflow Related to TRS Pension	227,669
2606 Deferred Inflow Related to TRS OPEB	900,805
2600 Total Deferred Inflows of Resources	1,291,443
<b>NET POSITION</b>	
3200 Net Investment in Capital Assets	17,547,943
3850 Restricted for Debt Service	2,154,720
3900 Unrestricted	218,696
3000 Total Net Position	\$ 19,921,359

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

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2018

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
Codes	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
<b>Primary Government:</b>				
<b>GOVERNMENTAL ACTIVITIES:</b>				
11 Instruction	\$ 3,314,143	\$ 31,686	\$ (230,397)	\$ (3,512,854)
12 Instructional Resources and Media Services	85,195	-	(14,475)	(99,670)
13 Curriculum and Instructional Staff Development	68,562	-	(8,715)	(77,277)
23 School Leadership	621,676	-	(111,339)	(733,015)
31 Guidance, Counseling, and Evaluation Services	112,791	-	(12,311)	(125,102)
33 Health Services	56,838	-	(10,119)	(66,957)
34 Student (Pupil) Transportation	230,378	-	(25,536)	(255,914)
35 Food Services	334,312	39,198	141,371	(153,743)
36 Extracurricular Activities	443,958	25,185	(36,423)	(455,196)
41 General Administration	670,963	31,686	(83,293)	(722,570)
51 Facilities Maintenance and Operations	1,340,969	64,662	(94,946)	(1,371,253)
53 Data Processing Services	200,143	-	(14,456)	(214,599)
72 Debt Service - Interest on Long-Term Debt	101,673	-	2,816	(98,857)
91 Contracted Instructional Services Between Schools	3,842,427	-	-	(3,842,427)
93 Payments Related to Shared Services Arrangements	116,522	-	-	(116,522)
99 Other Intergovernmental Charges	139,098	-	-	(139,098)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 11,679,648	\$ 192,417	\$ (497,823)	\$ (11,985,054)
Data Control Codes	General Revenues:			
	Taxes:			
MT	Property Taxes, Levied for General Purposes			9,421,036
DT	Property Taxes, Levied for Debt Service			1,344,317
SF	State Aid - Formula Grants			1,257,530
IE	Investment Earnings			159,872
MI	Miscellaneous Local and Intermediate Revenue			1,221,882
TR	Total General Revenues			13,404,637
CN	Change in Net Position			1,419,583
NB	Net Position - Beginning			22,288,585
PA	Prior Period Adjustment			(3,786,809)
NE	Net Position--Ending			\$ 19,921,359

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

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

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
<b>ASSETS</b>				
1110 Cash and Cash Equivalents	\$ 2,608,641	\$ 2,124,216	\$ 30,676	\$ 4,763,533
1220 Property Taxes - Delinquent	513,478	45,652	-	559,130
1230 Allowance for Uncollectible Taxes	(152,767)	(9,525)	-	(162,292)
1240 Due from Other Governments	42,733	-	49,946	92,679
1260 Due from Other Funds	34,318	1,046	-	35,364
1290 Other Receivables	5,264	-	-	5,264
1410 Prepayments	18,978	-	-	18,978
1000 Total Assets	<u>\$ 3,070,645</u>	<u>\$ 2,161,389</u>	<u>\$ 80,622</u>	<u>\$ 5,312,656</u>
<b>LIABILITIES</b>				
2110 Accounts Payable	\$ 72,627	\$ -	\$ 15,758	\$ 88,385
2160 Accrued Wages Payable	259,266	-	12,855	272,121
2170 Due to Other Funds	1,046	-	34,318	35,364
2180 Due to Other Governments	327,856	-	-	327,856
2300 Unearned Revenue	1,550	-	3,972	5,522
2000 Total Liabilities	<u>662,345</u>	<u>-</u>	<u>66,903</u>	<u>729,248</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
2601 Unavailable Revenue - Property Taxes	360,711	36,127	-	396,838
2600 Total Deferred Inflows of Resources	<u>360,711</u>	<u>36,127</u>	<u>-</u>	<u>396,838</u>
<b>FUND BALANCES</b>				
Nonspendable Fund Balance:				
3430 Prepaid Items	18,978	-	-	18,978
Restricted Fund Balance:				
3480 Retirement of Long-Term Debt	-	2,125,262	-	2,125,262
Committed Fund Balance:				
3545 Other Committed Fund Balance	-	-	13,719	13,719
3600 Unassigned Fund Balance	2,028,611	-	-	2,028,611
3000 Total Fund Balances	<u>2,047,589</u>	<u>2,125,262</u>	<u>13,719</u>	<u>4,186,570</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 3,070,645</u>	<u>\$ 2,161,389</u>	<u>\$ 80,622</u>	<u>\$ 5,312,656</u>

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

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
AUGUST 31, 2018

EXHIBIT C-2

<b>Total Fund Balances - Governmental Funds</b>	\$	4,186,570
1 The District uses an internal service fund to charge the costs of self-insurance to appropriate functions in other funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.		1,517,562
2 Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds. In addition, long-term liabilities, including notes and bonds 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.		17,586,577
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 capital outlays and debt principal payments is to increase net position.		1,107,036
4 Depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(1,232,855)
5 Included in the items related to debt are the recognition of the District's proportionate share of the net pension liability required by GASB 68 and related deferred resources inflows and deferred resources outflows. The net effect of these adjustments is to decrease net position.		(698,658)
6 Included in the items related to debt are the recognition of the District's proportionate share of the net other postemployment benefits liability required by GASB 75 and related deferred resources inflows and deferred resources outflows. The net effect of these adjustments is to decrease net position.		(3,019,100)
7 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, eliminating interfund transactions, 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.		474,227
<b>19 Net Position of Governmental Activities</b>	<b>\$</b>	<b>19,921,359</b>

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

IRAAN-SHEFFIELD 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	Other Funds	Total Governmental Funds
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 10,870,882	\$ 1,389,997	\$ 73,513	\$ 12,334,392
5800 State Program Revenues	1,550,475	2,816	40,717	1,594,008
5900 Federal Program Revenues	61,310	-	316,285	377,595
5020 Total Revenues	<u>12,482,667</u>	<u>1,392,813</u>	<u>430,515</u>	<u>14,305,995</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
0011 Instruction	3,403,889	-	218,916	3,622,805
0012 Instructional Resources and Media Services	92,357	-	-	92,357
0013 Curriculum and Instructional Staff Development	76,748	-	-	76,748
0023 School Leadership	679,471	-	-	679,471
0031 Guidance, Counseling, and Evaluation Services	151,450	-	-	151,450
0033 Health Services	57,749	-	-	57,749
0034 Student (Pupil) Transportation	241,118	-	-	241,118
0035 Food Services	-	-	337,121	337,121
0036 Extracurricular Activities	437,901	-	23,834	461,735
0041 General Administration	717,476	-	-	717,476
0051 Facilities Maintenance and Operations	1,342,582	-	-	1,342,582
0053 Data Processing Services	237,949	-	-	237,949
<b>Debt Service:</b>				
0071 Principal on Long-Term Debt	363,846	710,000	-	1,073,846
0072 Interest on Long-Term Debt	7,688	171,350	-	179,038
<b>Intergovernmental:</b>				
0091 Contracted Instructional Services Between Schools	3,842,427	-	-	3,842,427
0093 Payments to Fiscal Agent/Member Districts of SSA	116,522	-	-	116,522
0099 Other Intergovernmental Charges	139,098	-	-	139,098
6030 Total Expenditures	<u>11,908,271</u>	<u>881,350</u>	<u>579,871</u>	<u>13,369,492</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>574,396</u>	<u>511,463</u>	<u>(149,356)</u>	<u>936,503</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	-	-	156,552	156,552
8911 Transfers Out (Use)	(156,552)	-	-	(156,552)
7080 Total Other Financing Sources (Uses)	<u>(156,552)</u>	<u>-</u>	<u>156,552</u>	<u>-</u>
1200 Net Change in Fund Balances	417,844	511,463	7,196	936,503
0100 Fund Balance - September 1 (Beginning)	1,640,439	1,613,799	6,523	3,260,761
1300 Increase (Decrease) in Fund Balance	(10,694)	-	-	(10,694)
3000 Fund Balance - August 31 (Ending)	<u>\$ 2,047,589</u>	<u>\$ 2,125,262</u>	<u>\$ 13,719</u>	<u>\$ 4,186,570</u>

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

IRAAN-SHEFFIELD 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

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	936,503
The District uses an internal service fund to charge the costs of self-insurance to appropriate functions in other funds. The net income (loss) of the internal service fund is reported with governmental activities. The net effect of this consolidation is to decrease net position.		(273,199)
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 capital outlays and debt principal payments is to increase net position.		1,107,036
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.		(1,232,855)
Current year changes due to GASB 68 include adjustments to net pension liability, deferred resources inflows, deferred resources outflows, and the corresponding effect on pension expense. The net effect of these adjustments is to increase net position.		41,316
Current year changes due to GASB 75 include adjustments to the net other postemployment benefits liability, deferred resources inflows, deferred resources outflows, and the corresponding effect on other postemployment benefits expense. The net effect of these adjustments is to increase net position.		757,015
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the 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, eliminating interfund transactions, 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.		83,767
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b>1,419,583</b>

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

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
AUGUST 31, 2018

	Governmental Activities -
	Internal Service Fund
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 1,647,024
Total Assets	<u>1,647,024</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	39,524
Unpaid Claims	<u>89,938</u>
Total Liabilities	<u>129,462</u>
<b>NET POSITION</b>	
Unrestricted Net Position	<u>1,517,562</u>
Total Net Position	<u><u>\$ 1,517,562</u></u>

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

IRAAN-SHEFFIELD 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	\$ 781,223
Total Operating Revenues	781,223
OPERATING EXPENSES:	
Professional and Contracted Services	1,064,104
Total Operating Expenses	1,064,104
Operating Income (Loss)	(282,881)
NONOPERATING REVENUES (EXPENSES):	
Earnings from Temporary Deposits and Investments	9,682
Total Nonoperating Revenues (Expenses)	9,682
Change in Net Position	(273,199)
Total Net Position - September 1 (Beginning)	1,790,761
Total Net Position - August 31 (Ending)	\$ 1,517,562

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

IRAAN-SHEFFIELD 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	\$ 781,223
Cash Payments for Insurance Claims	(692,165)
Cash Payments for Other Operating Expenses	(402,967)
Net Cash Used for Operating Activities	<u>(313,909)</u>
<u>Cash Flows from Investing Activities:</u>	
Interest and Dividends on Investments	<u>9,682</u>
Net Decrease in Cash and Cash Equivalents	(304,227)
Cash and Cash Equivalents at Beginning of Year	<u>1,951,251</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,647,024</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>Used for Operating Activities:</u>	
Operating Income (Loss):	\$ (282,881)
Effect of Increases and Decreases in Current Assets and Liabilities:	
Increase (Decrease) in Accounts Payable	<u>(31,028)</u>
Net Cash Used for Operating Activities	<u>\$ (313,909)</u>

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

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

	Agency Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 12,923
Total Assets	<u>\$ 12,923</u>
LIABILITIES	
Due to Student Groups	\$ 12,923
Total Liabilities	<u>\$ 12,923</u>

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

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements  
August 31, 2018

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Iraan-Sheffield Independent School District is a public educational agency operating under the applicable laws and regulations of the State of Texas. The District prepares its basic financial statements in conformity with accounting principles generally accepted in the United States of America applicable to state and local governments. Additionally, the District complies with the requirements of the 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 District is governed by the Board of Trustees, a seven-member group, which is elected by the public and has governance responsibilities, including fiscal accountability, over all activities related to public elementary and secondary education within the jurisdiction of the Iraan-Sheffield Independent School District (the primary government). There are no component units included within the reporting entity.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities include programs supported primarily by taxes, State foundation funds, grants, and other intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges for services - payments from parties that purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment of the District and (2) grants and contributions - payments from organizations outside the District that are restricted to meeting the operational or capital requirements of a particular function or segment of the District. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Interfund activities between governmental funds and proprietary funds appear as due to/due froms on the governmental funds balance sheet and on the proprietary funds statement of net position and as other resources and other uses on the governmental funds statement of revenues, expenditures, and changes in fund balance and on the proprietary funds statement of revenues, expenses, and changes in fund net position. All interfund transactions between governmental funds and between governmental funds and internal service funds are eliminated in the government-wide financial statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due froms on the government-wide statement of net position.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues generally result from providing services in connection with a proprietary fund's ongoing operations. Operating expenses include the cost of services and administrative expenses. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

IRAAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2018

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

Governmental fund financial statements are reported using 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 in the balance sheet. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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 revenue until related and authorized expenditures have been made.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

Additionally, the government reports the following fund types:

The Internal Service Fund accounts for the operations of a self-insured employee health insurance program.

Agency Funds account for the activities of funds which are the property of student groups.

**D. Cash and Cash Equivalents - Proprietary Funds**

For purposes of the statement of cash flows for proprietary fund types, the District considers cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition to be cash equivalents.

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2018

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**E. Interfund Receivables and Payables**

Activity between individual funds may result in amounts owed between funds which are classified as Due To and From Other Funds. Other than amounts due to or from fiduciary funds these balances are eliminated in the statement of net position.

**F. Receivables and Payables**

Receivables are stated at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

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

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

**G. Prepayments**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures in both government-wide and fund financial statements.

**H. Capital Assets**

Capital assets are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one 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.

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

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	50
Vehicles	7-12
Furniture and Equipment	6-15

**I. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

IRAAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2018

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**I. Long-Term Obligations - Continued**

In the fund financial statements, 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.

**J. Pensions**

In accordance with accounting guidance prescribed by GASB Statement No. 68, 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.

**K. Other Postemployment Benefits (OPEB)**

In accordance with new accounting guidance prescribed by GASB Statement No. 75, the fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS-Care Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other postemployment 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.

**L. Compensated Absences**

The District's policy does not permit employees to accumulate unused vacation and sick leave to be paid to the employees upon separation from service.

**M. Net Position on the Statement of Net Position**

Net position on the statement of net position includes the following:

Net Investment in Capital Assets - This component of net position represents the difference between capital assets net of accumulated depreciation and the outstanding balance of debt, excluding any unspent debt proceeds, which is directly attributable to the acquisition, construction, or improvement of those assets.

Restricted for Debt Service - This component of net position represents the difference between assets and liabilities of the Debt Service Fund that consists of assets with constraints placed on their use by creditors.

Unrestricted - This is the difference between assets/deferred outflows of resources and liabilities/deferred inflows of resources that is not reported as Net Investment in Capital Assets or Restricted for Debt Service.

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2018

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**N. Fund Balances/Equity**

In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable - Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

Restricted - Amounts that can be spent only for specific purposes because usage restraints have been imposed by external sources such as creditors (through a debt covenant), grantors, contributors, or laws or regulations of other governments.

Committed - Amounts that can be used only for specific purposes determined by a formal action of the Board of Trustees, the District's highest level of decision-making authority. Commitments may be modified or rescinded only through formal action by the Board of Trustees.

Unassigned - Amounts that have not been assigned to other funds or restricted, committed, or assigned to a specific purpose within the General Fund.

The details of the fund balances are included in the governmental funds balance sheet.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Trustees has provided otherwise in its commitment or assignment actions.

Unrestricted net position for proprietary funds represent the net position available for future operations.

**O. Property Tax Revenues**

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all 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 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

The District recognizes as tax revenues those taxes that are measurable and available. Measurable means the amount can be determined, and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as available if they are collected within the current period.

Taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectibles are based upon historical experience. 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.

**P. Interfund Transfers**

Permanent relocations of resources between funds of the reporting entity are classified as interfund transfers. For purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2018

**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budget**

Formal budgetary accounting is employed for all required governmental fund types and is presented on the modified accrual basis of accounting consistent with generally accepted accounting principles.

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

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

**III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS**

**A. Deposits and Investments**

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 the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers' acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the District 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.

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy.

**Custodial Credit Risk - Deposits:** In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits and investments in certificates of deposit may not be returned to it. The District's policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments, other than the following: The State of Texas requires that a financial institution secure deposits and investments made by state and local governments by pledging securities in excess of the highest cash balance of the government. The District is not exposed to custodial credit risk for its deposits since they are covered by depository insurance and pledged securities held by a third party in the District's name.

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2018

**III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued**

**A. Deposits and Investments - Continued**

Concentration of Credit Risk: The investment policy of the District contains no limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent five percent or more of the total entity investments represent a concentration risk. The District is not exposed to this risk as described in the preceding paragraph.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At August 31, 2018, the District was not significantly exposed to credit risk.

Interest Rate Risk: Not applicable

Foreign Currency Risk: Not applicable

At August 31, 2018, the District's investments with respective maturities and credit ratings consisted of the following:

	<u>Fair Value</u>	<u>Percent</u>	<u>Weighted Average Maturity</u>	<u>Credit Rating</u>
<u>Public Funds Investment Pools</u>				
LOGIC	\$ 27	-	33 Days	AAAm
Lone Star				
Corporate Overnight Fund	3,876,145	71%	37 Days	AAAm
Texas CLASS	7,847	-	47 Days	AAAm
TexPool	1,607,055	29%	28 Days	AAAm
TexPool <i>Prime</i>	<u>53</u>	<u>-</u>	27 Days	AAAm
Total Public Funds Investment Pools	<u>\$ 5,491,127</u>	<u>100%</u>		

Public Funds Investment Pools

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

The District's investment in Pools is reported at an amount determined by the fair value per share of the Pool's underlying portfolio, unless the Pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940.

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2018

**III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued**

**B. 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 other governments are summarized as follows:

	State Entitlements	Federal Grants	Other	Total
General Fund	\$ 19,874	\$ 0	\$ 22,859	\$ 42,733
Special Revenue Funds	0	45,547	4,399	49,946
Totals	\$ 19,874	\$ 45,547	\$ 27,258	\$ 92,679

**C. Interfund Balances and Transfers**

1. The following is a summary of amounts due from and due to other funds:

	Due From	Due To	Purpose
General Fund			
Debt Service Fund	\$ 0	\$ 1,046	Reimburse Fees
Nonmajor Special Revenue Funds	34,318	0	Operating Advance
	\$ 34,318	\$ 1,046	
Debt Service Fund			
General Fund	1,046	0	Reimburse Fees
Nonmajor Special Revenue Funds			
General Fund	0	34,318	Operating Advance
Totals	\$ 35,364	\$ 35,364	

All amounts due are expected to be repaid within one year.

2. Interfund transfers consist of the following:

Transfers From	Transfers To	Amount	Purpose
General Fund	Food Service Fund	\$ 156,552	Subsidize Food Services

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2018

**III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued**

**D. Capital Assets**

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

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets				
Land	\$ 24,530	\$ 0	\$ 0	\$ 24,530
Buildings and Improvements	38,596,648	0	0	38,596,648
Furniture and Equipment	<u>2,527,187</u>	<u>34,460</u>	<u>140,075</u>	<u>2,421,572</u>
Total Capital Assets	<u>\$ 41,148,365</u>	<u>\$ 34,460</u>	<u>\$ 140,075</u>	<u>\$ 41,042,750</u>
Less Accumulated Depreciation				
Buildings and Improvements	\$ (12,018,424)	\$ (1,054,184)	\$ 0	\$ (13,072,608)
Furniture and Equipment	<u>(2,145,547)</u>	<u>(178,671)</u>	<u>(138,829)</u>	<u>(2,185,389)</u>
Total Accumulated Depreciation	<u>\$ (14,163,971)</u>	<u>\$ (1,232,855)</u>	<u>\$ (138,829)</u>	<u>\$ (15,257,997)</u>
Governmental Activities Capital Assets, Net	<u>\$ 26,984,394</u>	<u>\$ (1,198,395)</u>	<u>\$ 1,246</u>	<u>\$ 25,784,753</u>

Depreciation expense was charged to governmental activities functions as follows:

Instruction	\$ 689,885
Instructional Resources and Media Services	16,801
Curriculum and Instructional Staff Development	9,598
School Leadership	136,800
Guidance, Counseling, and Evaluation Services	28,755
Health Services	11,206
Student (Pupil) Transportation	24,824
Food Services	41,896
Extracurricular Activities	45,333
General Administration	95,253
Facilities Maintenance and Operations	111,893
Data Processing Services	<u>20,611</u>
Total	<u>\$ 1,232,855</u>

**E. Deferred Outflows and Inflows of Resources**

A deferred outflow of resources is a consumption of a government's net position (a decrease in assets in excess of any related decrease in liabilities or an increase in liabilities in excess of any related increase in assets) by the government that is applicable to a future reporting period.

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2018

**III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued**

**E. Deferred Outflows and Inflows of Resources - Continued**

A deferred inflow of resources is an acquisition of a government's net position (an increase in assets in excess of any related increase in liabilities or a decrease in liabilities in excess of any related decrease in assets) by the government that is applicable to a future reporting period

Deferred outflows and inflows of resources are reported as described below:

Deferred Outflows (Statement of Net Position)

District's proportionate share of Teacher Retirement System of Texas (TRS) pension plan deferred outflows as detailed in financial statement footnote IV., A.

District's proportionate share of Teacher Retirement System of Texas (TRS) OPEB plan deferred outflows as detailed in financial statement footnote IV., B.

Deferred Inflows (Statement of Net Position)

Deferred gain on bond refunding, which is amortized over the life of the refunding bonds.

District's proportionate share of Teacher Retirement System of Texas (TRS) pension plan deferred inflows as detailed in financial statement footnote IV., A.

District's proportionate share of Teacher Retirement System of Texas (TRS) OPEB plan deferred inflows as detailed in financial statement footnote IV., B.

Deferred Inflows (Balance Sheet - Governmental Funds)

Unavailable revenue - property taxes.

**F. Commitments Under Noncapitalized Leases**

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

Year Ending <u>August 31,</u>	
2019	\$ 21,846
2020	18,163
2021	18,163
2022	18,163
2023	<u>9,866</u>
Total Minimum Rentals	<u>\$ 86,201</u>

Rental expenditures during the year ended August 31, 2018, were \$28,966.

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2018

**III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued**

**G. Long-Term Debt**

The following is a summary of changes in long-term debt for the year ended August 31, 2018:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Maintenance Tax Note	\$ 2,569,789	\$ 0	\$ 363,822	\$ 2,205,967	\$ 364,916
Unlimited Tax Refunding Bonds	6,240,000	0	710,000	5,530,000	725,000
Unamortized Bond Premium	386,473	0	48,575	337,898	0
<b>Totals</b>	<b><u>\$ 9,196,262</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 1,122,397</u></b>	<b><u>\$ 8,073,865</u></b>	<b><u>\$ 1,089,916</u></b>

The District's outstanding maintenance tax note payable is as follows:

Iraan-Sheffield Independent School District Maintenance Tax Note, Series 2009. Issued for the purpose of renovation and repair of facilities and to enhance energy conservation, as authorized by Texas Education Code, Section 45.108, in the original amount of \$5,081,000. Due in variable installments through March 15, 2024, payable from the General Fund with an interest rate of .3% .

\$ 2,205,967

The District's outstanding bond issue is as follows:

Iraan-Sheffield Independent School District Unlimited Tax Refunding Bonds, Series 2013. Issued to refund a portion of the Unlimited Tax School Building Bonds, Series 2010 and to pay the costs associated with the sale and issuance of the bonds. Issued in the original amount of \$9,230,000. Due in variable installments through August 15, 2025, with interest rates of 2% to 3%.

\$ 5,530,000

The combined annual debt service requirements are as follows:

<u>Year Ending August 31,</u>	<u>Maintenance Tax Note</u>		<u>Unlimited Tax Refunding Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2019	\$ 364,916	\$ 6,618	\$ 725,000	\$ 150,050	\$ 1,246,584
2020	366,011	5,523	740,000	135,550	1,247,084
2021	367,109	4,425	765,000	113,350	1,249,884
2022	368,210	3,324	790,000	90,400	1,251,934
2023	369,315	2,219	815,000	66,700	1,253,234
2024-2025	370,406	1,111	1,695,000	59,450	2,125,967
<b>Totals</b>	<b><u>\$ 2,205,967</u></b>	<b><u>\$ 23,220</u></b>	<b><u>\$ 5,530,000</u></b>	<b><u>\$ 615,500</u></b>	<b><u>\$ 8,374,687</u></b>

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2018

**III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued**

**H. Outstanding Encumbrances**

There were no outstanding encumbrances that were provided for in the subsequent year's budget.

**I. Revenues from Local and Intermediate Sources**

Local and intermediate source revenues consists of the following:

	General Fund	Debt Service Fund	Special Revenue Funds	Total
Property Taxes	\$ 9,448,989	\$ 1,345,826	\$ 0	\$ 10,794,815
Chapter 313 Agreements	1,172,786	0	0	1,172,786
Other Local Sources	222,073	44,171	22,113	288,357
Cocurricular, Enterprising Services, or Activities	12,983	0	51,400	64,383
Intermediate Sources	14,051	0	0	14,051
Totals	<u>\$ 10,870,882</u>	<u>\$ 1,389,997</u>	<u>\$ 73,513</u>	<u>\$ 12,334,392</u>

**J. General Fund Federal Source Revenues**

<u>Program or Source</u>	<u>CFDA Number</u>	<u>Amount</u>
E-Rate School and Library Program	--	<u>\$ 61,310</u>

**IV. OTHER INFORMATION**

**A. Defined Benefit Pension Plan**

**Plan Description** - The Iraan-Sheffield Independent School District participates in a cost-sharing multiple-employer defined benefit pension plan 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.

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2018

**IV. OTHER INFORMATION - Continued**

**A. Defined Benefit Pension Plan - Continued**

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

**Benefits Provided** - TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3% (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered; for those 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 postemployment benefit changes, including automatic COLAs. Ad hoc postemployment benefit changes, including ad hoc COLAs, can be granted by the Texas Legislature as noted in the plan description above.

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

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

Contribution Rates		
	<u>2017</u>	<u>2018</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
District's 2018 Employer Contributions		\$ 82,066
District's 2018 Member Contributions		324,408
District's 2017 NECE On-Behalf Contributions		165,899

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

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2018

**IV. OTHER INFORMATION** - Continued

**A. Defined Benefit Pension Plan** - Continued

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

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

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

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

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

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.0%
Long-Term Expected Investment Rate of Return	8.0%
Inflation	2.5%
Salary Increases Including Inflation	3.5% to 9.5%
Payroll Growth Rate	2.5%
Benefit Changes During the Year	None
Ad hoc Postemployment Benefit Changes	None

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

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2018

**IV. OTHER INFORMATION - Continued**

**A. Defined Benefit Pension Plan - Continued**

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

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

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

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2018

**IV. OTHER INFORMATION - Continued**

**A. Defined Benefit Pension Plan - Continued**

**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%)	Discount Rate (8%)	1% Increase in Discount Rate (9%)
District's Proportionate Share of the Net Pension Liability	\$ 1,049,057	\$ 622,289	\$ 266,936

**Defined Benefit Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** - At August 31, 2018, the Iraan-Sheffield Independent School District reported a net pension liability of \$622,289 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's Proportionate Share of the Collective Net Pension Liability	\$ 622,289
State's Proportionate Share that is Associated with the District	2,174,987
Total	\$ 2,797,276

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

At August 31, 2017, the employer's proportion of the collective net pension liability was 0.0019461976% which was a decrease of 0.0002256% from its proportion measured as of August 31, 2016.

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

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

For the year ended August 31, 2018, the Iraan-Sheffield Independent School District recognized pension expense of \$165,899 and revenue of \$165,899 for support provided by the State in the government-wide statement of activities.

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2018

**IV. OTHER INFORMATION - Continued**

**A. Defined Benefit Pension Plan - Continued**

At August 31, 2018, the Iraan-Sheffield 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 Actuarial Experience	\$ 9,104	\$ 33,559
Changes in Actuarial Assumptions	28,346	16,228
Net Difference Between Projected and Actual Investment Earnings	-	45,351
Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions	31,784	132,531
Contributions Paid to TRS Subsequent to the Measurement Date	82,066	-
Totals	\$ 151,300	\$ 227,669

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 pensions will be recognized in pension expense as follows:

Year Ending August 31,	Pension Expense Amount
2019	\$ (42,076)
2020	(2,354)
2021	(45,129)
2022	(52,937)
2023	(6,550)
Thereafter	(9,389)

**B. Defined Other Postemployment Benefit Plans**

**Plan Description** - The Iraan-Sheffield Independent School District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined other postemployment 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** - Detailed information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <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.

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2018

**IV. OTHER INFORMATION - Continued**

**B. Defined Other Postemployment Benefit Plans - Continued**

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

<u>Net OPEB Liability</u>	<u>Total</u>
Total OPEB Liability	\$ 43,885,784,621
Less: Plan Fiduciary Net Position	<u>(399,535,986)</u>
Net OPEB Liability	<u>\$ 43,486,248,635</u>
Net Position as a Percentage of Total OPEB Liability	0.91%

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

Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits (TRS-Care 2 and TRS-Care 3). Eligible retirees and dependents enrolled in Medicare may elect to participate in one of the two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic postemployment 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 and B coverage, with 20 to 29 years of service for the basic plan and the two optional plans:

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

	<u>TRS-Care 1</u> <u>Basic Plan</u>	<u>TRS-Care 2</u> <u>Optional Plan</u>	<u>TRS-Care 3</u> <u>Optional Plan</u>
Retiree or Surviving Spouse	\$ 0	\$ 70	\$ 100
Retiree and Spouse	20	175	255
Retiree or Surviving Spouse and Children	41	132	182
Retiree and Family	61	237	337
Surviving Children Only	28	62	82

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

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2018

**IV. OTHER INFORMATION** - Continued

**B. Defined Other Postemployment Benefit Plans** - Continued

Texas Insurance Code, Section 1575.202 establishes the state’s contribution rate which is 1% of the employee’s salary. Section 1575.203 establishes the active employee’s rate which is 0.65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor:

Contribution Rates		
	<u>2017</u>	<u>2018</u>
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.00%	1.25%
Employers	0.55%	0.75%
Federal/Private Funding Remitted by Employers	1.00%	1.25%
District's 2018 Employer Contributions	\$	34,848
District's 2018 Member Contributions		27,385
District's 2017 NECE On-Behalf Contributions		(1,098,276)

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 million received during the District's 2018 fiscal year is reported in the fund level financial statements as an on-behalf contribution as required by GASB 85 and GASB 24.

**Actuarial Assumptions** - The total OPEB liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions.

The actuarial valuation of TRS-Care is similar to the actuarial valuations performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including mortality, and most of the economic assumptions are identical to those 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% of the RP-2014 Employee Mortality Tables for males and females. The post-retirement mortality rates were based on the 2015 TRS of Texas Healthy Pensioner Mortality Tables.

IRAAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2018

**IV. OTHER INFORMATION - Continued**

**B. Defined Other Postemployment Benefit Plans - Continued**

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

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

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.50%
Discount Rate	3.42%
Aging Factors	Based on Plan Specific Experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Payroll Growth Rate	2.50%
Projected Salary Increases	3.50% to 9.50%
Healthcare Trend Rates	4.50% to 12.00%
Election Rates	Normal Retirement: 70% Participation Prior to Age 65 and 75% Participation After Age 65
Ad hoc Postemployment Benefit Changes	None

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

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2018

**IV. OTHER INFORMATION - Continued**

**B. Defined Other Postemployment Benefit Plans - Continued**

**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%)
District's Proportionate Share of the Net OPEB Liability	\$ 2,541,642	\$ 2,153,481	\$ 1,841,487

**Healthcare Cost Trend Rates Sensitivity Analysis** - The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1% lower or 1% higher than the assumed healthcare cost trend rate:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's Proportionate Share of the Net OPEB Liability	\$ 1,792,988	\$ 2,153,481	\$ 2,626,493

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs** - At August 31, 2018, the Iraan-Sheffield Independent School District reported a liability of \$2,153,481 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's Proportionate Share of the Collective Net OPEB Liability	\$ 2,153,481
State's Proportionate Share that is Associated with the District	3,282,095
Total	\$ 5,435,576

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 through August 31, 2017.

At August 31, 2017, the employer's proportion of the collective net OPEB liability was 0.0049520955% which was the same proportion measured as of August 31, 2016.

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2018

**IV. OTHER INFORMATION - Continued**

**B. Defined Other Postemployment Benefit Plans - Continued**

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

1. Significant plan changes were adopted during 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.
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 was unrelated to the plan amendment, and its impact was included as an assumption change in the reconciliation of the total OPEB liability. This change significantly lowered the OPEB liability.
3. The discount rate changed from 2.98% as of August 31, 2016 to 3.42% as of August 31, 2017. This change lowered the total OPEB liability.

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 2.5%.
- 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.

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

For the year ended August 31, 2018, the Iraan-Sheffield Independent School District recognized OPEB expense of \$(1,098,276) and revenue of \$(1,098,276) for support provided by the State.

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2018

**IV. OTHER INFORMATION - Continued**

**B. Defined Other Postemployment Benefit Plans - Continued**

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Actuarial Experience	\$ -	\$ 44,956
Changes in Actuarial Assumptions	-	855,849
Net Difference Between Projected and Actual Investment Earnings	327	-
Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions	11	-
Contributions Paid to TRS Subsequent to the Measurement Date	<u>34,848</u>	<u>-</u>
Totals	<u>\$ 35,186</u>	<u>\$ 900,805</u>

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:

<u>Year Ending August 31,</u>	<u>OPEB Expense Amount</u>
2019	\$ (118,817)
2020	(118,817)
2021	(118,817)
2022	(118,817)
2023	(118,899)
Thereafter	(306,300)

**C. Health Care Coverage**

The District sponsors a modified self-insurance plan to provide health care benefits to staff members and their dependents. Transactions related to the plan are accounted for in the Internal Service Fund. The District makes contributions for staff members' coverage, and staff members are required to make contributions for dependent coverage. The District obtained excess loss insurance which limited annual claims paid from the Fund for the year ended August 31, 2018, to \$35,000 for any individual participant and an aggregate limit equal to \$950,725.

Estimates of claims payable and of claims incurred, but not reported at August 31, 2018, are reflected as accounts and claims payable of the Fund. The plan is funded to discharge liabilities of the Fund as they become due.

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2018

**IV. OTHER INFORMATION - Continued**

**C. Health Care Coverage - Continued**

Changes in the balances of claims liabilities are as follows:

	Year Ended August 31,	
	2018	2017
Unpaid Claims - Beginning	\$ 128,212	\$ 60,167
Incurred Claims	653,891	949,627
Claim Payments	(692,165)	(881,582)
Unpaid Claims - Ending	\$ 89,938	\$ 128,212

**D. Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters, for which the District participated in a public entity risk pool. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding coverage for each of the past three fiscal years.

**E. Property and Liability Programs**

During the year ended August 31, 2018, the District participated in the TASB Risk Management Fund's (the Fund's) Property and Liability Programs.

The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for the Property and Liability Programs. 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 year ended August 31, 2018, 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 year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2017, are available on the TASB Risk Management Fund website.

**F. Unemployment Compensation Coverage**

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

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2018

**IV. OTHER INFORMATION - Continued**

**F. Unemployment Compensation Coverage - Continued**

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

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

**G. Workers' Compensation Insurance**

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

The Fund and its members are protected against higher than expected claims costs through the purchase of stop-loss coverage for any claim in excess of the Fund's self-insured retention of \$2 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2017, the Fund carries a discounted reserve of \$49,076,113 for future development on reported claims and claims that have been incurred but not yet reported. For the year ended August 31, 2018, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions.

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

**H. Contingencies**

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

**I. Shared Services Arrangement**

The District participates in a shared services arrangement for special education with four other school districts. The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The McCamey Independent School District is the fiscal agent manager and is responsible for all financial activities of the shared services arrangement.

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2018

**IV. OTHER INFORMATION - Continued**

**J. Tax Abatements**

The Iraan-Sheffield Independent School District’s Board of Trustees approved Agreements with Sherbino I Wind Farm, West Texas Solar I, East Pecos Solar, and Midway Solar 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. These entities qualified for tax limitation agreements under the Texas Tax Code §313.024(b)(5), as renewable energy electric generation projects.

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 Texas 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 has been required to meet a series of capital investment, job creation, and wage requirements specified by state law. At the time of the applications’ approvals, the Agreements were found to have done so by both the District’s Board of Trustees and the Texas Comptroller’s Office, which recommended approval of the projects. The applications, the Agreements, and state reporting requirement documentation can be viewed at the Texas Comptroller’s website: <https://www.comptroller.texas.gov/economy/local/ch313/agreement-docs.php>. The Agreements and all supporting documentation were assigned Texas Comptroller Application No. 67, 1020, No. 1059, and 1170, respectively.

After approval, the applicant company must maintain a viable presence in the District for the entire period of the value limitation plus a period of years thereafter. In addition, there are specific reporting requirements, which are monitored on an annual and biennial basis in order to ensure relevant job, wage, and operational requirements are being met.

In the event that any company terminates its Agreement without the consent of the District, or in the event that any company or its successor-in-interest fails to comply in any material respect with the terms of the Agreement or to meet any material obligations under the Agreement, then the District shall be entitled to the recapture of all ad valorem tax revenue lost as a result of the Agreement, together with the payment of penalty and interest, on that recaptured ad valorem tax revenue. Penalties on said amounts shall be calculated in accordance with the methodology set forth in Texas Tax Code §33.01(a), or its successor statute. Interest on said amounts shall be calculated in accordance with the methodology set forth in Texas Tax Code §33.01(c), or its successor statute. Each Agreement provides an administrative procedure to determine any company liability. Ultimately, enforcement of any payment obligation is through the local state district court.

Project Name	A Project Value 2017	B Project's Value Limitation Amount 2017	C Amount of Applicant's M&O Taxes Paid 2017	D Amount of Applicant's M&O Taxes Reduced 2017	E Company Revenue Loss Payment to School District 2017	F Company Supplemental Payment to School District 2017	G Net Benefit (Loss) to the School District 2017 (C+E+F)
Sherbino I Wind Farm	\$ 100,838,500	\$ 20,000,000	\$ 131,269	\$ 937,619	\$ 18,049	\$ 400,120	\$ 549,438
West Texas Solar I	32,800,000	25,000,000	265,000	82,680	50,414	12,907	328,321
East Pecos Solar	117,500,000	30,000,000	318,000	927,500	565,596	50,700	934,296
Midway Solar	0	0	0	0	0	51,800	51,800

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2018

**IV. OTHER INFORMATION - Continued**

**K. 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 plans with a special funding situation where non-employer contributing entities (NECE) also participate in contributions to the plans. TRS-retirement and TRS-Care benefit plans are both cost-sharing plans with special funding situations. Therefore, on-behalf expense activity of the NECE must be recorded at the government-wide level of reporting on the statement of activities in accordance with GASB 68 and 75.

During the year under audit, the NECE expense related to GASB 75 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 related to GASB 75 as a result of the negative on-behalf accruals recorded:

	Operating Grants and Contributions	Negative On-Behalf Accruals	Operating Grants and Contributions (Excluding On-Behalf Accruals)
11 Instruction	\$ (230,397)	\$ 613,286	\$ 382,889
12 Instructional Resources and Media Services	(14,475)	17,055	2,580
13 Curriculum and Instructional Staff Development	(8,715)	10,268	1,553
23 School Leadership	(111,339)	131,187	19,848
31 Guidance, Counseling, and Evaluation Services	(12,311)	14,506	2,195
33 Health Services	(10,119)	11,923	1,804
34 Student (Pupil) Transportation	(25,536)	30,088	4,552
35 Food Services	141,371	0	141,371
36 Extracurricular Activities	(36,423)	42,916	6,493
41 General Administration	(83,293)	98,142	14,849
51 Facilities Maintenance and Operations	(94,946)	111,872	16,926
53 Data Processing Services	(14,456)	17,033	2,577
72 Debt Service - Interest	2,816	0	2,816
Totals	<u>\$ (497,823)</u>	<u>\$ 1,098,276</u>	<u>\$ 600,453</u>

**L. Adjustments to Net Position/Fund Balances**

During fiscal year 2018, the District adopted GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefit Other Than Pensions." With GASB 75, the District must assume its proportionate share of the net OPEB liability of the Teacher Retirement System of Texas. Adoption of GASB 75 required a prior period adjustment to report the effect of GASB 75 retroactively. The amount of the prior period adjustment is a decrease in net position of \$3,776,115.

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2018

**IV. OTHER INFORMATION - Continued**

**L. Adjustments to Net Position/Fund Balances - Continued**

The financial statements reflect the following prior period adjustments:

	<u>Net Position Exhibit B-1</u>	<u>Fund Balances Exhibit C-3</u>
General Fund		
Prior Year's Foundation Revenue	\$ (7,786)	\$ (7,786)
Prior Year's Recapture Payment	<u>(2,908)</u>	<u>(2,908)</u>
Total General Fund	\$ (10,694)	\$ (10,694)
GASB 75 as Noted Above	<u>(3,776,115)</u>	<u>0</u>
Totals	<u>\$ (3,786,809)</u>	<u>\$ (10,694)</u>

**M. Subsequent Events**

The District's management has evaluated subsequent events through November 28, 2018, the date which the financial statements were available for issue.

Required Supplementary Information

IRAAN-SHEFFIELD 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			
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 12,290,000	\$ 12,290,000	\$ 10,870,882	\$ (1,419,118)
5800	State Program Revenues	629,224	629,224	1,550,475	921,251
5900	Federal Program Revenues	-	-	61,310	61,310
5020	Total Revenues	12,919,224	12,919,224	12,482,667	(436,557)
<b>EXPENDITURES:</b>					
Current:					
0011	Instruction	3,544,000	3,544,000	3,403,889	140,111
0012	Instructional Resources and Media Services	96,950	141,950	92,357	49,593
0013	Curriculum and Instructional Staff Development	92,000	127,000	76,748	50,252
0023	School Leadership	671,650	770,650	679,471	91,179
0031	Guidance, Counseling, and Evaluation Services	154,200	207,200	151,450	55,750
0033	Health Services	65,750	104,750	57,749	47,001
0034	Student (Pupil) Transportation	214,550	309,550	241,118	68,432
0036	Extracurricular Activities	493,525	525,525	437,901	87,624
0041	General Administration	741,525	863,525	717,476	146,049
0051	Facilities Maintenance and Operations	1,342,025	1,497,025	1,342,582	154,443
0053	Data Processing Services	214,600	326,600	237,949	88,651
Debt Service:					
0071	Principal on Long-Term Debt	375,000	412,000	363,846	48,154
0072	Interest on Long-Term Debt	10,000	10,000	7,688	2,312
Intergovernmental:					
0091	Contracted Instructional Services Between Schools	4,000,000	4,400,000	3,842,427	557,573
0093	Payments to Fiscal Agent/Member Districts of SSA	200,000	172,000	116,522	55,478
0099	Other Intergovernmental Charges	200,000	215,000	139,098	75,902
6030	Total Expenditures	12,415,775	13,626,775	11,908,271	1,718,504
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	503,449	(707,551)	574,396	1,281,947
<b>OTHER FINANCING SOURCES (USES):</b>					
7915	Transfers In	-	950,000	-	(950,000)
8911	Transfers Out (Use)	(175,000)	(225,000)	(156,552)	68,448
7080	Total Other Financing Sources (Uses)	(175,000)	725,000	(156,552)	(881,552)
1200	Net Change in Fund Balances	328,449	17,449	417,844	400,395
0100	Fund Balance - September 1 (Beginning)	1,640,439	1,640,439	1,640,439	-
1300	Increase (Decrease) in Fund Balance	-	-	(10,694)	(10,694)
3000	Fund Balance - August 31 (Ending)	\$ 1,968,888	\$ 1,657,888	\$ 2,047,589	\$ 389,701

IRAAN-SHEFFIELD 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)	0.001946198%	0.002171782%	0.0019837%	0.0024132%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 622,289	\$ 820,684	\$ 701,212	\$ 644,600
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	2,174,987	2,904,340	3,093,961	2,576,954
Total	<u>\$ 2,797,276</u>	<u>\$ 3,725,024</u>	<u>\$ 3,795,173</u>	<u>\$ 3,221,554</u>
District's Covered Payroll	\$ 4,206,424	\$ 4,555,323	\$ 4,569,157	\$ 4,460,602
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	14.79%	18.02%	15.35%	14.45%
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."

IRAAN-SHEFFIELD 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	\$ 82,066	\$ 63,785	\$ 69,003	\$ 60,902
Contribution in Relation to the Contractually Required Contribution	(82,066)	(63,785)	(69,003)	(60,902)
Contribution Deficiency (Excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-
District's Covered Payroll	\$ 4,213,089	\$ 4,206,424	\$ 4,555,323	\$ 4,569,157
Contributions as a Percentage of Covered Payroll	1.95%	1.52%	1.52%	1.33%

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."

IRAAN-SHEFFIELD 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

	FY 2018 Plan Year 2017
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.004952095%
District's Proportionate Share of Net Postemployment Benefit Liability (Asset)	\$ 2,153,481
State's Proportionate Share of the Net Postemployment Benefit Liability (Asset) Associated with the District	3,282,095
Total	\$ 5,435,576
District's Covered Payroll	\$ 4,206,424
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	51.20%
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.

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

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	2018
Contractually Required Contribution	\$ 34,848
Contribution in Relation to the Contractually Required Contribution	(34,848)
	\$ -0-
Contribution Deficiency (Excess)	-0-
District's Covered Payroll	\$ 4,213,089
Contributions as a Percentage of Covered Payroll	0.83%

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.

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
Notes to the Required Supplementary Information  
August 31, 2018

Note A - Net Pension Liability

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 measurement of the total pension liability since the prior measurement period.

Note B - Net OPEB Liability

Changes of Benefit Terms

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

Changes of Assumptions

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

1. Significant plan changes were adopted during 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.
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 was unrelated to the plan amendment, and its impact was included as an assumption change in the reconciliation of the total OPEB liability. This change significantly lowered the OPEB liability.
3. The discount rate changed from 2.98% as of August 31, 2016 to 3.42% as of August 31, 2017. This change lowered the total OPEB liability.

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 2.5%.
- 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

IRAAN-SHEFFIELD 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	1.040000	0.000000	1,618,532,692
2011	1.040000	0.000000	1,871,571,154
2012	1.040000	0.130000	1,786,378,974
2013	1.040000	0.130000	Various
2014	1.060000	0.110000	Various
2015	1.060000	0.110000	Various
2016	1.060000	0.090000	Various
2017	1.060000	0.110000	Various
2018 (School year under audit)	1.060000	0.110000	Various
1000 TOTALS			

The assessed value for maintenance and operations was \$925,964,567, and the the assessed value for interest and sinking was \$1,309,652,500. The current year's levy and collections are reduced by tax credits for Chapter 313 agreements in the amount of \$161,461.

The adjustments for 2018 reflect discounts allowed for early payment.

(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
\$ 61,765	\$ -	\$ 1,157	\$ -	\$ (2,436)	\$ 58,172
6,021	-	727	-	-	5,294
6,977	-	1,045	-	-	5,932
11,296	-	1,772	221	-	9,303
52,674	-	1,778	222	-	50,674
51,293	-	2,166	261	-	48,866
111,360	-	5,909	291	-	105,160
110,373	-	8,950	637	-	100,786
114,171	-	34,348	3,557	(1,064)	75,202
-	11,094,381	9,358,137	1,337,796	(298,707)	99,741
<u>\$ 525,930</u>	<u>\$ 11,094,381</u>	<u>\$ 9,415,989</u>	<u>\$ 1,342,985</u>	<u>\$ (302,207)</u>	<u>\$ 559,130</u>

IRAAN-SHEFFIELD 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			
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 27,500	\$ 27,500	\$ 39,198	\$ 11,698
5800	State Program Revenues	1,250	1,250	1,235	(15)
5900	Federal Program Revenues	125,000	125,000	140,136	15,136
5020	Total Revenues	153,750	153,750	180,569	26,819
<b>EXPENDITURES:</b>					
0035	Food Services	315,600	372,600	337,121	35,479
6030	Total Expenditures	315,600	372,600	337,121	35,479
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(161,850)	(218,850)	(156,552)	62,298
<b>OTHER FINANCING SOURCES (USES):</b>					
7915	Transfers In	175,000	175,000	156,552	(18,448)
1200	Net Change in Fund Balances	13,150	(43,850)	-	43,850
0100	Fund Balance - September 1 (Beginning)	-	-	-	-
3000	Fund Balance - August 31 (Ending)	\$ 13,150	\$ (43,850)	\$ -	\$ 43,850

IRAAN-SHEFFIELD 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			
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 1,376,178	\$ 1,376,178	\$ 1,389,997	\$ 13,819
5800	State Program Revenues	-	-	2,816	2,816
5020	Total Revenues	1,376,178	1,376,178	1,392,813	16,635
<b>EXPENDITURES:</b>					
Debt Service:					
0071	Principal on Long-Term Debt	710,000	760,000	710,000	50,000
0072	Interest on Long-Term Debt	171,350	171,350	171,350	-
6030	Total Expenditures	881,350	931,350	881,350	50,000
1200	Net Change in Fund Balances	494,828	444,828	511,463	66,635
0100	Fund Balance - September 1 (Beginning)	1,613,799	1,613,799	1,613,799	-
3000	Fund Balance - August 31 (Ending)	\$ 2,108,627	\$ 2,058,627	\$ 2,125,262	\$ 66,635

COMPLIANCE AND INTERNAL CONTROLS SECTION



A Limited Liability Partnership

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Texas Society of CPAs

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

Board of Trustees  
Iraan-Sheffield Independent School District  
P.O. Box 486  
Iraan, TX 79744-0486

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Iraan-Sheffield Independent School District as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 28, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Iraan-Sheffield Independent School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Iraan-Sheffield Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Iraan-Sheffield 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 District's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**Compliance and Other Matters**

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

**Purpose of This Report**

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

*Eckert & Company, LLP*

November 28, 2018

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
 Schedule of Findings and Questioned Costs  
 Year Ended August 31, 2018

**A. Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued

Unmodified

Internal Control Over Financial Reporting

Material weaknesses identified?

\_\_\_ Yes  X  No

Significant deficiencies identified that are not considered to be material weaknesses?

\_\_\_ Yes  X  None Reported

Noncompliance material to financial statements noted?

\_\_\_ Yes  X  No

**B. Findings - Financial Statements Audit**

None

**C. Findings - State Compliance**

None