

BROADDUS INDEPENDENT SCHOOL DISTRICT
Broaddus, Texas

ANNUAL FINANCIAL REPORT

For the Year Ended August 31, 2018

TABLE OF CONTENTS

	<u>PAGE</u>	<u>EXHIBIT NO.</u>
INTRODUCTORY SECTION:		
Certificate of Board	4	
FINANCIAL SECTION:		
Independent Auditors' Report	6	
Management's Discussion and Analysis (Required Supplementary Information)	8	
Basic Financial Statements:		
Government-Wide Financial Statements:		
Statement of Net Position	14	A-1
Statement of Activities	15	B-1
Fund Financial Statements:		
Balance Sheet - Governmental Funds	16	C-1
Reconciliation of the Governmental Funds - Balance Sheet to the Statement of Net Position	17	C-1R
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	18	C-2
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19	C-3
Statement of Fiduciary Net Position - Fiduciary Funds	20	E-1
Notes to the Financial Statements	21	
Required Supplementary Information:		
Budgetary Comparison Schedules:		
General Fund Schedule of Revenues, Expenditures, and Changes in Funds Balances - Budgetary Comparison.....	41	G-1
Schedule of the District's Proportionate Share of the Net Pension Liability - Teacher Retirement System.....	42	G-2
Schedule of the District Contributions - Teacher Retirement System	43	G-3
Schedule of the District's Proportionate Share of OPEB Liability and District's OPEB Liability and District's OPEB Contributions - Teacher Retirement System	44	G-4
Notes to Required Supplementary Information... ..	45	
Combining Statements and Budget Comparisons as Supplementary Information:		
Special Revenue Funds:		
Combining Balance Sheet - Nonmajor Special Revenue Funds	47	H-1
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	49	H-2
Other Supplementary Information:		
Schedule of Delinquent Taxes Receivable	52	J-1
Budgetary Comparison Schedules Required by the Texas Education Agency:		
National School Breakfast and Lunch Program	54	J-2
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		
Schedule of Findings and Questioned Costs	57	
Summary Schedule of Prior Audit Findings	58	
Corrective Action Plan	59	
Schedule of Required Responses to Selected School First Indicators	60	K-1

INTRODUCTORY SECTION

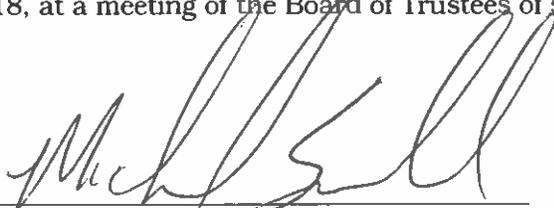
BROADDUS INDEPENDENT SCHOOL DISTRICT
CERTIFICATE OF BOARD
August 31, 2018

Broaddus Independent School District
Name of School District

San Augustine
County

203-902
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) approved disapproved for the year ended August 31, 2018, at a meeting of the Board of Trustees of such school district on the 10th day of January, 2019.



Signature of Board Secretary



Signature of Board President

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

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Broaddus Independent School District
Broaddus, Texas

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the 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 Broaddus Independent School District as of August 31, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.


CERTIFIED PUBLIC ACCOUNTANTS

Lufkin, Texas
January 10, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

FINANCIAL HIGHLIGHTS

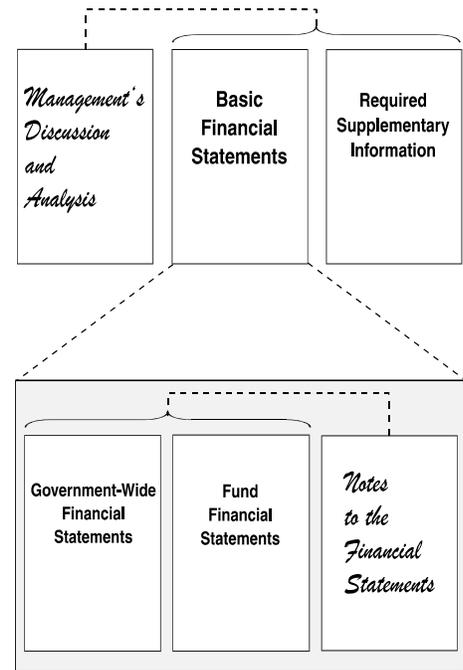
- The District's total combined net position was \$2,698,787 at August 31, 2018, a decrease of \$2,648,179 from the prior year.
- During the current year, the District's expenses were \$4,565,296, compared to \$4,988,807 in the prior year. The net expenses, after deducting amounts paid to the District for charges for services and grants were \$3,838,214 during the current year and \$4,354,163 in the prior year.
- During the current year, the District received \$687,512 in operating and capital grants compared to \$597,041 for the prior year.
- The general fund reported a fund balance this year of \$2,910,533, which includes \$1,600,000 committed by the School Board for future construction projects.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - *management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the District:

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

Figure A-1, Required Components of the District's Annual Financial Report



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

Summary ←→ Detail

GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets, liabilities and deferrals. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. The two government-wide statements reported the District's net position and how it has changed. Net position (the difference between the District's assets, liabilities and deferrals) are one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position are an indicator of whether financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, one needs to consider additional non-financial factors such as change in the District's tax base or changes in student enrollment numbers.

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

Fund Financial Statements

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

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

The District has two kinds of funds:

Governmental Funds - Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

Fiduciary Funds - The District is the trustee, or *fiduciary*, for certain funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations. The District's fiduciary funds consist only of money held on behalf of student organizations.

Government-wide Financial Analysis

As year to year financial information is accumulated on a consistent basis, changes in net position may be observed and used to discuss the changing financial position of the District as a whole.

The following table provides a comparative summary of the District's net position:

	The Summary of Net Position		AMOUNT OF CHANGE	%
	AUGUST 31,			
	2018	2017		CHANGE
Current and other assets	\$ 3 510 374	\$ 3 212 166	\$ 298 208	9%
Capital and long-term assets	5 740 532	6 053 394	(348 363)	(6)%
TOTAL ASSETS	<u>9 250 906</u>	<u>9 265 560</u>	<u>(50 155)</u>	(1)%
Deferred outflows	429 859	350 623	79 236	23%
Current liabilities	476 702	579 964	(103 262)	(18)%
Long term liabilities	5 380 976	3 560 760	(300 811)	(8)%
TOTAL LIABILITIES	<u>5 857 678</u>	<u>4 140 724</u>	<u>(404 073)</u>	(10)%
Deferred inflow related to pensions	1 124 300	128 493	995 807	775%
Net Position:				
Investment in capital assets	2 889 340	2 844 612	44 728	2%
Restricted	2 881	22 321	(19 440)	(87)%
Unrestricted	(193 434)	2 480 033	(2 673 467)	(108)%
TOTAL NET POSITION	<u>\$ 2 698 787</u>	<u>\$ 5 346 966</u>	<u>\$ (2 648 179)</u>	(50)%

Net position of the District's governmental activities decreased 50% to \$2,698,787 during the year ending August 31, 2018. The change in net position was due primarily to recognition of retiree healthcare liabilities now required to be recognized under accounting standards. A portion of the net position is either restricted as to the purposes it can be used for, or invested in capital assets (buildings, vehicles, equipment, and so on). Consequently, unrestricted net position was \$(193,434) at year end.

Government Activities

Comparative data is accumulated and presented below to assist analysis. The following table provides a summary of the District's operational activities and changes in net position:

Summary of Activities & Changes in Net Position

	GOVERNMENTAL ACTIVITIES			% CHANGE
	2018	2017	AMOUNT OF CHANGE	
Revenues:				
Program Revenues:				
Charges for services	\$ 39 570	\$ 37 603	\$ 1 967	5%
Operating grants and contributions	687 512	597 041	90 471	15%
General Revenues:				
Property taxes	2 144 851	1 921 651	223 200	12%
Investment earnings	-	2 530	(2 530)	(100)%
Foundation and unrestricted grants	2 764 931	2 521 950	242 981	10%
Other general revenues	24 819	36 867	(12 048)	(33)%
TOTAL REVENUES AND CONTRIBUTIONS	<u>5 661 683</u>	<u>5 117 642</u>	<u>544 041</u>	11%
Expenses:				
Instruction	2 149 365	2 599 217	(449 852)	(17)%
Instructional resources and media services	3 146	10 932	(7 786)	(71)%
Curriculum and staff development	3 139	956	2 183	228%
Instructional leadership	14 298	12 581	1 717	14%
School leadership	238 239	255 874	(17 635)	(7)%
Guidance, counseling and evaluation services	49 073	51 626	(2 553)	(5)%
Health services	70 431	76 865	(6 434)	(8)%
Student transportation	285 543	311 957	(26 414)	(8)%
Food service	254 161	289 657	(35 496)	(12)%
Curricular/extracurricular activities	102 277	109 543	(7 266)	(7)%
General administration	303 975	321 199	(17 224)	(5)%
Plant maintenance and operations	636 755	507 215	129 540	26%
Security and monitoring services	2 203	12 972	(10 769)	(83)%
Data processing services	156 275	143 390	12 885	9%
Interest on long-term debt	134 634	144 188	(9 554)	(7)%
Bond issuance cost and fees	750	500	250	50%
Capital outlay	6 000	-	6 000	100%
Payments to fiscal agent for shared service	82 188	77 200	4 988	6%
Other intergovernmental charges	72 844	62 935	9 909	16%
TOTAL EXPENSES	<u>4 565 296</u>	<u>4 988 807</u>	<u>(423 511)</u>	(8)%
CHANGE IN NET POSITION	1 096 387	128 835	967 552	751%
Prior period adjustment	(3 744 566)	-	(3 744 566)	100%
Beginning net position	5 346 966	5 218 131	128 835	2%
NET POSITION - ENDING	<u>\$ 2 698 787</u>	<u>\$ 5 346 966</u>	<u>\$ (2 648 179)</u>	(49.53)%

- Property tax rates stayed at \$1.17 per \$100 valuation. The property values increased from the prior year by approximately \$51 million.
- Instruction expenses decreased as a result of the allocation of OPEB plan activity.

The prior period adjustment for 2018 consists of the adoption of GASB 75 required recognition of the liability for Other Post-Employment Benefits (OPEB).

Financial Analysis of the District's Funds

Revenues in the General Fund totaled \$5,103,784 compared with \$4,666,932 in the prior year. Property tax revenue was \$196,153 higher due to increased taxable values. State available and foundation revenue increased by \$311,726 due primarily to catch-up payments for prior years.

The District's total expenditures in its General Fund were \$4,814,692 compared with \$4,467,282 in the prior year. In comparing 2018 with 2017 expenditures, the most significant variances were increases in repairs and maintenance costs due to roofing repairs, flooring maintenance, and an energy efficiency project.

Comparative data for the District's fund balances of its Governmental Funds are presented in the following table to assist analysis:

Summary of the District's Fund Balances

	GOVERNMENTAL FUNDS		AMOUNT OF CHANGE
	AUGUST 31,		
	2018	2017	
General fund	\$ 2 910 533	\$ 2 623 726	\$ 286 807
Food service fund	2 881	22 321	(19 440)
TOTAL - GOVERNMENTAL	\$ 2 913 414	\$ 2 646 047	\$ 267 367

Budgetary Highlights

Over the course of the year, the District revised its budget several times. After these adjustments, actual expenditures for the General Fund were \$230,466 under final budget amounts. Actual expenditures for all budget categories were either at or below budgeted amounts.

Resources available were \$18,298 under the final budgeted amount.

Expenditures for the Cafeteria Fund were \$33,501 under the budgeted amount.

Capital Assets and Debt Administration

Capital Assets

At August 31, 2018, the District has invested approximately \$5.7 million in a broad range of capital assets, including land, equipment, buildings, and vehicles.

Summary of the District's Capital Assets

	GOVERNMENTAL ACTIVITIES		AMOUNT OF CHANGE
	AUGUST 31,		
	2018	2017	
Land	\$ 237 208	\$ 237 208	\$ -
Construction in progress	35 501	-	35 501
Building and improvements	8 029 604	8 029 604	-
Equipment	1 965 887	1 965 887	-
Vehicles	888 900	945 545	(56 645)
SUBTOTAL	11 157 100	11 178 244	(21 144)
Less accumulated depreciation	(5 416 568)	(5 124 850)	(291 718)
NET CAPITAL ASSETS	\$ 5 740 532	\$ 6 053 394	\$ (312 862)

During the current year, the District purchased one new passenger van. During the prior year, the District purchased three school buses.

Long Term Debt

At year-end the District had \$2.8 million in debt outstanding. There have been no plans made to obtain additional long-term borrowing. No changes have occurred in credit ratings or interest rates on existing bonds.

Debt transactions are summarized as follows:

Summary of the District's Debt

	AUGUST 31,	
	2018	2017
Balance of debt, beginning of year	\$ 3 144 280	\$ 3 477 196
Principal payments on bonds	(270 000)	(260 000)
Principal payments on bus notes	(98 226)	(87 127)
Amortization of bond premium and discount	14 211	14 211
BALANCE OF DEBT, END OF YEAR	<u>\$ 2 790 265</u>	<u>\$ 3 144 280</u>

Interest expenses totaled \$134,634 for fiscal 2018 and \$131,543 for fiscal 2017. More detailed information about the District's debt is presented in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Several indicators were taken into account when adopting the General Fund budget for the 2018 - 19 fiscal year. Budgeted revenues for the 2019 fiscal year are \$5,836,102 while previous year revenues were originally budgeted at \$5,122,082. The increase in budgeted revenues anticipates increased property tax payments due to an increase in taxable values caused by an influx of the oil and gas industry within our district.

General Fund expenditures are budgeted for the 2018 - 19 fiscal year at \$4,998,058 compared to the original budgeted amount of \$4,639,430 for the prior year. The major increase to expenditures is in the area of instruction, and maintenance costs.

If these estimates are realized, the District's budgetary General Fund balance is expected to be approximately \$838,044 higher than the August 31, 2018 balance.

Contacting the District's Financial Management

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

BASIC FINANCIAL STATEMENTS

BROADDUS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
August 31, 2018

EXHIBIT A-1

DATA CONTROL CODES		1 GOVERNMENTAL ACTIVITIES
	ASSETS	
1110	Cash and cash equivalents	\$ 2 350 474
1120	Current investments	437 548
1225	Property taxes receivable (net)	423 418
1240	Due from other governments	256 875
1290	Other receivables (net)	6 770
1410	Prepaid expenditures	35 289
	Capital Assets:	
1510	Land	237 208
1520	Buildings, net	4 694 843
1530	Furniture and equipment, net	772 980
1580	Construction in process	35 501
1000	TOTAL ASSETS	<u>9 250 906</u>
	DEFERRED OUTFLOWS	
1700	Deferred outflow - Pension and OPEB	429 859
1000a	TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>9 680 765</u>
	LIABILITIES	
2110	Accounts payable	23 809
2160	Accrued wages payable	149 733
2501	Due within one year	303 160
	Noncurrent Liabilities:	
2502	Due in more than one year	2 487 105
2540	Net pension liability	772 844
2545	Net OPEB liability	2 121 027
2000	TOTAL LIABILITIES	<u>5 857 678</u>
	DEFERRED INFLOWS	
2600	Deferred inflows - Pension and OPEB	1 124 300
2000	TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>6 981 978</u>
	NET POSITION	
3200	Net investment in capital assets	2 889 340
3820	Restricted for federal and state programs	2 881
3900	Unrestricted	(193 434)
3000	TOTAL NET POSITION	<u>\$ 2 698 787</u>

The accompanying notes are an integral part of this statement.

BROADDUS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2018

EXHIBIT B-1

DATA CONTROL CODES	FUNCTIONS/PROGRAMS	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION GOVERNMENTAL ACTIVITIES
		1 EXPENSES	3 CHARGES FOR SERVICES	4 OPERATING GRANTS AND CONTRIBUTIONS	
	Governmental Activities:				
11	Instruction	\$ 2 149 365	\$ -	\$ 440 019	\$ (1 709 346)
12	Instruction resources and media services	3 146	-	-	(3 146)
13	Curriculum and staff development	3 139	-	650	(2 489)
21	Instructional leadership	14 298	-	5 268	(9 030)
23	School leadership	238 239	-	600	(237 639)
31	Guidance, counseling, and evaluation services	49 073	-	-	(49 073)
33	Health services	70 431	-	15 997	(54 434)
34	Student transportation	285 543	-	-	(285 543)
35	Food services	254 161	31 552	224 978	2 369
36	Cocurricular/extracurricular activities	102 277	8 018	-	(94 259)
41	General administration	303 975	-	-	(303 975)
51	Facilities maintenance and operations	636 755	-	-	(636 755)
52	Security and monitoring services	2 203	-	-	(2 203)
53	Data processing services	156 275	-	-	(156 275)
72	Interest on long-term debt	134 634	-	-	(134 634)
73	Bond issuance costs and fees	750	-	-	(750)
81	Capital outlay	6 000	-	-	(6 000)
93	Payments related to shared services arrangements	82 188	-	-	(82 188)
99	Other intergovernmental charges	72 844	-	-	(72 844)
TG	TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 4 565 296</u>	<u>\$ 39 570</u>	<u>\$ 687 512</u>	<u>(3 838 214)</u>
	General Revenues:				
MT	Property taxes, levied for general purposes				2 144 851
GC	Grants and contributions not restricted to specific programs				2 764 931
MI	Miscellaneous				24 819
TR	TOTAL GENERAL REVENUES				<u>4 934 601</u>
CN	CHANGE IN NET POSITION				<u>1 096 387</u>
PA	PRIOR PERIOD ADJUSTMENT				(3 744 566)
NB	Net position - Beginning				<u>5 346 966</u>
NE	NET POSITION - ENDING				<u>\$ 2 698 787</u>

The accompanying notes are an integral part of this statement.

BROADDUS INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
August 31, 2018

EXHIBIT C-1

DATA CONTROL CODES		10 GENERAL FUND	OTHER GOVERNMENTAL FUNDS	98 TOTAL GOVERNMENTAL FUNDS
	ASSETS			
1110	Cash and cash equivalents	\$ 2 350 474	\$ -	\$ 2 350 474
1120	Current investments	437 548	-	437 548
1225	Taxes receivable, net	423 418	-	423 418
1240	Due from other governments	172 282	84 593	256 875
1260	Due from other funds	75 207	-	75 207
1290	Other receivables	6 770	-	6 770
1410	Prepaid expenditures	35 289	-	35 289
1000	TOTAL ASSETS	<u>\$ 3 500 988</u>	<u>\$ 84 593</u>	<u>\$ 3 585 581</u>
	LIABILITIES			
	Current Liabilities:			
2110	Accounts payable	\$ 23 809	\$ -	\$ 23 809
2160	Accrued wages payable	143 228	6 505	149 733
2170	Due to other funds	-	75 207	75 207
2000	TOTAL LIABILITIES	<u>167 037</u>	<u>81 712</u>	<u>248 749</u>
	DEFERRED INFLOWS			
2600	Unavailable revenue	423 418	-	423 418
	TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>590 455</u>	<u>81 712</u>	<u>672 167</u>
	FUND BALANCES			
	Nonspendable Fund Balances:			
3430	Prepaid expenditures	35 289	-	35 289
	Restricted Fund Balances:			
3450	Restricted for food service	-	2 881	2 881
	Committed Fund Balances:			
3510	Committed for construction	1 600 000	-	1 600 000
3600	Unassigned	1 275 244	-	1 275 244
3000	TOTAL FUND BALANCE	<u>2 910 533</u>	<u>2 881</u>	<u>2 913 414</u>
4000	TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	<u>\$ 3 500 988</u>	<u>\$ 84 593</u>	<u>\$ 3 585 581</u>

The accompanying notes are an integral part of this statement.

BROADDUS INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
August 31, 2018

EXHIBIT C-1R

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS (EXHIBIT C-1)	\$	2 913 414
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Capital assets used in governmental activities are not reported in the funds.		5 740 532
Property taxes receivable unavailable to pay for current period expenditures are recorded as unavailable in the funds.		423 418
Payables for bond principal which are not due in the current period are not reported in the funds.		(2 663 879)
Payables for bond interest which are not due in the current period are not reported in the funds.		-
Payables for notes which are not due in the current period are not reported in the funds.		(126 386)
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.		(597 372)
Recognition of the District's proportionate share of the net OPEB liability and related deferred inflows and outflows is not reported in the funds.		<u>(2 990 940)</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES (EXHIBIT A-1)	\$	<u>2 698 787</u>

The accompanying notes are an integral part of this statement.

BROADDUS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Year Ended August 31, 2018

EXHIBIT C-2

DATA CONTROL CODES		10 GENERAL FUND	OTHER GOVERNMENTAL FUNDS	98 TOTAL GOVERNMENTAL FUNDS
	Revenues:			
5700	Local and intermediate sources	\$ 2 160 301	\$ 31 552	\$ 2 191 853
5800	State program revenues	2 596 060	19 571	2 615 631
5900	Federal program revenues	347 423	489 389	836 812
5020	TOTAL REVENUES	<u>5 103 784</u>	<u>540 512</u>	<u>5 644 296</u>
	Expenditures:			
	Current:			
0011	Instruction	2 195 592	263 681	2 459 273
0012	Instructional resources and media services	3 146	-	3 146
0013	Curriculum and staff development	2 489	650	3 139
0021	Instructional leadership	9 030	5 268	14 298
0023	School leadership	265 865	600	266 465
0031	Guidance, counseling, and evaluation services	54 624	-	54 624
0033	Health services	67 163	16 068	83 231
0034	Student transportation	246 477	-	246 477
0035	Food service	-	275 970	275 970
0036	Curricular and extracurricular activities	86 678	-	86 678
0041	General administration	319 264	-	319 264
0051	Facilities maintenance and operations	687 694	-	687 694
0052	Security and monitoring services	350	-	350
0053	Data processing services	164 962	-	164 962
0071	Principal on long-term debt	369 194	-	369 194
0072	Interest on long-term debt	180 382	-	180 382
0073	Bond issuance costs and fees	750	-	750
0081	Capital outlay	6 000	-	6 000
0093	Payments to shared service arrangements	82 188	-	82 188
0099	Other intergovernmental charges	72 844	-	72 844
6030	TOTAL EXPENDITURES	<u>4 814 692</u>	<u>562 237</u>	<u>5 376 929</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>289 092</u>	<u>(21 725)</u>	<u>267 367</u>
	Other Financing Sources (Uses):			
7915	Transfers in	-	2 285	2 285
8911	Transfers out	(2 285)	-	(2 285)
7080	TOTAL OTHER FINANCING SOURCES (USES)	<u>(2 285)</u>	<u>2 285</u>	<u>-</u>
1200	NET CHANGE IN FUND BALANCES	286 807	(19 440)	267 367
0100	Fund balances - Beginning	2 623 726	22 321	2 646 047
3000	FUND BALANCES - ENDING	<u>\$ 2 910 533</u>	<u>\$ 2 881</u>	<u>\$ 2 913 414</u>

The accompanying notes are an integral part of this statement.

BROADDUS INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2018

EXHIBIT C-3

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 267 367
Amounts Reported for Governmental Activities in the Statement of Activities ("SOA") are Different Because:	
Capital outlays are not reported as expenses in the SOA.	35 501
The depreciation of capital assets used in governmental activities is not reported in the funds.	(348 363)
Certain property tax revenues are deferred as unearned in the funds. This is the change in these amounts this year.	17 387
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	270 000
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	98 226
(Increase) decrease in accrued interest from beginning of period to end of period.	60 927
Bond discounts are reported in the funds but not in the SOA.	(14 211)
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	(44 073)
Expense relating to GASB 75 for the OPEB plan is recorded in the SOA but not in the funds.	<u>753 626</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES - STATEMENT OF ACTIVITIES	\$ <u><u>1 096 387</u></u>

The accompanying notes are an integral part of this statement.

BROADDUS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
August 31, 2018

EXHIBIT E-1

<u>DATA CONTROL CODES</u>		<u>AGENCY FUND</u>
	ASSETS	
1110	Cash and cash equivalents	\$ 84 050
1000	TOTAL ASSETS	<u>\$ 84 050</u>
	LIABILITIES	
	Current Liabilities:	
2190	Due to student groups	\$ 84 050
2000	TOTAL LIABILITIES	<u>84 050</u>
	NET POSITION	
3000	TOTAL NET POSITION	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

BROADDUS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Broaddus Independent School District (the "District") have been prepared in conformity with accounting principles general accepted in the United States of America ("GAAP") applicable to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide ("Resource Guide"). The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

A. The Reporting Entity

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

B. Basis of Presentation, Basis of Accounting

Basis of Presentation:

Government-wide Financial Statements: The statement of net position and the statement of activities included the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double - counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the program and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as a program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

General Fund: This is the District's primary operating fund. It accounts for all financial resources of the District, except those accounted for in another fund.

In addition, the District reports the following fund types:

Agency Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available.

BROADDUS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Measurement Focus, Basis of Accounting

Government-wide and fiduciary fund financial statements: These financial statements are reported using the *economic resources measurement focus*. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements: Governmental funds are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible - to - accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long - term debt, claims and judgements, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

C. Financial Statement Amounts

Property Taxes:

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

Allowances for uncollectible tax receivables within the General Fund are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. The allowance for uncollectible tax receivable was \$105,854 at August 31, 2018.

Inventories and prepaid items

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

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

BROADDUS INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Capital Assets:

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

CAPITAL ASSET CLASSES	LIVES
Buildings and Improvements	50
Building Improvements	15-20
Vehicles	5-10
Equipment	5-10

Deferred Outflows/Inflows of Resources:

In addition to assets and liabilities, the statement of financial position (the government - wide statement of net position and governmental funds balance sheet) will sometimes report a separate section for deferred outflows and inflows of resources. This separate financial statement element, *deferred outflows or inflows of resources*, represents a consumption of net position and/or fund balance that applies to one or more future period(s) and so will *not* be recognized as an inflow or outflow of resources (revenue or expense) until that time.

Receivable and Payable Balances:

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

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

Interfund Activity:

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government - wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government - wide statement of net position.

Use of Estimates:

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

BROADDUS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Data Control Codes:

The Data Control Codes appear in the rows and above the columns of certain financial statements. The TEA in the *Financial Accountability System Resource Guide*. Texas Education Agency requires the display these codes in the financial statements filed with TEA in order to ensure accuracy in building a statewide data base for policy development and funding plans.

Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

- Nonspendable fund balance - represents amounts that cannot be spent because they are either in in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).
- Restricted fund balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.
- Committed fund balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's Board of Trustees. Committed amounts cannot be used for any other purpose unless the Board of Trustees removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Board of Trustees. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.
- Assigned fund balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board of Trustees or by an official or body to which the Board of Trustees delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.
- Unassigned fund balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed, or assigned.

Net Position Flow Assumption:

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

BROADDUS INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund Balance Flow Assumptions:

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

D. Pensions

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

E. Other Post-Employment Benefits

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 post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

F. Subsequent Events

Management has evaluated subsequent events through January 10, 2019, the date the financial statements were available to be issued.

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

A. Finance - Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures" violations of finance related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

VIOLATION	ACTION TAKEN
None reported	Not applicable

B. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

FUND NAME	DEFICIT AMOUNT	REMARKS
None reported	Not applicable	Not applicable

BROADDUS INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2018

NOTE 3 - DEPOSITS AND INVESTMENTS

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

1. Cash Deposits:

At August 31, 2018, the carrying amount of the District's deposits (cash, certificates of deposit, and interest - bearing savings accounts included in temporary investments) was \$2,872,072 and bank balance was \$2,912,134. The District's cash deposits at August 31, 2018 and during the year then ended, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

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

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

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

The District's investment at August 31, 2018 is shown below.

INVESTMENT OR INVESTMENT TYPE	MATURITY	FAIR VALUE
Certificate of deposits	<1 year	\$ 437 548
TOTAL INVESTMENTS		\$ 437 548

Analysis of Specific Deposit and Investment Risks:

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of a certain related disclosures:

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

BROADDUS INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2018

NOTE 3 - DEPOSITS AND INVESTMENTS - CONTINUED

Custodial Credit Risk - Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name. At year end, the District was not exposed to custodial credit risk.

Concentration of Credit Risk - The risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of a credit risk.

Interest Rate Risk - This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

Foreign Currency Risk - This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

Investment Accounting Policy

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

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year end August 31, 2018, were as follows:

GOVERNMENTAL ACTIVITIES	BEGINNING BALANCES	INCREASES	DECREASES	ENDING BALANCES
Capital Assets Not Being Depreciated:				
Land	\$ 237 208	\$ -	\$ -	\$ 237 208
Construction in progress	-	35 501	-	35 501
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	237 208	35 501	-	272 709
Capital Assets Being Depreciated:				
Buildings and improvements	8 029 604	-	-	8 029 604
Equipment	1 965 887	-	-	1 965 887
Vehicles	945 545	-	(56 645)	888 900
TOTAL CAPITAL ASSETS BEING DEPRECIATED	10 941 036	-	(56 645)	10 884 391
Less Accumulated Depreciation for:				
Buildings and improvements	(3 175 373)	159 388	-	3 334 761
Equipment	(1 305 632)	139 455	-	1 445 087
Vehicles	(643 845)	49 520	(56 645)	636 720
TOTAL ACCUMULATED DEPRECIATION	(5 124 850)	348 363	(56 645)	5 416 568
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	5 816 186	(348 363)	-	5 467 823
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	\$ 6 053 394	\$ (312 862)	\$ -	\$ 5 740 532

BROADDUS INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2018

NOTE 4 - CAPITAL ASSETS - CONTINUED

Depreciation was charged to functions as follows:

Instruction	\$ 270 266
Health services	609
Student transportation	50 168
Food services	3 717
Extracurricular activities	20 170
General administration	1 103
Plant maintenance and operations	477
Security and monitoring services	1 853
TOTAL	<u>\$ 348 363</u>

NOTE 5 - INTERFUND BALANCES AND ACTIVITIES

Due to and from other funds

The District's interfund balances at August 31, 2018 consisted of the following:

<u>DUE TO</u>	<u>DUE FROM</u>	<u>AMOUNT</u>	<u>REASON</u>
General fund	Other Government Funds:	\$ 75 207	Short-term loan
	TOTAL	<u>\$ 75 207</u>	

Transfer to and from other funds

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

<u>TRANSFERS FROM</u>	<u>TRANSFERS TO</u>	<u>AMOUNT</u>	<u>REASON</u>
General fund	Other Government Funds	\$ 2 285	Supplement other funds sources
	TOTAL	<u>\$ 2 285</u>	

NOTE 6 - LONG - TERM OBLIGATIONS

Long-term Obligation Activity

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

	<u>BEGINNING BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCE</u>	<u>AMOUNTS DUE WITHIN ONE YEAR</u>
Governmental Activities:					
General obligation bonds	\$ 3 160 000	\$ -	\$ (270 000)	\$ 2 890 000	\$ 275 000
Bond premium (discount)	(142 106)	14 211	-	(127 895)	-
Notes	126 386	-	(98 226)	28 160	28 160
TOTAL GOVERNMENT ACTIVITIES	<u>\$ 3 144 280</u>	<u>\$ 14 211</u>	<u>\$ (368 226)</u>	<u>\$ 2 790 265</u>	<u>\$ 303 160</u>

Long - term debt consisted of the following individual issues:

	<u>INTEREST RATES</u>	<u>ORIGINAL ISSUE</u>	<u>MATURITY</u>	<u>BALANCE</u>
Governmental Activities:				
2011 maintenance tax refunding bonds	1.25 - 4.30	\$ 4 575 000	2027	\$ 2 890 000
2015 note payable - 2 buses	3.000	172 772	2018	-
2016 note payable - 1 bus	2.759	89 576	2019	28 160

Buses are pledged as security on the notes payable, with a total cost of \$262,348 and accumulated depreciation of \$69,053 as of August 31, 2018.

BROADDUS INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2018

NOTE 6 - LONG - TERM OBLIGATIONS - CONTINUED

Debt Service Requirements

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

YEAR ENDING AUGUST 31	GOVERNMENTAL ACTIVITIES		
	PRINCIPAL	INTEREST	TOTAL
2019	\$ 303 160	\$ 57 267	\$ 360 427
2020	285 000	104 815	389 815
2021	305 000	94 840	399 840
2022	305 000	83 555	388 555
2023	320 000	71 660	391 660
2024 - 2028	1 400 000	151 945	1 551 945
TOTALS	\$ 2 918 160	\$ 564 082	\$ 3 482 242

NOTE 7 - COMMITMENTS UNDER NONCAPITALIZED LEASES

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

YEAR ENDING AUGUST 31	
2019	\$ 16 574
2020	8 006
2021	4 539
TOTAL MINIMUM RENTALS	\$ 29 119
RENTAL EXPENDITURES IN 2018	23 947

NOTE 8 - RISK MANAGEMENT

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

The District participated with other school districts in the TASB Risk Management Fund Workers Compensation Program (the Fund), which is a public entity risk pool currently operating as a common risk management and insurance program. The District pays an annual premium to the Fund for its workers compensation insurance coverage. The Agreement for Formation of the Fund provides that the Fund will be self - sustaining through member premiums and will reinsure through commercial companies for catastrophic claim.

NOTE 9 - PENSION PLAN

A. Plan Description

The 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.

BROADDUS INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2018

NOTE 9 - PENSION PLAN - CONTINUED

B. 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 https://www.trs.texas.gov/TRS%20Documents/cafr_2016.pdf; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

C. Benefits Provided

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

D. Contributions

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

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

	CONTRIBUTION RATES	
	2017	2018
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
2018 Employer Contributions	\$ 77 992	
2018 Member Contributions	\$ 201 198	
NECE 2017 On-behalf Contributions	\$ 145 798	

BROADDUS INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2018

NOTE 9 - PENSION PLAN - CONTINUED

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

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

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

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

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

E. Actuarial Assumptions

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

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term Expected Investment Rate of Return	8.00%
Inflation	2.50%
Salary Increases	3.50% to 9.50% including inflation
Benefit Changes During the Year	None
Ad Hoc Post-Employment Benefit Changes	None

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

BROADDUS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2018

NOTE 9 - PENSION PLAN - CONTINUED

F. Discount Rate

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

<u>ASSET CLASS</u>	<u>TARGET ALLOCATION</u>	<u>LONG-TERM EXPECTED GEOMETRIC REAL RATE OF RETURN</u>	<u>EXPECTED CONTRIBUTION TO LONG-TERM PORTFOLIO RETURNS*</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%
Stable Value Hedge Funds	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 Expectation			2.2%
Alpha			1.0%
Total	<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.

** For the fiscal year ended August 31, 2018, the annual money-weighted rate of return on pension plan investments was 12.98 percent. The annual money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

BROADDUS INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2018

NOTE 9 - PENSION PLAN - CONTINUED

G. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the net pension liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 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	\$ 1 302 863	\$ 772 844	\$ 331 518

H. Pension Liabilities, Pension Expenses and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

At August 31, 2018, the District reported a liability of \$772,844 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	\$ 772 844
State's proportionate share of the net pension liability associated with the District	<u>1 425 400</u>
TOTAL	<u>\$ 2 198 244</u>

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

At August 31, 2017 the employer's proportion of the collective net pension liability was 0.0024% which was an increase (decrease) of (0.0004)% from its proportion measured as of August 31, 2016.

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

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

For the year ended August 31, 2018, the District recognized pension expenses of \$108,724 and revenue of \$108,724 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 11 307	\$ 41 678
Changes in actuarial assumptions	35 204	20 154
Difference between projected and actual investment earnings	118 854	175 178
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	169 185	60
District contributions paid to the TRS subsequent to the measurement date	<u>77 992</u>	<u>-</u>
TOTAL	<u>\$ 412 542</u>	<u>\$ 237 070</u>

BROADDUS INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2018

NOTE 9 - PENSION PLAN - CONTINUED

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

Year Ended August 31	Pension Expense Amount
2018	\$ 8 504
2019	\$ 57 837
2020	\$ 4 713
2021	\$ (8 166)
2022	\$ 21 161
Thereafter	\$ 13 431

NOTE 10 - DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

A. Plan Description

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

B. OPEB Plan Fiduciary Net Position

Detail information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, Texas 78701-2698; or by calling 512.542.6592.

C. 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 post-employment benefit changes; including automatic COLAs.

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

BROADDUS INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2018

NOTE 10 - DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS - CONTINUED

TRS-Care Plan Premium Rates			
Effective September 1, 2017 - December 31, 2018			
	TRS-Care 1	TRS-Care 2	TRS-Care 3
	Basic Plan	Optional Plan	Optional Plan
Retiree*	\$ -	\$ 70	\$ 100
Retiree and Spouse	20	175	255
Retiree* and Children	41	132	182
Retiree and Family	61	237	337
Surviving Children only	28	62	82

* or surviving spouse

D. Contributions

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.0% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 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.

<u>Contribution Rates</u>		
	2017	2018
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%
2018 Employer Contributions	\$ 21 154	
2018 Member Contributions	\$ 16 985	
2017 NECE On-behalf Contributions	\$ 23 769	

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 and \$182.6 million in fiscal year 2018.

BROADDUS INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2018

NOTE 10 - DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS - CONTINUED

E. Actuarial Assumptions

Valuation Date	August 31, 2017
Methods and Assumptions:	
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.50%
Single Discount Rate	3.42% as of August 31, 2017
Demographic Assumptions	Based on the experience study performed for the Teachers Retirement System of Texas of the period ending August 31, 2014.
Mortality Assumption	The active mortality rates were based on 90% of the RP-2014 Employee Mortality Tables for males and females, with full generational mortality using Scale BB. The post-retirement mortality rates for healthy lives were based on the 2015 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection using Scale BB.
Healthcare Trend Rates	Initial medical trend rates of 7.00% for non-Medicare retirees and 10.00% for Medicare retirees. Initial prescription drug trend rate of 12.00% for all retirees. Initial trend rates decrease to an ultimate trend rate of 4.50% over a period of 10 years.
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65
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.

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	

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

F. 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.***

BROADDUS INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2018

NOTE 10 - DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS - CONTINUED

G. 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%)	Current Single Discount Rate (3.42%)	1% Increase in Discount Rate (4.42%)
District's proportionate share of the Net OPEB Liability	\$ 2 503 338	\$ 2 121 027	\$ 1 813 735

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

At August 31, 2018, the District reported a liability of \$2,121,027 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provide 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		\$ 2 121 027
State's proportionate share that is associated with District		1 988 089
TOTAL		\$ 4 109 116

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

At August 31, 2017, the District's proportion of the collective Net OPEB Liability was 0.0049% which was the same proportion measured as of August 31, 2016.

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:

The following assumptions and other inputs which are specific to TRS-Care were updated from the prior year's report:

1. Significant plan changes were adopted during fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will exist (instead of three), and all retirees will be required to contribute monthly premiums for coverage. The health plan changes triggered changes to several of the assumptions, including participation rates, retirement rates, and spousal participation rates.

BROADDUS INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2018

NOTE 10 - DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS - CONTINUED

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 percent as of August 31, 2016 to 3.42 percent as of August 1, 2017. This change lowered the total OPEB liability.

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

For the year ended August 31, 2018, the District recognized OPEB expense of \$(665,267) and revenue of \$(665,267) for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 44 278
Changes in actuarial assumptions	-	842 952
Difference between projected and actual investment earnings	322	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	10	-
Contributions paid to TRS subsequent to the measurement date	16 985	-
TOTAL	\$ 17 317	\$ 887 230

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

YEAR ENDED AUGUST 31,	OPEB EXPENSE AMOUNT
2019	\$ (117 026)
2020	\$ (117 026)
2021	\$ (117 026)
2022	\$ (117 026)
2023	\$ (117 107)
Thereafter	\$ (301 687)

BROADDUS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2018

NOTE 11 - EMPLOYEE HEALTH CARE COVERAGE

During the year ended August 31, 2018, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$225 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

A. Contingencies

The District participates in grant programs which are governed by various rules and regulations of the grantor agencies. Cost 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 collectability of any related receivable may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

B. Litigation

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

NOTE 13 - SHARED SERVICES ARRANGEMENTS

Shared Services Arrangement - Membership

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

Member Districts
Broaddus ISD
Brookeland ISD
Hemphill ISD - Fiscal Agent
West Sabine ISD

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

NOTE 14 - PRIOR PERIOD ADJUSTMENT

The District made a prior period adjustment to recognize the worker's compensation liability for the beginning balance of OPEB liability in accordance with GASB Statement 75. The prior period adjustment decreased the net position of the governmental activities by \$3,744,560.

REQUIRED SUPPLEMENTARY INFORMATION

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

BROADDUS INDEPENDENT SCHOOL DISTRICT
GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - BUDGETARY COMPARISON
For the Year Ended August 31, 2018

EXHIBIT G-1

DATA CONTROL CODES		ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	Revenues:				
5700	Local and intermediate sources	\$ 2 251 848	\$ 2 251 848	\$ 2 160 301	\$ (91 547)
5800	State program revenues	2 488 234	2 488 234	2 596 060	107 826
5900	Federal program revenues	382 000	382 000	347 423	(34 577)
5020	TOTAL REVENUES	<u>5 122 082</u>	<u>5 122 082</u>	<u>5 103 784</u>	<u>(18 298)</u>
	Expenditures:				
	Current:				
0011	Instruction	2 175 631	2 262 104	2 195 592	66 512
0012	Instructional resources and media services	14 528	14 528	3 146	11 382
0013	Curriculum and staff development	3 000	3 000	2 489	511
0021	Instructional leadership	9 030	9 030	9 030	-
0023	School leadership	275 700	279 200	265 865	13 335
0031	Guidance, counseling, and evaluation services	57 168	57 456	54 624	2 832
0033	Health services	71 326	72 272	67 163	5 109
0034	Student transportation	260 622	266 253	246 477	19 776
0036	Cocurricular/extracurricular activities	95 926	98 044	86 678	11 366
0041	General administration	313 694	335 429	319 264	16 165
0051	Plant maintenance and operations	567 070	730 294	687 694	42 600
0052	Security and monitoring services	-	350	350	-
0053	Data processing services	158 382	166 398	164 962	1 436
0071	Principal on long term debt	503 353	560 479	550 326	10 153
0081	Capital outlay	-	35 289	6 000	29 289
0093	Payments to fiscal agent or member dist. - SSA	72 000	82 188	82 188	-
0099	Other governmental charges	62 000	72 844	72 844	-
6030	TOTAL EXPENDITURES	<u>4 639 430</u>	<u>5 045 158</u>	<u>4 814 692</u>	<u>230 466</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>482 652</u>	<u>76 924</u>	<u>289 092</u>	<u>212 168</u>
	Other Financing Sources (Uses):				
8911	Transfer out	-	-	(2 285)	(2 285)
	TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>(2 285)</u>	<u>(2 285)</u>
1200	NET CHANGE IN FUND BALANCES	482 652	76 924	286 807	209 883
0100	Fund balances - Beginning	<u>2 623 726</u>	<u>2 623 726</u>	<u>2 623 726</u>	<u>-</u>
3000	FUND BALANCES - ENDING	<u>\$ 3 106 378</u>	<u>\$ 2 700 650</u>	<u>\$ 2 910 533</u>	<u>\$ 209 883</u>

See independent auditors' report.

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

EXHIBIT G-2

	2017	2016	2015	2014
District's proportion of the net pension liability (asset)	0.002%	0.002%	0.002%	0.002%
District's proportionate share of the net pension liability (asset)	\$ 772 844	\$ 775 429	\$ 720 158	\$ 458 234
State's proportionate share of the net pension liability (asset) associated with the District	1 425 400	1 752 769	1 729 993	1 324 923
TOTAL	\$ 2 198 244	\$ 2 528 198	\$ 2 450 151	\$ 1 783 157
District's covered-employee payroll	\$ 2 556 542	\$ 2 572 370	\$ 2 489 685	\$ 2 465 959
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	30.23%	30.14%	28.93%	18.58%
Plan fiduciary net position as a percentage of the total pension liability	82.17%	78.00%	78.43%	83.25%

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

BROADDUS INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT CONTRIBUTIONS
 TEACHER RETIREMENT SYSTEM
 LAST TEN FISCAL YEARS*

EXHIBIT G-3

	2018	2017	2016	2015
Contractually required contribution	\$ 77 992	\$ 89 912	\$ 82 080	\$ 57 666
Contributions in relation to the contractually required contribution	(77 992)	89 912	82 080	57 666
CONTRIBUTION DEFICIENCY (EXCESS)	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 2 612 959	\$ 2 556 642	\$ 2 572 370	\$ 2 489 685
Contributions as a percentage of covered-employee payroll	2.98%	3.52%	3.19%	2.32%

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

BROADDUS INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT PROPORTIONATE SHARE OF OPEB LIABILITY
 AND DISTRICT'S OPEB CONTRIBUTIONS
 TEACHER RETIREMENT SYSTEM
 LAST TEN FISCAL YEARS*

EXHIBIT G-4

District's Proportionate Share of Liability	2017
District's proportion of the OPEBL	0.0049%
District's proportionate share of the OPEBL	\$ 2 121 027
State share of the OPEBL associated with the District	1 988 089
TOTAL	\$ 4 109 116
District's covered-employee payroll*	\$ 2 556 542
<i>*Prior FY TRS Gross - September through August</i>	
Proportionate share/covered payroll	82.96%
Plan fiduciary net position/total OPEB liability	0.91%
<hr/>	
District Contributions	2018
Contractually required contribution	\$ 21 154
Contributions to required contribution	(21 154)
CONTRIBUTION DEFICIENCY (EXCESS)	\$ -
Current fiscal year TRS gross	\$ 2 612 959
Contributions to covered payroll	0.81%

Information provided by the Teacher Retirement System of Texas.

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

See independent auditors' report.

BROADDUS INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended August 31, 2018

Budget

The official budget was prepared for adoption for all Governmental Fund Types. The budget was prepared in accordance with accounting practices generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data:

- Prior to August 21 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given
- Prior to the beginning of the fiscal year, the budget is legally enacted through passage of a resolution by the Board.

Once a budget is approved, it can be amended at function and fund level only by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings.

Each amendment must have Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board and are not made after fiscal year end as required by law.

Each amendment is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either cancelled or appropriately provided for in the subsequent year's budget. There were no end-of-year outstanding encumbrances that provided for in the subsequent year's budget.

Defined Benefit Pension Plan

Changes of benefit term.

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

Changes of assumptions.

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

OPEB Plan

See Note 10 for description of changes to provisions and assumptions underlying the OPEB plan.

COMBINING STATEMENTS AND BUDGET COMPARISONS
AS SUPPLEMENTARY INFORMATION

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

BROADDUS INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 August 31, 2018

DATA CONTR CODES		211 ESEA TITLE I IMPROVING BASIC PROGRAMS	240 NATIONAL BREAKFAST AND LUNCH PROGRAM	255 ESEA TITLE II TRAINING AND RECRUITING
	ASSETS			
1240	Due from other governments	\$ 69 696	\$ 12 526	\$ 2 371
1000	TOTAL ASSETS	<u>\$ 69 696</u>	<u>\$ 12 526</u>	<u>\$ 2 371</u>
	LIABILITIES			
2160	Accrued wages payable	\$ -	\$ 6 505	\$ -
2170	Due to other funds	69 696	3 140	2 371
2000	TOTAL LIABILITIES	<u>69 696</u>	<u>9 645</u>	<u>2 371</u>
	FUND BALANCES			
3450	Restricted for Federal/State grants	-	2 881	-
3000	TOTAL FUND BALANCES	<u>-</u>	<u>2 881</u>	<u>-</u>
4000	TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 69 696</u>	<u>\$ 12 526</u>	<u>\$ 2 371</u>

See independent auditors' report.

270 ESEA, TITLE VI PART B, SUBPART 2 RURAL SCHOOL	289 TITLE IV AND HURRICANE RECOVERY	410 STATE TEXTBOOK FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
\$ -	\$ -	\$ -	\$ 84 593
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 84 593</u>
\$ -	\$ -	\$ -	\$ 6 505
-	-	-	75 207
<u>-</u>	<u>-</u>	<u>-</u>	<u>81 712</u>
-	-	-	2 881
<u>-</u>	<u>-</u>	<u>-</u>	<u>2 881</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 84 593</u>

BROADDUS INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS
 For the Year Ended August 31, 2018

DATA CONTROL CODES		211 ESEA TITLE I IMPROVING BASIC PROGRAMS	240 NATIONAL BREAKFAST AND LUNCH PROGRAM	255 ESEA TITLE II TRAINING AND RECRUITING
	Revenues:			
5700	Local and intermediate sources	\$ -	\$ 31 552	\$ -
5800	State program revenues	-	10 062	-
5900	Federal program revenues	<u>218 574</u>	<u>214 916</u>	<u>16 597</u>
5020	TOTAL REVENUES	<u>218 574</u>	<u>256 530</u>	<u>16 597</u>
	Expenditures:			
	Current:			
0011	Instruction	214 929	-	-
0013	Curriculum and staff development	-	-	-
0021	Instructional leadership	4 668	-	600
0023	School leadership	-	-	-
0033	Health services	-	-	16 068
0035	Food services	-	<u>275 970</u>	-
6030	TOTAL EXPENDITURES	<u>219 597</u>	<u>275 970</u>	<u>16 668</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1 023)</u>	<u>(19 440)</u>	<u>(71)</u>
	Other Financing Sources (Uses):			
7915	Other financing sources	<u>1 023</u>	-	<u>71</u>
7080	TOTAL OTHER FINANCING SOURCES (USES)	<u>1 023</u>	-	<u>71</u>
1200	NET CHANGE IN FUND BALANCE	-	(19 440)	-
0100	Fund balances - Beginning	<u>-</u>	<u>22 321</u>	<u>-</u>
3000	FUND BALANCES - ENDING	<u>\$ -</u>	<u>\$ 2 881</u>	<u>\$ -</u>

See independent auditors' report.

270 ESEA, TITLE VI PART B, SUBPART 2 RURAL SCHOOL	289 TITLE IV AND HURRICANE RECOVERY	410 STATE TEXTBOOK FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
\$ -	\$ -	\$ -	\$ 31 552
-	-	9 509	19 571
<u>31 052</u>	<u>8 250</u>	<u>-</u>	<u>489 389</u>
<u>31 052</u>	<u>8 250</u>	<u>9 509</u>	<u>540 512</u>
31 052	7 400	10 300	263 681
-	650	-	650
-	-	-	5 268
-	600	-	600
-	-	-	16 068
-	-	-	275 970
<u>31 052</u>	<u>8 650</u>	<u>10 300</u>	<u>562 237</u>
<u>-</u>	<u>(400)</u>	<u>(791)</u>	<u>(21 725)</u>
<u>-</u>	<u>400</u>	<u>791</u>	<u>2 285</u>
<u>-</u>	<u>400</u>	<u>791</u>	<u>2 285</u>
-	-	-	(19 440)
<u>-</u>	<u>-</u>	<u>-</u>	<u>22 321</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2 881</u>

OTHER SUPPLEMENTARY INFORMATION

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

BROADDUS INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 For the Year Ended August 31, 2018

LAST 10 YEARS	(1) TAX RATES			(3)
	MAINTENANCE	DEBT SERVICE		ASSESSED/APPRaisal VALUE FOR SCHOOL TAX PURPOSES
2009 and prior years	Various	Various		Various
2010	1.37	-	\$	67 603 952
2011	1.04	-	\$	65 984 021
2012	1.04	-	\$	71 978 254
2013	1.17	-	\$	123 617 961
2014	1.17	-	\$	108 150 984
2015	1.17	-	\$	111 696 616
2016	1.17	-	\$	150 448 296
2017	1.17	-	\$	131 434 655
2018 (School year under audit)	1.17	-	\$	182 693 333
TOTALS				

See independent auditors' report.

EXHIBIT J-1

(10) BEGINNING BALANCE 09/01	(20) CURRENT YEAR'S TOTAL LEVY	(31) MAINTENANCE COLLECTIONS	(40) ENTIRE YEAR'S ADJUSTMENTS	(50) ENDING BALANCE 08/31
\$ 117 764	\$ -	\$ 991	\$ (2 272)	\$ 114 501
16 567	-	185	(14)	16 368
21 631	-	1 227	(16)	20 388
21 481	-	1 383	(16)	20 082
63 028	-	2 835	(31)	60 162
50 853	-	3 154	(34)	47 665
51 347	-	6 538	(34)	44 775
66 798	-	14 570	(34)	52 194
98 070	-	40 573	(889)	56 608
-	2 137 512	2 033 807	(7 176)	96 529
<u>\$ 507 539</u>	<u>\$ 2 137 512</u>	<u>\$ 2 105 263</u>	<u>\$ (10 516)</u>	<u>\$ 529 272</u>

BROADDUS INDEPENDENT SCHOOL DISTRICT
 NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
 BUDGETARY COMPARISON SCHEDULE
 For the Year Ended August 31, 2018

EXHIBIT J-2

DATA CONTROL CODES	1 BUDGETED AMOUNTS		3 ACTUAL AMOUNTS	4 VARIANCE POSITIVE (NEGATIVE)	
	ORIGINAL	FINAL			
Revenues:					
5700	Local and intermediate sources	\$ 58 000	\$ 58 000	\$ 31 552	\$ (26 448)
5800	State program revenues	10 000	10 000	10 062	62
5900	Federal program revenues	<u>245 000</u>	<u>245 000</u>	<u>214 916</u>	<u>(30 084)</u>
5020	TOTAL REVENUES	<u>313 000</u>	<u>313 000</u>	<u>256 530</u>	<u>(56 470)</u>
Expenditures:					
0035	Food service	<u>309 471</u>	<u>309 471</u>	<u>275 970</u>	<u>33 501</u>
6030	TOTAL EXPENDITURES	<u>309 471</u>	<u>309 471</u>	<u>275 970</u>	<u>33 501</u>
1200	NET CHANGE IN FUND BALANCE	3 529	3 529	(19 440)	(22 969)
0100	Fund balance - Beginning	<u>22 321</u>	<u>22 321</u>	<u>22 321</u>	<u>-</u>
3000	FUND BALANCE - ENDING	<u>\$ 25 850</u>	<u>\$ 25 850</u>	<u>\$ 2 881</u>	<u>\$ (22 969)</u>

See independent auditors' report.

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

Board of Trustees
Broaddus Independent School District
Broaddus, Texas

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Broaddus Independent School District as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements and have issued our report thereon dated January 10, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency. See finding 2018-001.

Compliance and Other Matters

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

Purpose of this Report

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


CERTIFIED PUBLIC ACCOUNTANTS

Lufkin, Texas
January 10, 2019

BROADDUS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2018

A. Summary of the Auditor's Results

1. Financial Statements

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	___ Yes <u>X</u> No
Significant deficiencies identified that are not considered to be material weaknesses?	<u>X</u> Yes ___ None reported
Noncompliance material to financial statements noted?	___ Yes <u>X</u> No

B. Financial Statement Findings

Finding 2018-001 Segregation of Duties

Criteria: The District should have procedures in place that would ensure proper segregation of certain accounting functions, especially, but not limited to the functions of recording, authorizing, and custody.

Statement of Condition: Due to the limited number of administrative personnel, a detailed review and approval of certain accounting functions is necessary but was not performed during the year.

Cause: Changes in management personnel and lack of administrative personnel.

Effect or Potential Effect: Management, in the normal course of performing their assigned functions, may not be able to prevent or detect and correct misstatement on a timely basis.

Recommendations: We recommend that the Superintendent and the Board monitor the accounting records and provide appropriate compensating controls to provide assurance that assets are safeguarded and transactions are proper and recorded in a timely manner.

Contact: Leah Holloway, Business Manager

Timeframe: Ongoing

View of Responsible Officials and Planned Corrective Action: The accounting records will be monitored by the Superintendent and the Board on a timely basis. Where possible and appropriate, conflicting duties will be segregated between personnel.

BROADDUS INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended August 31, 2018

None

BROADDUS INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
For the Year Ended August 31, 2018

2018-001

PLANNED CORRECTIONS

Inadequate segregation of duties

Detailed review and approval will be performed by the Superintendent and monitored by the Board

BROADDUS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REQUIRED RESPONSES TO SELECTED
SCHOOL FIRST INDICATORS
As of August 31, 2018

Exhibit K-1

<u>DATA CONTROL CODES</u>		<u>RESPONSES</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	\$ -
SF11	Net Pension Assets (1920) at fiscal year-end.	\$ -
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$ 772 844
SF13	Pension Expense (6147) at fiscal year-end.	\$ -