

**STRAWN INDEPENDENT SCHOOL DISTRICT**

*ANNUAL FINANCIAL AND COMPLIANCE REPORT*

*FOR THE YEAR ENDED AUGUST 31, 2019*

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**STRAWN INDEPENDENT SCHOOL DISTRICT**  
**ANNUAL FINANCIAL AND COMPLIANCE REPORT**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

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*CERTIFICATE OF BOARD*

Strawn Independent School District  
Name of School District

Palo Pinto  
County

182-905  
Co.-Dist. Number

We, the undersigned, certify that the attached auditor's reports of the above named school district were reviewed and \_\_\_approved  
- \_\_\_disapproved for the year ended August 31, 2019, at a meeting of the board of school trustees of such school district on the  
\_\_\_ day of \_\_\_\_\_, 2019.

\_\_\_\_\_  
Signature of Board Secretary

\_\_\_\_\_  
Signature of Board President

If the auditor's reports were checked above as disapproved, the reason(s) therefore is/are (attach list if necessary):

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## Independent Auditor's Report

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

Board of Trustees  
Strawn Independent School District  
P.O. Box 428  
Strawn, Texas 76475

#### Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information for Strawn Independent School District (the "District") as of and for the year ended August 31, 2019, 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*

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. 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. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

#### *Opinions*

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Strawn Independent School District as of August 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with account 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, the Budgetary Comparison Schedule for the General Fund, Schedule of District's Proportionate Share of the Net Pension Liability (TRS), Schedule of District Pension Contributions to TRS, Schedule of District's Proportionate Share of the Net OPEB Liability (TRS) and Schedule of District OPEB Contributions to TRS as listed 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. I have applied certain limited procedure 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

My audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements and the TEA required schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and the TEA required schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. 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 my opinion, the combining and individual nonmajor fund financial statements and the TEA required schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole. The combining and individual nonmajor fund financial statements and the TEA required schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, I have also issued my report dated November 18, 2019, on my consideration of the District's internal control over financial reporting and on my 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 my 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.

Cameron L. Gulley  
Certified Public Accountant

November 18, 2019



# Strawn Independent School District

BOX 428 -:- 254/672-5313  
STRAWN, TEXAS 76475

## MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of Strawn Independent School District, discuss and analyze the District's financial performance for the fiscal year ended August, 31, 2019. Please read it in conjunction with the independent auditor's report on page 2 and the District's Basic Financial Statements which begin on page 10.

### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 10 and 11). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 12) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the District.

The notes to the financial statements (starting on page 17) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for nonmajor funds contain even more information about the District's individual funds. These are not required by TEA. The sections labeled TEA Required Schedules and Federal Awards Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

### Reporting the District as a Whole

#### *The Statement of Net Position and the Statement of Activities*

The analysis of the District's overall financial condition and operations begins on page 5. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as tuition received from students from outside the District and grants provided by the U.S. Department of Education to assist children with disabilities or from disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers or by TEA in equalization funding processes (general revenues). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net position and changes in them. The District's net position (the difference between assets and liabilities) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider nonfinancial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, we divide the District into one activity:

Governmental activities - All of the District's basic services are reported here, including the instruction, counseling, co-curricular activities, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these services.

### **Reporting the District's Most Significant Funds**

#### ***Fund Financial Statements***

The fund financial statements begin on page 12 and provide detailed information about the most significant funds - not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the No Child Left Behind Act from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). The District's one type of fund - governmental - uses the following accounting approach:

Governmental funds - All of the District's basic services are reported in governmental funds. These use the modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

### **The District as Trustee**

#### ***Reporting the District's Fiduciary Responsibilities***

The District is the trustee, or fiduciary, for money raised by student activities. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position on page 16. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The following analyses of comparative balances and changes therein is inclusive of the current year's and prior year's operations. Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental and business-type activities.

Total net position of the District's governmental activities decreased from \$1,389,011 to \$1,265,435. Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - decreased from \$225,980 to \$167,274. Current and other assets increased by \$103,542 due to higher cash and receivables. Capital assets decreased by \$74,200 due to depreciation expense. Long-term liabilities increased by \$339,476 due to the effects of net pension (NPL) and other post-employment benefit (OPEB) liabilities. Other liabilities increased by \$107,003 due to state aid overpayment liabilities. Deferred resource outflows related to NPL and OPEB liabilities increased by \$260,804 and deferred resource inflows related to NPL and OPEB liabilities decreased by \$32,757.

Changes in revenues and expenses for the year are not comparable to prior year due to the overall effects of GASB 68 and 75 related to NPL and OPEB on current year and prior year activity. GASB 68 and 75 effects on current year revenue relative to last year were higher by approximately \$386,000. GASB 68 and 75 effects on current year expenses relative to last year were higher by approximately \$629,000.

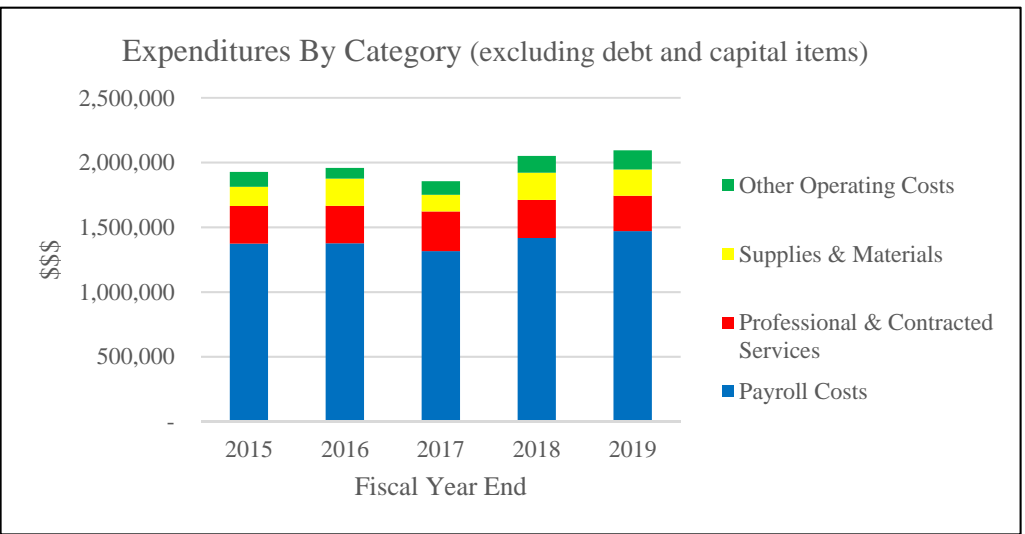
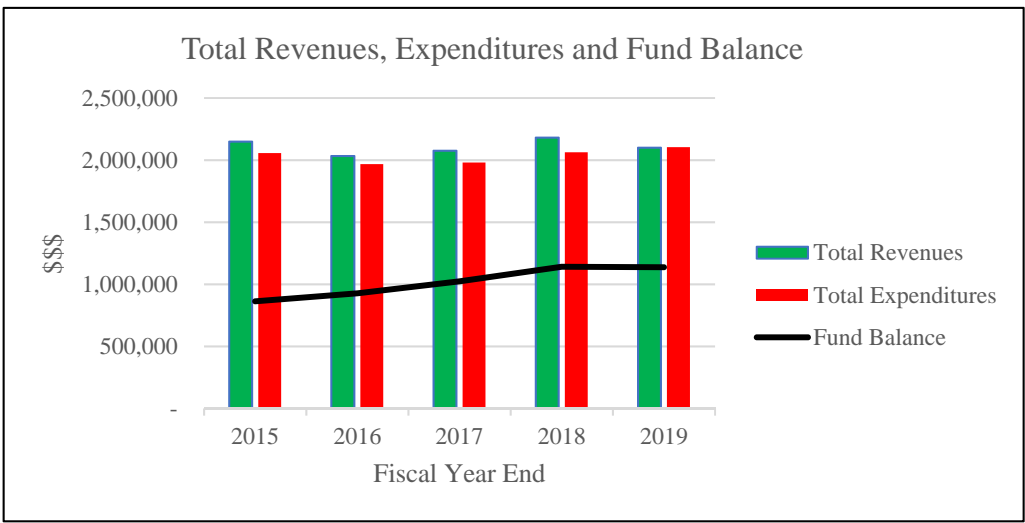
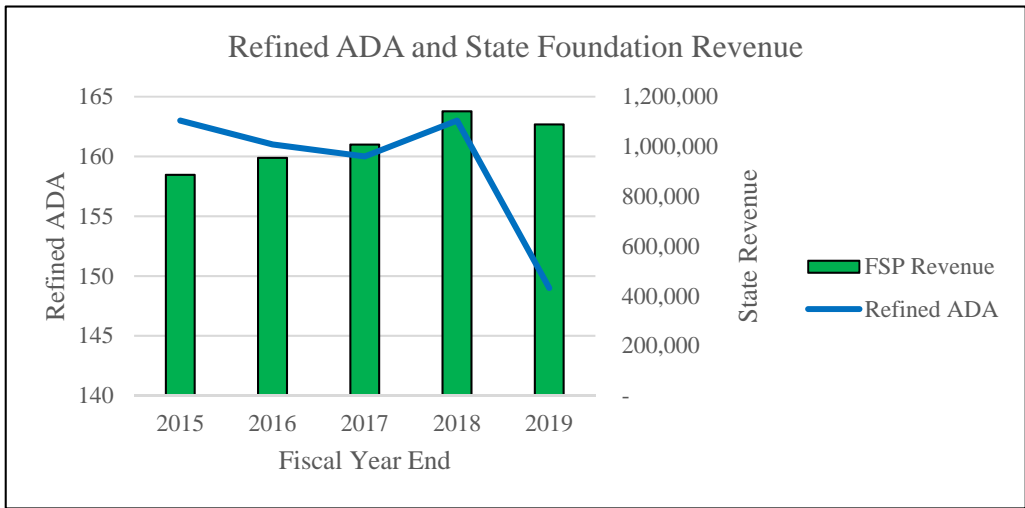
Excluding the effects of GASB 68 and 75 on revenues, total revenues decreased by \$86,000 for the year. Operating grants and contributions decreased \$55,000 due to prior year Title I school improvement grant revenues not received for the current year. Property tax revenues decreased \$28,000 due to lawsuit refunds of prior year taxes. Other revenues were consistent with last year.

Excluding the effects on of GASB 68 and 75 on expenses, total expenses increased by \$31,000 for the year. Instruction, instructional and school leadership, and student support services increased \$51,000, \$2,700 and \$2,600, respectively, due to payroll costs. Food service expenses decreased by \$7,000 due to prior year repair costs. Facilities maintenance and operations decreased \$18,000 due to reduction in utility costs. Extracurricular activities increased \$21,000 due to payroll and student travel. Shared service expenses decreased \$19,000 due to lower cost sharing related to reductions in enrollment for participation in a special education cooperative. Other expense categories were consistent with last fiscal year.

	Governmental Activities 2019	Governmental Activities 2018	Variance Increase/ (Decrease)
Current and other assets	\$ 1,514,956	\$ 1,411,414	\$ 103,542
Capital assets	1,170,278	1,244,478	(74,200)
Deferred resource outflows for TRS	388,855	128,051	260,804
Total assets and deferred resource outflows	3,074,089	2,783,943	290,146
Long-term liabilities	1,227,190	887,714	339,476
Other liabilities	306,927	199,924	107,003
Deferred resource inflows for TRS	274,537	307,294	(32,757)
Total liabilities and deferred resource inflows	1,808,654	1,394,932	413,722
Net position:			
Net investment in capital assets	1,098,161	1,163,031	(64,870)
Unrestricted	167,274	225,980	(58,706)
Total net position	\$ 1,265,435	\$ 1,389,011	\$ (123,576)

	Governmental Activities 2019	Governmental Activities 2018	Variance Favorable/ (Unfavorable)
Revenues:			
Program Revenues:			
Charges for services	\$ 33,613	\$ 32,451	\$ 1,162
Operating grants and contributions	322,848	(8,666)	331,514
General Revenues:			
Property taxes	602,568	630,846	(28,278)
State aid - formula grants	1,178,573	1,187,382	(8,809)
Other	21,189	16,534	4,655
Total Revenues	2,158,791	1,858,547	300,244
Expenses:			
Instruction, curriculum and media services	1,271,460	799,301	(472,159)
Instructional and school leadership	136,346	78,316	(58,030)
Student support services	73,759	54,631	(19,128)
Child nutrition	124,446	97,422	(27,024)
Extracurricular activities	156,498	114,945	(41,553)
General administration	180,994	133,785	(47,209)
Plant maintenance, security & data processing	295,610	279,685	(15,925)
Debt service	145	223	78
Payments related to shared service arrangements	30,118	49,603	19,485
Other intergovernmental charges	12,991	14,843	1,852
Total Expenses	2,282,367	1,622,754	(659,613)
Increase (Decrease) in Net Position	(123,576)	235,793	(359,369)
Net Position - beginning of year	1,389,011	2,140,851	(751,840)
Prior period adjustment	0	(987,633)	987,633
Net Position - end of year	\$ 1,265,435	\$ 1,389,011	\$ (123,576)

The following charts depict trend information for the past five years.



## THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 12) reported a combined fund balance of \$1,136,961, a decrease of \$4,404 in the District's Governmental Funds from last year's fund balance of \$1,141,365. The primary reasons for the net increase are similar to the narrative related to the tables above. The major exceptions are depreciation expense which is not charged to the governmental funds and the net effect relative to GASB 68 and 75 whose impacts are only at the government-wide level financial statements. The specific variances in the changes in fund balance versus the change in net position are detailed out on Exhibit C-4 on the accompanying general purpose financial statements.

The Board of Trustees made no budget amendments during the year.

The District's General Fund balance of \$1,136,961 reported on pages 14 and 40 differs from the General Fund's budgetary fund balance of \$766,654 reported in the budgetary comparison schedule on page 40 due to both revenues and expenditures being more favorable than budgeted.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### *Capital Assets*

At the end of fiscal year 2019, the District had \$2,771,141 invested in a broad range of capital assets including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. There were no asset additions for the year.

### *Debt*

The District financed HVAC efficiency improvements and upgrades through the State of Texas. The amount financed (including loan costs) was \$100,055 at an interest rate of 0.25% payable over eight years in quarterly installments of \$3,159 with final payment due in February, 2025.

Following is a summary of outstanding debt for the past two years:

	2019	2018
Loans payable	\$ 72,117	\$ 81,447

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District should continue to maintain its financial health. A budget adopted for 2019-20 reflected a tax rate of \$1.0683 for maintenance and operations. General fund revenues were budgeted at approximately \$2.31 million and expenditures at approximately \$2.55 million for a \$238,000 deficit. Therefore, the District expects that its fund balance will be approximately \$0.9 million at August 31, 2020.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the District's business office at: Strawn Independent School District, P.O. Box 428, Strawn, Texas 76475.

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*BASIC FINANCIAL STATEMENTS*

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STRAWN INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
AUGUST 31, 2019

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 1,342,491
1220 Property Taxes - Delinquent	113,361
1230 Allowance for Uncollectible Taxes	(42,293)
1240 Due from Other Governments	92,193
1490 Other Current Assets	9,204
Capital Assets:	
1510 Land	15,910
1520 Buildings, Net	655,005
1530 Furniture and Equipment, Net	58,676
1590 Infrastructure, Net	440,687
1000 Total Assets	2,685,234
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
1705 Deferred Outflow Related to TRS Pension	271,456
1706 Deferred Outflow Related to TRS OPEB	117,399
1700 Total Deferred Outflows of Resources	388,855
<b>LIABILITIES</b>	
2110 Accounts Payable	39,392
2150 Payroll Deductions and Withholdings	16,871
2160 Accrued Wages Payable	78,480
2177 Due to Fiduciary Funds	16
2180 Due to Other Governments	170,326
2200 Accrued Expenses	1,842
Noncurrent Liabilities:	
2501 Due Within One Year	15,589
2502 Due in More Than One Year	56,528
2540 Net Pension Liability (District's Share)	454,882
2545 Net OPEB Liability (District's Share)	700,191
2000 Total Liabilities	1,534,117
<b>DEFERRED INFLOWS OF RESOURCES</b>	
2605 Deferred Inflow Related to TRS Pension	53,120
2606 Deferred Inflow Related to TRS OPEB	221,417
2600 Total Deferred Inflows of Resources	274,537
<b>NET POSITION</b>	
3200 Net Investment in Capital Assets	1,098,161
3900 Unrestricted	167,274
3000 Total Net Position	\$ 1,265,435

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

STRAWN INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2019

EXHIBIT B-1

Data	Program Revenues			Net (Expense) Revenue and Changes in Net Position
Control	1	3	4	6
Codes	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities

**Primary Government:**

GOVERNMENTAL ACTIVITIES:

11	Instruction	\$ 1,255,375	\$ -	\$ 208,897	\$ (1,046,478)
12	Instructional Resources and Media Services	13,776	-	-	(13,776)
13	Curriculum and Instructional Staff Development	2,309	-	-	(2,309)
23	School Leadership	136,346	-	12,121	(124,225)
31	Guidance, Counseling and Evaluation Services	25,042	-	2,059	(22,983)
33	Health Services	2,762	-	-	(2,762)
34	Student (Pupil) Transportation	45,955	-	1,523	(44,432)
35	Food Services	124,446	17,946	68,536	(37,964)
36	Extracurricular Activities	156,498	15,667	10,090	(130,741)
41	General Administration	180,994	-	11,105	(169,889)
51	Facilities Maintenance and Operations	232,932	-	4,864	(228,068)
53	Data Processing Services	62,678	-	3,653	(59,025)
72	Debt Service - Interest on Long-Term Debt	145	-	-	(145)
93	Payments Related to Shared Services Arrangements	30,118	-	-	(30,118)
99	Other Intergovernmental Charges	12,991	-	-	(12,991)
	<b>[TP] TOTAL PRIMARY GOVERNMENT:</b>	<b>\$ 2,282,367</b>	<b>\$ 33,613</b>	<b>\$ 322,848</b>	<b>\$ (1,925,906)</b>

Data	General Revenues:		
Control	Taxes:		
Codes			
MT	Property Taxes, Levied for General Purposes		602,568
SF	State Aid - Formula Grants		1,178,573
IE	Investment Earnings		13,731
MI	Miscellaneous Local and Intermediate Revenue		7,458
TR	<b>Total General Revenues</b>		<b>1,802,330</b>
CN	Change in Net Position		(123,576)
NB	Net Position - Beginning		1,389,011
NE	Net Position--Ending		<b>\$ 1,265,435</b>

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

STRAWN INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2019

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ 1,328,910	\$ 13,581	\$ 1,342,491
1220 Property Taxes - Delinquent	113,361	-	113,361
1230 Allowance for Uncollectible Taxes	(42,293)	-	(42,293)
1240 Due from Other Governments	56,086	36,107	92,193
1260 Due from Other Funds	33,120	-	33,120
1490 Other Current Assets	9,204	-	9,204
1000 Total Assets	<u>\$ 1,498,388</u>	<u>\$ 49,688</u>	<u>\$ 1,548,076</u>
<b>LIABILITIES</b>			
2110 Accounts Payable	\$ 28,277	\$ 11,115	\$ 39,392
2150 Payroll Deductions and Withholdings Payable	16,871	-	16,871
2160 Accrued Wages Payable	73,301	5,179	78,480
2170 Due to Other Funds	16	33,120	33,136
2180 Due to Other Governments	170,326	-	170,326
2200 Accrued Expenditures	1,568	274	1,842
2000 Total Liabilities	<u>290,359</u>	<u>49,688</u>	<u>340,047</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
2601 Unavailable Revenue - Property Taxes	71,068	-	71,068
2600 Total Deferred Inflows of Resources	<u>71,068</u>	<u>-</u>	<u>71,068</u>
<b>FUND BALANCES</b>			
Nonspendable Fund Balance:			
3430 Prepaid Items	9,204	-	9,204
3600 Unassigned Fund Balance	1,127,757	-	1,127,757
3000 Total Fund Balances	<u>1,136,961</u>	<u>-</u>	<u>1,136,961</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 1,498,388</u>	<u>\$ 49,688</u>	<u>\$ 1,548,076</u>

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

STRAWN INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
AUGUST 31, 2019

EXHIBIT C-2

<b>Total Fund Balances - Governmental Funds</b>	\$	1,136,961
<b>1</b> Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$2,771,141 and the accumulated depreciation was (\$1,526,663). In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.		1,163,031
<b>2</b> Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the capital outlays and debt principal payments is to increase net position.		9,330
<b>3</b> Included in the items related to debt is the recognition of the District' proportionate share of the net pension liability required by GASB 68. The net position related to TRS included a deferred resource outflow in the amount of \$271,456, a deferred resource inflow in the amount of \$53,120, and a net pension liability in the amount of \$454,882. This resulted in a decrease in net position.		(236,546)
<b>4</b> Included in the items related to debt is the recognition of the District' proportionate share of the net OPEB liability required by GASB 75. The net position related to TRS included a deferred resource outflow in the amount of \$117,399, a deferred resource inflow in the amount of \$221,417, and a net OPEB liability in the amount of \$700,191. This resulted in a decrease in net position.		(804,209)
<b>5</b> Depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(74,200)
<b>6</b> Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue. The net effect of these reclassifications and recognitions is to increase net position.		71,068
<b>19 Net Position of Governmental Activities</b>	<u>\$</u>	<u>1,265,435</u>

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

STRAWN INDEPENDENT SCHOOL DISTRICT  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
<b>REVENUES:</b>			
5700 Total Local and Intermediate Sources	\$ 662,988	\$ 17,946	\$ 680,934
5800 State Program Revenues	1,268,240	10,290	1,278,530
5900 Federal Program Revenues	4,859	135,345	140,204
5020 Total Revenues	<u>1,936,087</u>	<u>163,581</u>	<u>2,099,668</u>
<b>EXPENDITURES:</b>			
Current:			
0011 Instruction	1,056,905	82,876	1,139,781
0012 Instructional Resources and Media Services	13,293	-	13,293
0013 Curriculum and Instructional Staff Development	2,309	-	2,309
0023 School Leadership	122,284	-	122,284
0031 Guidance, Counseling and Evaluation Services	23,022	-	23,022
0033 Health Services	2,762	-	2,762
0034 Student (Pupil) Transportation	42,677	-	42,677
0035 Food Services	3,432	110,735	114,167
0036 Extracurricular Activities	146,314	-	146,314
0041 General Administration	164,934	-	164,934
0051 Facilities Maintenance and Operations	221,736	-	221,736
0053 Data Processing Services	58,209	-	58,209
Debt Service:			
0071 Principal on Long-Term Debt	9,330	-	9,330
0072 Interest on Long-Term Debt	145	-	145
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	30,118	-	30,118
0099 Other Intergovernmental Charges	12,991	-	12,991
6030 Total Expenditures	<u>1,910,461</u>	<u>193,611</u>	<u>2,104,072</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>25,626</u>	<u>(30,030)</u>	<u>(4,404)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
7915 Transfers In	-	30,030	30,030
8911 Transfers Out (Use)	(30,030)	-	(30,030)
7080 Total Other Financing Sources (Uses)	<u>(30,030)</u>	<u>30,030</u>	<u>-</u>
1200 Net Change in Fund Balances	(4,404)	-	(4,404)
0100 Fund Balance - September 1 (Beginning)	<u>1,141,365</u>	<u>-</u>	<u>1,141,365</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 1,136,961</u>	<u>\$ -</u>	<u>\$ 1,136,961</u>

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

STRAWN INDEPENDENT SCHOOL DISTRICT  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED AUGUST 31, 2019

EXHIBIT C-4

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	(4,404)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the capital outlays and debt principal payments is to increase net position.		9,330
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.		(74,200)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue and adjusting current year revenue to show the revenue earned from the current year's tax levy. The net effect of these reclassifications and recognitions is to increase net position.		943
GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$28,662. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in the change in net position totaling \$27,874. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$40,920. The net result is a decrease in the change in net position.		(40,132)
GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$9,731. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net OPEB liability. This caused a decrease in the change in net position totaling \$9,680. Finally, the proportionate share of the TRS OPEB expense on the plan as a whole had to be recorded. The net OPEB expense decreased the change in net position by \$15,164. The net result is a decrease in the change in net position.		(15,113)
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b>(123,576)</b>

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

STRAWN INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
AUGUST 31, 2019

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	Agency Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 35,845
Due from Other Funds	16
Total Assets	<u>\$ 35,861</u>
LIABILITIES	
Due to Student Groups	\$ 35,861
Total Liabilities	<u>\$ 35,861</u>

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

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**STRAWN INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*AT AND FOR THE YEAR ENDED AUGUST 31, 2019*

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Strawn Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in **GASB Statement No. 76**, and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

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

*Other Post-Employment Benefits (OPEB).* 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.

The District applied Governmental Accounting Standards Board ("GASB") Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

**A. REPORTING ENTITY**

The Board of Trustees (the "Board") is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, "The Financial Reporting Entity." There are no component units included within the reporting entity.

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the District's nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support.

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

Interfund activities between governmental funds appear as due to/due froms on the Governmental Fund Balance Sheet and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance. All interfund transactions between governmental funds are eliminated on the government-

wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due froms on the government-wide Statement of Activities.

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

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

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

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

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

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

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

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

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

Agency Funds utilize the accrual basis of accounting but do not have a measurement focus as they report only assets and liabilities.

## D. FUND ACCOUNTING

The District reports the following major governmental funds:

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

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

Governmental Funds:

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

Fiduciary Funds:

3. **Agency Funds.** The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency Fund is the "Strawn Student Activity Fund."

## E. OTHER ACCOUNTING POLICIES

1. For purposes of the statement of cash flows for proprietary funds, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.
2. The District reports inventories of supplies at weighted average cost including consumable maintenance, instructional, office, athletic, and transportation items. Supplies are recorded as expenditures when they are consumed. Inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded as inventory and unearned revenue when received. When requisitioned, inventory and unearned revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount.
3. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

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

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

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

<u>Asset:</u>	<u>Years</u>
Buildings	40
Building Improvements	40
Vehicles	10
Equipment	7
Technology Equipment	5

6. In the fund financial statements, governmental funds report fund balance as nonspendable if the amounts cannot be spent because they are either not in spendable form or are legally or contractually required to remain intact. Restrictions of fund balance are for amounts that are restricted to specific purposes by an external entity (creditors, grantors, governmental regulations) or the restriction is imposed by law through constitutional provision or enabling legislation. Commitments of fund balance represent amounts that can only be used for specific purposes pursuant to constraints imposed by the District's board. Assignments of fund balance are amounts set aside by the District's superintendent or his designee with the intent they be used for specific purposes.
7. When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.
8. In general governments are required to report investments at fair value. These methods are disclosed in section III.A. below.
9. In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. Items reported as deferred outflows of resources are as follows:

Deferred charges related to TRS retirement	\$ 271,456
Deferred charges related to TRS OPEB	\$ 117,399

10. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has one type of item which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Uncollected property taxes which are assumed collectible are reported in this category on the balance sheet for governmental funds. They are not reported in this category on the government wide statement of net position. Items reported as deferred inflows of resources are as follows:

Deferred charges related to TRS retirement	\$ 53,120
Deferred charges related to TRS OPEB	\$ 221,417

11. The Data Control Codes refer to the account code structure prescribed by TEA in the *Financial Accountability System Resource Guide*. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a Statewide data base for policy development and funding plans.

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

**A. BUDGETARY DATA**

The Board of Trustees adopts an "appropriated budget" for the General Fund and the Food Service Fund (which is included in the Special Revenue Funds). The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1 in RSI and the other report is in Exhibit J4.

The following procedures are followed in establishing the budgetary data reflected in the general-purpose financial statements:

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

**B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

During the year, the District had the following functional categories that exceeded its final amended budget by more than \$2,500 for the general fund:

Functional Category	Amount Over Budget	Explanation
0011 - Instruction	\$ 42,073	See below.
0031 - Guidance, counseling and evaluation services	\$ 11,892	See below.
0034 - Student (pupil) transportation	\$ 12,448	See below.
0035 - Food services	\$ 3,432	See below.

The negative budget variances were generally due to growth in ending accrued payroll liability balances and related expenditures as a result of House Bill 3. However, no budget amendments were made during the year or at year-end.

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

**A. CASH, CASH EQUIVALENTS AND INVESTMENTS**

**Cash and Cash Equivalents**

District Policies and Legal and Contractual Provisions Governing Deposits

*Custodial Credit Risk for Deposits.* State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the district complies with this law, it has no custodial credit risk for deposits. The District was not exposed to custodial credit risk.

Foreign Currency Risk. The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit by having no deposits denominated in a foreign currency. Therefore, the District was not exposed to foreign currency risk.

As of August 31, 2019, the following are the District's cash and cash equivalents (including it's student activity fund) with respective maturities and credit rating:

Type of Deposit	Fair Value	Percent	Maturity < 1 Yr	Maturity 1-10 Yrs	Maturity > 10 Yrs	Credit Rating
Money market and FDIC insured accounts	\$ 1,378,336	100%	\$ 1,378,336			N/A

## **Investments**

### District Policies and Legal and Contractual Provisions Governing Investments

#### Compliance with the Public Funds Investment Act

The **Public Funds Investment Act**(Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires a governmental entity to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

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

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

Credit Risk. To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the District limits investments in commercial paper, corporate bonds and mutual bond funds to the top ratings issued by nationally recognized statistical rating organizations (NRSROs). As of August 31, 2019, the District had no investments that were required to be rated. Therefore, the District was not exposed to credit risk.

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

Concentration of Credit Risk. To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District limits investments to less than 5% of its total investments. The District further limits investments in a single issuer when they would cause investment risks to be significantly greater in the governmental and business-type activities, individual major funds, aggregate non-major funds and fiduciary fund types than they are in the primary government. Usually this limitation is 20%. The District was not exposed to concentration of credit risk.

Interest Rate Risk. To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires a review of its investment portfolio at least annually to determine whether market conditions pose an inherent risk of future interest rates either rising or falling which could significantly affect investment performance. The District was not exposed to interest rate risk.

Foreign Currency Risk for Investments. The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment by not investing in any foreign currency. Therefore, the District was not exposed to foreign currency risk.

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

At August 31, 2019 the District had no investments.

**B. PROPERTY TAXES**

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

**C. DELINQUENT TAXES RECEIVABLE**

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

**D. INTERFUND BALANCES AND TRANSFERS**

The composition of interfund balances as of August 31, 2019 is as follows:

Fund	Receivable	Payable	Purpose	Current?
General fund	\$ 33,120	\$ 16	Temporary advances	Yes
Nonmajor governmental funds		33,120	Temporary advances	Yes
Agency fund	16		Temporary advances	Yes
Total	<u>\$ 33,136</u>	<u>\$ 33,136</u>		

Interfund transfers for the year ended August 31, 2019 consisted of the following individual amounts:

Fund	Transfers In	Transfers Out	Purpose
Special revenue fund	\$ 30,030		Operating deficit transfer
General fund		30,030	Operating deficit transfer
Total	<u>\$ 30,030</u>	<u>\$ 30,030</u>	

**E. DISAGGREGATION OF RECEIVABLES AND PAYABLES**

Receivables at August 31, 2019 were as follows:

	Property Taxes (net)	Other Government	Total Receivables
Governmental Activities:			
General fund	\$ 71,068	\$ 56,086	\$ 127,154
Nonmajor governmental funds		36,107	36,107
Total Governmental Activities	<u>\$ 71,068</u>	<u>\$ 92,193</u>	<u>\$ 162,661</u>

Payables at August 31, 2019 were as follows:

	Accounts	Salaries and Benefits	Other Governments	Total
Governmental Activities:				
General fund	\$ 28,277	\$ 91,740	\$ 170,326	\$ 290,343
Nonmajor governmental funds	11,115	5,453		16,568
Total Governmental Activities	<u>\$ 39,392</u>	<u>\$ 97,193</u>	<u>\$ 170,326</u>	<u>\$ 306,911</u>

**F. CAPITAL ASSET ACTIVITY**

Capital asset activity for the year ended August 31, 2019, was as follows:

	Balance 8/31/18	Additions	Disposals	Balance 8/31/19
Governmental activities:				
Land and improvements	\$ 15,910			\$ 15,910
Buildings and improvements	1,570,186			1,570,186
Furniture and equipment	344,710			344,710
Infrastructure	840,335			840,335
Totals	<u>2,771,141</u>			<u>2,771,141</u>
Less accumulated depreciation for:				
Buildings and improvements	875,729	39,452		915,181
Furniture and equipment	273,754	12,280		286,034
Infrastructure	377,180	22,468		399,648
Total accumulated depreciation	<u>1,526,663</u>	<u>74,200</u>		<u>1,600,863</u>
Governmental activities capital assets, net	<u>\$ 1,244,478</u>	<u>\$ (74,200)</u>		<u>\$ 1,170,278</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:		
11 - Instruction	\$	41,428
12 - Instructional resources and media services		483
23 - School leadership		4,445
34 - Student (pupil) transportation		2,205
35 - Food services		4,150
36 - Extracurricular activities		5,318
41 - General administration		5,995
51 - Facilities maintenance and operations		8,060
53 - Data processing services		2,116
Total depreciation expense - governmental activities	<u>\$</u>	<u>74,200</u>



**G. BONDS AND LONG-TERM NOTES PAYABLE**

The District accounts for long-term debts for maintenance purposes through the General Fund. Long-term debts include notes made in accordance with the provisions of the Texas Education Code Section 45.108. The proceeds from long-term loans are shown in the financial statements as non-current liabilities and principal payments as expenditures in the fund financial statements and reductions in liabilities in the government-wide financial statements.

A summary of changes in general long-term debt for the year ended August 31, 2019 is as follows:

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding 9/1/18	Issued	Retired	Amounts Outstanding 8/31/19
Long-Term Loans Payable:						
Texas State Comptroller	0.25%	\$ 100,055	\$ 81,447		\$ 9,330	\$ 72,117

Loan Payable - Texas State Comptroller -

The District obtained a long-term note payable in March, 2017 to finance the purchase and installation of HVAC energy efficiency units. The amount financed was for \$100,055 payable in quarterly installments of \$3,159 at an interest rate of 0.25% with final maturity in February, 2025.

**H. DEBT SERVICE REQUIREMENTS - LONG-TERM DEBT**

Future debt service requirements are as follows:

Year Ended August 31,	Principal	Interest	Total Requirements
2020	\$ 15,589	\$ 206	\$ 15,795
2021	12,507	129	12,636
2022	12,538	98	12,636
2023	12,569	67	12,636
2024	12,601	35	12,636
2025	6,313	6	6,319
Totals	\$ 72,117	\$ 541	\$ 72,658

**I. DEFINED BENEFIT PENSION PLAN**

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

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

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

<u>Net Pension Liability</u>	<u>Total</u>
Total Pension Liability	\$ 209,611,328,793
Less: Plan Fiduciary Net Position	(154,568,901,833)
Net Pension Liability	<u>\$ 55,042,426,960</u>
 Net Position as a percentage of Total Pension Liability	 73.74%

**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.

**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. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2018 and 2019.

Contribution Rates		
	2018	2019
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%

Current fiscal year District contributions	\$ 28,662
Current fiscal year Member contributions	\$ 93,899
2018 measurement year NECE contributions	\$ 66,247

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

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

- On the portion of the member’s salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During 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.

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

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

**Actuarial Assumptions.** The total pension liability in the August 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2017 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Single Discount Rate	6.907%
Long-term expected Investment Rate of Return	7.25%
Inflation	2.3%
Salary Increases	3.05% to 9.05% 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.

**Discount Rate.** The single discount rate used to measure the total pension liability was 6.907%. This was a change in the discount rate from the previous year of (1.093%). 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 7.25%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2018 are summarized below:

Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return*
Global Equity			
U.S.	18%	5.70%	1.04%
Non-U.S. Developed	13%	6.90%	0.90%
Emerging Markets	9%	8.95%	0.80%
Directional Hedge Funds	4%	3.53%	0.14%
Private Equity	13%	10.18%	1.32%
Stable Value			
U.S. Treasuries	11%	1.11%	0.12%
Absolute Return	0%	0.00%	0.00%
Hedge Funds (Stable Value)	4%	3.09%	0.12%
Cash	1%	(0.30)%	0.00%
Real Return			
Global Inflation Linked Bonds	3%	0.70%	0.02%
Real Assets	16%	5.21%	0.73%
Energy and Natural Resources	3%	7.48%	0.37%
Commodities	0%	0.00%	0.00%
Risk Parity			
Risk Parity	5%	3.70%	0.18%
Inflation Expectations			2.30%
Alpha			(0.79)%
Total	<u>100%</u>		<u>7.25%</u>

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

**Discount Rate Sensitivity Analysis.** The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2018 Net Pension Liability.

	1% Decrease in Discount Rate (5.907%)	Discount Rate (6.907%)	1% Increase in Discount Rate (7.907%)
District's proportionate share of the net pension liability	\$ 686,525	\$ 454,882	\$ 267,352

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.** At August 31, 2019, the District reported a liability of \$454,882 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	\$ 454,882
State's proportionate share that is associated with the District	1,083,094
Total	<u>\$ 1,537,976</u>

The net pension liability was measured as of August 31, 2018 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, 2017 thru August 31, 2018.

At August 31, 2018 the District's proportion of the collective net pension liability was 0.0008264200% which was an increase of 0.0000664006% from its proportion measured as of August 31, 2017.

**Changes Since the Prior Actuarial Valuation.** Changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period are as follows:

1. The total pension liability as of August 31, 2018 was developed using the roll-forward method of the August 31, 2017 valuation.
2. Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
3. Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.
4. The discount rate changed from 8.0 percent as of August 31, 2017 to 6.907 percent as of August 31, 2018.
5. The long term assumed rate of return changed from 8.0 to 7.25 percent.
6. The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the net pension liability.

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, 2019, the District recognized pension expense of \$175,991 and revenue of \$107,197 for support provided by the Sate in the Government-Wide Statement of Activities.

At August 31, 2019, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experiences	\$ 2,835	\$ 11,161
Changes in actuarial assumptions	164,007	5,125
Differences between projected and actual investment earnings		8,631
Changes in proportion and differences between the District's contributions and the proportionate share of contributions	75,952	28,203
Total as of August 31, 2018 measurement date	\$ 242,794	\$ 53,120
Contributions paid to TRS subsequent to the measurement date	28,662	
Total as of August 31, 2019 fiscal year end	<u>\$ 271,456</u>	<u>\$ 53,120</u>

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

Fiscal year ended August 31,	Amount
2020	\$ 52,873
2021	\$ 34,708
2022	\$ 28,815
2023	\$ 25,680
2024	\$ 27,341
Thereafter	\$ 20,257

**J. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS**

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

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

Components of the net OPEB liability of the TRS-Care plan as of August 31, 2018 are as follows:

<u>Net OPEB Liability:</u>	<u>Total</u>
Total OPEB liability	\$ 50,729,490,103
Less: plan fiduciary net position	(798,574,633)
Net OPEB liability	<u>\$ 49,930,915,470</u>
Net position as a percentage of total OPEB liability	1.57%

**Benefits Provided.** TRS-Care provides a basic health insurance coverage 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 non-Medicare retirees and their dependents may pay premiums to participate in the high-deductible health plans. Eligible Medicare retirees and dependents may pay premiums to participate in the Medicare Advantage health plans. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system.

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 standard plan with Medicare Part A and Part B.

TRS-Care Plan Premium Rates Effective September 1, 2016 - December 31, 2017			
	TRS-Care 1	TRS-Care 2	TRS-Care 3
Retiree or surviving spouse	\$ 0	\$ 70	\$ 100
Retiree and spouse	20	175	255
Retiree or surviving spouse and children	41	132	182
Retiree and family	61	237	337
Surviving children only	28	62	82

The new premium rates for retirees with Medicare Part A and Part B became effective January 1, 2018 and are reflected in the following table.

TRS-Care Plan Premium Rates Effective January 1, 2018 - December 31, 2018		
	Medicare	Non-Medicare
Retiree or surviving spouse	\$ 135	\$ 200
Retiree and spouse	529	689
Retiree or surviving spouse and children	468	408
Retiree and family	1,020	999

**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 plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for the plan 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 1.25% of the employee’s salary. Section 1575.203 establishes the active employee’s rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

Contribution Rates		
	2018	2019
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%

Current fiscal year District contributions	\$	9,731
Current fiscal year member contributions	\$	7,927
2018 measurement year NECE contributions	\$	13,702

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 \$212.0 million in fiscal year 2018.

**Actuarial Assumptions.** The total OPEB liability in the August 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

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

The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females with full generational mortality using Scale BB. The post-retirement mortality rates were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection using the ultimate improvement rates from the most recently published scale.

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2018 TRS pension actuarial valuation:

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

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2017 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Discount Rate *	3.69% *
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.
Projected Salary Increases **	3.50% to 9.50% **
Healthcare Trend Rates ***	4.50% to 12.00% ***
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65
Ad hoc post-employment benefit changes	None

\* Source: Fixed Income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of August 31, 2018.

\*\* Includes inflation at 2.50%

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

**Discount Rate.** A single discount rate of 3.69% was used to measure the total OPEB liability. There was a change of 0.27% 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, 2018.

**Sensitivity of the Net OPEB Liability:**

**Discount Rate Sensitivity Analysis** - The following schedule shows the impact of the net OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used in measuring the net OPEB liability.

	1% Decrease in Discount Rate (2.69%)	Current Single Discount Rate (3.69%)	1% Increase in Discount Rate (4.69%)
District's proportionate share of net OPEB liability	\$ 833,468	\$ 700,191	\$ 594,760

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of net OPEB liability	\$ 581,520	\$ 700,191	\$ 856,483

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs.** At August 31, 2019, the District reported a liability of \$700,191 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:



District's proportionate share of the collective net OPEB liability	\$ 700,191
State's proportionate share that is associated with the District	993,131
Total	<u>\$ 1,693,322</u>

The net OPEB liability was measured as of August 31, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2017 thru August 31, 2018.

At August 31, 2018 the District's proportion of the collective net OPEB liability was 0.0014023195% which was an increase of 0.0001070732% from its proportion measured as of August 31, 2017.

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

1. The total OPEB liability as of August 31, 2018 was developed using the roll-forward method of the August 31, 2017 valuation.
2. Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the total OPEB liability.
3. The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the total OPEB liability.
4. Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the total OPEB liability.
5. The discount rate changed from 3.42% as of August 31, 2017 to 3.69% as of August 31, 2018. This change lowered total OPEB liability.

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

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

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

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

Changes of benefit terms that affected measurement of the total OPEB liability during the measurement period are listed below:

The 85<sup>th</sup> Legislature, Regular Session, passed the following statutory changes in House Bill 3976 which became effective on September 1, 2017:

- Created a high-deductible health plan that provides a zero cost for generic prescriptions for certain preventive drugs and provides a zero premium for disability retirees who retired as a disability retiree on or before January 1, 2017 and are not eligible to enroll in Medicare.
- Created a single Medicare Advantage plan and Medicare prescription drug plan for all Medicare-eligible participants.
- Allowed the System to provide other appropriate health benefit plans to address the needs of enrollees eligible for Medicare.
- Allowed eligible retirees and their eligible dependents to enroll in TRS-Care when the retiree reaches 65 years of age, rather than waiting for the next enrollment period.
- Eliminated free coverage under TRS-Care, except for certain disability retirees enrolled during Plan Years 2018 through 2021, requiring members to contribute \$200 per month toward their health insurance premiums.

For the year ended August 31, 2019, the District recognized OPEB expense of \$60,968 and revenue of \$36,124 for support provided by the State.

At August 31, 2019, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual actuarial experience	\$ 37,157	\$ 11,050
Changes in actuarial assumptions	11,684	210,367
Differences between projected and actual investment earnings	122	
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	58,705	
Total as of August 31, 2018 measurement date	\$ 107,668	\$ 221,417
Contributions paid to TRS subsequent to the measurement date	9,731	
Total as of August 31, 2019 fiscal year end	<u>\$ 117,399</u>	<u>\$ 221,417</u>

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

Year ended August 31,	Amount
2020	\$ (20,254)
2021	\$ (20,255)
2022	\$ (20,255)
2023	\$ (20,278)
2024	\$ (20,291)
Thereafter	\$ (12,416)

**K. HEALTH CARE COVERAGE - RETIREES AND ACTIVE EMPLOYEES**

**Retiree Health Care Coverage**

**Plan Description.** The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit post-employment health care plan administered by the Teacher Retirement System of Texas. TRS-Care provides health care coverage for certain persons (and their dependents) who retire under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Texas Insurance Code Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by phoning the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet Website, [www.trs.state.tx.us](http://www.trs.state.tx.us) under the TRS Publications heading.

**Funding Policy.** Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The Contribution Rate for the State was 1.00% for 2017 and 1.25% for 2018 and 2019. The contribution rate for the district was 0.55% for 2017 and 0.75% for 2018 and 2019. The contribution rate for active employees was 0.65% of the district payroll for each of the three years. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For staff members funded by federal programs, the federal programs are required to contribution 1.0 % for 2017 and 1.25% for 2018 and 2019.

**Contributions.** Contributions made by the State on behalf of the District are recorded in the governmental funds financial statements as both revenue and expenditures. State contributions to TRS made on behalf to the District's employees as well as the District's required contributions and federal grant program contributions for the years ended August 31, 2019, 2018 and 2017 are as follows:

Contribution Rates and Contribution Amounts						
Year	Member		State		School District	
	Rate	Amount	Rate	Amount	Rate	Amount
2019	0.65%	\$ 7,927	1.25%	\$ 15,243	0.75%	\$ 9,146
2018	0.65%	\$ 7,599	1.25%	\$ 14,613	0.75%	\$ 8,767
2017	0.65%	\$ 7,227	1.00%	\$ 11,118	0.55%	\$ 6,115

**Medicare Part D.** The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the TRS-Care to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. On-behalf payments recognized as equal revenues and expenditures by the District for the years ended August 31, 2018, 2017 and 2016 were \$4,524, \$3,479 and \$3,334, respectively.

**Active Employee Health Care Coverage**

**Plan Description.** The District participates in TRS Active Care sponsored by the Teacher Retirement System of Texas and administered through Aetna and Caremark (pharmacy). TRS-Active Care provides health care coverage to employees (and their dependents) of participating public education entities. Optional life and long-term care insurance are also provided to active members and retirees. Authority for the plan can be found in the Texas Insurance Code, Title 8, Subtitle H, Chapter 1579 and in the Texas Administrative Code, Title 34, Part 3, Chapter 41. The plan began operations on September 1, 2002. This is a premium-based plan. Payments are made on a monthly basis for all covered employees.

**L. CHANGES IN LONG-TERM LIABILITIES**

Long-term activity for the year ended August 31, 2019, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Notes payable	\$ 81,447		\$ 9,330	\$ 72,117	\$ 15,589
Net pension liability	243,013	239,709	27,840	454,882	0
Net OPEB liability	563,254	146,611	9,674	700,191	0
Total	\$ 887,714	\$ 386,320	\$ 46,844	\$ 1,227,190	\$ 15,589

**M. UNAVAILABLE/UNEARNED REVENUE**

Unavailable and unearned revenue at year-end consisted of the following:

Fund	Unavailable Revenue (levied but uncollected property taxes)
General fund	\$ 71,068

**N. DUE FROM STATE AND FEDERAL AGENCIES**

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2019, are summarized below. They are reported on the combined financial statements as Due from Other Governments.

Fund	State Entitlements	Federal Grants	Total
General	\$ 52,742		\$ 52,742
Nonmajor governmental funds		36,107	36,107
Net Total Receivables	\$ 52,742	\$ 36,107	\$ 88,849

**O. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES**

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

Description	General Fund	Nonmajor Governmental Funds	Total
Property taxes	\$ 590,861		\$ 590,861
Penalties, interest and other tax-related income	10,764		10,764
Food sales		17,946	17,946
Investment income	13,731		13,731
Extracurricular student activities	15,668		15,668
Local contributions	24,507		24,507
Other miscellaneous revenue	7,457		7,457
Total	\$ 662,988	\$ 17,946	\$ 680,934

**P. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS AND CONTINGENCIES**

The District participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable may be impaired. In the opinion of the District, there are no significant contingent liabilities related 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.

**Q. JOINT VENTURE SHARED SERVICE ARRANGEMENTS**

The District participates in a shared services arrangement for Special Education services with the Palo Pinto Special Ed Co-op. 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, Mineral Wells 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 shared services arrangement.

The District also participates in various shared service arrangements with the Education Service Center Region 11. The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The Education Service Center Region 11 is the fiscal agent manager and is responsible for all financial activities of the shared service arrangement.

## **R. 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 the fiscal year 2019, the District purchased commercial insurance to cover general liabilities. Additional insurance information by coverage type follows.

### Property Casualty Program

The District participated in the Texas Association of School Boards Risk Management Fund (the "Fund") with coverage in auto liability, auto physical damage, general liability, property and legal liability. The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. There were no significant reductions in coverage in the past fiscal year and there were not settlements exceeding insurance coverage for each of the past three years.

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for its auto, liability and property programs. The terms and limits of the stop-loss program vary by line coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended August 31, 2019, the Fund anticipates the District has not additional liability beyond the contractual obligations for payment of contributions.

### Workers' Compensation

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

The Fund and its members are protected against higher than expected claims costs through the purchase of stop loss coverage for any claim in excess of the Fund's self-insured retention of \$2 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2018, The Fund carries a discounted reserve of \$48,977,531 for future development on reported claims and claims that have been incurred but not yet reported. For the year ended August 31, 2019, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions.

### Unemployment Compensation

During the year ended August 31, 2019, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the "Fund"). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's unemployment compensation program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute interlocal agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop-loss coverage for the unemployment compensation pool. For the year ended August 31, 2019, the Fund anticipates that the District has no additional liability beyond the contractual obligation for payment of contribution.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's board of trustees in February of the following year. The Fund's audited financial statements as of August 31, 2019, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

**S. GENERAL FUND FEDERAL SOURCE REVENUES**

Revenues from federal sources, which are reported in the General Fund, consist of:

<u>Program or Service</u>	<u>CFDA</u>	<u>Amount</u>
School health and related services	N/A	<u>\$ 4,859</u>

**T. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through November 18, 2019; the date which the financial statements were available for distribution. There were none noted.

*REQUIRED SUPPLEMENTARY INFORMATION*

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STRAWN INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 645,974	\$ 645,974	\$ 662,988	\$ 17,014
5800 State Program Revenues	1,048,637	1,048,637	1,268,240	219,603
5900 Federal Program Revenues	-	-	4,859	4,859
5020 Total Revenues	1,694,611	1,694,611	1,936,087	241,476
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	1,014,832	1,014,832	1,056,905	(42,073)
0012 Instructional Resources and Media Services	21,600	21,600	13,293	8,307
0013 Curriculum and Instructional Staff Development	5,000	5,000	2,309	2,691
0023 School Leadership	122,566	122,566	122,284	282
0031 Guidance, Counseling and Evaluation Services	11,130	11,130	23,022	(11,892)
0033 Health Services	10,833	10,833	2,762	8,071
0034 Student (Pupil) Transportation	30,229	30,229	42,677	(12,448)
0035 Food Services	-	-	3,432	(3,432)
0036 Extracurricular Activities	155,022	155,022	146,314	8,708
0041 General Administration	197,765	197,765	164,934	32,831
0051 Facilities Maintenance and Operations	342,773	342,773	221,736	121,037
0053 Data Processing Services	66,772	66,772	58,209	8,563
Debt Service:				
0071 Principal on Long-Term Debt	12,500	12,500	9,330	3,170
0072 Interest on Long-Term Debt	300	300	145	155
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of	58,000	58,000	30,118	27,882
0099 Other Intergovernmental Charges	20,000	20,000	12,991	7,009
6030 Total Expenditures	2,069,322	2,069,322	1,910,461	158,861
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(374,711)	(374,711)	25,626	400,337
<b>OTHER FINANCING SOURCES (USES):</b>				
8911 Transfers Out (Use)	-	-	(30,030)	(30,030)
1200 Net Change in Fund Balances	(374,711)	(374,711)	(4,404)	370,307
0100 Fund Balance - September 1 (Beginning)	1,141,365	1,141,365	1,141,365	-
3000 Fund Balance - August 31 (Ending)	\$ 766,654	\$ 766,654	\$ 1,136,961	\$ 370,307

STRAWN INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR THE YEAR ENDED AUGUST 31, 2019

	Measurement Year Ended August 31,				
	2018	2017	2016	2015	2014
District's Proportion of the Net Pension Liability (Asset)	0.0008264200%	0.0007600194%	0.0008452899%	0.0009486000%	0.0004467000%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 454,882	\$ 243,013	\$ 319,422	\$ 335,317	\$ 119,320
States Proportionate Share of the Net Pension Liability (Asset) associated with the District	1,083,094	649,524	805,814	779,937	686,074
Total	<u>\$ 1,537,976</u>	<u>\$ 892,537</u>	<u>\$ 1,125,236</u>	<u>\$ 1,115,254</u>	<u>\$ 805,394</u>
District's Covered Payroll	\$ 1,169,053	\$ 1,111,839	\$ 1,145,144	\$ 1,138,923	\$ 1,112,259
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Payroll	38.91%	21.86%	27.89%	29.44%	10.73%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	73.74%	82.17%	78.00%	78.43%	83.25%

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

STRAWN INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS FOR PENSIONS  
 TEACHER RETIREMENT SYSTEM OF TEXAS  
 FOR THE YEAR ENDED AUGUST 31, 2019

	Fiscal Year Ended August 31,				
	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ 28,662	\$ 27,874	\$ 25,515	\$ 26,859	\$ 28,090
Contribution in Relation to the Contractually Required Contribution	(28,662)	(27,874)	(25,212)	(26,859)	(28,090)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ 303	\$ -	\$ -
District's Covered Payroll	\$ 1,219,469	\$ 1,169,053	\$ 1,111,839	\$ 1,145,144	\$ 1,138,923
Contributions as a percentage of Covered Payroll	2.35%	2.38%	2.29%	2.35%	2.47%

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

STRAWN INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR THE YEAR ENDED AUGUST 31, 2019

	Measurement Year Ended August 31,	
	2018	2017
District's Proportion of the Net OPEB Liability (Asset)	0.0014023195%	0.0012952463%
District's Proportionate Share of the Net OPEB Liability (Asset)	\$ 700,191	\$ 563,254
State's Proportionate Share of the Net OPEB Liability (Asset) associated with the District	993,131	873,498
Total	<u>\$ 1,693,322</u>	<u>\$ 1,436,752</u>
District's Covered Payroll	\$ 1,169,053	\$ 1,111,839
District's Proportionate Share of the Net OPEB Liability (Asset) as a percentage of its Covered Payroll	59.89%	50.66%
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	1.57%	0.91%

Note: Only two years of data is presented in accordance with GASB #75, paragraph 245. "The information for all fiscal years for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

STRAWN INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR THE YEAR ENDED AUGUST 31, 2019

	Fiscal Year Ended August 31,	
	2019	2018
Contractually Required Contribution	\$ 9,731	\$ 9,680
Contribution in Relation to the Contractually Required Contribution	(9,731)	(9,680)
Contribution Deficiency (Excess)	\$ -	\$ -
District's Covered Payroll	\$ 1,219,469	\$ 1,169,053
Contributions as a percentage of Covered Payroll	0.80%	0.83%

Note: Only two years of data is presented in accordance with GASB #75, paragraph 245. "The information for all fiscal years for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

**STRAWN INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO REQUIRED SUPPLEMENTARY INFORMATION*  
*FOR THE YEAR ENDED AUGUST 31, 2019*

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.:

- a. Prior to August 20 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.
- b. 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.
- c. 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 were provided for in the subsequent year's budget.

Defined Benefit Pension Plan

*Changes of benefit terms.*

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

*Changes of assumptions.*

See Footnote I page 29 for changes in assumptions that affected measurement of the total pension liability during the measurement period.

Other Post-Employment Benefit Plan

*Changes of benefit terms.*

See Footnote J page 33 for changes in benefit terms that affected measurement of the total OPEB liability during the measurement period.

*Changes of assumptions.*

See Footnote J page 33 for changes in assumptions that affected measurement of the total OPEB liability during the measurement period.

*COMBINING SCHEDULES*

STRAWN INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2019

Data Control Codes	211 ESEA I, A Improving Basic Program	240 National Breakfast and Lunch Program	255 ESEA II,A Training and Recruiting	270 ESEA VI, Pt B Rural & Low Income
<b>ASSETS</b>				
1110 Cash and Cash Equivalents	\$ -	\$ 7,538	\$ -	\$ -
1240 Due from Other Governments	12,409	1,481	152	17,505
1000 Total Assets	<u>\$ 12,409</u>	<u>\$ 9,019</u>	<u>\$ 152</u>	<u>\$ 17,505</u>
<b>LIABILITIES</b>				
2110 Accounts Payable	\$ -	\$ 5,772	\$ -	\$ -
2160 Accrued Wages Payable	1,357	3,122	-	-
2170 Due to Other Funds	10,903	-	152	17,505
2200 Accrued Expenditures	149	125	-	-
2000 Total Liabilities	<u>12,409</u>	<u>9,019</u>	<u>152</u>	<u>17,505</u>
4000 Total Liabilities and Fund Balances	<u>\$ 12,409</u>	<u>\$ 9,019</u>	<u>\$ 152</u>	<u>\$ 17,505</u>



289 Other Federal Special Revenue Funds	410 State Instructional Materials	429 Other State Special Revenue Funds	Total Nonmajor Governmental Funds
\$ -	\$ 5,343	\$ 700	\$ 13,581
4,560	-	-	36,107
<u>\$ 4,560</u>	<u>\$ 5,343</u>	<u>\$ 700</u>	<u>\$ 49,688</u>
\$ -	\$ 5,343	\$ -	\$ 11,115
-	-	700	5,179
4,560	-	-	33,120
-	-	-	274
<u>4,560</u>	<u>5,343</u>	<u>700</u>	<u>49,688</u>
<u>\$ 4,560</u>	<u>\$ 5,343</u>	<u>\$ 700</u>	<u>\$ 49,688</u>

STRAWN INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	211 ESEA I, A Improving Basic Program	240 National Breakfast and Lunch Program	255 ESEA II,A Training and Recruiting	270 ESEA VI, Pt B Rural & Low Income
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ -	\$ 17,946	\$ -	\$ -
5800 State Program Revenues	-	399	-	-
5900 Federal Program Revenues	41,223	62,360	472	17,505
5020 Total Revenues	41,223	80,705	472	17,505
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	41,223	-	472	17,505
0035 Food Services	-	110,735	-	-
6030 Total Expenditures	41,223	110,735	472	17,505
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(30,030)	-	-
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	-	30,030	-	-
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

289 Other Federal Special Revenue Funds	410 State Instructional Materials	429 Other State Special Revenue Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 17,946
-	9,891	-	10,290
13,785	-	-	135,345
13,785	9,891	-	163,581
13,785	9,891	-	82,876
-	-	-	110,735
13,785	9,891	-	193,611
-	-	-	(30,030)
-	-	-	30,030
-	-	-	-
-	-	-	-
\$ -	\$ -	\$ -	\$ -

STRAWN INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUND  
FOR THE YEAR ENDED AUGUST 31, 2019

	BALANCE SEPTEMBER 1 2018	ADDITIONS	DEDUCTIONS	BALANCE AUGUST 31 2019
<b>STUDENT ACTIVITY ACCOUNT</b>				
Assets:				
Cash and Temporary Investments	\$ 21,825	\$ 42,872	\$ 28,852	\$ 35,845
Due From Other Funds	-	-	(16)	16
Total Assets	<u>\$ 21,825</u>	<u>\$ 42,872</u>	<u>\$ 28,836</u>	<u>\$ 35,861</u>
Liabilities:				
Due to Student Groups	<u>\$ 21,825</u>	<u>\$ 42,872</u>	<u>\$ 28,836</u>	<u>\$ 35,861</u>
<b>TOTAL AGENCY FUNDS</b>				
Assets:				
Cash and Temporary Investments	\$ 21,825	\$ 42,872	\$ 28,852	\$ 35,845
Due From Other Funds	-	-	(16)	16
Total Assets	<u>\$ 21,825</u>	<u>\$ 42,872</u>	<u>\$ 28,836</u>	<u>\$ 35,861</u>
Liabilities:				
Due to Student Groups	<u>\$ 21,825</u>	<u>\$ 42,872</u>	<u>\$ 28,836</u>	<u>\$ 35,861</u>

*REQUIRED TEA SCHEDULES*

STRAWN INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FISCAL YEAR ENDED AUGUST 31, 2019

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2010 and prior years	Various	Various	\$ Various
2011	1.040000	0.000000	73,563,506
2012	1.040000	0.000000	71,671,187
2013	1.040000	0.000000	71,326,393
2014	1.040000	0.000000	69,098,676
2015	1.170000	0.000000	66,677,859
2016	1.170000	0.000000	61,667,439
2017	1.170000	0.000000	53,954,933
2018	1.170000	0.000000	52,840,229
2019 (School year under audit)	1.170000	0.000000	52,629,987
1000 TOTALS			

(10) Beginning Balance 9/1/2018	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2019
\$ 14,305	\$ -	\$ -	\$ -	\$ (894)	\$ 13,411
1,301	-	-	-	5	1,306
1,356	-	-	-	22	1,378
2,358	-	94	-	-	2,264
2,501	-	(2,025)	-	(1,940)	2,586
3,366	-	(2,837)	-	(3,070)	3,133
18,998	-	1,004	-	(2,962)	15,032
19,523	-	9,409	-	407	10,521
40,497	-	6,540	-	(4,141)	29,816
-	615,771	578,676	-	(3,181)	33,914
<u>\$ 104,205</u>	<u>\$ 615,771</u>	<u>\$ 590,861</u>	<u>\$ -</u>	<u>\$ (15,754)</u>	<u>\$ 113,361</u>

STRAWN INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM  
 FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 15,500	\$ 15,500	\$ 17,946	\$ 2,446
5800 State Program Revenues	4,500	4,500	399	(4,101)
5900 Federal Program Revenues	75,740	75,740	62,360	(13,380)
5020 Total Revenues	95,740	95,740	80,705	(15,035)
<b>EXPENDITURES:</b>				
Current:				
0035 Food Services	121,556	121,556	110,735	10,821
6030 Total Expenditures	121,556	121,556	110,735	10,821
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(25,816)	(25,816)	(30,030)	(4,214)
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	-	-	30,030	30,030
1200 Net Change in Fund Balances	(25,816)	(25,816)	-	25,816
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ (25,816)	\$ (25,816)	\$ -	\$ 25,816



*OVERALL COMPLIANCE AND INTERNAL CONTROLS SECTION*

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## Independent Auditor's Report

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

Board of Trustees  
Strawn Independent School District  
P.O. Box 428  
Strawn, Texas 76475

I 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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Strawn Independent School District (the "District") as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued my report thereon dated November 18, 2019.

### Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I identified one deficiency in internal control that I consider to be a material weakness listed as item 2019-1 listed on the accompanying Schedule of Findings and Questioned Costs. Other material weaknesses may exist that have not been identified.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Strawn Independent School District's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* listed as item 2017-5 on the accompanying Schedule of Findings and Questioned Costs.

### Purpose of this Report

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

Cameron L. Gulley  
Certified Public Accountant

November 18, 2019

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**STRAWN INDEPENDENT SCHOOL DISTRICT**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

Finding	Statement of Condition	Material Weakness?	Questioned Costs
2017-1	<p><u>Internal Control Over Financial Reporting - Deficiency in Internal Controls Regarding Accrued Liabilities</u></p> <p>There were numerous accruals during the year which were not appropriately made or were erroneously accrued. Particularly, payroll accruals were inaccurately made which understated ending accrued liabilities by over \$697,000.</p> <p><u>Status:</u></p> <p>Ending accrued payroll liabilities were properly recorded for the current year under audit.</p>	Yes	0
2017-2	<p><u>Internal Control Over Financial Reporting - Deficiency in Internal Controls Regarding Retirement Liabilities</u></p> <p>There were numerous errors in accrual and non-accrual of Teacher Retirement System (“TRS”) liability balances through-out the year. Retirement liability balances were not accrued for eight months for above statutory minimum and on-OASDI expenditures resulting in inaccurate accrued liability balances and expenditures.</p> <p><u>Status:</u></p> <p>TRS expenditures were properly accrued and reported for the current year under audit.</p>	Yes	0
2017-5	<p><u>State Compliance - Excess Expenditure Over Appropriations</u></p> <p>The District failed to identify functional categories within its General Fund when expenditures exceeded the adopted budgets.</p> <p><u>Status:</u></p> <p>There were four functional categories that exceeded the final amended budget during the current year’s audit.</p>	No	0

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**STRAWN INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

I. Summary of Auditor's Results

A. Financial Statements

Type of auditor's report issued: Unmodified.

Internal control over financial reporting:  
 Material weakness(es) identified? Yes. 2019-1.  
 Significant deficiency(ies) identified that are not considered to be material weaknesses? None reported.

Noncompliance material to financial statements noted? No.

B. Federal Awards

Not applicable.

II. Findings Relating to the Financial Statements which are Required to be Reported in Accordance with Generally Accepted Government Auditing Standards

2017-5 State Compliance - Excess Expenditures Over Appropriations (continuation finding)

Criteria In accordance with Texas Education Code §44.006, expenditures from governmental fund types cannot be made without authority of appropriation.

Statement of Condition The District failed to identify functional categories within its General Fund when expenditures exceeded the adopted budgets. Following are the net variances for each of the affected functional categories which exceeded the budget by more than \$2,500:

Functional Category	Final Amended Budget	Actual Expenditure	Budget Variance
Function 0011 - Instruction	\$ 1,014,832	\$ 1,056,905	\$ (42,073)
Function 0023 - Guidance, counseling and evaluation services	\$ 11,130	\$ 23,022	\$ (11,892)
Function 0034 - Student (pupil) transportation	\$ 30,229	\$ 42,677	\$ (12,448)
Function 0035 - Food services	\$ 0	\$ 3,432	\$ (3,432)

Questioned Costs None.

Cause and Effect The District failed to review its budget versus actual expenditure report throughout the year and at year-end when expenditures exceeded the originally adopted budget. No budget amendments were made during the year resulting in the negative expenditure variances listed above.

Recommendations The District should review its business services procedures and analyses of account transactions and balances. Budget amendments should be considered and proposed to the board of trustees whenever it is projected that actual expenditures will be more than currently budgeted before the actual expenditure of funds.

2019-1 Internal Controls Over Financial Reporting - Bank Statement Balances Not Reconciled to General Ledger

Criteria

One of the tenets of good internal control structure is that the internal control function is working properly for accurate financial reporting of District information to the board of trustees and other stakeholders.

Statement of Condition

The bank reconciliations for all bank accounts were not completed accurately for any month during the year under audit for the general operating and student activity accounts. Cumulative bank reconciliation errors not detected totaled \$22,152 for the general operating account and \$3,292 for the student activity account. Following are the detailed variances for each bank account:

Account Name	Adjusted Balance	General Ledger Balance	Variance
Strawn School local maintenance	\$ 1,337,137	\$ 1,359,289	\$ (22,152)
Strawn School student activity	\$ 35,845	\$ 32,553	\$ 3,292

Questioned Costs

None.

Cause and Effect

The primary cause of the bank reconciliation errors appears to be a lack of adequate training for the business office personnel. During the course of the audit, we uncovered errors in nearly every monthly accounting cycle which went undetected during the bank reconciliation process. The effect is that cash balances were not properly stated at any time during the year and affected general ledger account balances were not accurate (particularly for TRS liabilities and Title IV grant revenues).

Recommendations

I recommend that the District's business office personnel obtain additional training for the bank reconciliation processes to be better able to properly reconcile bank statements accurately and in a timely manner.

III. Findings and Questioned Costs for Federal Awards

N/A.



**STRAWN INDEPENDENT SCHOOL DISTRICT**  
*CORRECTIVE ACTION PLAN*  
*FOR THE YEAR ENDED AUGUST 31, 2019*

2017-5      The District will review its business services procedures and analyses of account transactions and balances. Budget amendments will be considered and proposed to the board of trustees whenever it is projected that actual expenditures will be more than currently budgeted before the actual expenditure of funds.

Contact representative:                      Katy Lynn, business manager  
P.O. Box 428  
Strawn, Texas 76475  
(254) 672-5313

Expected implementation date:              Immediately

2019-1      The District will consider additional training for its business office personnel in bank reconciliation procedures to be able to reconcile its bank statements accurately and in a timely manner.

Contact representative:                      Katy Lynn, business manager  
P.O. Box 428  
Strawn, Texas 76475  
(254) 672-5313

Expected implementation date:              Immediately

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