

**CUERO INDEPENDENT SCHOOL DISTRICT**

*ANNUAL FINANCIAL REPORT*

*FOR THE YEAR ENDED AUGUST 31, 2018*



Cuero Independent School District  
Annual Financial Report  
For The Year Ended August 31, 2018

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CERTIFICATE OF BOARD

Cuero Independent School District  
Name of School District

DeWitt  
County

062-901  
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) \_\_\_\_\_ approved \_\_\_\_\_ disapproved for the year ended August 31, 2018, at a meeting of the board of trustees of such school district on the \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

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

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

If the board of trustees disapproved of the auditor's report, the reason(s) for disapproving it is (are):  
(attach list as necessary)





*Financial Section*



# *Harry Afadapa & Associates, PC*

## *Certified Public Accountants*

*11104 W. Airport Blvd., Suite 117*

*Stafford, Texas 77477*

*(346) 219-2665~www.afadapa.com*

### Independent Auditor's Report

To the Board of Trustees  
Cuero Independent School District  
960 East Broadway  
Cuero, Texas 77954

#### **Report on the Financial Statements**

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

#### **Management's Responsibility for the Financial Statements**

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

#### **Auditor's Responsibility**

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

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

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

## Opinions

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

## Emphasis of Matter

### *Change in Accounting Principle*

As described in Note A to the financial statements, in 2018, Cuero Independent School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

## Other Matters

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cuero Independent School District's basic financial statements. The introductory section and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is also not a required part of the basic financial statements.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated Dec 14, 2018 on our consideration of Cuero Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cuero Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,

Harry Afadapa & Associates, PC

Stafford, Texas  
Dec 14, 2018



**CUERO INDEPENDENT SCHOOL DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AUGUST 31, 2018

This discussion and analysis of the Cuero Independent School District's financial statements provides a narrative overview of the District's financial activities for the fiscal year ended August 31, 2018. The information presented here should be read in conjunction with the basic financial statements and the accompanying notes to those financial statements.

**Overview of the Financial Statements**

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

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of Cuero Independent School District's finances in a manner similar to private sector business. They present the financial picture of the District from an economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the District as well as all liabilities. Additionally, certain eliminations have occurred in regards to interfund activity, payables and receivables.

The *statement of net position* presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Increases or decreases in net position over time may serve as a useful indicator of whether the financial position of Cuero Independent School District is improving or deteriorating.

The *statement of activities* presents information showing how the district's net position changed during the most recent fiscal year using full accrual basis of accounting. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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

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

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

**Internal service fund.** The District maintains one internal service fund, a *proprietary fund*, to account for the revenues and expenses related to providing employees with dental insurance coverage. Because this activity benefits solely the governmental activities of the District (there are no business-type activities), it has been included within the governmental activities in the government-wide financial statements.

**Fiduciary funds.** *Fiduciary funds* are used to account for resources held for the benefit of parties outside the district. Fiduciary funds are not reflected in the district-wide financial statement because the resources of those funds are not available to support the District's own programs. The accounting used for the fiduciary funds is much like that used for proprietary funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**CUERO INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AUGUST 31, 2018**

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

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that further explains and supports the information in the financial statements.

**District-wide Financial Analysis**

The District's net position at August 31, 2018 and 2017 are summarized as follows:

	Governmental Activities		
	8/31/2018	8/31/2017	Variance
Current and other assets	\$ 10,721,454	\$ 13,067,251	\$ (2,345,797)
Capital assets	93,274,960	95,595,044	(2,320,084)
Total assets	<u>103,996,414</u>	<u>108,662,295</u>	<u>(4,665,881)</u>
Deferred outflow of resources	\$ 939,105	\$ 1,683,725	\$ (744,620)
Other liabilities	5,308,263	4,251,637	1,056,626
Long-term liabilities outstanding	80,806,971	78,997,362	1,809,609
Total liabilities	<u>86,115,234</u>	<u>83,248,999</u>	<u>2,866,235</u>
Deferred inflow of resources	\$ 4,925,298	\$ 486,293	\$ 4,439,005
Net position:			
Net investment in capital assets	19,950,454	19,001,616	948,838
Restricted	1,124,792	1,676,153	(551,361)
Unrestricted	(7,180,259)	5,932,959	(13,113,218)
Total net position	<u>\$ 13,894,987</u>	<u>\$ 26,610,728</u>	<u>\$ (12,715,741)</u>

Current assets decreased by \$2,345,797 of which \$2,772,374 represents a reduction in cash when compared to prior year. Capital assets decreased by \$2,320,084 primarily due to retirement of some property asset, and the annual depreciation expense of \$2,822,326 which will be discussed further below. Deferred outflow of resources decreased by \$744,620 over the prior year due to the reduced effect of GASB 68 "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27", and the net effect of the newly implemented GASB 75 Statement – "Accounting and Financial Reporting of Postemployment Benefits Other Than Pensions.

Current liabilities increased by \$1,056,626 of which significant portion of that amount represents accrued wages payable (\$1,022,346) and increase in long term debt obligation (current portion) in the aggregate amount of \$3,910,000 as compare to prior year amount of \$2,355,000. Long-term liabilities increased by \$1,809,609 as discussed further below.

A significant portion of the District's net position reflects its investment in capital assets. The District uses capital assets to provide services to students; consequently these assets are not available for future spending. An additional portion of the District's net position (8.1 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position represents a negative net position which is the effect of the adoption of GASB 75. During fiscal year 2018, the District adopted GASB Statement No. 75 for Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The adoption of GASB 75 required a \$(14,497,709) prior period adjustment to report the effect of GASB 75 retroactively.



**CUERO INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AUGUST 31, 2018**

The District's changes in net position for the fiscal years ended August 31, 2018 and 2017 are summarized as follows:

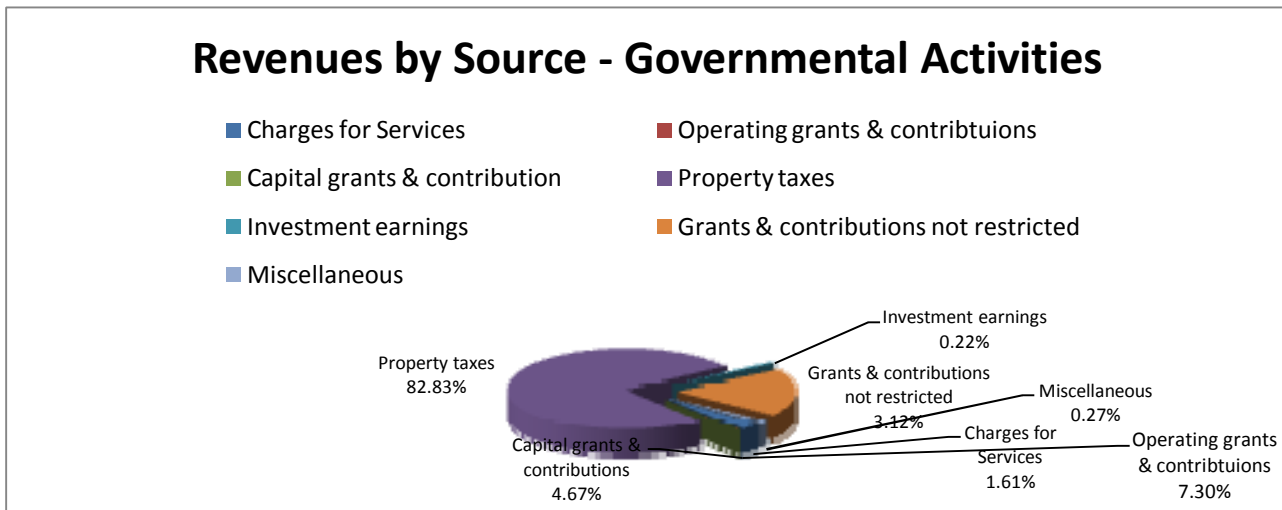
	Governmental Activities		
	8/31/2018	8/31/2017	Variance
Revenues:			
Program Revenues:			
Charges for services	\$ 683,008	\$ 604,608	\$ 78,400
Operating grants & contributions	(6,199)	3,330,813	(3,337,012)
Capital grants & contributions	-	-	-
General Revenues:			
Property taxes	16,999,519	17,159,778	(160,259)
Investment earnings	157,985	87,798	70,187
Grants & contributions not restricted for specific purpose	4,152,267	4,951,842	(799,575)
Miscellaneous	244,997	170,900	74,097
Total revenues	<u>22,231,577</u>	<u>26,305,739</u>	<u>(4,074,162)</u>
Expenses:			
Instruction	8,662,160	13,630,053	(4,967,893)
Instructional resources and media	205,406	271,088	(65,682)
Curriculum and staff development	439,964	522,077	(82,113)
Instructional leadership	145,589	251,938	(106,349)
School leadership	736,019	1,128,997	(392,978)
Guidance and counseling	510,829	785,718	(274,889)
Social works services	67,347	114,839	(47,492)
Health services	289,431	457,825	(168,394)
Student transportation	639,670	925,046	(285,376)
Food service	839,578	1,184,675	(345,097)
Extracurricular activities	892,572	1,089,720	(197,148)
General administration	495,033	694,793	(199,760)
Plant maintenance and operations	2,641,093	2,828,327	(187,234)
Security and monitoring services	116,752	111,624	5,128
Data processing services	614,169	917,824	(303,655)
Community services	93,747	157,412	(63,665)
Interest on long-term debt	2,716,175	2,382,935	333,240
Bond issuance costs and fees	22,540	182,627	(160,087)
Capital outlay	28,422	-	28,422
Payments related to SSA	-	-	-
Contracted instructional services	-	1,965,043	(1,965,043)
Other intergovernmental charges	293,113	360,834	(67,721)
Total expenses	<u>20,449,609</u>	<u>29,963,395</u>	<u>(9,513,786)</u>
Increase in net position	1,781,968	(3,657,656)	5,439,624
Net position beginning	26,610,728	30,268,384	(3,657,656)
Prior Period Adjustment	(14,497,709)	-	(14,497,709)
Net Position-Beginning, as Restated	<u>12,113,019</u>	<u>30,268,384</u>	<u>(18,155,365)</u>
Net position ending	<u>\$ 13,894,987</u>	<u>\$ 26,610,728</u>	<u>\$ (12,715,741)</u>

Overall revenue decreased by \$4,074,162 and expenditures decreased by \$9,513,786. Some of the key elements of these net differences between 2018 and 2017 are as follows:

**CUERO INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AUGUST 31, 2018**

- Property tax revenue declined by \$160,259 due to a decrease in overall values of property tax base. Consequently, unrestricted grants and contributions decreased \$799,575 due to the state funding formula to equalize wealth. However, the State formula in calculating Chapter 41 payments due to the state for excess tax revenue is based on prior year tax collections.
- Operating grants & contribution declined by over \$3,337,012 when compare to prior year due to the effect of GASB 75. A composition of this GASB 75 effect is explained in footnote to the financial statement item O.
- Except for security & monitoring services, interest on long term debt obligation, and capital outlay, all categories of the expenditure experienced mild to significant reduction in cost when compare to prior year. These reductions are attributed to the reduction in the effect of GASB 68 when compared to prior years.

The following chart shows the percentage of revenue by major sources:



**Financial Analysis of the District's Funds**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund accounting and budget controls has been the framework of the District's strong fiscal management and accountability.

**Governmental funds.** The general government functions are reported in the General and Special Revenue Funds. The focus of the District's *governmental funds* is to provide information on current sources, uses, and balances of *spendable* resources. Such information is useful in determining the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year the District's governmental funds reported combined ending fund balances of \$8,840,644, a reduction of \$1,893,371 when compare to prior year balance of \$10,734,015. \$7,925,538 of this total constitutes unassigned fund balance, which is available for spending at the District's discretion. \$902,737 is restricted by external parties, constitutional provisions or enabling legislation to pay debt and for state and federal grants.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$7,925,538. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 41% of total general fund current expenditures.

**CUERO INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AUGUST 31, 2018**

The fund balance of the general fund decreased by \$1,178,324 for the year ended August 31, 2018 compared to a prior year decrease of \$4,409,725. Overall, revenue increased slightly by \$23,835. Revenue from state and local sources decreased by \$821,756 due to the decrease in property values as discussed earlier. Overall, expenditures decreased by \$2,682,803.

The debt service fund tax revenue decreased by over \$599,365 as a result of the decrease in property values noted earlier.

**General Fund Budgetary Highlights**

The Board of Trustees approved budget amendments throughout the year resulting in no change to the bottom line.

Overall, actual revenue exceeded budget by \$3.3m in estimated tax revenue and state funding. Actual expenditures exceeded budget by \$32,628 even though there were across the board savings in various categories, Instructional & Related Services (\$53,051), Capital Outlay (\$48,841) and Instructional & School Leadership (\$10,294). However, there are budget overruns in Support Services (\$64,200) and Nonstudent Bases Services (\$81,817).

**Debt Administration**

	Governmental Activities		
	8/31/2018	8/31/2017	Variance
General obligation bonds	\$ 67,085,000	\$ 69,815,000	(2,730,000)
Unamortized bond premium	6,239,508	6,778,430	(538,922)
Compensated absences	31,649	65,896	(34,247)
Net OPEB liability	8,263,624	-	8,263,624
Net pension liability	3,097,192	4,693,038	(1,595,846)
	<u>\$ 84,716,973</u>	<u>\$ 81,352,364</u>	<u>\$ 3,364,609</u>

Some of the more significant debt administration events during the current fiscal year included scheduled bond payments and acquisition of certain debt obligation with an aggregate net effect of \$2,730,000, amortization of bond premiums had a net reduction of \$538,922 and a decrease of \$1,595,846 in estimated net pension liability due to implementation of GASB 68 as mention earlier. Net OPEB liability increased in the amount of \$8,263,624 due to its initial year of adoption.

**Capital Assets**

	Governmental Activities		
	8/31/2018	8/31/2017	Variance
Land	\$ 648,840	\$ 648,840	\$ -
Construction in progress	1,358,530	1,358,530	-
Buildings & Improvements	101,084,211	101,215,671	(131,460)
Equipment	5,533,019	5,138,909	394,110
Vehicles	2,779,801	2,765,318	14,483
Totals	<u>\$ 111,404,401</u>	<u>\$ 111,127,268</u>	<u>\$ 277,133</u>
Less accumulated depreciation	<u>(18,129,441)</u>	<u>(15,532,226)</u>	<u>(2,597,215)</u>
	<u>\$ 93,274,960</u>	<u>\$ 95,595,042</u>	<u>\$ (2,320,082)</u>

Capital asset events during the year included the following:

- Acquisition of various machinery & equipment totaling \$394,108
- Acquisition of vans and buses totaling \$117,259
- Retirement of Vehicles, Building & Improvement property totaling \$234,236 in historical cost. The net loss on disposition was \$9,125.

**CUERO INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AUGUST 31, 2018**

**Economic Factors and Next Year's Budgets and Rates**

The annual budget is developed to provide efficient, effective and controlled use of the District's resources. The District adopted a general fund budget of \$18,496,097. Significant factors affecting the 2019 budget were as follows:

- Reduction in Instructional cost by \$257,135
- A \$522,916 reduction in Plant Maintenance and Operations
- A \$331,897 reduction in budget Capital Outlay.

**Request for Information**

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to the Cuero Independent School District, Attention: Assistant Superintendent of Business, 960 East Broadway Cuero, TX 77954, (361)-275-1900.

*Basic Financial Statements*



**CUERO INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**AUGUST 31, 2018**

Data Control Codes	1	Governmental Activities
<b>ASSETS:</b>		
1110	<i>Cash and Cash Equivalents</i>	\$ 4,535,020
1120	<i>Current Investments</i>	5,157,291
1225	<i>Property Taxes Receivable (Net)</i>	424,523
1240	<i>Due from Other Governments</i>	561,251
1300	<i>Inventories</i>	12,369
1410	<i>Unrealized Expenses</i>	31,000
Capital Assets:		
1510	<i>Land</i>	648,840
1520	<i>Buildings and Improvements, Net</i>	88,317,659
1530	<i>Furniture and Equipment, Net</i>	2,949,931
1580	<i>Construction in Progress</i>	1,358,530
1000	Total Assets	<u>103,996,414</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
	<i>Deferred Outflow of Resources - Undesignated</i>	246,214
	<i>Deferred Outflow Related to Pensions</i>	606,695
	<i>Deferred Outflow Related to OPEB</i>	86,196
1700	Total Deferred Outflows of Resources	<u>939,105</u>
<b>LIABILITIES:</b>		
2110	<i>Accounts Payable</i>	166,918
2140	<i>Interest Payable</i>	125,929
2165	<i>Accrued Liabilities</i>	1,022,346
2300	<i>Unearned Revenue</i>	83,070
Noncurrent Liabilities:		
2501	<i>Due Within One Year</i>	3,910,000
2502	<i>Due in More Than One Year</i>	69,446,155
2540	<i>Net Pension Liability</i>	3,097,192
2545	<i>Net OPEB Liability</i>	8,263,624
2000	Total Liabilities	<u>86,115,234</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
	<i>Deferred Inflow Related to Pensions</i>	1,468,609
	<i>Deferred Inflow Related to OPEB</i>	3,456,689
2600	Total Deferred Inflows of Resources	<u>4,925,298</u>
<b>NET POSITION:</b>		
3200	Net Investment in Capital Assets	19,950,454
Restricted For:		
3850	Debt Service	1,039,780
3890	Other Purposes	85,012
3900	Unrestricted	(7,180,259)
3000	Total Net Position	<u>\$ 13,894,987</u>

The accompanying notes are an integral part of this statement.

# CUERO INDEPENDENT SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	Functions/Programs	1 Expenses	3 Program Revenues		4 Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
			Charges for Services			
	Governmental Activities:					
11	<i>Instruction</i>	\$ 8,662,160	\$ 89,150	\$ (534,470)	\$ (9,107,480)	
12	<i>Instructional Resources and Media Services</i>	205,406	--	(21,335)	(226,741)	
13	<i>Curriculum and Staff Development</i>	439,964	--	69,564	(370,400)	
21	<i>Instructional Leadership</i>	145,589	--	15,776	(129,813)	
23	<i>School Leadership</i>	736,019	--	(158,134)	(894,153)	
31	<i>Guidance, Counseling, &amp; Evaluation Services</i>	510,829	--	281,598	(229,231)	
32	<i>Social Work Services</i>	67,347	--	(12,376)	(79,723)	
33	<i>Health Services</i>	289,431	--	(49,190)	(338,621)	
34	<i>Student Transportation</i>	639,670	--	(88,161)	(727,831)	
35	<i>Food Service</i>	839,578	137,918	925,725	224,065	
36	<i>Cocurricular/Extracurricular Activities</i>	892,572	174,335	(69,226)	(787,463)	
41	<i>General Administration</i>	495,033	--	(68,394)	(563,427)	
51	<i>Facilities Maintenance and Operations</i>	2,641,093	271,605	(196,688)	(2,566,176)	
52	<i>Security and Monitoring Services</i>	116,752	--	--	(116,752)	
53	<i>Data Processing Services</i>	614,169	--	(108,405)	(722,574)	
61	<i>Community Services</i>	93,747	10,000	6,804	(76,943)	
72	<i>Interest on Long-term Debt</i>	2,716,175	--	713	(2,715,462)	
73	<i>Bond Issuance Costs and Fees</i>	22,540	--	--	(22,540)	
81	<i>Capital Outlay</i>	28,422	--	--	(28,422)	
99	<i>Other Intergovernmental Charges</i>	293,113	--	--	(293,113)	
TG	Total Governmental Activities	20,449,609	683,008	(6,199)	(19,772,800)	
TP	Total Primary Government	\$ 20,449,609	\$ 683,008	\$ (6,199)	(19,772,800)	
	General Revenues:					
MT	<i>Property Taxes, Levied for General Purposes</i>				11,591,788	
DT	<i>Property Taxes, Levied for Debt Service</i>				5,407,731	
IE	<i>Investment Earnings</i>				157,985	
GC	<i>Grants and Contributions Not Restricted to Specific Progra</i>				4,152,267	
MI	<i>Miscellaneous</i>				244,997	
TR	Total General Revenues				21,554,768	
CN	Change in Net Position				1,781,968	
NB	Net Position - Beginning				26,610,728	
PA	Prior Period Adjustment				(14,497,709)	
	Net Position - Beginning, as Restated				12,113,019	
NE	Net Position - Ending				\$ 13,894,987	

The accompanying notes are an integral part of this statement.



**CUERO INDEPENDENT SCHOOL DISTRICT**

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2018

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds	
<b>ASSETS:</b>					
1110	Cash and Cash Equivalents	\$ 3,706,210	\$ 537,829	\$ 139,014	\$ 4,383,053
1120	Current Investments	4,915,081	200,889	--	5,115,970
1225	Taxes Receivable, Net	15,579	408,944	--	424,523
1240	Due from Other Governments	320,795	6,813	233,643	561,251
1260	Due from Other Funds	110,661	--	--	110,661
1300	Inventories	--	--	12,369	12,369
1410	Unrealized Expenditures	31,000	--	--	31,000
1000	Total Assets	<u>9,099,326</u>	<u>1,154,475</u>	<u>385,026</u>	<u>10,638,827</u>
<b>LIABILITIES:</b>					
Current Liabilities:					
2110	Accounts Payable	\$ 165,961	\$ --	\$ 957	\$ 166,918
2160	Accrued Wages Payable	932,390	--	82,161	1,014,551
2170	Due to Other Funds	--	--	110,660	110,660
2200	Accrued Expenditures	7,795	--	--	7,795
2300	Unearned Revenue	52,063	9,334	21,673	83,070
2000	Total Liabilities	<u>1,158,209</u>	<u>9,334</u>	<u>215,451</u>	<u>1,382,994</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
	Deferred Revenue	15,579	399,610	--	415,189
2600	Total Deferred Inflows of Resources	<u>15,579</u>	<u>399,610</u>	<u>--</u>	<u>415,189</u>
<b>FUND BALANCES:</b>					
Nonspendable Fund Balances:					
3410	Inventories	--	--	12,369	12,369
Restricted Fund Balances:					
3450	Federal/State Funds Grant Restrictions	--	--	70,490	70,490
3480	Retirement of Long-Term Debt	--	745,531	--	745,531
3490	Other Restrictions of Fund Balance	--	--	86,716	86,716
3600	Unassigned	7,925,538	--	--	7,925,538
3000	Total Fund Balances	<u>7,925,538</u>	<u>745,531</u>	<u>169,575</u>	<u>8,840,644</u>
4000	Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 9,099,326</u>	<u>\$ 1,154,475</u>	<u>\$ 385,026</u>	<u>\$ 10,638,827</u>

The accompanying notes are an integral part of this statement.

**CUERO INDEPENDENT SCHOOL DISTRICT**

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

Total fund balances - governmental funds balance sheet	\$ 8,840,644
Amounts reported for governmental activities in the Statement of Net Position ("SNP") are different because:	
Capital assets used in governmental activities are not reported in the funds.	93,274,960
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	415,188
The assets and liabilities of internal service funds are included in governmental activities in the SNP.	193,289
Payables for bond principal which are not due in the current period are not reported in the funds.	(67,084,998)
Payables for bond interest which are not due in the current period are not reported in the funds.	(125,929)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(31,649)
Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.	246,214
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(11,360,816)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(4,925,298)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	692,891
Bond premiums are amortized in the SNA but not in the funds.	(6,239,508)
Rounding difference	(1)
Net position of governmental activities - Statement of Net Position	<u>\$ 13,894,987</u>

The accompanying notes are an integral part of this statement.

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

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
<b>REVENUES:</b>				
5700 <i>Local and Intermediate Sources</i>	\$ 12,679,360	\$ 5,188,926	\$ 230,894	\$ 18,099,180
5800 <i>State Program Revenues</i>	4,986,515	713	150,672	5,137,900
5900 <i>Federal Program Revenues</i>	288,826	--	2,017,392	2,306,218
5020 <b>Total Revenues</b>	<u>17,954,701</u>	<u>5,189,639</u>	<u>2,398,958</u>	<u>25,543,298</u>
<b>EXPENDITURES:</b>				
Current:				
0011 <i>Instruction</i>	9,886,756	--	994,266	10,881,022
0012 <i>Instructional Resources and Media Services</i>	218,456	--	--	218,456
0013 <i>Curriculum and Staff Development</i>	306,737	--	143,298	450,035
0021 <i>Instructional Leadership</i>	156,618	--	46,173	202,791
0023 <i>School Leadership</i>	948,088	--	--	948,088
0031 <i>Guidance, Counseling, &amp; Evaluation Services</i>	544,939	--	65,322	610,261
0032 <i>Social Work Services</i>	81,806	--	750	82,556
0033 <i>Health Services</i>	338,773	--	--	338,773
0034 <i>Student Transportation</i>	818,102	--	--	818,102
0035 <i>Food Service</i>	--	--	988,967	988,967
0036 <i>Cocurricular/Extracurricular Activities</i>	890,580	--	47,635	938,215
0041 <i>General Administration</i>	558,239	--	--	558,239
0051 <i>Facilities Maintenance and Operations</i>	2,768,015	--	--	2,768,015
0052 <i>Security and Monitoring Services</i>	104,147	--	--	104,147
0053 <i>Data Processing Services</i>	748,155	--	--	748,155
0061 <i>Community Services</i>	97,445	--	22,551	119,996
0071 <i>Principal on Long-term Debt</i>	--	2,730,000	--	2,730,000
0072 <i>Interest on Long-term Debt</i>	--	3,261,082	--	3,261,082
0073 <i>Bond Issuance Costs and Fees</i>	--	3,600	--	3,600
0081 <i>Capital Outlay</i>	373,056	--	--	373,056
0099 <i>Other Intergovernmental Charges</i>	293,113	--	--	293,113
6030 <b>Total Expenditures</b>	<u>19,133,025</u>	<u>5,994,682</u>	<u>2,308,962</u>	<u>27,436,669</u>
1100 <b>Excess (Deficiency) of Revenues Over (Under)</b>				
1100 <b>Expenditures</b>	<u>(1,178,324)</u>	<u>(805,043)</u>	<u>89,996</u>	<u>(1,893,371)</u>
1200 <b>Net Change in Fund Balances</b>	<u>(1,178,324)</u>	<u>(805,043)</u>	<u>89,996</u>	<u>(1,893,371)</u>
0100 <b>Fund Balances - Beginning</b>	<u>9,103,862</u>	<u>1,550,574</u>	<u>79,579</u>	<u>10,734,015</u>
3000 <b>Fund Balances - Ending</b>	<u>\$ 7,925,538</u>	<u>\$ 745,531</u>	<u>\$ 169,575</u>	<u>\$ 8,840,644</u>

The accompanying notes are an integral part of this statement.

**CUERO INDEPENDENT SCHOOL DISTRICT**

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

Net change in fund balances - total governmental funds	\$ (1,893,371)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	511,367
The depreciation of capital assets used in governmental activities is not reported in the funds.	(2,831,451)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	41,733
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	2,730,000
Bond issuance costs and similar items are amortized in the SOA but not in the funds.	519,982
(Increase) decrease in accrued interest from beginning of period to end of period.	5,985
The net revenue (expense) of internal service funds is reported with governmental activities.	(1,770)
The District's share of the unrecognized deferred inflows and outflows for the pension plan was amortized.	(3,353,454)
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	<u>6,052,947</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ 1,781,968</u>

The accompanying notes are an integral part of this statement.

**CUERO INDEPENDENT SCHOOL DISTRICT**

STATEMENT OF NET POSITION

INTERNAL SERVICE FUND

AUGUST 31, 2018

Data Control Codes		Nonmajor Internal Service Fund
		Insurance Fund
	<b>ASSETS:</b>	
	Current Assets:	
1110	Cash and Cash Equivalents	\$ 151,968
1120	Investments	41,321
	Total Current Assets	<u>193,289</u>
1000	Total Assets	<u>193,289</u>
	<b>LIABILITIES:</b>	
2000	Total Liabilities	<u>--</u>
	<b>NET POSITION:</b>	
3900	Unrestricted	\$ 193,289
3000	Total Net Position	<u>\$ 193,289</u>

The accompanying notes are an integral part of this statement.

**CUERO INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN FUND NET POSITION - INTERNAL SERVICE FUND**  
**FOR THE YEAR ENDED AUGUST 31, 2018**

Data Control Codes		Nonmajor Internal Service Fund
		Insurance Fund
	<b>OPERATING REVENUES:</b>	
5700	<i>Local and Intermediate Sources</i>	\$ 86,550
5020	Total Revenues	<u>86,550</u>
	<b>OPERATING EXPENSES:</b>	
6400	<i>Other Operating Costs</i>	88,995
6030	Total Expenses	<u>88,995</u>
	Operating Income (Loss)	<u>(2,445)</u>
	<b>NON-OPERATING REVENUES (EXPENSES):</b>	
7955	<i>Earnings from Temp. Deposits and Investments</i>	675
8030	Total Non-operating Revenues (Expenses)	<u>675</u>
1300	Change in Net Position	(1,770)
0100	Total Net Position - Beginning	195,059
3300	Total Net Position - Ending	<u>\$ 193,289</u>

The accompanying notes are an integral part of this statement.

**CUERO INDEPENDENT SCHOOL DISTRICT**

## STATEMENT OF CASH FLOWS

## PROPRIETARY FUNDS

FOR THE YEAR ENDED AUGUST 31, 2018

	Internal Service Funds
	Insurance Fund
<b>Cash Flows from Operating Activities:</b>	
Cash Receipts (Payments) for Quasi-external Operating Transactions with Other Funds	\$ 86,550
Cash Payments for Claims and Administrative Costs	(88,995)
Net Cash Provided (Used) by Operating Activities	<u>(2,445)</u>
<b>Cash Flows from Non-capital Financing Activities:</b>	
Proceeds (Payments) from (for) Borrowings	--
Net Cash Provided (Used) by Non-capital Financing Activities	<u>--</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Proceeds from Issuance of Long-term Debt	--
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>--</u>
<b>Cash Flows from Investing Activities:</b>	
Interest and Dividends on Investments	675
Net Cash Provided (Used) for Investing Activities	<u>675</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,770)
Cash and Cash Equivalents at Beginning of Year	195,059
Cash and Cash Equivalents at End of Year	<u>\$ 193,289</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>	
Operating Income (Loss)	\$ (2,445)
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities	--
Change in Assets and Liabilities	--
Total Adjustments	<u>--</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (2,445)</u>

The accompanying notes are an integral part of this statement.

**CUERO INDEPENDENT SCHOOL DISTRICT**

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

AUGUST 31, 2018

Data Control Codes		Agency Fund
	Scholarships	Student Activity
<b>ASSETS:</b>		
1110	Cash and Cash Equivalents	\$ 12,074
1120	Current Investments	21,957
1000	Total Assets	<u>34,031</u>
<b>LIABILITIES:</b>		
Current Liabilities:		
2110	Accounts Payable	\$ --
2190	Due to Student Groups	--
2000	Total Liabilities	<u>96,435</u>
<b>NET POSITION:</b>		
3800	Held in Trust	34,031
3000	Total Net Position	<u>\$ 34,031</u>

The accompanying notes are an integral part of this statement.



**CUERO INDEPENDENT SCHOOL DISTRICT**  
*STATEMENT OF CHANGES IN FIDUCIARY NET POSITION*  
*FIDUCIARY FUNDS*  
*FOR THE YEAR ENDED AUGUST 31, 2018*

	Private- Purpose Trusts
<b>Additions:</b>	
Investment Income	\$ --
Gifts & Bequests	175
Total Additions	<u>175</u>
<b>Deductions:</b>	
Scholarship Awards	--
Miscellaneous expense	--
Total Deductions	<u>--</u>
<b>Change in Net Position</b>	175
Net Position-Beginning of the Year	33,856
Net Position-End of the Year	<u>\$ 34,031</u>

The accompanying notes are an integral part of this statement.



# **CUERO INDEPENDENT SCHOOL DISTRICT**

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

### A. Summary of Significant Accounting Policies

#### **Description of Government-wide Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the government. All fiduciary activities are reported only in the fund financial statements.

#### **Reporting Entity**

The Board of School Trustees ("Board"), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board.

The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental "reporting entity" as defined by the GASB in its Statement No. 14, "The Financial Reporting Entity," as revised by GASB Statement No.39, and there are no component units included within the reporting entity.

#### **Basis of Presentation – Government-wide Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

#### **Basis of Presentation – Fund Financial Statements**

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

#### **The District reports the following major governmental funds**

General fund - This is a governmental fund with budgetary control which is used to show transactions resulting from operations of on-going organizations and activities from a variety of revenue sources for which fund balance is controlled by and retained for the use of the District.

Debt service fund - a debt service fund is a governmental fund, with budgetary control, that must be used to account for general long-term debt principal and interest for debt issues and other long-term debts for which a tax has been dedicated.

#### **Additionally, the District reports the following fund types:**

Internal service fund - this fund classification is used to account for transactions related to self-insurance activities of the school district.

Private-Purpose Trust Funds: These funds are used to report trust arrangements for scholarships under which principal and income benefit individuals, private organizations, or other governments not reported in other fiduciary fund types.

## **CUERO INDEPENDENT SCHOOL DISTRICT**

### *NOTES TO THE FINANCIAL STATEMENTS*

*FOR THE YEAR ENDED AUGUST 31, 2018*

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

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

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

#### **Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using 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 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.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the District.

The proprietary fund is reported using the economic resources measurement focus and the accrual basis of accounting. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

#### **Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, food service fund and debt service fund. Other special revenue funds do not have appropriated budgets since other means control the use of these resources (e.g., grant awards and endowment requirements) and sometimes span a period of more than one fiscal year.

# CUERO INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2018

The appropriated budget is prepared at the fund and function level. The department heads may make transfers of appropriations within a function; however, transfers of appropriations between functions require the approval of the Board of Trustees. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the functional level.

Appropriations in all budgeted funds lapse at the end of the fiscal year. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

### Assets, Liabilities, Deferred Outflows/inflows of Resources, and Net Position/fund Balance

#### Cash and cash equivalents:

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

#### Investments:

Investments for the District are reported at fair value (generally based on quoted market prices) except for the position in Government Investment Pool (Pool). In accordance with state law, the Pool operates in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, the Pool qualifies as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. The Pool is subject to regulatory oversight by the State Treasurer, although it is not registered with the SEC.

#### Inventories

Inventories on the balance sheet represent food commodities which are recorded at market values supplied by the Texas Department of Human Services and purchased food and supplies recorded at cost. Inventory items are recorded as expenditures when they are consumed. 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 deferred revenue when received. When requisitioned, inventory and deferred revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount.

#### Capital assets:

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50
Building Temporary	25
Vehicles	7-15
Furniture and Equipment	5-15

#### Deferred outflows/inflows of resources:

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

## **CUERO INDEPENDENT SCHOOL DISTRICT**

### *NOTES TO THE FINANCIAL STATEMENTS*

*FOR THE YEAR ENDED AUGUST 31, 2018*

position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The District has two items that qualify for reporting in this category. The deferred charge on refunding is reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources calculated in the actuarial pension study required by GASB 68 and 75 and the current year pension payments are reported in the government-wide statement of net position.

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 two items that qualify for reporting in this category. The item "unavailable" revenue is reported in the governmental funds balance sheet. The "unavailable" source represents the uncollected delinquent taxes receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available for governmental funds. The deferred inflows of resources calculated in the actuarial pension study required by GASB 68 and 75 are reported in the government-wide statement of net position.

#### Net position flow assumption:

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

#### Fund balance flow assumptions:

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

#### Fund balance policies:

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board of Trustees is the highest level of decision-making authority for the District that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The Board of Trustees has delegated the authority to assign fund balance to the Business Manager. When it is appropriate to assign fund balance this is accomplished in the same manner as committed funds that is through the adoption of a resolution. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

# **CUERO INDEPENDENT SCHOOL DISTRICT**

## *NOTES TO THE FINANCIAL STATEMENTS*

*FOR THE YEAR ENDED AUGUST 31, 2018*

### **Revenues and Expenditures/expenses**

#### Program revenues:

Amounts reported as program revenues include 1) fees, fines, and charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

#### Property taxes:

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal Year. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

#### Compensated absences:

Vacation days shall accumulate from year to year. Unused vacation days shall be reimbursed upon the employee's resignation, retirement, or any other termination of employment.

An employee who separates from employment with the District shall be eligible for reimbursement for local leave under the following conditions: 1) the employee's separation from employment is voluntary, i.e., the employee is retiring or resigning and is not being discharged or non-renewed; 2) the employee provides advance written notice of intent to separate from employment. The employee shall be reimbursed for each day of local leave in excess of ten days, to a maximum of 30 days, at a rate of \$20 per day for professional employees and \$10 per day for all other employees. If the employee is reemployed with the District, days for which the employee received payment shall not be available to that employee. The rate established by the Board shall be in effect until the Board adopts a new rate. Any changes to the rate shall apply beginning with the school year following the adoption of the rate change.

#### Proprietary funds operating and nonoperating revenues and expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the insurance fund include employer contributions for a self funded dental plan. Operating expenses for the internal service fund include the payment of dental benefits and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

#### Data control codes:

Data Control Codes appear in the rows and above the columns of certain financial statements. The TEA requires the display of these codes in the financial statements filed with TEA in order to insure accuracy in building a statewide database for policy development and funding plans.

# CUERO INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2018

### B. Deposits and Investments

#### Cash Deposits

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's funds are required to be deposited and invested under the terms of a depository contract. At August 31, 2018, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$4,535,020 and the bank balance was \$4,965,492. The District's cash deposits at August 31, 2018 and during the year ended August 31, 2018, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

#### Investments

All investments made by the District shall comply with the Public Funds Investment Act (Texas Government Code Chapter 2256, Subchapter A) and all federal, state, and local statutes, rules or regulations. The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper. The State Treasurer's Investment Pool (Pool) has a credit rating of AAA from Standard & Poor's Financial Services. Local government investment pools in this rating category meet the highest standards for credit quality, conservative investment policies, and safety of principal. The Pool invests in a high quality portfolio of debt securities investments legally permissible for municipalities and school districts in the state.

The government utilizes a pooled investment concept for all its funds to maximize its investment program. Investment income from this internal pooling is allocated to the respective funds based upon the sources of funds invested.

As of August 31, 2018 the District had the following investments:

Investment or Investment Type	Maturity	Credit Rating	Fair Value
TexPool	N/A	Aaa	5,157,291
Total Investments			\$ 5,157,291

### C. Disaggregated Receivables

Receivables at August 31, 2018 for the District's individual major funds and nonmajor funds in the aggregate, including applicable allowances for uncollectible amounts are as follows and are scheduled for collection within one year:

	General	Debt Service	Other Governmental	Totals
Taxes	\$ 29,959	\$ 786,430	\$ --	\$ 816,389
Less allowance	(14,380)	(377,486)	--	(391,866)
Net taxes receivable	\$ 15,579	\$ 408,944	\$ --	\$ 424,523
Due from other Governments:				
Due from Tax Assessor	\$ 14,932	\$ 6,813	\$ --	\$ 21,745
Texas Education Agency	305,863	--	233,643	539,506
	\$ 320,795	\$ 6,813	\$ 233,643	\$ 561,251



**CUERO INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2018**

**D. Capital Assets**

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

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 648,840	\$ --	\$ --	\$ 648,840
Construction in progress	1,358,530	--	--	1,358,530
Total capital assets not being depreciated	<u>2,007,370</u>	<u>--</u>	<u>--</u>	<u>2,007,370</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	101,215,671	--	(131,460)	101,084,211
Equipment	5,138,909	394,110	--	5,533,019
Vehicles	2,765,318	117,259	(102,776)	2,779,801
Total capital assets being depreciated	<u>109,119,898</u>	<u>511,369</u>	<u>(234,236)</u>	<u>109,397,031</u>
Less accumulated depreciation for:				
Buildings and improvements	(10,859,249)	(2,038,764)	131,460	(12,766,553)
Equipment	(2,602,936)	(642,631)	--	(3,245,567)
Vehicles	(2,070,041)	(140,931)	93,651	(2,117,321)
Total accumulated depreciation	<u>(15,532,226)</u>	<u>(2,822,326)</u>	<u>225,111</u>	<u>(18,129,441)</u>
Total capital assets being depreciated, net	<u>93,587,672</u>	<u>(2,310,957)</u>	<u>(9,125)</u>	<u>91,267,590</u>
Governmental activities capital assets, net	<u>\$ 95,595,042</u>	<u>\$ (2,310,957)</u>	<u>\$ (9,125)</u>	<u>\$ 93,274,960</u>

Depreciation of \$2,822,326 and net asset disposal of \$9,125 was charged to functions as follows:

Instruction	\$ 1,539,283
Instructional Resources and Media Services	30,615
Curriculum and Staff Development	58,960
Instructional Leadership	28,452
School Leadership	127,501
Guidance, Counseling, & Evaluation Services	88,733
Social Work Services	12,969
Health Services	51,704
Student Transportation	104,468
Food Services	133,789
Extracurricular Activities	123,065
General Administration	78,465
Plant Maintenance and Operations	319,411
Security and Monitoring Services	12,606
Data Processing Services	103,653
Community Services	17,777
	<u>\$ 2,831,451</u>

**E. Interfund Balances and Activities**

Balances due to and due from other funds at August 31, 2018, consisted of the following and are scheduled to be repaid within one year.

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Special Revenue Funds	\$ 110,660	Short-term loans
	Total	<u>\$ 110,660</u>	

# CUERO INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2018

### F. Long-Term Obligations

#### General Obligation Bonds

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. These bonds are direct obligations and pledge the full faith and credit of the District and are comprised of current interest and capital appreciation bonds as noted below:

#### Advance Refunding

General Obligation Bonds	Sale Date	Original Borrowed	Interest Rate to Maturity	Final Maturity	Outstanding Balance
Series 2012, Refunding	5/15/2012	9,235,000	5.125%	8/15/2033	8,030,000
Series 2014, School Bonds	2/1/2014	55,050,000	2-4%	8/15/2035	24,650,000
Series 2014A, School Bonds	9/1/2014	15,365,000	.5-5.0%	8/15/2035	2,285,000
Series 2016, Refunding	02/01/2017	8,525,000	2-4%	08/15/2026	7,690,000
Series 2017, Refunding	09/01/2017	24,805,000	2.0%	08/15/2031	24,430,000
					\$ 67,085,000

#### Changes in Long-Term Debt

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

Governmental activities:	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
General obligation bonds	\$ 69,815,000	\$ 24,805,000	\$ 27,535,000	\$ 67,085,000	\$ 3,910,000
Bond premium	6,778,430	--	538,922	6,239,508	--
Compensated absences*	65,896	--	34,247	31,649	--
Net OPEB liability*	14,589,011	--	6,325,387	8,263,624	--
Net pension liability	4,693,038	--	1,595,846	3,097,192	--
Total governmental activities	\$ 95,941,375	\$ 24,805,000	\$ 36,029,402	\$ 84,716,973	\$ 3,910,000

\* The general fund is typically used to liquidate these liabilities. The beginning net OPEB liability has been restated for the effects of GASB 75.

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

General Obligation Bonds:

Year Ending August 31,	Governmental Activities		
	Principal	Interest	Total
2019	\$ 3,910,000	\$ 2,896,376	6,806,376
2020	4,080,000	2,724,026	6,804,026
2021	3,825,000	2,543,676	6,368,676
2022	4,160,000	2,400,426	6,560,426
2023	4,340,000	2,231,126	6,571,126
2024-2028	18,795,000	8,411,828	27,206,828
2029-2033	19,975,000	4,105,551	24,080,551
2034-2038	8,000,000	483,200	8,483,200
Totals	\$ 67,085,000	\$ 25,796,209	\$ 92,881,209

### G. Risk Management

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

# CUERO INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2018

### Worker Compensation

For the year ended August 31, 2018, the District provided its employees worker compensation coverage through the Texas Educational Insurance Association (the Pool). All members participating in the fund execute interlocal agreements that define the responsibilities of the parties. The District is not responsible for claims and claims allocation expense beyond its individual loss fund. Also, the estimated liability may be lower than the District's potential liability, which is its loss fund for each plan year. Incurred but not reported amounts are projected estimates, based on the experience history of the association. The change in the claims liability during the fiscal year ended August 31, 2018 and the preceding two years is as follows:

	8/31/18	8/31/17	8/31/16
Unpaid claims, beginning	\$ 3,926	\$ 5,932	\$ 20,978
Incurred claims	99,417	1,155	3,254
Increase (decrease) in IBNR	(3,926)	3,254	3,075
Claims paid, net of rebates	(40,669)	(6,415)	(21,375)
Unpaid claims, ending	<u>\$ 58,748</u>	<u>\$ 3,926</u>	<u>\$ 5,932</u>

### Unemployment Compensation:

During the year ended August 31, 2018, the District met its obligation to the Texas Workforce Commission through participation in the reimbursement program.

### Property/Liability Program

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

- Auto Liability
- Auto Physical Damage
- Equipment Breakdown
- Crime
- General Liability
- Property
- Sexual Misconduct Endorsement
- SP Legal Liability

The Fund was created and is operated under the provision of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for the Property Casualty Program. The terms and limits of the stop-loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended August 31, 2018, the Fund anticipates the District has no additional liability beyond the contractual obligations for payment of contributions. The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2017, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

### Dental

In addition to the areas noted above, the District offers employees dental coverage through a self-insured dental plan accounted for through an internal service fund. Under the plan, employees contribute \$30 per month for individual coverage or \$60 per month for family coverage. The District makes no contributions to the plan; however, it assumes liability for 80% of the first \$400 and 50% of the next \$1,360 of annual dental expenses incurred by plan participants. Under this arrangement, the District's liability is limited to \$1,000 annually for each participant. Due to the pay as you go basis and limitations described above, any liability at year end is minimal and not recorded.

## **CUERO INDEPENDENT SCHOOL DISTRICT**

### *NOTES TO THE FINANCIAL STATEMENTS*

*FOR THE YEAR ENDED AUGUST 31, 2018*

#### H. Pension Plan

##### **Plan Description**

The District participates in a cost sharing multiple employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit Terms. All employees of public, state- supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

##### **Pension Plan Fiduciary Net Position**

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately issued Comprehensive Annual Financial Report that includes financial statements and required supplementary Information. That report may be obtained 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, 76003.

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

##### **Benefits Provided**

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

##### **Contributions**

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

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

# CUERO INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2018

	2016	2017
Member	7.2%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
2017 Employer Contributions	\$	315,469
2017 Member Contributions	\$	882,787
2016 NECE On-behalf Contributions	\$	805,070

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

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

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

During a new member's first 90 days of employment.

When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.

When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

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

When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

### Actuarial Assumptions

The total pension liability in the August 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2016
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Market Value
Single Discount Rate	8.00%
Long-term expected Invest Rate of Return	8.00%
Inflation	2.5%
Salary Increases including inflation	3.5% to 9.5%
Payroll Growth Rate	2.50%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

## CUERO INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2018

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

#### Discount Rate

The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target 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, 2016 are summarized below:

Asset Class	Target Allocation	Long-term Expected Geometric Real Rate of Return	Expected Contribution to Long-term Portfolio Returns *
Global Equity			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Direction Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	--	1.8%	--
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	-0.2%	--
Real Return			
Global Inflat. Linked Bonds	3%	0.9%	--
Real Assets	16%	5.1%	1.1%
Energy & Natural Resources	3%	6.6%	0.2%
Commodities	--	1.2%	--
Risk Parity			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation	--		2.2%
Alpha	--		1.0%
Total	<u>100%</u>		<u>8.70%</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 2016 Net Pension Liability.

# CUERO INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2018

	1% Decrease in Discount Rate (7.0%)	Current Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
District's proportionate share of the net pension liability	\$ 7,263,242	\$ 4,693,038	\$ 2,512,985

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

At August 31, 2017, the District reported a liability of \$4,693,038 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	\$ 4,693,038
State's proportionate share that is associated with the District	9,556,062
Total	<u>\$ 14,249,100</u>

The net pension liability was measured as of August 31, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2015 thru August 31, 2016.

At August 31, 2016 the employer's proportion of the collective net pension liability was .0124192% which was an increase (decrease) of -.0010947% from its proportion measured as of August 31, 2015.

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

#### Economic Assumptions

- 1 The inflation assumption was decreased from 3.00% to 2.50%.
- 2 The ultimate merit assumption for long-service employees was decreased from 1.25% to 1.00%.
- 3 In accordance with the observed experience, there were small adjustments in the service based promotional/ longevity component of the salary scale.
- 4 The payroll growth assumption was lowered from 3.50% to 2.50%.

#### Mortality Assumptions

- 5 The post-retirement mortality tables for non-disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
- 6 The post-retirement mortality tables for disabled retirees were updated to reflect recent TRS member Experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
- 7 The pre-retirement mortality tables for active employees were updated to use 90% of the recently published RP-2014 mortality table for active employees. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.

#### Other Demographic Assumptions

- 8 Previously, it was assumed 10% of all members who had contributed in the past 5 years to be an active Member. This was an implicit rehire assumption because teachers have historically had a high incidence of terminating employment for a time and then returning to the workforce at a later date. This methodology was modified to add a more explicit valuation of the rehire incidence in the termination liabilities, and therefore these 10% are no longer being counted as active members.

# CUERO INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2018

- 9 There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of the termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.
- 10 Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
- 11 Small adjustments to the disability patterns were made for members consistent with experience and future expectations. Two separate patterns were created based on whether the member has 10 years of service or more.
- 12 For members that become disabled in the future, it is assumed 20% of them will choose a 100% joint and survivor annuity option.

### Actuarial Methods and Policies

- 13 The method of using celled data in the valuation process was changed to now using individual data records to allow for better reporting of some items, such as actuarial gains and losses by source.

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, 2017, the District recognized pension expense of \$991,691 and revenue of \$991,691 for support provided by the State.

At August 31, 2017, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 45,313	\$ 167,028
Changes in actuarial assumptions	141,087	80,766
Difference between projected and actual investment earnings	--	225,717
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	389,330	995,098
Contributions paid to TRS subsequent to the measurement date	30,965	--
Total	<u>\$ 606,695</u>	<u>\$ 1,468,609</u>

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

Year ended August 31:	Pension Exp Amount
2018	\$ 99,135
2019	99,135
2020	352,614
2021	79,662
2022	9,813
Thereafter	(23,551)

### I. Defined Other Post-Employment Benefit Plans

#### 1. Plan Description

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



**CUERO INDEPENDENT SCHOOL DISTRICT**

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

2. 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, 2017 are as follows:

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

3. Benefits Provided

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

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

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

Monthly TRS-Care Plan Premium Rates Effective September 1, 2016 - December 31, 2017			
	TRS-Care 1 Basic Plan	TRS-Care 2 Optional Plan	TRS-Care 3 Optional Plan
Retiree*	\$ --	\$ 70	\$ 100
Retiree and Spouse	20	175	255
Retiree* and Children	41	132	182
Retiree and Family	61	237	337
Surviving Children Only	28	62	82

\* or surviving spouse

4. Contributions

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

**CUERO INDEPENDENT SCHOOL DISTRICT**

*NOTES TO THE FINANCIAL STATEMENTS*

*FOR THE YEAR ENDED AUGUST 31, 2018*

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

Contribution Rates		
	2017	2018
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (NECE) - 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	\$	84,904
Current fiscal year Member contributions	\$	969,434
2017 measurement year NECE contributions	\$	113,100

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to, regardless of whether 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 NECE in the amount of \$15.6 million in fiscal year 2017 and \$182.6 million in fiscal year 2018.

5. Actuarial Assumptions

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

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

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

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

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

# CUERO INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2018

### Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.50%
Discount Rate *	3.42% *
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Payroll Growth Rate	2.50%
Projected Salary Increases **	3.50% to 9.50% **
Healthcare Trend Rates ***	4.50% to 12.00% ***
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65
Ad Hoc 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, 2017.

\*\*Includes inflation at 2.50%

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

#### 6. Discount Rate

A single discount rate of 3.42% was used to measure the total OPEB liability. There was a change of 0.44% in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, there are no investments and 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 not to be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. The source of the municipal bond rate was fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of August 31, 2017.

#### 7. Discount Rate Sensitivity Analysis

The following schedule shows the impact on 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 (2.42%)	Current Single Discount Rate (3.42%)	1% Increase in Discount Rate (4.42%)
District's proportionate share of net OPEB liability	\$ 9,753,128	\$ 8,263,624	\$ 7,066,399

#### 8. Healthcare Cost Trend Rates Sensitivity Analysis

The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1% less than and 1% greater than the assumed healthcare cost trend rate:

**CUERO INDEPENDENT SCHOOL DISTRICT**

*NOTES TO THE FINANCIAL STATEMENTS*

*FOR THE YEAR ENDED AUGUST 31, 2018*

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of net OPEB liability	\$ 6,880,293	\$ 8,263,624	\$ 10,078,729

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

At August 31, 2018, the District reported a liability of \$8,263,624 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	\$ 8,263,624
State's proportionate share that is associated with the District	<u>\$ 9,460,033</u>
 Total	 <u>\$ 17,723,657</u>

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

At August 31, 2017 the District's proportion of the collective net OPEB liability was 0.0190028.

Since this is the first year of implementation, the District does not have the proportion measured as of August 31, 2016.

The Notes to the Financial Statements for August 31, 2016 for TRS stated that the change in proportion was immaterial and, therefore, disregarded this year.

10. Changes Since the Prior Actuarial Valuation.

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

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

The Affordable Care Act includes a 40% excise tax on high-cost health plans known as the "Cadillac tax." In this valuation the impact of this tax has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

- a. 2018 thresholds of \$850/\$2,292 were indexed annually by 2.50%.
- b. Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.

**CUERO INDEPENDENT SCHOOL DISTRICT**

*NOTES TO THE FINANCIAL STATEMENTS*

*FOR THE YEAR ENDED AUGUST 31, 2018*

- c. 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.

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

For the year ended August 31, 2018, the District recognized OPEB expense of \$(3,165,579) and revenue of \$(3,165,579) for support provided by the State.

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

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual economic experience	\$ --	\$ 172,509
Changes in actuarial assumptions	--	3,284,180
Differences between projected and actual investment earnings	1,255	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	37	--
Contributions paid to TRS subsequent to the measurement date	84,904	
	<u>\$ 86,196</u>	<u>3,456,689</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
2019	\$ (455,943)
2020	\$ (455,943)
2021	\$ (455,943)
2022	\$ (455,943)
2023	\$ (456,256)
Thereafter	\$ (1,175,371)

**J. Employee Health Care Coverage**

During the period ended August 31, 2018, employees of the District were covered by a state-wide plan, TRS Active Care. The District paid premiums of \$275 per month per employee to the Plan. Employees, at their option may authorize payroll withholdings to pay premiums for dependent coverage. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement. The contract between the District and the third party administrator is renewable September 1, and terms of coverage and premium costs are included in the contractual provisions.

# CUERO INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2018

### K. Commitments and Contingencies

#### **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 relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

#### **Commitments**

The District has active construction projects as of August 31, 2018. The projects include high school renovations, new primary elementary school, new pre-kindergarten and kindergarten school were completed in 2017. The limited district-wide improvements were substantially completed in 2017, and at year-end 2018 the District has no commitments with contractors and architects.

### L. Fund Balance

#### Minimum Fund Balance Policy

It is the policy of this District to maintain at all times an overall unrestricted fund balance (committed fund balance, assigned fund balance, and unassigned fund balance) of not less than three months of regular general fund operating expenditures, measured based on the most recently completed fiscal year. If it is determined that the District is below this minimum established fund balance level, the governing body will be informed of this condition and take necessary budgetary steps to bring the fund balance level into compliance with this policy through budgetary actions. The calculated amount at August 31, 2018 was \$4,783,256 and the overall unrestricted fund balance was \$7,925,538; the policy has been met.

#### Stabilization Funds

The amount of General Fund fund balance for stabilization to provide for emergencies, contingencies, revenue shortfalls or budgetary imbalances is to be maintained at an amount not less than three months of general fund operating expenditures, measured based on the most recently completed fiscal year. This amount maintained for stabilization funding is to be reported in the unassigned fund balance classification each year. The calculated amount at August 31, 2018 was \$4,783,256 and the unassigned fund balance was \$7,925,538; the policy has been met.

#### Restricted Fund Balances

Restricted fund balances in the special revenue funds represent state and federal grants as well as amounts restricted by donors to include the special education coop, campus activity funds and foundation donations. Fund balance in the debt service fund is restricted for the retirement of long-term debt.

### M. Related Party Transactions

The District purchases general supplies from an organization that is owned by a member of the District's Board of Trustees. The District made payments totaling \$19,340 to the company during the current fiscal year. The District recognized an outstanding liability of \$514 as at August 31, 2018.

**CUERO INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2018**

N. Disaggregated Revenue

During the year ended August 31, 2018, revenues reported in the fund financial statements from local sources consisted of the following:

	General Fund	Debt Service Fund	Other Governmental Funds	Totals
Property taxes	\$ 11,345,118	\$ 5,078,398	\$ --	\$ 16,423,516
Penalties & interest	499,187	35,084	--	534,271
Athletic receipts	146,763	--	--	146,763
Tuition	73,723	--	--	73,723
Rent	90,400	--	--	90,400
Investment earnings	82,541	75,444	--	157,985
Donations, Gifts & Bequests	15,427	--	65,403	80,830
Other	426,201	--	35,448	461,649
Food service fees	--	--	102,471	102,471
Enterprise service revenue	--	--	27,572	27,572
	<u>\$ 12,679,360</u>	<u>\$ 5,188,926</u>	<u>\$ 230,894</u>	<u>\$ 18,099,180</u>

O. Negative Operating Grants and Contributions

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

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

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

	Operating Grants and Contributions	Negative On-Behalf Accruals	Operating Grants and Contributions (excluding on-behalf accruals)
11 - Instruction	\$ (534,470)	\$ (1,949,969)	\$ 1,415,499
12 - Instructional Resources and Media Services	(21,335)	(28,090)	6,755
13 - Curriculum and Instructional Staff Development	69,564	(39,745)	109,309
21 - Instructional Leadership	15,776	(34,565)	50,341
23 - School Leadership	(158,134)	(208,202)	50,068
31 - Guidance, Counseling and Evaluation Services	281,598	(95,541)	377,139
32 - Social Work Services	(12,376)	(17,310)	4,934
33 - Health Services	(49,190)	(64,764)	15,574
34 - Student (Pupil) Transportation	(88,161)	(116,074)	27,913
35 - Food Services	925,725	(7,724)	933,449
36 - Extracurricular Activities	(69,226)	(91,144)	21,918
41 - General Administration	(68,394)	(90,048)	21,654
51 - Facilities Maintenance and Operations	(196,688)	(258,963)	62,275
52 - Security and Monitor Services	--	--	--
53 - Data Processing Service	(108,405)	(142,728)	34,323
61 - Community Services	6,804	(20,712)	27,516
	<u>(6,912)</u>	<u>(3,165,579)</u>	<u>3,158,667</u>

## **CUERO INDEPENDENT SCHOOL DISTRICT**

### *NOTES TO THE FINANCIAL STATEMENTS*

*FOR THE YEAR ENDED AUGUST 31, 2018*

#### P. Prior Period Adjustments

During fiscal year 2018, the District adopted GASB Statement No. 75 for Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions. With GASB 75, the District must assume their proportionate share of the Net OPEB Liability of the Teacher Retirement System of Texas. Adoption of GASB 75 required a prior period adjustment to report the effect of GASB 75 retroactively. The prior period adjustment totaled \$(14,497,709) which resulted in a restated beginning net position balance of \$12,113,019



## *Required Supplementary Information*

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



**CUERO INDEPENDENT SCHOOL DISTRICT**

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

**EXHIBIT G-1**

Page 1 of 2

Data Control Codes	Budgeted Amounts			Variance with Final Budget Positive (Negative)	
	1	2	3		
	Original	Final	Actual		
<b>REVENUES:</b>					
5700	Local and Intermediate Sources	\$ 11,041,451	\$ 11,041,451	\$ 12,679,360	\$ 1,637,909
5800	State Program Revenues	3,609,865	3,609,865	4,986,515	1,376,650
5900	Federal Program Revenues	--	--	288,826	288,826
5020	Total Revenues	<u>14,651,316</u>	<u>14,651,316</u>	<u>17,954,701</u>	<u>3,303,385</u>
<b>EXPENDITURES:</b>					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	10,098,725	9,900,000	9,886,756	13,244
0012	Instructional Resources and Media Services	196,698	225,000	218,456	6,544
0013	Curriculum and Staff Development	307,486	340,000	306,737	33,263
	Total Instruction & Instr. Related Services	<u>10,602,909</u>	<u>10,465,000</u>	<u>10,411,949</u>	<u>53,051</u>
Instructional and School Leadership:					
0021	Instructional Leadership	124,297	165,000	156,618	8,382
0023	School Leadership	916,010	950,000	948,088	1,912
	Total Instructional & School Leadership	<u>1,040,307</u>	<u>1,115,000</u>	<u>1,104,706</u>	<u>10,294</u>
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	511,688	540,000	544,939	(4,939)
0032	Social Work Services	77,461	85,000	81,806	3,194
0033	Health Services	325,256	350,000	338,773	11,227
0034	Student (Pupil) Transportation	819,869	750,000	818,102	(68,102)
0036	Cocurricular/Extracurricular Activities	705,196	885,000	890,580	(5,580)
	Total Support Services - Student (Pupil)	<u>2,439,470</u>	<u>2,610,000</u>	<u>2,674,200</u>	<u>(64,200)</u>
Administrative Support Services:					
0041	General Administration	540,108	550,000	558,239	(8,239)
	Total Administrative Support Services	<u>540,108</u>	<u>550,000</u>	<u>558,239</u>	<u>(8,239)</u>
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	2,368,085	2,700,000	2,768,015	(68,015)
0052	Security and Monitoring Services	96,500	96,500	104,147	(7,647)
0053	Data Processing Services	677,457	742,000	748,155	(6,155)
	Total Support Services - Nonstudent Based	<u>3,142,042</u>	<u>3,538,500</u>	<u>3,620,317</u>	<u>(81,817)</u>
Ancillary Services:					
0061	Community Services	85,109	100,000	97,445	2,555
	Total Ancillary Services	<u>85,109</u>	<u>100,000</u>	<u>97,445</u>	<u>2,555</u>
Capital Outlay:					
0081	Capital Outlay	401,049	421,897	373,056	48,841
	Total Capital Outlay	<u>401,049</u>	<u>421,897</u>	<u>373,056</u>	<u>48,841</u>
0099	Other Intergovernmental Charges	300,000	300,000	293,113	6,887
	Total Intergovernmental Charges	<u>300,000</u>	<u>300,000</u>	<u>293,113</u>	<u>6,887</u>
6030	Total Expenditures	<u>18,550,994</u>	<u>19,100,397</u>	<u>19,133,025</u>	<u>(32,628)</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	<u>(3,899,678)</u>	<u>(4,449,081)</u>	<u>(1,178,324)</u>	<u>3,270,757</u>
1200	Net Change in Fund Balance	<u>(3,899,678)</u>	<u>(4,449,081)</u>	<u>(1,178,324)</u>	<u>3,270,757</u>
0100	Fund Balance - Beginning	9,103,862	9,103,862	9,103,862	--
3000	Fund Balance - Ending	<u>\$ 5,204,184</u>	<u>\$ 4,654,781</u>	<u>\$ 7,925,538</u>	<u>\$ 3,270,757</u>

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Measurement period ending August 31,										
District's proportion of the net pension liability (asset)	0.0096864%	0.0124192%	0.0135139%	0.0109345%	--	--	--	--	--	--
District's proportionate share of the net pension liability (asset)	\$ 3,097,192	\$ 4,693,038	\$ 4,776,984	\$ 2,920,756	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
State's proportionate share of the net pension liability (asset) associated with the District	7,013,930	9,556,062	9,627,104	8,569,707	--	--	--	--	--	--
<b>Total</b>	<b>\$ 10,111,122</b>	<b>\$ 14,249,100</b>	<b>\$ 14,404,088</b>	<b>\$ 11,490,463</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>
District's covered-employee payroll	\$ 12,260,948	\$ 14,069,134	\$ 14,328,123	\$ 15,248,599	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	25.26%	33.36%	33.34%	19.15%	--	--	--	--	--	--
Plan fiduciary net position as a percentage of the total pension liability	82.17%	78.00%	78.43%	83.25%	--	--	--	--	--	--

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

**CUERO INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICT CONTRIBUTIONS**  
**TEXAS TEACHER RETIREMENT SYSTEM OF TEXAS PENSION PLAN**  
**LAST TEN FISCAL YEARS \***

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
For the fiscal year ending August 31,										
Contractually required contribution	\$ 296,124	\$ 315,469	\$ 394,590	\$ 400,150	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions in relation to contractually required contribution	(296,124)	(315,469)	(394,590)	(400,150)	--	--	--	--	--	--
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered-employee payroll	\$ 12,590,034	\$ 12,260,946	\$ 14,069,134	\$ 14,328,123	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions as a percentage of covered-employee payroll	2.35%	2.57%	2.80%	2.79%	--	--	--	--	--	--

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

**CUERO INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE**  
**SHARE OF THE NET OPEB LIABILITY**  
**TEACHER RETIREMENT SYSTEM OF TEXAS**  
**LAST TEN FISCAL YEARS \***

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
District's proportion of the collective net OPEB liability	0.0190028%	--	--	--	--	--	--	--	--	--
District's proportionate share of the collective net OPEB liability	\$ 8,263,624	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
State proportionate share of the collective net OPEB liability associated with the District	\$ 9,460,033	1 \$	1 \$	1 \$	1 \$	1 \$	1 \$	1 \$	1 \$	1 \$
Total	\$ 17,723,657	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered-employee payroll	\$ 12,260,948	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	67.40%	--	--	--	--	--	--	--	--	--
Plan fiduciary net position as a percentage of the total OPEB liability	0.91%	--	--	--	--	--	--	--	--	--

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

**CUERO INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS**  
**TEACHER RETIREMENT SYSTEM OF TEXAS**  
**LAST TEN FISCAL YEARS \***

	Fiscal Year Ended									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Statorily or contractually required District contribution	\$ 84,904	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions recognized by OPEB in relation to statorily or contractually required contribution	(84,904)	--	--	--	--	--	--	--	--	--
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered-employee payroll	\$ 974,968	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions as a percentage of covered-employee payroll	8.71%	--	--	--	--	--	--	--	--	--

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

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

**Budget**

Under GASBS No. 34, budgetary comparison information is required to be presented for the general fund and each major special revenue fund with a legally adopted Budget. In accordance with State law the budgets must be prepared in accordance with GAAP; and in accordance with the Texas Education Agency the District is required to adopt a budget for the general fund, food service fund and debt service fund (if applicable).

The District exceeded its budget in Support Services - Student [\$64,200] and Support Services - Nonstudent [\$81,817]

**Defined Benefit Pension Plan And Postemployment Benefit Other Than Pension**

Changes since the prior actuarial valuation - The following are changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period:

**Economic Assumptions**

- 1 The inflation assumption was decreased from 3.00% to 2.50%.
- 2 The ultimate merit assumption for long-service employees was decreased from 1.25% to 1.00%.
- 3 In accordance with the observed experience, there were small adjustments in the service based promotional/longevity component of the salary scale. The payroll growth assumption was lowered from 3.50% to 2.50%.
- 4 The payroll growth assumption was lowered from 3.50% to 2.50%.

**Mortality Assumptions**

- 5 The post-retirement mortality tables for non-disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
- 6 The post-retirement mortality tables for disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
- 7 The pre-retirement mortality tables for active employees were updated to use 90% of the recently published RP-2014 mortality table for active employees. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.

**Other Demographic Assumptions**

- 8 Previously, it was assumed 10% of all members who had contributed in the past 5 years to be an active Member. This was an implicit rehire assumption because teachers have historically had a high incidence of terminating employment for a time and then returning to the workforce at a later date. This methodology was modified to add a more explicit valuation of the rehire incidence in the termination liabilities, and therefore these 10% are no longer being counted as active members.
- 9 There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of the termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.
- 10 Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
- 11 Small adjustments to the disability patterns were made for members consistent with experience and future expectations. Two separate patterns were created based on whether the member has 10 years of service or more.
- 12 For members that become disabled in the future, it is assumed 20% of them will choose a 100% joint and survivor annuity option.

**Actuarial Methods and Policies**

- 13 The method of using celled data in the valuation process was changed to now using individual data records to allow for better reporting of some items, such as actuarial gains and losses by source.

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



*Combining Statements and Budget Comparisons  
as Supplementary Information*

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

**CUERO INDEPENDENT SCHOOL DISTRICT**

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2018

Data Control Codes	211 ESEA Title I Improving Basic Programs	224 IDEA-B Formula	225 IDEA-B Preschool Grant	240 National School Breakfast/Lunch Program	
<b>ASSETS:</b>					
1110	Cash and Cash Equivalents	\$ --	\$ --	\$ --	\$ 36,703
1240	Due from Other Governments	55,174	65,167	3,652	73,024
1300	Inventories	--	--	--	12,369
1000	Total Assets	<u>55,174</u>	<u>65,167</u>	<u>3,652</u>	<u>122,096</u>
<b>LIABILITIES:</b>					
Current Liabilities:					
2110	Accounts Payable	\$ --	\$ --	\$ --	\$ 470
2160	Accrued Wages Payable	24,771	22,758	2,070	32,562
2170	Due to Other Funds	30,403	42,409	1,582	--
2300	Unearned Revenue	--	--	--	6,205
2000	Total Liabilities	<u>55,174</u>	<u>65,167</u>	<u>3,652</u>	<u>39,237</u>
<b>FUND BALANCES:</b>					
Nonspendable Fund Balances:					
3410	Inventories	--	--	--	12,369
Restricted Fund Balances:					
3450	Federal/State Funds Grant Restrictions	--	--	--	70,490
3490	Other Restrictions of Fund Balance	--	--	--	--
3000	Total Fund Balances	<u>--</u>	<u>--</u>	<u>--</u>	<u>82,859</u>
4000	Total Liabilities and Fund Balances	<u>\$ 55,174</u>	<u>\$ 65,167</u>	<u>\$ 3,652</u>	<u>\$ 122,096</u>

242 Summer Feeding Program	255 ESEA Title II Training & Recruiting	270 ESEA, Title VI Part B, Subpart 2 Rural School	289 Emergency Impact Aid Program	385 Supplemental Visually Impaired
\$ --	\$ --	\$ --	\$ --	\$ 433
--	14,154	22,472	--	--
--	--	--	--	--
<u>--</u>	<u>14,154</u>	<u>22,472</u>	<u>--</u>	<u>433</u>
<u><u>--</u></u>	<u><u>14,154</u></u>	<u><u>22,472</u></u>	<u><u>--</u></u>	<u><u>433</u></u>
\$ --	\$ 29	\$ 331	\$ --	\$ --
--	--	--	--	--
--	14,125	22,141	--	--
--	--	--	--	433
<u>--</u>	<u>14,154</u>	<u>22,472</u>	<u>--</u>	<u>433</u>
<u><u>--</u></u>	<u><u>14,154</u></u>	<u><u>22,472</u></u>	<u><u>--</u></u>	<u><u>433</u></u>
--	--	--	--	--
--	--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u><u>--</u></u>	<u><u>14,154</u></u>	<u><u>22,472</u></u>	<u><u>--</u></u>	<u><u>433</u></u>

**CUERO INDEPENDENT SCHOOL DISTRICT**

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2018

Data Control Codes	392 Non-Educational Community-Based Support	410 State Textbook Fund	429 State Funded Special Revenue Fund
<b>ASSETS:</b>			
1110 <i>Cash and Cash Equivalents</i>	\$ 1,600	\$ 11,841	\$ 1,594
1240 <i>Due from Other Governments</i>	--	--	--
1300 <i>Inventories</i>	--	--	--
1000 Total Assets	<u>1,600</u>	<u>11,841</u>	<u>1,594</u>
<b>LIABILITIES:</b>			
Current Liabilities:			
2110 <i>Accounts Payable</i>	\$ --	\$ --	\$ --
2160 <i>Accrued Wages Payable</i>	--	--	--
2170 <i>Due to Other Funds</i>	--	--	--
2300 <i>Unearned Revenue</i>	1,600	11,841	1,594
2000 Total Liabilities	<u>1,600</u>	<u>11,841</u>	<u>1,594</u>
<b>FUND BALANCES:</b>			
Nonspendable Fund Balances:			
3410 <i>Inventories</i>	--	--	--
Restricted Fund Balances:			
3450 <i>Federal/State Funds Grant Restrictions</i>	--	--	--
3490 <i>Other Restrictions of Fund Balance</i>	--	--	--
3000 Total Fund Balances	<u>--</u>	<u>--</u>	<u>--</u>
4000 Total Liabilities and Fund Balances	<u>\$ 1,600</u>	<u>\$ 11,841</u>	<u>\$ 1,594</u>

	461 Campus Activity Funds	496 Miscellaneous Grants	498 Educational Foundation Grant	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
	\$ 42,114	\$ 5,353	\$ 39,376	\$ 139,014
	--	--	--	233,643
	--	--	--	12,369
	<u>42,114</u>	<u>5,353</u>	<u>39,376</u>	<u>385,026</u>
	\$ 127	\$ --	\$ --	\$ 957
	--	--	--	82,161
	--	--	--	110,660
	--	--	--	21,673
	<u>127</u>	<u>--</u>	<u>--</u>	<u>215,451</u>
	--	--	--	12,369
	--	--	--	70,490
	41,987	5,353	39,376	86,716
	<u>41,987</u>	<u>5,353</u>	<u>39,376</u>	<u>169,575</u>
	<u>\$ 42,114</u>	<u>\$ 5,353</u>	<u>\$ 39,376</u>	<u>\$ 385,026</u>

**CUERO INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED AUGUST 31, 2018**

Data Control Codes	211 ESEA Title I Improving Basic Programs	224 IDEA-B Formula	225 IDEA-B Preschool Grant	240 National School Breakfast/Lunch Program
<b>REVENUES:</b>				
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ --	\$ --	\$ 137,918
5800 <i>State Program Revenues</i>	--	--	--	6,914
5900 <i>Federal Program Revenues</i>	575,783	381,358	15,144	925,688
5020 <b>Total Revenues</b>	<u>575,783</u>	<u>381,358</u>	<u>15,144</u>	<u>1,070,520</u>
<b>EXPENDITURES:</b>				
Current:				
0011 <i>Instruction</i>	508,216	269,863	15,144	--
0013 <i>Curriculum and Staff Development</i>	44,266	--	--	--
0021 <i>Instructional Leadership</i>	--	46,173	--	--
0031 <i>Guidance, Counseling, &amp; Evaluation Services</i>	--	65,322	--	--
0032 <i>Social Work Services</i>	750	--	--	--
0035 <i>Food Service</i>	--	--	--	987,661
0036 <i>Cocurricular/Extracurricular Activities</i>	--	--	--	--
0061 <i>Community Services</i>	22,551	--	--	--
6030 <b>Total Expenditures</b>	<u>575,783</u>	<u>381,358</u>	<u>15,144</u>	<u>987,661</u>
1100 <b>Excess (Deficiency) of Revenues Over (Under)</b>				
1100 <b>Expenditures</b>	--	--	--	82,859
1200 <b>Net Change in Fund Balances</b>	--	--	--	82,859
0100 <b>Fund Balances - Beginning</b>	--	--	--	--
3000 <b>Fund Balances - Ending</b>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 82,859</u>

242 Summer Feeding Program	255 ESEA Title II Training & Recruiting	270 ESEA, Title VI Part B, Subpart 2 Rural School	289 Emergency Impact Aid Program	385 Supplemental Visually Impaired
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	7,347
1,306	55,598	52,663	9,852	--
<u>1,306</u>	<u>55,598</u>	<u>52,663</u>	<u>9,852</u>	<u>7,347</u>
--	182	9,137	9,852	7,257
--	55,416	43,526	--	90
--	--	--	--	--
--	--	--	--	--
1,306	--	--	--	--
--	--	--	--	--
--	--	--	--	--
<u>1,306</u>	<u>55,598</u>	<u>52,663</u>	<u>9,852</u>	<u>7,347</u>
--	--	--	--	--
--	--	--	--	--
\$ --	\$ --	\$ --	\$ --	\$ --

**CUERO INDEPENDENT SCHOOL DISTRICT**  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	392 Non-Educational Community-Based Support	410 State Textbook Fund	429 State Funded Special Revenue Fund
<b>REVENUES:</b>			
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ --	\$ --
5800 <i>State Program Revenues</i>	--	126,237	10,174
5900 <i>Federal Program Revenues</i>	--	--	--
5020 <b>Total Revenues</b>	<u>--</u>	<u>126,237</u>	<u>10,174</u>
<b>EXPENDITURES:</b>			
Current:			
0011 <i>Instruction</i>	--	126,237	10,174
0013 <i>Curriculum and Staff Development</i>	--	--	--
0021 <i>Instructional Leadership</i>	--	--	--
0031 <i>Guidance, Counseling, &amp; Evaluation Services</i>	--	--	--
0032 <i>Social Work Services</i>	--	--	--
0035 <i>Food Service</i>	--	--	--
0036 <i>Cocurricular/Extracurricular Activities</i>	--	--	--
0061 <i>Community Services</i>	--	--	--
6030 <b>Total Expenditures</b>	<u>--</u>	<u>126,237</u>	<u>10,174</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>--</u>	<u>--</u>	<u>--</u>
1200 Net Change in Fund Balances	--	--	--
0100 Fund Balances - Beginning	--	--	--
3000 Fund Balances - Ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>



	461 Campus Activity Funds	496 Miscellaneous Grants	498 Educational Foundation Grant	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
	\$ 27,572	\$ 10,000	\$ 55,404	\$ 230,894
	--	--	--	150,672
	--	--	--	2,017,392
	<u>27,572</u>	<u>10,000</u>	<u>55,404</u>	<u>2,398,958</u>
	--	6,047	32,157	994,266
	--	--	--	143,298
	--	--	--	46,173
	--	--	--	65,322
	--	--	--	750
	--	--	--	988,967
	47,559	76	--	47,635
	--	--	--	22,551
	<u>47,559</u>	<u>6,123</u>	<u>32,157</u>	<u>2,308,962</u>
	(19,987)	3,877	23,247	89,996
	<u>(19,987)</u>	<u>3,877</u>	<u>23,247</u>	<u>89,996</u>
	61,974	1,476	16,129	79,579
	<u>\$ 41,987</u>	<u>\$ 5,353</u>	<u>\$ 39,376</u>	<u>\$ 169,575</u>



## *Other Supplementary Information*

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

**CUERO INDEPENDENT SCHOOL DISTRICT**

*SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FOR THE YEAR ENDED AUGUST 31, 2018*

Year Ended August 31	Tax Rates		3 Assessed/Appraised Value For School Tax Purposes
	1 Maintenance	2 Debt Service	
2009 and Prior Years	\$ Various	\$ Various	\$ Various
2010	1.1324	.1643	448,804,609
2011	1.1325	.1908	423,561,507
2012	1.1325	.1549	489,893,348
2013	1.04	.03	1,212,801,417
2014	1.04	.064	1,466,372,562
2015	.94	.4371	2,386,277,459
2016	.96	.43069	1,709,892,499
2017	.96	.49048	1,185,940,515
2018 (School Year Under Audit)	1.04	.46	1,144,181,457

1000 Totals

9000 - Portion of Row 1000 for Taxes Paid into Tax Increment Zone Under Chapter 311, Tax Code

10 Beginning Balance 9/1/17	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/17
\$ 43,710	\$ --	\$ 2,540	\$ 290	\$ (1,551)	\$ 39,330
8,377	--	339	49	(280)	7,709
8,458	--	840	141	(241)	7,236
13,032	--	1,961	268	(58)	10,745
17,731	--	319,260	9,217	325,674	14,928
46,179	--	3,942	243	(434)	41,561
69,093	--	10,834	5,038	666	53,887
133,379	--	15,489	6,949	424	111,364
378,223	--	83,264	42,541	180	252,599
--	16,625,756	11,335,063	5,013,662	--	277,031
<u>\$ 718,182</u>	<u>\$ 16,625,756</u>	<u>\$ 11,773,531</u>	<u>\$ 5,078,398</u>	<u>\$ 324,381</u>	<u>\$ 816,389</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

**CUERO INDEPENDENT SCHOOL DISTRICT**  
*NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM*  
*BUDGETARY COMPARISON SCHEDULE*  
*FOR THE YEAR ENDED AUGUST 31, 2018*

**EXHIBIT J-3**

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
<b>REVENUES:</b>			
5700 <i>Local and Intermediate Sources</i>	\$ 169,394	\$ 137,918	\$ (31,476)
5800 <i>State Program Revenues</i>	--	6,914	6,914
5900 <i>Federal Program Revenues</i>	797,650	925,688	128,038
5020 Total Revenues	<u>967,044</u>	<u>1,070,520</u>	<u>103,476</u>
<b>EXPENDITURES:</b>			
Current:			
Support Services - Student (Pupil):			
0035 <i>Food Services</i>	1,117,906	987,661	130,245
Total Support Services - Student (Pupil)	<u>1,117,906</u>	<u>987,661</u>	<u>130,245</u>
6030 Total Expenditures	<u>1,117,906</u>	<u>987,661</u>	<u>130,245</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>(150,862)</u>	82,859	233,721
1200 Net Change in Fund Balance	<u>(150,862)</u>	82,859	233,721
0100 Fund Balance - Beginning	--	--	--
3000 Fund Balance - Ending	<u><u>\$ (150,862)</u></u>	<u><u>\$ 82,859</u></u>	<u><u>\$ 233,721</u></u>

**CUERO INDEPENDENT SCHOOL DISTRICT**

**EXHIBIT J-4**

DEBT SERVICE FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
<b>REVENUES:</b>			
5700 <i>Local and Intermediate Sources</i>	\$ 5,263,000	\$ 5,188,926	\$ (74,074)
5800 <i>State Program Revenues</i>	1,000	713	(287)
5020 <i>Total Revenues</i>	<u>5,264,000</u>	<u>5,189,639</u>	<u>(74,361)</u>
<b>EXPENDITURES:</b>			
Debt Service:			
0071 <i>Principal on Long-Term Debt</i>	1,950,000	2,730,000	(780,000)
0072 <i>Interest on Long-Term Debt</i>	3,950,000	3,261,082	688,918
0073 <i>Bond Issuance Costs and Fees</i>	4,000	3,600	400
<i>Total Debt Service</i>	<u>5,904,000</u>	<u>5,994,682</u>	<u>(90,682)</u>
6030 <i>Total Expenditures</i>	<u>5,904,000</u>	<u>5,994,682</u>	<u>(90,682)</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>			
1100 <i>Expenditures</i>	(640,000)	(805,043)	(165,043)
1200 <i>Net Change in Fund Balance</i>	(640,000)	(805,043)	(165,043)
0100 <i>Fund Balance - Beginning</i>	1,550,574	1,550,574	--
3000 <i>Fund Balance - Ending</i>	<u>\$ 910,574</u>	<u>\$ 745,531</u>	<u>\$ (165,043)</u>





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*Certified Public Accountants*

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

Board of Trustees  
Cuero Independent School District  
960 East Broadway  
Cuero, Texas 77954

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cuero Independent School District, as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise Cuero Independent School District's basic financial statements, and have issued our report thereon dated Dec 14, 2018.

## **Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

Respectfully submitted,

Harry Afadapa & Associates, PC

Stafford, Texas  
Dec 14, 2018

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## Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Trustees  
Cuero Independent School District  
960 East Broadway  
Cuero, Texas 77954

Members of the Board of Trustees:

### **Report on Compliance for Each Major Federal Program**

We have audited the Cuero Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Cuero Independent School District's major federal programs for the year ended August 31, 2018. Cuero Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

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

### ***Auditor's Responsibility***

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

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

### **Opinion on Each Major Federal Program**

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

### **Report on Internal Control Over Compliance**

Management of the Cuero Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Cuero Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Cuero Independent School District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

Harry Afadapa & Associates, PC

Stafford, Texas  
Dec 14, 2018

**CUERO INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF FINDINGS AND QUESTIONED COSTS*  
*FOR THE YEAR ENDED AUGUST 31, 2018*

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified?  Yes  No

One or more significant deficiencies identified that are not considered to be material weaknesses?  Yes  None Reported

Noncompliance material to financial statements noted?  Yes  No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified?  Yes  No

One or more significant deficiencies identified that are not considered to be material weaknesses?  Yes  None Reported

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

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200?  Yes  No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553 /10.555 /10.559	Child Nutrition Cluster

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

Auditee qualified as low-risk auditee?  Yes  No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

**CUERO INDEPENDENT SCHOOL DISTRICT**  
*SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS*  
*FOR THE YEAR ENDED AUGUST 31, 2018*

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
None.		

**CUERO INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED AUGUST 31, 2018**

**EXHIBIT K-1**

(1)	(2)	(2A) Pass- Through Entity Identifying Number	Passed Through to Subrecipie	(3) Federal Expenditures
<b>SPECIAL EDUCATION (IDEA) CLUSTER:</b>				
<u>U. S. Department of Education</u>				
Passed Through State Department of Education:				
IDEA-B Formula	84.027	18660001062901	\$ --	\$ 22,758
IDEA-B Formula	84.027	18660001062901	--	358,600
Total CFDA Number 84.027			--	381,358
IDEA-B Preschool	84.173	18661001062901	--	\$ 2,070
IDEA-B Preschool	84.173	18661001062901	--	13,074
Total CFDA Number 84.173			--	15,144
Total Passed Through State Department of Education			--	396,502
Total U. S. Department of Education			--	396,502
Total Special Education (IDEA) Cluster			--	\$ 396,502
<b>OTHER PROGRAMS:</b>				
<u>U. S. Department of Education</u>				
Passed Through State Department of Education:				
ESEA Title I Part A - Improving Basic Programs	84.010A	18610123062901	\$ --	\$ 24,771
ESEA Title I Part A - Improving Basic Programs	84.010A	18610101062901	--	551,012
Total CFDA Number 84.010a			--	\$ 575,783
ESEA, Title VI, Part B, Subpart 2 - Rural and Low Income Schoo	84.358	18696001062901	\$ --	\$ 52,663
ESEA Title II Part A - Teacher & Principal Training & Recruiting	84.367a	18694501062901	\$ --	55,598
Total CFDA Number 84.367a			--	\$ 55,598
Emergency Impact Aid Program	84.938C	18680101062901	\$ --	\$ 9,852
Total Passed Through State Department of Education			--	693,896
Total U. S. Department of Education			\$ --	\$ 693,896
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass Through Texas Department of Agriculture:				
Pass Through State Department of Education:				
Child Nutrition Cluster				
School Breakfast Program	10.553	714017	--	51,432
School Breakfast Program	10.553	714018	--	218,326
Total CFDA Number 10.553			--	269,758
National School Lunch Program	10.555	713017	--	108,937
National School Lunch Program	10.555	713018	--	488,913
Total CFDA Number 10.555			--	597,850
Passed Through State Department of Agriculture:				
Summer Food Service Program	10.559	307-62018-SFSP	--	1,306
Total Child Nutrition Cluster			--	--
Pass Through State Department of Agriculture:				
Commodity Supplemental Food Program (Non-cash)	10.550	062901A2018	--	58,080
Total U.S. Department of Agriculture			--	926,994
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ --</b>	<b>\$ 2,017,392</b>

The accompanying notes are an integral part of this schedule.

**CUERO INDEPENDENT SCHOOL DISTRICT**  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2018

**Note 1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of Cuero Independent School District under programs of the federal government for the year ended August 31, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Cuero Independent School District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Cuero Independent School District.

**Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

**Note 3. Non-cash awards**

The commodity supplemental food program amount of \$58,080 reported on the schedule is the value of commodities received by the District during the fiscal year and priced as prescribed by the Texas Department of Agriculture.

**Note 4. Indirect Cost Rates**

Cuero Independent School District has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.



**CUERO INDEPENDENT SCHOOL DISTRICT**

SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS  
AS OF AUGUST 31, 2018

Data Control Codes		Responses
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts and laws related to local, state or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other governmental agencies?	Yes
SF8	Did the school district <u>not</u> receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	What was the total accumulated accretion on capital appreciation bonds (CABs) included in government-wide financial statements at fiscal year-end?	\$ --
SF11	Net Pension Assets (object 1920) at fiscal year-end.	\$ --
SF12	Net Pension Liabilities (object 2540) at fiscal year-end.	\$ 3,097,192
SF13	Net OPEB Liabilities (object 2545) at fiscal year-end.	\$ 8,263,624

In correspondence to all school administrators dated November 1, 2017, the TEA's Director of Financial Compliance stated "For 2017, and until further notice, no data should be entered in the field for data feed Schedule L-1 question SF13. If the AFR and data feed has been submitted no additional steps need to be taken."

