



Financial Statements

August 31, 2018

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CERTIFICATE OF BOARD

Abilene Independent School District
Name of School District

Taylor
County

221-901
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and approved _____disapproved _____ for the year ended August 31, 2018, at a meeting of the Board of Trustees of such school district on the 14th day of January, 2019.

Signature of Board Secretary

Signature of Board President



Independent Auditor's Report

The Board of Trustees
Abilene Independent School District
Abilene, Texas

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the 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 conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Notes 4 and 23 to the financial statements, the District has adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which has resulted in a restatement of the net position as of September 1, 2017. Our opinions are 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, budgetary comparison information, pension plan schedules and OPEB plan schedules on pages 5 through 13 and 58 through 64 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 District's financial statements. The combining nonmajor fund financial statements and the TEA required schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the financial statements.

The combining nonmajor fund financial statements, the TEA required schedules, 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 nonmajor fund financial statements, the TEA required schedules 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated December 20, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the District's internal control over financial reporting and compliance.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned above the typed text.

Abilene, Texas
December 20, 2018

MANAGEMENT’S DISCUSSION AND ANALYSIS

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

FINANCIAL HIGHLIGHTS

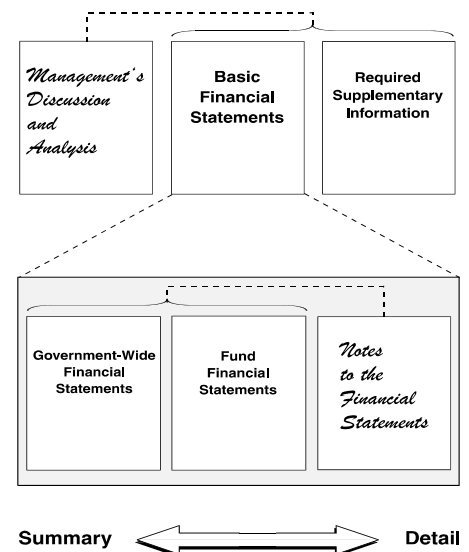
- At August 31, 2018, the District’s combined assets and deferred outflows fell below its liabilities and deferred inflows by \$29.74 million, net position. The unrestricted portion of (\$67.66 million) is due to the retroactive recognition of GASB 75 which requires the recognition of Other Post Employment Benefits (OPEB) on the Government-wide financial statements. The District’s total net position decreased by \$84.47 million.
- The District’s total net position decreased by \$84.47 million. The primary reason for the decrease is due to GASB 75 and the retroactive recognition of (\$98,824,628) of OPEB.
- The General Fund reported a total ending fund balance of \$39.6 million this year, up \$1.9 million from last year. Of the total, \$34.1 million is unassigned and \$1.7 million is committed for Shotwell improvements and other construction needs.
- In November, 2013 voters approved an \$87.68 million bond package for the construction and renovation of District facilities. All of the bonds were issued in March 2014. As of August 31, 2018, over \$87.7 million has been spent. This includes interest that was earned.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts – *management’s discussion and analysis* (this section), the *basic financial statements*, *required supplementary information* and an optional section that presents *combining statements* for non-major governmental funds and TEA required schedules.

The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District’s overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District’s operations in *more detail* than the government-wide statements.
 - The *governmental funds* statements tell how *general government services* were financed in the *short term* as well as what remains for future spending.
 - *Proprietary fund* statements include the internal service fund, which accounts for the District’s workers compensation self-insurance plan. The activity of the internal service fund is included within the governmental activities in the government-wide financial statements.



Abilene Independent School District
 Management's Discussion and Analysis
 August 31, 2018

- *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. The following summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Major Features of the District's Government-Wide and Fund Financial Statements

<i>Type of Statements</i>	Government-Wide	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
<i>Scope</i>	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary	Activities the District operates similar to businesses: self-insurance	Instances in which the District is the trustee or agent for someone else's accounts
<i>Required financial statements</i>	Statement of net position Statement of activities	Balance sheet Statement of revenues, expenditures & changes in fund balances	Statement of net position Statement of revenues, expenses and changes in fund net position Statement of cash flows	Statement of fiduciary net position
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic measurement focus	Modified accrual accounting and current measurement focus	Accrual accounting and economic measurement focus	Accrual accounting and economic measurement focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or 60 days thereafter, no capital assets included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term
<i>Type of in flow/out flow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during year or 60 days after the end of year; expenditures when goods or services have been received and payment is due during the year or 60 days thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Government-Wide Statements

The government-wide financial statements, including the *Statement of Net Position* and the *Statement of Activities*, report on the District as a whole and are designed to provide readers with a broad overview of the District's finances. These statements are presented on the accrual basis of accounting similar to the accounting basis used by most private-sector entities.

In fiscal year 2018, the District adopted the Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions – which superseded GASB Statement No. 45. Statement No. 75 establishes financial reporting standards and/or accounting standards for state and local government defined other postemployment benefit (OPEB) plans and defined contribution OPEB plans. Statement No. 75 requires that, at transition, a government recognizes a beginning deferred outflow of resources for its OPEB contributions, if any, made subsequent to the measurement date of the beginning net OPEB liability. The effects of the adoption of this statement has no impact on the District's governmental fund financial statements. However, adoption has resulted in certain changes to the presentation of the District's government-wide financial statements. More information on the adoption of this statement and the District's OPEB plan is available in Note 4 and 12.

The *Statement of Net Position* presents information on all of the District's assets, liabilities, and deferred inflows/outflows of resources with the difference reported as net position. The *Statement of Activities* presents the increases and decreases in net position for the current fiscal year regardless of when cash is received or paid. Increases and decreases in net position over time may serve as one indicator of whether the financial position of the District is improving or deteriorating but should be considered with additional factors as well.

Government-wide financial statements distinguish net position and the changes in net position between *governmental activities*, which are supported principally by taxes and intergovernmental revenues, and *business-type activities*, which are intended to recover all or a significant portion of their costs through user fees and charges.

Fund Financial Statements

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

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

The District has three kinds of funds:

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

Abilene Independent School District
Management's Discussion and Analysis
August 31, 2018

- *Proprietary funds* – The District uses a proprietary fund to track the revenues and expenses related to their workers compensation self-insurance program. The various functions within the District are charged for their part of the insurance, which is then transferred to the proprietary fund. The proprietary fund is used to pay all expenses of the self-insurance program from the charges to the District functions. The activity in the self-insurance fund is reported in the statement of net position and statement of revenues, expenses and changes in net position of the proprietary fund.
- *Fiduciary funds* – The District is the trustee, or *fiduciary*, for certain funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are in agency funds and are reported in a separate statement of fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position. The following table presents comparative information of the government-wide financial statements.

The District's Net Position
(in thousands of dollars)

	Governmental Activities		% Change
	2018	2017	
Current and Other Assets	\$ 55,381	\$ 48,592	14.0%
Capital Assets	150,574	158,941	-5.3%
Restricted Assets	4,018	6,547	-38.6%
Total Assets	209,973	214,080	-1.9%
Deferred Outflows of Resources	12,664	16,087	-21.3%
Current Liabilities	14,628	9,857	48.4%
Long-Term Liabilities	209,191	163,154	28.2%
Total Liabilities	223,819	173,011	29.4%
Deferred Inflows of Resources	28,560	2,429	1075.8%
Net investment in capital assets	32,371	37,042	-12.6%
Restricted	5,547	5,964	-7.0%
Unrestricted	(67,660)	11,722	-677.2%
Total Net Position	\$ (29,742)	\$ 54,728	-154.3%

The District's net investment in capital assets of \$32.371 million reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets and any unspent bond proceeds. The District uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District's net position of \$5.547 million represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$(67.660 million) is unrestricted.

At the end of the current fiscal year due to the recognition of GASB 75, the Abilene Independent School District was not able to report positive balances in all reported categories of net position, both for the government as a whole, as well as for its separate governmental activities. In prior years when recognition of GASB 75 was not required, Abilene ISD reported a positive net position and would this year without the OPEB recognition.

Changes in net position.

Total combined net position of the District decreased by \$84.470 million during the year ended August 31, 2018. Funding for government-wide activities is through specific program revenues or general revenues such as property taxes and unrestricted grants and contributions.

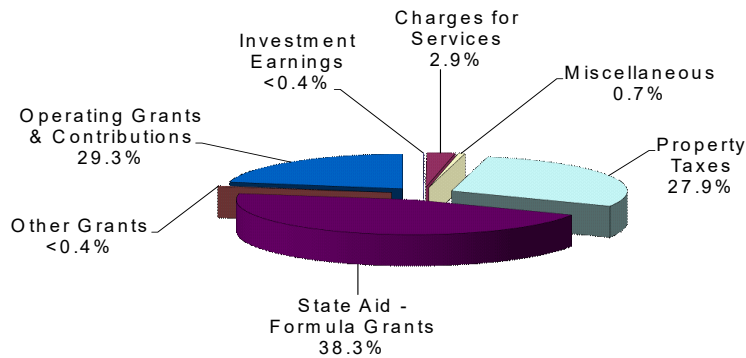
Unrestricted net position reflects a deficit created by a prior period adjustment resulting from the implementation of GASB 75 in the current fiscal year for OPEB. Although the District reports a deficit, the deficit is primarily due to reporting the District's proportionate share of the net OPEB liability. The total district liability is reported in the governmental activities; however, the actual liability does not require the use of current resources at the fund level, which results in a timing difference since the TRS-Care plan is funded on a pay-as-you-go basis. The District has made all contractually required contributions as noted in the required supplementary information and has sufficient fund balance to meet the District's ongoing obligations to students and creditors.

Abilene Independent School District
Management's Discussion and Analysis
August 31, 2018

Changes in the District's Net Position
(in thousands of dollars)

	Governmental Activities		% Change
	2018	2017	
Revenues			
Program Revenues			
Charges for Services	\$ 5,609	\$ 5,771	-2.8%
Operating Grants & Contributions	56,233	36,352	54.7%
Capital Grants & Contributions	-	-	100.0%
General Revenues			
Property Taxes	53,581	51,688	3.7%
State Aid - Formula Grants	74,008	73,372	0.9%
Other	2,020	3,498	-42.3%
Total Revenues	191,451	170,681	12.2%
Expenses			
Instruction and Instructional Related Activities	97,731	95,329	2.5%
Instructional and School Leadership	16,091	15,729	2.3%
Support Services - Student (Pupil)	30,917	30,838	0.3%
Administrative Support Services	5,287	4,667	13.3%
Support Services - Nonstudent Based	18,583	18,500	0.4%
Ancillary Services	999	983	1.6%
Debt Services	5,067	5,143	-1.5%
Facilities Acquisition & Construction	1,843	47	3821.3%
JJAEP/Intergovernmental Charges	578	661	-12.6%
Total Expenses	177,096	171,897	3.0%
Increase (Decrease) in Net Position	14,355	(1,216)	
Beginning Net Position	54,728	55,944	
Prior Period Adjustment-GASB 75	(98,825)	-	
Ending Net Position	\$ (29,742)	\$ 54,728	

Sources of Revenue for Fiscal Year 2018



FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

In the governmental fund financial statements (Exhibit C-2), total governmental fund revenues totaled \$169.5 million, up a little more than \$1 million (less than 1%) from 2017.

- Local revenues were up more than \$2.2 million (4.7%) mostly due to an increase in property tax collections.
- State program revenues decreased over \$1.5 million (1.9%) compared to prior year mostly due to a decrease in state funding.
- Federal revenues were down almost \$40,000 compared to prior year due to decrease in Impact Aid.
- Expenditures in governmental fund types reflected a net decrease of \$8.7 million compared to last year. Although there were variances in spending levels across all functional categories, the most significant variance was an \$11.18 million decrease in *Facilities Acquisition and Construction*. Construction projects from the 2014 bond program are near completion and accounted for the decrease in spending.

Governmental Fund Budgetary Highlights

Over the course of the year, the District recommended and the Board approved several revisions to the original General Fund budgeted revenue and expenditures. The original budget included an estimated deficit of \$233,566. During the year, the Board approved amendments that resulted in a final amended deficit budget of \$1.834 million.

In the General Fund, actual expenditures were \$4.1 million (3%) less than the final budgeted amount of \$135.2 million (see Exhibit G-1). Variances resulted from the normal under spending that occurs each year however, most of the variance is a timing factor due to outstanding encumbrances (i.e., purchase orders) which were not paid by year end. This year, outstanding encumbrances totaled \$821,081 in the General Fund (see Exhibit C-1, *Other Assigned Fund Balance*).

Abilene Independent School District
Management's Discussion and Analysis
August 31, 2018

General Fund revenues and other resources were less than the \$133.3 million final amended budget by \$440,165. A \$3.7 million positive variance resulted between the final amended budgeted deficit of \$1.8 million and the actual increase in fund balance of \$1.9 million.

The Child Nutrition Program had a final amended budgeted increase of \$59,523 (see Exhibit J-2) compared to an actual decrease of \$199,49 decreasing ending fund balance to \$2,270,459. The Debt Service fund reflected an actual deficit of \$641,995 (see Exhibit J-5), decreasing fund balance to \$1,287,228.

Proprietary Fund Highlights

The only proprietary fund the District operates is the Workers Compensation fund. The Workers Compensation fund had an operating increase of \$162,404 (see Exhibit D-2).

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2018, the District had \$150.574 million of net capital assets, including land, equipment, buildings and construction in progress (see table below). More detailed information about the District's capital assets is presented in Notes 4 and 8 to the financial statements.

District's Capital Assets
(in thousands of dollars)

	Governmental Activities	
	2018	2017
Land	\$ 2,040	\$ 2,040
Construction in progress	170	1,922
Buildings and improvements	253,378	250,983
Equipment	29,114	28,456
Totals at historical costs	<u>284,702</u>	<u>283,401</u>
Less accumulated depreciation for:		
Buildings and improvements	109,899	100,904
Equipment	24,229	23,556
Total accumulated depreciation	<u>134,128</u>	<u>124,460</u>
Net capital assets	<u>\$ 150,574</u>	<u>\$ 158,941</u>

Long-term Debt

At August 31, 2018, the District had total bonded debt outstanding of \$109.43 million. More information on the District's long-term debt is presented in Note 18 to the financial statements.

ECONOMIC FACTORS AND BUDGET FOR 2017-2018

The District approved a strategic plan for 2017-18 that outlined belief statements, strategic priorities, vision and a mission. The strategic plan focuses on student success and the plan has been instrumental in the budget development process. The budget was developed to help the District achieve the mission of the strategic plan, which is to engage and empower each student to be contributing, responsible citizens who reach their full potential through relevant, innovative and rigorous learning experiences.

On November 6, 2018, voters approved a \$138,679,000 bond package for the construction and renovation of District facilities. All of the bonds are planned to be issued in 2019. Planning for construction and renovation projects started in December 2018.

Property values increased by almost 4% for 2018-2019 compared to a 3.6% increase the prior year. The Legislature compressed the maximum tax rate from \$1.50 down to \$1.33 in 2006-07 and further compressed rates to \$1.00 in 2007-08. The maximum M&O tax rate currently allowed by law, with voter approval, is \$1.17 per \$100 of taxable value.

The 2018-19 General Fund adopted budget reflects a deficit budget of \$529,284. The budget includes an increase in teacher salaries and a 2.5% salary increase of midpoint based on the applicable assigned pay grades for all staff. A \$2.0 million increase was budgeted for property tax collections based on increased property values. In addition, a decrease of nearly \$2.3 million was budgeted for state foundation revenue. A \$300,000 increase for SHARS revenue was also budgeted. In total, 2018-19 budgeted revenue increased by \$82,158 over last year. The Legislature will not meet again until the regular session beginning in January, 2019.

The District continued the contribution amount of \$410 per month for any employee that elects to take the District's health insurance plan.

The General Fund tax rate remained at \$1.04 – the maximum allowed without voter approval. The Debt Service tax rate went up from \$.1583 last year to \$.1624 per \$100 valuation. Total General Fund budgeted expenditures for 2018-2019 are \$132.5 million, up \$400,000– or less than 1% from the 2017-2018 adopted budget.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Administrative office at 241 Pine Street, Abilene, Texas 79601.

Abilene Independent School District
Statement of Net Position (Exhibit A-1)
August 31, 2018

Data Control Codes		Governmental Activities
	Assets	
1110	Cash and cash equivalents	\$ 1,283,262
1120	Current investments	45,326,249
1220	Property taxes receivable (delinquent)	1,486,631
1230	Allowance for uncollectible taxes	(382,893)
1240	Due from other governments	5,991,493
1250	Accrued interest	47,331
1290	Other receivables, net	554,919
1300	Inventories	1,061,989
1410	Prepaid expenses	11,867
	Capital Assets	
1510	Land	2,040,441
1520	Buildings and improvements, net	143,478,926
1530	Furniture and equipment, net	4,884,625
1580	Construction in progress	170,340
1800	Restricted Assets	4,017,802
1000	Total assets	209,972,982
	Deferred outflows of resources	
1705	Deferred outflows - pension	10,864,088
1706	Deferred outflows - OPEB	673,020
1710	Deferred charge for refunding	1,127,161
1700	Total deferred outflows of resources	12,664,269
	Liabilities	
2110	Accounts payable	2,082,759
2140	Interest payable	160,341
2150	Payroll deductions & withholdings	2,503,231
2160	Accrued wages payable	6,483,923
2180	Due to other governments	1,196,644
2200	Accrued expenses	541,009
2300	Unearned revenues	1,660,096
	Noncurrent liabilities	
2501	Due within one year	4,990,000
2502	Due in more than one year	107,242,797
2516	Premium on issuance of bonds	9,999,002
2540	Net pension liability	30,600,763
2545	Net OPEB liability	56,358,693
2000	Total liabilities	223,819,258

Abilene Independent School District
Statement of Net Position (Exhibit A-1)
August 31, 2018

Data Control Codes		Governmental Activities
	Deferred Inflows of Resources	
2605	Deferred inflows - pension	4,984,537
2606	Deferred inflows - OPEB	23,574,948
2600	Total deferred inflows of resources	28,559,485
	Net Position	
3200	Net investment in capital assets	32,371,343
3820	Restricted for federal and state programs	2,148,958
3850	Restricted for debt service	3,397,940
3900	Unrestricted	(67,659,733)
3000	Total net position	\$ (29,741,492)

Abilene Independent School District
Statement of Activities (Exhibit B-1)
Year Ended August 31, 2018

1

Data Control Codes	Functions/Programs	Expenses
	Governmental Activities	
11	Instruction	\$ 95,501,244
12	Instructional resources and media services	2,229,150
13	Curriculum and staff development	3,126,296
21	Instructional leadership	3,394,860
23	School leadership	9,570,159
31	Guidance, counseling, and evaluation services	5,958,520
32	Social work services	1,518,894
33	Health services	2,523,904
34	Student (pupil) transportation	5,168,537
35	Food services	8,714,924
36	Extracurricular activities	7,031,859
41	General administration	5,286,535
51	Facilities maintenance and operations	13,983,152
52	Security and monitoring services	489,486
53	Data processing services	4,110,817
61	Community services	999,042
72	Debt service - interest on long term debt	4,910,091
73	Debt service - bond issuance cost and fees	157,638
81	Facilities acquisition and construction	1,843,077
95	Payments to juvenile justice alternative Ed. Prg.	63,130
99	Other intergovernmental charges	514,778
TG	Total governmental activities	<u>177,096,093</u>
TP	Total primary government	<u><u>\$ 177,096,093</u></u>

Abilene Independent School District
Statement of Activities (Exhibit B-1)
Year Ended August 31, 2018

	Program Revenues		Program Revenues	Net (Expense) Revenue and Changes in Net Position
	3	4	5	6
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Gov. Governmental Activities
	\$ 2,928,931	\$ 30,763,227	\$ -	\$ (61,809,086)
	105,532	441,035	-	(1,682,583)
	-	1,710,276	-	(1,416,020)
	-	1,311,201	-	(2,083,659)
	-	2,563,736	-	(7,006,423)
	-	2,053,147	-	(3,905,373)
	-	912,479	-	(606,415)
	-	806,052	-	(1,717,852)
	-	907,439	-	(4,261,098)
	1,615,327	8,048,553	-	948,956
	942,190	603,362	-	(5,486,307)
	-	1,031,456	-	(4,255,079)
	17,383	1,992,669	-	(11,973,100)
	-	-	-	(489,486)
	-	387,849	-	(3,722,968)
	-	648,627	-	(350,415)
	-	1,773,709	-	(3,136,382)
	-	-	-	(157,638)
	-	200,000	-	(1,643,077)
	-	-	-	(63,130)
	-	78,529	-	(436,249)
	5,609,363	56,233,346	-	(115,253,384)
	\$ 5,609,363	\$ 56,233,346	\$ -	(115,253,384)

General Revenues

	Taxes	
MT	Property taxes, levied for general purposes	46,507,325
DT	Property taxes, levied for debt service	7,073,491
SF	State aid - formula grants	73,277,665
GC	Grants and contributions not restricted	730,516
IE	Investment earnings	752,352
MI	Miscellaneous local and intermediate revenue	1,267,604
TR	Total general revenues	129,608,953
CN	Change in net position	14,355,569
NB	Net position, beginning	54,727,567
PA	Prior period adjustment	(98,824,628)
	Beginning net position, as restated	(44,097,061)
NE	Net position, ending	\$ (29,741,492)

Abilene Independent School District
Balance Sheet – Governmental Funds (Exhibit C-1)
August 31, 2018

Data Control Codes	10 General Fund	240 National Breakfast and Lunch Program	98 Other Funds	98 Total Governmental Funds	
Assets					
1110	Cash and cash equivalents	\$ -	\$ -	\$ 1,240,812	\$ 1,240,812
1120	Investments - current	40,276,196	4,499,410	-	44,775,606
1220	Property taxes receivable - delinquent	1,373,684	-	112,947	1,486,631
1230	Allowance for uncollectible taxes (credit)	(353,803)	-	(29,090)	(382,893)
1240	Receivables from other governments	1,615,010	317,218	4,059,265	5,991,493
1250	Accrued interest	47,331	-	-	47,331
1260	Due from other funds	4,948,255	2,175	673,246	5,623,676
1290	Other receivables	342,551	309	211,797	554,657
1300	Inventories	775,123	286,866	-	1,061,989
1410	Prepaid expenditures	11,867	-	-	11,867
1800	Restricted assets	2,198,726	-	1,819,076	4,017,802
1000	Total assets	<u>51,234,940</u>	<u>5,105,978</u>	<u>8,088,053</u>	<u>64,428,971</u>
1000a	Total assets and deferred outflows	<u>\$ 51,234,940</u>	<u>\$ 5,105,978</u>	<u>\$ 8,088,053</u>	<u>\$ 64,428,971</u>
Liabilities					
2110	Accounts payable	\$ 821,081	\$ 65,730	\$ 1,195,948	\$ 2,082,759
2150	Payroll deductions and withholdings payable	2,503,231	-	-	2,503,231
2160	Accrued wages payable	5,591,225	169,482	723,216	6,483,923
2170	Due to other funds	675,421	2,600,146	2,348,109	5,623,676
2180	Due to other governments	976,105	-	220,539	1,196,644
2200	Accrued expenditures	16,201	161	206,630	222,992
2300	Unearned revenues	114,577	-	1,545,519	1,660,096
2000	Total liabilities	<u>10,697,841</u>	<u>2,835,519</u>	<u>6,239,961</u>	<u>19,773,321</u>
Deferred Inflows of Resources					
2600	Unavailable revenues - property taxes	943,958	-	72,327	1,016,285
	Total deferred inflows of resources	<u>943,958</u>	<u>-</u>	<u>72,327</u>	<u>1,016,285</u>
Fund Balance					
3410	Nonspendable - inventories	775,123	286,866	-	1,061,989
3430	Nonspendable - prepaid items	11,867	-	-	11,867
3450	Restricted - federal or state funds grant	-	1,983,593	165,365	2,148,958
3470	Restricted - capital acquisition and contractual obligation	-	-	101,734	101,734
3480	Restricted - debt service	2,198,726	-	1,287,228	3,485,954
3510	Committed - construction	909,598	-	-	909,598
3545	Committed - other	766,854	-	221,438	988,292
3590	Assigned - other	821,081	-	-	821,081
3600	Unassigned	34,109,892	-	-	34,109,892
3000	Total fund balances	<u>39,593,141</u>	<u>2,270,459</u>	<u>1,775,765</u>	<u>43,639,365</u>
4000	Total liabilities, deferred inflows, and fund balances	<u>\$ 51,234,940</u>	<u>\$ 5,105,978</u>	<u>\$ 8,088,053</u>	<u>\$ 64,428,971</u>

Abilene Independent School District
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position (Exhibit C-1r)
 August 31, 2018

Total Fund Balances - Governmental Funds \$ 43,639,365

The District uses internal service funds to charge the costs of certain activities, such as workers compensation, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position. 275,338

Capital assets, net of accumulated depreciation, are not financial resources and therefore are not reported as assets in the governmental funds. 150,574,332

Some liabilities, including bonds payable are not due and payable in the current year and therefore are not reported in the funds:

Bonds payable	(109,432,882)	
Deferred charge on refunding	1,127,161	
Unamortized premiums on bonds payable	(9,999,002)	
Accumulated accretion on capital appreciation bonds	(2,281,656)	
Compensated absences payable	(518,259)	(121,104,638)

Accrued interest is not due and payable in the current year and therefore is not reported as a liability in the governmental funds. (160,341)

Certain assets are not available to pay for current year expenditures and therefore are deferred in the funds. These are:

Deferred resource inflow for property taxes	1,016,285
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The government-wide statements includes the District's proportionate share of the TRS net pension liabilities and TRS-Care net OPEB liabilities, as well as certain pension and OPEB related transactions accounted for as deferred inflows and outflows of resources:

Net pension liability	(30,600,763)	
Deferred outflows of resources - TRS pension	10,864,088	
Deferred inflows of resources - TRS pension	(4,984,537)	
Net OPEB liability	(56,358,693)	
Deferred outflows of resources - TRS-Care OPEB	673,020	
Deferred inflows of resources - TRS-Care OPEB	(23,574,948)	(103,981,833)

Net Position of Governmental Activities (See A-1) \$ (29,741,492)

Abilene Independent School District
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds (Exhibit C-2)
Year Ended August 31, 2018

Data Control Codes	10 General Fund	240 National Breakfast and Lunch Program	Other Funds	98 Total Governmental Funds	
Revenues					
5700	Total local and intermediate sources	\$ 49,257,605	\$ 1,699,730	\$ 8,399,246	\$ 59,356,581
5800	State program revenues	79,766,368	250,855	3,359,108	83,376,331
5900	Federal program revenues	3,868,517	7,117,295	15,734,568	26,720,380
5020	Total revenues	<u>132,892,490</u>	<u>9,067,880</u>	<u>27,492,922</u>	<u>169,453,292</u>
Expenditures					
Current					
0011	Instruction	74,243,674	-	12,637,748	86,881,422
0012	Instructional resources and media services	1,919,360	-	124,633	2,043,993
0013	Curriculum and instructional staff development	2,039,975	-	1,162,391	3,202,366
0021	Instructional leadership	2,780,721	-	617,504	3,398,225
0023	School leadership	7,978,434	-	744,567	8,723,001
0031	Guidance, counseling and evaluation services	4,759,752	-	895,161	5,654,913
0032	Social work services	963,124	-	601,240	1,564,364
0033	Health services	2,009,304	-	329,454	2,338,758
0034	Student (pupil) transportation	4,760,536	-	90,942	4,851,478
0035	Food services	-	8,820,851	343,422	9,164,273
0036	Extracurricular activities	5,063,582	-	229,732	5,293,314
0041	General administration	4,994,430	-	-	4,994,430
0051	Facilities maintenance and operations	13,121,165	167,280	195,796	13,484,241
0052	Security and monitoring services	465,025	-	17,894	482,919
0053	Data processing services	4,246,012	-	-	4,246,012
0061	Community services	576,918	-	454,478	1,031,396
Debt service					
0071	Principal on long term debt	-	-	4,770,000	4,770,000
0072	Interest on long term debt	361,233	-	4,697,400	5,058,633
0073	Bond issuance cost and fees	-	-	157,638	157,638
Capital outlay					
0081	Facilities acquisition and construction	191,258	200,000	1,779,127	2,170,385
Intergovernmental					
0095	Payments to juvenile alternative Ed. Prg.	63,130	-	-	63,130
0099	Other intergovernmental charges	514,778	-	-	514,778
6030	Total expenditures	<u>131,052,411</u>	<u>9,188,131</u>	<u>29,849,127</u>	<u>170,089,669</u>
1100	Excess (deficiency) of revenues over (under) expenditures	<u>1,840,079</u>	<u>(120,251)</u>	<u>(2,356,205)</u>	<u>(636,377)</u>
Other financing sources (uses)					
7912	Sale of real and personal property	41,239	20,762	-	62,001
7949	Other resources	25,000	-	-	25,000
7080	Total other financing sources (uses)	<u>66,239</u>	<u>20,762</u>	<u>-</u>	<u>87,001</u>
1200	Net change in fund balances	1,906,318	(99,489)	(2,356,205)	(549,376)
0100	Fund balance, September 1 (Beginning)	37,686,823	2,369,948	4,131,970	44,188,741
3000	Fund balance, August 31 (Ending)	<u>\$ 39,593,141</u>	<u>\$ 2,270,459</u>	<u>\$ 1,775,765</u>	<u>\$ 43,639,365</u>

Abilene Independent School District
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental
 Funds to the Statement of Activities (Exhibit C-2r)
 Year Ended August 31, 2018

Total Net Change in Fund Balances - Governmental Funds	\$ (549,376)
<p>The District uses internal service funds to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. The change in net position of internal funds is reported with governmental activities. The net effect of this consolidation is to increase net position.</p>	
	162,404
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is capitalized and depreciated over their estimated useful lives. Total additions for the current year which were removed from fund expenditures amounted to \$1,892,785. Depreciation expense charged to the statement of activities totaled \$10,259,486.</p>	
	(8,366,701)
<p>Amortization of the premiums on the Series 2012 and 2014 bonds of \$955,780 was recorded, which increases net position.</p>	
	955,780
<p>Certain revenues are recorded in the fund financial statements when the revenue is received. In the statement of activities, revenues are recognized when earned regardless of when received. Recognizing deferred tax revenues of \$1,016,285 and removing the prior year's tax revenue of \$1,145,551 results in a net decrease in net position.</p>	
	(129,266)
<p>Repayment of bond principal of \$4,770,000 is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not an expense on the statement of activities. This increases net position. Net increase in accreted interest on capital appreciation bonds of \$554,938 increases long-term liabilities.</p>	
<p>The decrease in accrued interest payable of \$4,498 increases net position in the government wide financial statements. Finally, amortization of deferred charge on bond refunding of \$256,798 decreases net position. The net result of all of the above adjustments is a net increase to the change in net position.</p>	
	3,962,762
<p>The increase in compensated absences payable is an expenditure in the governmental funds when paid, but the payment for these is not an expense in the statement of activities. This represents the net decrease to the compensated absences payable.</p>	
	9,090
<p>Changes in the deferred outflows of resources, deferred inflows of resources and net pension liability must be recorded as expenses. Changes in contributions made after measurement date caused the change in net position to increase in the amount of \$80,088. The District's share of the unrecognized deferred inflows and outflows for TRS as of the measurement date must be amortized and the District's proportionate share of the pension expense must be recognized. These cause the change in net position to decrease in the amount of \$1,333,219. The net effect is a decrease in net position.</p>	
	(1,253,131)
<p>Changes in the deferred outflows of resources, deferred inflows of resources and net OPEB liability must be recorded as expenses. Changes in contributions made after measurement date caused the change in net position to decrease in the amount of \$9,598. The District's share of the unrecognized deferred inflows and outflows for TRS as of the measurement date must be amortized and the District's proportionate share of the OPEB expense must be recognized. These cause the change in net position to increase in the amount of \$19,573,605. The net effect is an increase in net position.</p>	
	<u>19,564,007</u>
Change in Net Position of Governmental Activities (See B-1)	<u>\$ 14,355,569</u>

Abilene Independent School District
Statement of Net Position –Proprietary Funds (Exhibit D-1)
August 31, 2018

	Governmental Activities Internal Service Fund
Assets	
Current assets	
Cash and cash equivalents	\$ 42,450
Investments - current	550,643
Other receivables	262
Total assets	593,355
Liabilities	
Current liabilities	
Accrued expenses	318,017
Total liabilities	318,017
Net Position	
Unrestricted net position	275,338
Total net position	\$ 275,338

Abilene Independent School District
Statement of Revenues, Expenses, and Changes in Fund Net Position –Proprietary Funds (Exhibit D-2)
Year Ended August 31, 2018

	Governmental Activities
	Internal Service Fund
Operating revenues	
Local and intermediate sources	\$ 752,539
Total operating revenues	752,539
Operating expenses	
Professional and contracted services	18,000
Other operating costs	578,155
Total operating expenses	596,155
Operating income	156,384
Nonoperating revenues (expenses):	
Earnings from temporary deposits & investments	6,020
Total nonoperating revenues	6,020
Change in net position	162,404
Total net position, September 1 (Beginning)	112,934
Total net position, August 31 (Ending)	\$ 275,338

Abilene Independent School District
Statement of Cash Flows –Proprietary Funds (Exhibit D-3)
Year Ended August 31, 2018

	Governmental Activities
	Internal Service Fund
Operating activities	
Charges for services	\$ 752,277
Cash payments for other operating costs	(18,000)
Cash payments for claims and contracted services	(492,305)
	241,972
Net cash from operating activities	241,972
Investing activities	
Purchases of short-term investments	(301,745)
Interest on investments	6,020
	(295,725)
Net cash used for investing activities	(295,725)
Net change in cash and cash equivalents	(53,753)
Cash and cash equivalents - Beginning of the year	96,203
Cash and cash equivalents - End of the year	\$ 42,450
Reconciliation of operating income to net cash used for operating activities	
Operating income	\$ 156,384
Adjustments to reconcile operating loss to net cash used for operating activities	
Change in assets and liabilities	
Other receivables	(262)
Accrued expenses	85,850
	85,850
Net cash from operating activities	\$ 241,972

Abilene Independent School District
Statement of Fiduciary Net Position – Fiduciary Funds (Exhibit E-1)
August 31, 2018

	<u>Agency Fund</u>
Assets	
Cash and cash equivalents	<u>\$ 497,624</u>
Total assets	<u><u>\$ 497,624</u></u>
Liabilities	
Due to student groups	<u>\$ 497,624</u>
Total liabilities	<u><u>\$ 497,624</u></u>

Note 1 - Reporting Entity

The Board of Trustees, a seven-member group, has fiscal accountability over all activities related to public elementary and secondary education within the jurisdiction of the Abilene Independent School District (the District). The public elects the members of the Board of Trustees. The Trustees as a body corporate have 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 (Agency) or to the State Board of Education are reserved for the Trustees, and the Agency may not substitute its judgment for the lawful exercise of those powers and duties by the Trustees. The District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. There are no component units included within the reporting entity. The financial statements of the District include all activities for which the Board exercises these governance responsibilities.

The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities.

Note 2 - Government-Wide and Fund 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 primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

Note 3 - Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements, as well as the proprietary and fiduciary fund financial statements, are reported using the economic resources measurement focus and the accrual basis of accounting. Agency funds have no measurement focus. 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.

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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Property taxes and penalties 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. All other revenue items are considered to be measurable and available only when the government receives cash.

The government reports the following major governmental funds:

- The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The National Breakfast and Lunch Program, a special revenue fund, accounts for the proceeds of specific revenue sources that are restricted and committed to expenditure for specific purposes other than debt service or capital projects.

The government reports the following proprietary funds:

- Internal service funds account for revenues and expenses related to services provided to parties inside the District. These funds facilitate distribution of support costs (such as workers compensation insurance) to the users of the support services.

Additionally, the government reports the following nonmajor funds:

- The Special Revenue Funds, a governmental fund type, account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The District accounts for each federal and state grant in a separate special revenue fund.
- The Debt Service Fund, a governmental fund type, accounts for financial resources that are restricted, committed or assigned for principal and interest on long-term debt of governmental activities.
- The 2014 Capital Projects Fund accounts for the bond resources restricted to build, acquire, and renovate major general capital assets, funded by the 2014 bond issuance.
- Agency funds, a fiduciary fund type, account for resources held for others in a custodial capacity.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the worker's compensation insurance internal service fund are District contributions. Operating expenses include claims expense and administrative expense for administering the insurance fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources, as they are needed.

Note 4 - Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity

Deposits and Investments

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 of the District are reported at fair value or amortized cost. The local government investment pools are operated in accordance with appropriate state laws and regulations.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans).

Inventories

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the governmental activities column in the statement of net position. The District defines capital assets as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are reported at acquisition value. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

Assets	Years
Buildings and improvements	20-40
Furniture and equipment	5-20

Long-Term Obligations

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

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

Deferred Outflows/Inflows of Resources

Deferred outflows/inflows of resources are separate elements of the financial statements. The District has deferred inflows of resources, which arises under the modified accrual basis of accounting, unavailable revenue from property taxes and for its proportionate share of TRS's deferred inflow related to pensions as described in Note 11 and its OPEB liability as described in Note 12. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District has deferred outflows of resources for its proportionate share of TRS's deferred outflow related to pensions as described in Note 11 and for its proportionate share of TRS-Care's deferred outflow related to OPEB as described in Note 12.

Pensions

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

OPEB

The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS-Care Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources relating to other-post employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

Restricted Assets

Certain resources have been set aside for the repayment of bonds payable or for use in construction projects. The assets and related payables are classified as restricted because their use is limited by applicable bond covenants. Restricted assets at August 31, 2018 were as follows:

General Fund- QSCB sinking fund	\$ 2,198,726
2014 Capital Projects Fund- bond proceeds	101,734
Debt Service Fund- I&S taxes	<u>1,717,342</u>
	<u><u>\$ 4,017,802</u></u>

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Implementation of GASB Statement No. 75

As of September 1, 2017, the District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of this standard replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and requires governments calculate and report the costs and obligations associated with postemployment benefits other than pensions (OPEB) in their basic financial statements. Employers are required to recognize OPEB amounts for all benefits provided through the plan which include the net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expenses. The effect of the implementation of this standard on beginning net position is disclosed in Note 23 and the additional disclosures required by this standard is included in Note 12.

Note 5 - Stewardship, Compliance and Accountability

Budgetary Information

Formal budgetary accounting is employed for all required Governmental Fund Types, as outlined in TEA’s Financial Accounting Resource module, and is presented on the modified accrual basis of accounting consistent with generally accepted accounting principles. The budget is prepared and controlled at the function level within each organization to which responsibility for controlling operations is assigned.

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

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, Debt Service Fund and the National Breakfast and Lunch Program Special Revenue Fund. The remaining special revenue funds adopt project-length budgets that do not correspond to the District’s fiscal year.

Encumbrance Accounting

The District employs encumbrance accounting, whereby encumbrances for goods or purchased services are documented by purchase orders and contracts. An encumbrance represents a commitment of Board appropriation related to unperformed contracts for goods and services. The issuance of a purchase order or the signing of a contract creates an encumbrance but does not represent an expenditure for the period, only a commitment to expend resources. Appropriations lapse at August 31 and encumbrances outstanding at that time are either canceled or appropriately provided for in the subsequent year's budget. Outstanding encumbrances at August 31, 2018 amounted to \$1,457,567 and are reported as assigned fund balance in the General Fund.

Note 6 - Fair Value Measurements

GASB Statement No. 72, *Fair Value Measurement and Application* defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Fair value accounting requires characterization of the inputs used to measure fair value into three-level fair value hierarchy as follows:

Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access.

Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.

Level 3 inputs are observable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value:

Market approach – uses prices generated by market transactions involving identical or comparable assets or liabilities.

Cost approach – uses the amount that currently would be required to replace the service capacity of an asset (replacement cost).

Income approach – uses valuation techniques to convert future amounts to present amounts based on current market expectations.

U.S. government-backed (federal agency) securities are valued using Level 2 inputs that are based on market data obtained from independent sources.

Note 7 - Detailed Notes on All Funds

Deposits

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

The District's investment policies and types of investments are governed by the Public Funds Investment Act (PFIA). The District's management believes that they complied with all significant requirements of the PFIA and the District's investment policies.

Custodial Credit Risk-Deposits

The District's cash deposits at August 31, 2018 were entirely covered by FDIC insurance and pledged collateral held by the District's agent bank, First Financial Bank of Abilene, TX, in the District's name. The District's cash deposits held at Chase Bank were underinsured by \$3,472 as of August 31, 2018. All other banks utilized were adequately secured.

Investments

State statutes and Board policy authorize the District to invest in 1) obligations of the U.S. or its agencies and instrumentalities; 2) obligations of the State of Texas or its agencies; 3) other obligations guaranteed by the U.S. or the State of Texas or their agencies and instrumentalities; 4) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent; 5) guaranteed or secured certificates of deposit issued by state or national banks domiciled in Texas; 6) fully collateralized repurchase agreements and 7) public funds investment pools. Temporary investments are reported at cost, which approximates market, and are secured, when necessary, by the Federal Deposit Insurance Corporation (FDIC) or obligations of items 1-4 above at 102% of the investment's market value.

The District's investments at August 31, 2018 are shown below:

Investment Pools	Amortized Cost	Weighted Average Maturity (Days) *	Rating
TexPool	\$ 32,851,558	28	AAAm
Lone Star Investment Pool: Government Overnight Fund	<u>101,733</u>	20	AAA
Total	32,953,291		

Other Investments	Fair Value	Investment Maturity in Years		
		Less than 1 Year	1 - 5	More than 5
U.S. Government Backed Securities	14,192,034	\$ 10,335,498	\$ 3,856,536	-
Repurchase agreement - agency debentures	<u>2,198,726</u>	<u>2,198,726</u>	-	-
Total	<u>16,390,760</u>	12,534,224	3,856,536	-
Total investments	<u>\$ 49,344,051</u>			

*To arrive at weighted average maturity, the maturity of floating rate and variable rate securities was deemed to be the final maturity of such securities.

The following schedule reconciles investments to the fund financial statements:

Reported in Schedule C-1		
1120	Investments - Current	\$ 44,775,606
1800	Restricted Assets	<u>4,017,802</u>
		48,793,408
Reported in Schedule D-1		
	Investments - Current	<u>550,643</u>
	Total	<u><u>\$ 49,344,051</u></u>

Lone Star

Lone Star Investment Pool is governed by an 11-member board and is a AAA rated investment program tailored to the investment needs of local governments within the state of Texas. Lone Star Investment Pool assists governments across Texas make the most of taxpayer dollars. Local officials can improve the return on their invested balances by pooling their money with other entities to achieve economies of scale in a conservative fund in full compliance with the Texas Public Funds Investment Act. Lone Star Investment Pool is a local government investment pool organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. Lone Star is administered by First Public LLC, who also serves as the investment advisor. Lone Star uses amortized cost rather than market value to report net assets to compute share prices. The reported value of the pool is the same as the fair value of the pool shares.

TexPool

The State Comptroller of Public Accounts exercises responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both Participants in TexPool and other persons who do not have a business relationship with TexPool. TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool Shares. Audited financial statements of the pool are available at First Public, 12008 Research Blvd., Austin, Texas 78759. In addition, TexPool is subject to review by the State Auditor's Office and by the Internal Auditor of the Comptroller's Office.

Concentration of Credit Risk

The District's investment policy does not limit investments in any one issuer except that the investment portfolio shall be diversified in terms of investment instruments, maturing scheduling, and financial institutions to reduce risk of loss resulting from over concentration of assets in a specific class of investments, specific maturity, or specific user.

Interest Rate Risk

The District’s investment policy states that any internally created pool fund group of the District shall have a maximum dollar weighted maturity of 180 days. The maximum allowable stated maturity of any other individual investment owned by the District shall not exceed one year from the time of purchase. The Board may specifically authorize a longer maturity for a given investment, within legal limits.

Property Tax

In the fund financial statements, property tax revenues are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The District levies its taxes on October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by January 31 of the year following the October 1 levy date. The assessed value of the property tax roll (net of exemptions) on January 1, 2017, upon which the levy for the August 31, 2018 fiscal year was based, was \$4,493,015,439. Taxes are delinquent if not paid by February 1. Delinquent taxes are subject to both penalty and interest charges plus delinquent collection fees for attorney costs.

Current tax collections for the year ended August 31, 2018 were 98.18% of the year-end adjusted tax levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting 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. As of August 31, 2018, property taxes receivable, net of estimated uncollectible taxes, totaled \$1,103,738.

The tax rate to finance general governmental services other than payment of principal and interest on long-term obligations was \$1.0400 per \$100 and the tax rate to finance the payment of principal and interest on long-term obligations was \$0.1583 per \$100 for the year ended August 31, 2018.

Due from Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. In the fund financial statements, amounts due from federal and state governments as of August 31, 2018 are summarized below.

Fund	State Grants/ Entitlements	Federal Grants	Total
General Fund	\$ 7,408	\$ 1,607,602	\$ 1,615,010
National and Breakfast and Lunch Program	-	317,218	317,218
Nonmajor Governmental Funds	147,247	3,912,018	4,059,265
	<u>\$ 154,655</u>	<u>\$ 5,836,838</u>	<u>\$ 5,991,493</u>

Interfund Receivables and Payables

The composition of interfund balances as of August 31, 2018 is as follows:

	Due From Other Funds	Due To Other Funds
General Fund		
National Breakfast and Lunch Program	\$ 2,600,146	\$ 2,175
Nonmajor Governmental Funds	2,348,109	673,246
National Breakfast and Lunch Program		
General Fund	2,175	2,600,146
Nonmajor Governmental Funds		
General Fund	673,246	2,348,109
Totals	\$ 5,623,676	\$ 5,623,676

These interfund receivables and payables were recorded to eliminate cash deficit balances and to record temporary borrowings until the fund is reimbursed by grantor agencies.

Note 8 - Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 2,040,441	\$ -	\$ -	\$ 2,040,441
Construction in progress	1,922,107	170,340	(1,922,107)	170,340
Total capital assets, not being depreciated	3,962,548	170,340	(1,922,107)	2,210,781
Capital assets, being depreciated:				
Buildings and improvements	250,982,875	2,394,950	-	253,377,825
Furniture and equipment	28,456,225	1,249,602	(592,262)	29,113,565
Total capital assets being depreciated	279,439,100	3,644,552	(592,262)	282,491,390
Less accumulated depreciation for				
Buildings and improvements	(100,904,692)	(8,994,207)	-	(109,898,899)
Furniture and equipment	(23,555,923)	(1,265,279)	592,262	(24,228,940)
Total accumulated depreciation	(124,460,615)	(10,259,486)	592,262	(134,127,839)
Total capital assets being depreciated, net	154,978,485	(6,614,934)	-	148,363,551
Governmental activities capital assets, net	\$ 158,941,033	\$ (6,444,594)	\$ (1,922,107)	\$ 150,574,332

Depreciation expense was charged to the District’s functions as follows:

Instruction	\$ 5,980,667
Instructional resources and media	131,060
Institutional leadership	12,952
School leadership	644,151
Guidance, counseling and evaluation services	236,167
Health services	144,736
Student transportation	690,768
Food service	140,044
Extracurricular activities	1,612,690
General administration	128,773
Plant maintenance and operations	317,649
Security and monitoring services	7,047
Data processing services	208,492
Community services	<u>4,290</u>
 Total depreciation expense - governmental activities	 <u><u>\$ 10,259,486</u></u>

Note 9 - Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. 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.

Note 10 - Contingencies

The District is not a party to any legal actions that are believed by administration to have a material effect on the financial condition of the District. Accordingly, no provision for losses has been recorded in the accompanying basic financial statements for such contingencies.

The District participates in numerous state and federal grant programs that 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, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2018, 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.

Note 11 - Defined Benefit Pension Plan

Plan Description

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

All employees of public state-supported education institutions in Texas who are employed for one-half or more of the standard work load and who are not exempt from membership under Texas Government Code, Title 8, Section 822.02 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 <https://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.

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' 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 year 2015. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for the fiscal years 2016 and 2017.

	Contribution Rates													
	2017	2018												
Member	7.70%	7.70%												
Non-Employer Contributing Entity (State)	6.80%	6.80%												
Employers	6.80%	6.80%												
	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center; border-bottom: 1px solid black;">2017</th> <th style="text-align: center; border-bottom: 1px solid black;">2018</th> </tr> </thead> <tbody> <tr> <td>Member Contributions</td> <td style="text-align: right;">\$ 7,743,309</td> <td style="text-align: right;">\$ 7,868,119</td> </tr> <tr> <td>NECE On-Behalf Contributions</td> <td style="text-align: right;">5,000,357</td> <td style="text-align: right;">5,032,872</td> </tr> <tr> <td>Employer Contributions</td> <td style="text-align: right;">3,136,596</td> <td style="text-align: right;">3,216,684</td> </tr> </tbody> </table>			2017	2018	Member Contributions	\$ 7,743,309	\$ 7,868,119	NECE On-Behalf Contributions	5,000,357	5,032,872	Employer Contributions	3,136,596	3,216,684
	2017	2018												
Member Contributions	\$ 7,743,309	\$ 7,868,119												
NECE On-Behalf Contributions	5,000,357	5,032,872												
Employer Contributions	3,136,596	3,216,684												

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

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

- On the portion of the member’s salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member’s first 90 days of employment.
- When any part or all of an employee’s salary is paid by federal funding sources, a privately sponsored source, 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, Survivor and Disability Insurance Program (OASDI) 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, 2017 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Municipal Bond Rate*	N/A*
Last year ending August 31 in the 2016 to 2115 projection period (100 years)	2116
Inflation	2.50%
Salary Increases, including inflation	3.5% to 9.5%
Ad hoc post-employment benefit changes	None

* If a municipal bond rate was to be used, the rate would be 2.84% as of August 2017 (i.e., the weekly rate closest to but not later than the Measurement Date). The source for the rate is the Federal Reserve Statistical Release H.15, citing the Bond Buyer Index of general obligation bonds with 20 years to maturity and an average AA credit rating.

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, 2017 are summarized on next page:

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

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

* 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 2017 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
Total TRS net pension liability	\$ 53,902,879,534	\$ 31,974,612,699	\$ 13,715,771,590
District's proportionate share of the net pension liability	\$ 51,586,840	\$ 30,600,763	\$ 13,126,447

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

At August 31, 2018, the District reported a liability of \$30,600,763 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	\$	30,600,763
State's proportionate share that is associated with the District		48,982,745
 Total	 \$	 79,583,508

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

At August 31, 2017 the employer's proportion of the collective net pension liability was .000957033 which was a decrease of .000011180 from its proportion measured as of August 31, 2016.

Changes Since the Prior Actuarial Valuation

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

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

For the year ended August 31, 2018, the District recognized pension expense of \$3,736,209. Additionally, the District recognized revenue of \$5,010,226 for support provided by the State of Texas.

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 pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 447,703	\$ 1,650,260
Changes in actuarial assumptions	1,393,913	797,983
Difference between projected and actual investment earnings	-	2,230,117
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	5,805,788	306,177
Contributions paid to TRS subsequent to the measurement date	3,216,684	-
 Total	 \$ 10,864,088	 \$ 4,984,537

\$3,216,684 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended August 31, 2019. The other 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 Expense Amount
2019	\$ 396,850
2020	2,350,176
2021	246,769
2022	(353,523)
2023	9,315
Thereafter	13,280
Total	\$ 2,662,867

Note 12 - Postemployment Health Benefits

Plan Description

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

OPEB Plan Fiduciary Net Position

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

Benefits Provided

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

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

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

TRS-Care Plan Premium Rates
Effective 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
<i>*or surviving spouse</i>			

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 changed based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and school districts based upon public school district payroll. The TRS Board of Trustees does not have the authority to set or amend contribution rates.

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.0% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public. The actual employee 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 (State)	1.00%	1.25%
Employers	0.55%	0.75%
Federal/private Funding remitted by Employers	1.00%	1.25%
		2018
Employer Contributions		\$ 664,200
Member Contributions		766,365
NECE On-Behalf Contributions		1,247,159

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$15.6 million in fiscal year 2017 and \$182.6 million in fiscal year 2018.

Actuarial Assumptions

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

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 plan actuarial valuation:

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

Additional Actuarial Methods and Assumptions

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

Other Information

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

Discount Rate

A single discount rate of 3.42% was used to measure the total OPEB liability. There was a change of 0.44% in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

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

* 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 OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.42%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (2.42%)	Discount Rate (3.42%)	1% Increase in Discount Rate (4.42%)
Total TRS net OPEB liability	\$ 51,324,568,976	\$ 43,486,248,635	\$ 37,186,006,400
District's proportionate share of the net OPEB liability	\$ 66,517,249	\$ 56,358,693	\$ 48,193,504

Healthcare Cost Trend Rate Sensitivity Analysis

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Total TRS net OPEB liability	\$ 36,206,646,484	\$ 43,486,248,635	\$ 53,038,004,180
District's proportionate share of the net OPEB liability	\$ 46,924,242	\$ 56,358,693	\$ 68,737,881

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 \$56,358,693 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	\$ 56,358,693
State's proportionate share that is associated with the District	73,614,932
Total	\$ 129,973,625

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

At August 31, 2017, the District's proportion of the collective Net OPEB Liability was 0.1296012% which was the same proportion measured as of August 31, 2016.

Changes Since the Prior Actuarial Valuation

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

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

2. The August 31, 2016 valuation had assumed that the savings related to the Medicare Part D reimbursements would phase out by 2022. This assumption was removed for the August 31, 2017 valuation. Although there is uncertainty regarding these federal subsidies, the new assumption better reflects the current substantive plan. This change was unrelated to the plan amendment, and its impact was included as an assumption change in the reconciliation of the total OPEB liability. This change significantly lowered the OPEB liability.
3. The discount rate changed from 2.98% as of August 31, 2016 to 3.42% as of August 31, 2017. This change lowered the OPEB liability.

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

1. 2018 thresholds of \$850/\$2,292 were indexed annually by 2.50%.
2. Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
3. There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

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

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

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

For the year ended August 31, 2018, the District recognized OPEB expense of \$(24,633,514) and revenue of \$880,105 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 Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 1,176,531
Changes in actuarial assumptions	-	22,398,417
Difference between projected and actual investment earnings	8,561	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	259	-
Contributions paid to TRS subsequent to the measurement date	664,200	-
Total	\$ 673,020	\$ 23,574,948

\$664,200 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended August 31, 2019. The other net amounts of the employer's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended August 31	Pension Expense Amount
2019	\$ (3,109,577)
2020	(3,109,577)
2021	(3,109,577)
2022	(3,109,577)
2023	(3,111,717)
Thereafter	(8,016,103)
Total	\$ (23,566,128)

Medicare Part D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the TRS-Care to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments have been recognized as equal revenues and expenditures by the District in the amount of \$403,067, \$298,966 and \$387,321 for the years ended August 31, 2018, 2017 and 2016, respectively.

Note 13 - Workers Compensation and Health Insurance

During the year ended August 31, 2018, employees of the District were covered by a third party commercial health insurance (the Plan). The District has paid premiums of \$410 per month per employee to the plan, and employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third-party administrator acting on behalf of a licensed insurer. The plan was authorized by Section 21.922, Texas Education Code, and was documented by contractual agreement. The plan is accounted for in the general fund.

The contract between the District and the third-party administrator is renewable annually on September 1, and terms of coverage and premium costs are included in the contractual provisions.

The District's workers' compensation plan is administered by an independent claims administrator who reviews and processes all workers' compensation claims. The District pays each month an amount equal to the actual paid losses plus a fee based on the number of claimants. The District has in place specific stop loss coverage of \$400,000 for any one accident or occurrence up to a maximum limit of \$1,000,000.

The following is a reconciliation of workers' compensation claims during the previous two years:

	2018	2017
Claims payable beginning of year	\$ 232,167	\$ 215,518
Claims incurred	578,155	681,213
Claims paid	(492,305)	(664,564)
Claims payable end of year	\$ 318,017	\$ 232,167

Note 14 - Unearned Revenue and Deferred Inflows of Resources

Unearned revenue at year-end in the fund financial statements consisted of the following:

	General Fund	Other Governmental Funds	Total
August athletic ticket sales, lost textbooks, and parking receipts	\$ 114,577	\$ -	\$ 114,577
State and local grant revenue	-	1,518,596	1,518,596
Federal grant revenue	-	26,923	26,923
	\$ 114,577	\$ 1,545,519	\$ 1,660,096

Note 15 - Revenues from Local and Intermediate Sources

For the year ended August 31, 2018, revenues from local and intermediate sources reported in the fund financial statements for governmental fund types consisted of the following:

	General Fund	Nonmajor Governmental Funds	Total
Property taxes	\$ 46,618,384	\$ 7,091,698	\$ 53,710,082
Food sales	-	1,615,327	1,615,327
Investment income	596,123	150,209	746,332
Penalties, interest & other tax related income	461,880	61,738	523,618
Co-curricular student activities	698,597	243,593	942,190
Tuition and fees	41,064	495	41,559
Gifts and bequests	109,886	237,766	347,652
Other	731,671	698,150	1,429,821
	\$ 49,257,605	\$ 10,098,976	\$ 59,356,581

Note 16 - Accumulated Unpaid Sick Leave Benefits

The District established a policy to pay accumulated local sick leave upon retirement or after an employee resigns and has at least ten years of service with Abilene Independent School District. The employee will receive pay for up to 50 accumulated local sick days at a rate to be established by the Board. This obligation was estimated to be \$518,259 at August 31, 2018 for eligible employees and is recorded as other long-term liabilities in the government wide statement of net position.

Note 17 - Shared Services Arrangements

The District is the fiscal agent for three Shared Service Arrangements (“SSA”) which provide adult education and assistance to deaf students. All services, facilities, and administration are provided by the District for the other school districts in the region. Funding is received directly from the state. According to the guidance provided in TEA’s Resource Guide, the District has accounted for the fiscal agent’s activities of the SSA in Special Revenue Fund 431, Shared Service Arrangements - Adult Education Basic State.

The District is the fiscal agent for a Shared Services Arrangement (“SSA”) which provides an Adult Education Program for students to the member counties listed below. All services are provided by the fiscal agent. According to guidance provided in TEA’s Resource Guide, the District has accounted for the fiscal agent’s activities of the SSA in Special Revenue fund 309 and is accounted for using Model 3 in the SSA section of the Resource Guide.

Brown County	Mitchell County
Callahan County	Nolan County
Coleman County	Runnels County
Comanche County	Scurry County
Eastland County	Shackelford County
Fisher County	Stephens County
Haskell County	Stonewall County
Jones County	Taylor County
Kent County	Throckmorton County
Knox County	

The District participates in a shared services arrangement (“SSA”) for the Regional Day School Program through fund 496 with the school districts listed below.

Albany ISD	Merkel ISD
Anson ISD	Ovalo CISD
Cisco ISD	Ranger ISD
Clyde ISD	Snyder ISD
Colorado ISD	Stamford ISD
Comanche ISD	Trent ISD
Hawley ISD	Wylie ISD

Note 18 - Debt

Bonds

On March 1, 2012, the District issued \$30,190,000 in Unlimited Tax Refunding Bonds, Series 2012. Proceeds from the sale of the bonds were used to partially refund the Unlimited Tax School Building Bonds, Series 2004 and Series 2005, and to pay costs associated with the issuance of the bonds. The bonds were issued at a premium of \$5,034,524. The 2012 bonds issued consisted of current interest bonds with rates ranging from 2.0% - 5.0% paid through 2023. The District intends to retire all of its general obligation bonds, plus interest, from future ad valorem tax levies. The District designates a portion of its tax rate for debt service in order to comply with the ordinance to create from such tax revenues, a sinking fund sufficient to pay the current interest due thereon and each installment of principal as it becomes due.

On February 15, 2014, the District issued \$81,477,883 in Unlimited Tax School Building Bonds, Series 2014. Proceeds from the sale of the bonds will be used to construct, acquire, renovate and equip school buildings in the District, and to pay costs associated with the issuance of the bonds. The bonds were issued at a premium of \$9,329,572. The 2014 bonds issued consisted of current interest bonds in the amount of \$70,885,000, with rates ranging from 3.0% - 5.0% paid through 2036 and capital appreciation bonds of \$10,592,883, paid through 2031. The District designates a portion of its tax rate for debt service in order to comply with the ordinance to create from such tax revenues, a sinking fund sufficient to pay the current interest due thereon and each installment of principal as it becomes due.

On September 18, 2014, the District issued \$6,375,000 in Unlimited Tax Refunding Bonds, Series 2014. Proceeds from the sale of the bonds were used to partially refund the Unlimited Tax School Building Bonds, Series 2005, and to pay costs associated with the issuance of the bonds. The bonds were issued at a premium of \$807,541. The 2014 bonds issued consisted of current interest bonds with a rate of 4.4% paid through 2025. The District intends to retire all of its general obligation bonds, plus interest, from future ad valorem tax levies. The District designates a portion of its tax rate for debt service in order to comply with the ordinance to create from such tax revenues, a sinking fund sufficient to pay the current interest due thereon and each installment of principal as it becomes due.

Debt service requirements on bonds payable are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Requirements</u>
2019	\$ 4,990,000	\$ 4,477,700	\$ 9,467,700
2020	5,245,000	4,222,125	9,467,125
2021	5,515,000	3,953,125	9,468,125
2022	5,800,000	3,670,250	9,470,250
2023	6,095,000	3,372,875	9,467,875
2024-2028	29,985,959	13,363,891	43,349,850
2029-2033	23,166,924	18,314,576	41,481,500
2034-2036	23,119,999	1,772,500	24,892,499
	<u>\$ 103,917,882</u>	<u>\$ 53,147,042</u>	<u>\$ 157,064,924</u>

Maintenance Tax Notes and Contractual Obligations

On March 10, 2011 the District issued a \$5,515,000 Qualified School Construction Maintenance Tax and Revenue Note, Taxable Series 2011 with the full principal of the Note maturing February 15, 2026. Proceeds will be used to renovate and repair instructional facilities in the District. The Note has an interest rate of 6.55% but is eligible for an interest rate subsidy of 5.46% due to the Note being characterized as a Qualified School Construction Bond as defined by Section 54F of the Internal Revenue Code of 1986. Therefore, the resulting net supplementary interest rate of the Note is 1.09%.

The District created a sinking fund by entering into a repurchase agreement to service the Note. The repurchase agreement calls for annual payments of \$250,762 the first year and \$276,644 until the maturity date of February 15, 2026 and will yield an interest rate of 4.01%. Total payments from general operating funds, including the supplementary interest, to repay the \$5,515,000 Note will be \$5,021,312. The sinking fund balance as of August 31, 2018 was \$2,198,726.

Presented below is a summary of the sinking fund requirements:

Fiscal Year	Annual Requirements
2019	\$ 276,644
2020	276,644
2021	276,644
2022	276,644
2023	276,644
2024-2026	829,932
Total sinking fund requirements	\$ 2,213,152

Abilene Independent School District
Notes to Financial Statements
August 31, 2018

Long-term debt of the District is reflected in the statement of net position at August 31, 2018. A summary of the changes in long-term liabilities follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Unlimited Tax Refunding Bonds, Series 2012	\$ 20,860,000	\$ -	\$ (4,740,000)	\$ 16,120,000	\$ 4,960,000
Unlimited Tax School Bldg Bonds, Series 2014 Current Interest Bonds	70,885,000	-	(30,000)	70,855,000	30,000
Unlimited Tax School Bldg Bonds, Series Capital Appreciation Bonds 2014	10,592,882	-	-	10,592,882	-
Unlimited Tax School Refng Bonds, Series 2014	6,350,000	-	-	6,350,000	-
Bonds payable-subtotal	108,687,882	-	(4,770,000)	103,917,882	4,990,000
Accretion on CAB, Series 2014	1,726,718	554,938	-	2,281,656	-
Unamortized Premium on Bonds, Series 2012	2,517,263	-	(457,684)	2,059,579	-
Unamortized Premium on Bonds, Series 2014 Building	7,845,323	-	(424,071)	7,421,252	-
Unamortized Premium on Bonds, Series 2014 Refunding	592,196	-	(74,025)	518,171	-
Subtotal	12,681,500	554,938	(955,780)	12,280,658	-
Net bonds payable	121,369,382	554,938	(5,725,780)	116,198,540	4,990,000
Qualified School Construction Maintenance Tax and Revenue Notes, Series 2011	5,515,000	-	-	5,515,000	-
Compensated absences	527,349	-	(9,090)	518,259	-
Net pension liability	35,742,397	3,768,442	(8,910,076)	30,600,763	-
Net OPEB liability	99,498,426	9,536	(43,149,269)	56,358,693	-
Other long-term liabilities-subtotal	135,768,172	3,777,978	(52,068,435)	87,477,715	-
Total long-term liabilities	\$ 262,652,554	\$4,332,916	\$(57,794,215)	\$209,191,255	\$ 4,990,000

Unamortized bond premiums on the 2012 and 2014 Series bonds are reported with long-term bonds payable on the statement of net position.

Pension and OPEB liabilities are typically liquidated through contributions to TRS made by the following funds: General Fund; Childcare Development Block Grant; Head Start; ESEA Title X, Pt. C Homeless; ESEA I, A Improving Basic Program, IDEA Part B Formula; IDEA Part B Preschool; IDEA Part B Discretionary; National Breakfast and Lunch Program; Summer Feeding Program; Career and Technical-Basic Grant; ESEA II, A Training and Recruiting; Early Head Start; Child & Adult Care Food Program; Summer School LEP; SSA Adult Basic Education; SSA TANF Family Assistance; State Textbook Fund; CCPO; Adult Basic Education State; State Deaf; Other State Funded Special Revenue Funds; and Other Local Special Revenue Funds.

Note 19 - Fund Balance

The District classifies governmental fund balance in accordance with Government Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions:

- Nonspendable fund balance includes fund balance that cannot be spent either because it is not in spendable form or because of legal or contractual constraints. At August 31, 2018, the District had \$1,061,989 and \$11,867 in nonspendable fund balance for inventory and prepaid items, respectively.
- Restricted fund balance includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. As of August 31, 2018, \$1,983,593 was restricted for food service and \$163,365 was restricted for other federal and state grants. Fund balance restricted for the retirement of funded indebtedness totaled \$3,485,954 as of August 31, 2018. Fund balance restricted for capital acquisition and contractual obligation totaled \$101,734.
- Committed fund balance is established and modified by a resolution from the District's Board, the District's highest level of decision-making authority, and can be used only for the specific purposes determined by the Board's resolution. At August 31, 2018, the District had \$909,598 committed for future construction projects, \$766,854 committed for future Shotwell Stadium improvements, and \$221,438 committed for campus activity funds.
- Assigned fund balance is intended to be used by the District for specific purposes but does not meet the criteria to be classified as restricted or committed. The Board has delegated the authority to assign fund balance to the Superintendent. At August 31, 2018, the District had fund balance assigned for open encumbrances of \$821,081 in the General Fund.
- Unassigned fund balance is the residual classification for the District's general fund and includes all spendable amounts not contained in the other classifications.

The District uses restricted amounts first when both restricted and unrestricted fund balance are available. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

Note 20 - General Fund Federal Source Revenues

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

Program or Service	CFDA	Amount
ROTC reimbursement	12.000	\$ 105,062
School Health and Related Services	n/a	2,887,867
Impact Aid, Public Law 81-874	84.041	321,672
QSCB interest subsidy	n/a	281,164
Indirect costs		
Title I - Part A	84.010	147,005
IDEA B Formula	84.027	77,477
IDEA B Discretionary	84.027	838
IDEA B Preschool	84.173	2,663
Carl D Perkins Basic Grant Formula	84.048	4,198
Title II, Part A - Teacher, Principal, Training & Recruitment	84.367	14,337
Title IV - Part A	84.424	2,647
AEL Adult Education & Literacy	84.002A	16,901
AEL Temporary Assistance for Needy Families	93.558	2,314
Child Care and Development Block Grant	93.575	4,372
Total		<u>\$ 3,868,517</u>

Note 21 - Deferred Compensation Plan

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all District employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

Until paid or made available to the employee or another beneficiary, all amounts of compensation deferred under the plan, investments purchased with those amounts and all income attributable to those investments are held in trust and are not subject to the claims of the District's general creditors. The District does not have fiduciary responsibility for the plan and therefore it is not reported as a pension trust fund in the District's financial statements. Participant's rights under the plan are equal to the fair value of the deferred account for each participant.

Note 22 - Subsequent Events

On November 6, 2018, voters approved a \$138,679,000 bond package for the construction and renovation of District facilities.

Note 23 - Prior Period Adjustment

As of September 1, 2017, the District adopted GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The implementation of this standard replaces the requirements of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, and requires governments calculate and report the cost and obligations associated with other postemployment benefits other than pensions in their financial statements, including additional note disclosures and required supplementary information. Beginning net position for governmental activities was restated to adopt the provisions of GASB Statement No. 75 to report the beginning net OPEB liability, and deferred outflows of resources related to contributions made after the measurement date as follows:

Net position - August 31, 2017, as previously reported	\$	54,727,567
Add net OPEB liability under GASB Statement No. 75 at August 31, 2017		(99,498,426)
Deferred outflows of resources related to contributions made during the year ended August 31, 2017		<u>673,798</u>
Net position - September 1, 2017, as restated	\$	<u><u>(44,097,061)</u></u>

Required Supplementary Information
August 31, 2018

Abilene Independent School District

Abilene Independent School District
 Budgetary Comparison Schedule – General Fund (Exhibit G-1)
 Year Ended August 31, 2018

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP) Basis	Variance With Final Budget
		Original	Final		Positive or (Negative)
	Revenues				
5700	Total local and intermediate sources	\$ 48,093,724	\$ 48,605,113	\$ 49,257,605	\$ 652,492
5800	State program revenues	80,921,542	81,021,542	79,766,368	(1,255,174)
5900	Federal program revenues	2,856,000	3,706,000	3,868,517	162,517
5020	Total revenues	131,871,266	133,332,655	132,892,490	(440,165)
	Expenditures				
	Current				
0011	Instruction	74,981,224	75,351,342	74,243,674	1,107,668
0012	Instructional resources and media services	2,013,295	2,049,116	1,919,360	129,756
0013	Curriculum and instructional staff development	1,885,516	2,069,954	2,039,975	29,979
0021	Instructional leadership	3,019,181	2,883,987	2,780,721	103,266
0023	School leadership	8,167,841	8,129,709	7,978,434	151,275
0031	Guidance, counseling and evaluation services	4,969,979	4,979,390	4,759,752	219,638
0032	Social work services	983,278	983,278	963,124	20,154
0033	Health services	1,948,088	2,015,922	2,009,304	6,618
0034	Student (pupil) transportation	4,375,603	4,880,974	4,760,536	120,438
0035	Food services	-	-	-	-
0036	Extracurricular activities	3,725,214	5,251,108	5,063,582	187,526
0041	General administration	4,757,438	4,999,044	4,994,430	4,614
0051	Facilities maintenance and operations	14,259,321	14,147,224	13,121,165	1,026,059
0052	Security and monitoring services	448,898	485,898	465,025	20,873
0053	Data processing services	4,979,710	4,903,072	4,246,012	657,060
0061	Community services	580,246	583,480	576,918	6,562
	Debt service				
0072	Interest on long term debt	380,000	380,000	361,233	18,767
	Capital outlay				
0081	Facilities acquisition and construction	-	412,940	191,258	221,682
	Intergovernmental				
0095	Payments to juvenile alternative Ed. Prg.	130,000	130,000	63,130	66,870
0099	Other intergovernmental charges	500,000	530,000	514,778	15,222
6030	Total expenditures	132,104,832	135,166,438	131,052,411	4,114,027
1100	Excess (deficiency) of revenues over (under) expenditures	(233,566)	(1,833,783)	1,840,079	3,673,862
	Other financing sources (uses)				
7912	Sale of real and personal property	-	-	41,239	41,239
7949	Other resources	-	-	25,000	25,000
7080	Total other financing sources (uses)	-	-	66,239	66,239
1200	Net change in fund balances	(233,566)	(1,833,783)	1,906,318	3,740,101
0100	Fund balance - September 1 (Beginning)	37,686,823	37,686,823	37,686,823	-
3000	Fund balance - August 31 (Ending)	\$ 37,453,257	\$ 35,853,040	\$ 39,593,141	\$ 3,740,101

Abilene Independent School District
Schedule of District's Proportionate Share of the Net Pension Liability – Teacher Retirement System of Texas
(Exhibit G-2)
Year Ended August 31, 2018

	Plan Measurement Year			
	2018	2017	2016	2015
District's proportion of the net pension liability	0.095703310%	0.094585349%	0.100625900%	0.064298800%
District's proportionate share of net pension liability	\$ 30,600,763	\$ 35,742,397	\$ 35,569,916	\$ 17,175,099
State's proportionate share of the net pension liability associated with the District	48,982,745	60,001,221	56,952,497	49,522,165
	<u>\$ 79,583,508</u>	<u>\$ 95,743,618</u>	<u>\$ 92,522,413</u>	<u>\$ 66,697,264</u>
District's covered payroll	\$ 100,562,501	\$ 98,232,144	\$ 95,430,501	\$ 92,180,591
District's proportionate share of net pension liability as a percentage of its covered payroll	30.43%	36.39%	37.27%	18.63%
Plan fiduciary net position as a percentage of the total pension liability	82.17%	78.00%	78.43%	83.25%

Note: The information disclosed for each fiscal year is reported as of the measurement date of the net pension liability with is August 31 of the preceding fiscal year.

Note: Plan information was unavailable prior to 2014.

Abilene Independent School District
Schedule of District's Contributions – Teacher Retirement System to Texas (Exhibit G-3)
Year Ended August 31, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 3,216,684	\$ 3,136,596	\$ 3,005,216	\$ 2,979,577
Contribution in relation to the contractually required contribution	<u>(3,216,684)</u>	<u>(3,136,596)</u>	<u>(3,005,216)</u>	<u>(2,979,577)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 102,183,362	\$ 100,562,501	\$ 98,232,144	\$ 95,430,501
Contributions as a percentage of covered payroll	3.15%	3.12%	3.06%	3.12%

Note: The information disclosed for each fiscal year is reported as of the District's fiscal year-end date.

Note: Plan information was unavailable prior to 2014.

Abilene Independent School District
Schedule of District's Proportionate Share of the Net OPEB Liability (Exhibit G-4)
Year Ended August 31, 2018

	2018
District's proportion of the net OPEB liability	0.129601183%
District's proportionate share of net OPEB liability	\$ 56,358,693
State's proportionate share of the net OPEB liability associated with the District	73,614,932
	\$ 129,973,625
District's covered-employee payroll	\$ 100,562,501
District's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	56.04%
Plan fiduciary net position as a percentage of the total OPEB liability	0.91%

Note: The information disclosed for each fiscal year is reported as of the measurement date of the net OPEB liability with is August 31 of the preceding fiscal year.

Note: Plan information was unavailable prior to 2018.

Abilene Independent School District
Schedule of District's Contributions to the OPEB (Exhibit G-5)
Year Ended August 31, 2018

	2018
Contractually required contribution	\$ 664,200
Contribution in relation to the contractually required contribution	(664,200)
Contribution deficiency (excess)	\$ -
District's covered-employee payroll	\$ 102,183,362
Contributions as a percentage of covered-employee payroll	0.65%

Note: The information disclosed for each fiscal year is reported as of the District's fiscal year-end date.

Note: Plan information was unavailable prior to 2018.

Note 1 - Budget

Budgetary Information

Each school district in Texas is required by law to prepare annually a budget of anticipated revenues and expenditures for the general fund, debt service fund, and the National School Breakfast and Lunch Program special revenue fund. The Texas Education Code requires the budget to be prepared not later than August 20 and adopted by August 31 of each year. The budgets are prepared on a basis of accounting that is used for reporting in accordance with generally accepted accounting principles.

The following procedures are followed in establishing the budgetary data reflected in the fund financial schedules:

1. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
3. Prior to September 1, the budget is formally approved and adopted by the Board.

Once a budget is approved, it can be amended by function and fund level only by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board and are not made after fiscal year end as required by law. Each amendment is controlled by the budget coordinator Accounting at the revenue and expenditure fund/function level. Budget amounts are as amended by the Board. All budget appropriations lapse at year end.

Note 2 - Net Pension Liability – Teachers Retirement System

Changes of Benefit Terms

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

Changes in the Size or Composition of the Population Covered by the Benefit Terms

There are no changes in the size or composition of the population covered by the benefit terms during the measurement period.

Changes of Assumptions

There were no changes of assumptions during the measurement period.

Note 3 - OPEB

Changes of Benefit Terms

There was a significant plan change adopted in the fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will be offered and all retirees will be required to contribute monthly premiums for coverage.

Changes in the Size or Composition of the Population Covered by the Benefit Terms

There were no changes in the size or composition of the population covered by the benefit terms during the measurement period.

Changes of Assumptions

Assumption changes made for the August 31, 2017 valuation include a change to the assumption regarding the phase-out of the Medicare Part D subsidies and a change to the discount rate from 2.98% as of August 31, 2016 to 3.42% as of August 31, 2017.



Other Supplementary Information
August 31, 2018

Abilene Independent School District

Data Control Codes		203	205	206	211 ESEA I, A Improving Basic Program
		Childcare Development Block Grant	Head Start	ESEA Title X, Pt. C Homeless	
	Assets				
1110	Cash and cash equivalents	\$ 1,818	\$ -	\$ -	\$ -
1120	Investments - current	-	-	-	-
1220	Property taxes - delinquent	-	-	-	-
1230	Allowance for uncollectible taxes (credit)	-	-	-	-
1240	Receivables from other governments	5,506	681,500	-	1,775,279
1260	Due from other funds	-	-	-	-
1290	Other receivables	-	-	-	-
1300	Inventories	-	-	-	-
1410	Prepaid expenditures	-	-	-	-
1800	Restricted assets	-	-	-	-
1000	Total assets	<u>\$ 7,324</u>	<u>\$ 681,500</u>	<u>\$ -</u>	<u>\$ 1,775,279</u>
	Liabilities				
2110	Accounts payable	\$ -	\$ 4,918	\$ -	\$ 1,146,484
2160	Accrued wages payable	-	115,485	-	212,818
2170	Due to other funds	-	557,963	-	415,977
2180	Due to other governments	-	-	-	-
2200	Accrued expenditures	-	-	-	-
2300	Unearned revenues	7,324	3,134	-	-
2000	Total liabilities	<u>7,324</u>	<u>681,500</u>	<u>-</u>	<u>1,775,279</u>
	Deferred Inflows of Resources				
2601	Unavailable revenue - property taxes	-	-	-	-
2600	Total inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Fund Balances				
3410	Nonspendable - inventories	-	-	-	-
3450	Restricted - federal or state funds grant	-	-	-	-
3470	Restricted - capital acquisition and contractual obligation	-	-	-	-
3480	Restricted - retirement of long-term debt	-	-	-	-
3545	Committed - other	-	-	-	-
3600	Unassigned	-	-	-	-
3000	Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total liabilities, deferred inflows and fund balances	<u>\$ 7,324</u>	<u>\$ 681,500</u>	<u>\$ -</u>	<u>\$ 1,775,279</u>

Abilene Independent School District
Combining Balance Sheet – Nonmajor Governmental Funds (Exhibit H-1)
August 31, 2018

224	225	226	242	244	255	281
IDEA Part B Formula	IDEA Part B Preschool	IDEA Part B Discretionary	Summer Feeding Program	Career and Technical - Basic Grant	ESEA II, A Training and Recruiting	ROTC
\$ -	\$ -	\$ -	\$ 95,946	\$ -	\$ -	\$ 1,580
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
456,054	11,924	7,593	-	23,448	69,233	-
-	-	-	69,476	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 456,054</u>	<u>\$ 11,924</u>	<u>\$ 7,593</u>	<u>\$ 165,422</u>	<u>\$ 23,448</u>	<u>\$ 69,233</u>	<u>\$ 1,580</u>
\$ -	\$ -	\$ -	\$ 57	\$ -	\$ 335	\$ -
189,459	8,577	2,654	-	3,728	10,242	-
266,595	3,347	4,939	-	19,720	58,656	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	1,580
<u>456,054</u>	<u>11,924</u>	<u>7,593</u>	<u>57</u>	<u>23,448</u>	<u>69,233</u>	<u>1,580</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	165,365	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>165,365</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 456,054</u>	<u>\$ 11,924</u>	<u>\$ 7,593</u>	<u>\$ 165,422</u>	<u>\$ 23,448</u>	<u>\$ 69,233</u>	<u>\$ 1,580</u>

	288-00	288-01	289-04	289-05
	Early	Child &	Title IV,	Emergency
	Head	Adult Care	Part A	Impact
	Start	Food		Aid
		Program		
Assets				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Investments - current	-	-	-	-
Property taxes - delinquent	-	-	-	-
Allowance for uncollectible taxes (credit)	-	-	-	-
Receivables from other governments	678,391	7,334	46,570	80,050
Due from other funds	-	-	-	-
Other receivables	-	-	-	-
Inventories	-	-	-	-
Prepaid expenditures	-	-	-	-
Restricted assets	-	-	-	-
Total assets	<u>\$ 678,391</u>	<u>\$ 7,334</u>	<u>\$ 46,570</u>	<u>\$ 80,050</u>
Liabilities				
Accounts payable	\$ 4,091	\$ -	\$ 2,030	\$ -
Accrued wages payable	130,673	-	-	-
Due to other funds	528,742	7,334	44,540	80,050
Due to other governments	-	-	-	-
Accrued expenditures	-	-	-	-
Unearned revenues	14,885	-	-	-
Total liabilities	<u>678,391</u>	<u>7,334</u>	<u>46,570</u>	<u>80,050</u>
Deferred Inflows of Resources				
Unavailable revenue - property taxes	-	-	-	-
Total inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances				
Nonspendable - inventories	-	-	-	-
Restricted - federal or state funds grant	-	-	-	-
Restricted - capital acquisition and contractual obligation	-	-	-	-
Restricted - retirement of long-term debt	-	-	-	-
Committed - other	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 678,391</u>	<u>\$ 7,334</u>	<u>\$ 46,570</u>	<u>\$ 80,050</u>

Abilene Independent School District
 Combining Balance Sheet – Nonmajor Governmental Funds (Exhibit H-1)
 August 31, 2018

309	312	397	410	412	429
SSA Adult Basic Education	SSA - TANF Family Assistance	Advanced Placement Incentives	Instructional Materials Allotment	CCPO	Other State Funded Special Revenue Funds
\$ -	\$ -	\$ 10,598	\$ -	\$ 406,955	\$ 2,054
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
61,763	7,373	-	97,083	2,537	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 61,763</u>	<u>\$ 7,373</u>	<u>\$ 10,598</u>	<u>\$ 97,083</u>	<u>\$ 409,492</u>	<u>\$ 2,054</u>
\$ 81	\$ -	\$ -	\$ 37,236	\$ -	\$ -
15,769	2,118	-	2,995	-	-
45,913	5,255	-	56,852	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	10,598	-	409,492	2,054
<u>61,763</u>	<u>7,373</u>	<u>10,598</u>	<u>97,083</u>	<u>409,492</u>	<u>2,054</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 61,763</u>	<u>\$ 7,373</u>	<u>\$ 10,598</u>	<u>\$ 97,083</u>	<u>\$ 409,492</u>	<u>\$ 2,054</u>

Data Control Codes		431 Adult Basic Education State	435 State Deaf	461 Campus Activity Fund
	Assets			
1110	Cash and cash equivalents	\$ -	\$ -	\$ 221,438
1120	Investments - current	-	-	-
1220	Property taxes - delinquent	-	-	-
1230	Allowance for uncollectible taxes (credit)	-	-	-
1240	Receivables from other governments	21,659	25,968	-
1260	Due from other funds	-	-	-
1290	Other receivables	-	-	-
1300	Inventories	-	-	-
1410	Prepaid expenditures	-	-	-
1800	Restricted assets	-	-	-
1000	Total assets	\$ 21,659	\$ 25,968	\$ 221,438
	Liabilities			
2110	Accounts payable	\$ -	\$ -	\$ -
2160	Accrued wages payable	2,510	13,852	-
2170	Due to other funds	19,149	12,116	-
2180	Due to other governments	-	-	-
2200	Accrued expenditures	-	-	-
2300	Unearned revenues	-	-	-
2000	Total liabilities	21,659	25,968	-
	Deferred Inflows of Resources			
2601	Unavailable revenue - property taxes	-	-	-
2600	Total inflows of resources	-	-	-
	Fund Balances			
3410	Nonspendable - inventories	-	-	-
3450	Restricted - federal or state funds grant	-	-	-
3470	Restricted - capital acquisition and contractual obligation	-	-	-
3480	Restricted - retirement of long-term debt	-	-	-
3545	Committed - other	-	-	221,438
3600	Unassigned	-	-	-
3000	Total fund balances	-	-	221,438
4000	Total liabilities, deferred inflows and fund balances	\$ 21,659	\$ 25,968	\$ 221,438

Abilene Independent School District
Combining Balance Sheet – Nonmajor Governmental Funds (Exhibit H-1)
August 31, 2018

499	Total Nonmajor Special Revenue Funds	599	699	Total Nonmajor Governmental Funds
Other Local Special Revenue Funds		Debt Service Fund	2014 Capital Projects Fund	
\$ 500,167	\$ 1,240,556	\$ 256	\$ -	\$ 1,240,812
-	-	-	-	-
-	-	112,947	-	112,947
-	-	(29,090)	-	(29,090)
-	4,059,265	-	-	4,059,265
603,770	673,246	-	-	673,246
211,797	211,797	-	-	211,797
-	-	-	-	-
-	-	-	-	-
-	-	1,717,342	101,734	1,819,076
<u>\$ 1,315,734</u>	<u>\$ 6,184,864</u>	<u>\$ 1,801,455</u>	<u>\$ 101,734</u>	<u>\$ 8,088,053</u>
\$ 316	\$ 1,195,548	\$ 400	\$ -	\$ 1,195,948
12,336	723,216	-	-	723,216
-	2,127,148	220,961	-	2,348,109
-	-	220,539	-	220,539
206,630	206,630	-	-	206,630
1,096,452	1,545,519	-	-	1,545,519
<u>1,315,734</u>	<u>5,798,061</u>	<u>441,900</u>	<u>-</u>	<u>6,239,961</u>
<u>-</u>	<u>-</u>	<u>72,327</u>	<u>-</u>	<u>72,327</u>
<u>-</u>	<u>-</u>	<u>72,327</u>	<u>-</u>	<u>72,327</u>
-	-	-	-	-
-	165,365	-	-	165,365
-	-	-	101,734	101,734
-	-	1,287,228	-	1,287,228
-	221,438	-	-	221,438
-	-	-	-	-
<u>-</u>	<u>386,803</u>	<u>1,287,228</u>	<u>101,734</u>	<u>1,775,765</u>
<u>\$ 1,315,734</u>	<u>\$ 6,184,864</u>	<u>\$ 1,801,455</u>	<u>\$ 101,734</u>	<u>\$ 8,088,053</u>

Data Control Codes		203 Childcare Development Block Grant	205 Head Start	206 ESEA Title X, Pt. C Homeless	211 ESEA I, A Improving Basic Program
	Revenues				
5700	Local and intermediate sources	\$ -	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-	-
5900	Federal program revenues	208,603	2,545,909	41,200	4,879,377
5020	Total revenues	<u>208,603</u>	<u>2,545,909</u>	<u>41,200</u>	<u>4,879,377</u>
	Expenditures				
	Current				
0011	Instruction	116,943	1,265,674	-	4,037,251
0012	Instructional resources and media services	-	51,492	-	73,141
0013	Curriculum and instructional staff development	36,427	311,645	-	37,154
0021	Instructional leadership	131	10,997	218	208,283
0023	School leadership	16,893	250,870	-	41,509
0031	Guidance, counseling, and evaluation services	-	151,533	-	24,751
0032	Social work services	-	127,106	40,982	154,100
0033	Health services	-	124,895	-	-
0034	Student (pupil) transportation	-	34,230	-	-
0035	Food services	-	4,630	-	-
0036	Extracurricular activities	-	-	-	-
0041	General administration	-	-	-	-
0051	Facilities maintenance and operations	38,209	36,023	-	-
0052	Security and monitoring services	-	-	-	-
0061	Community services	-	98,285	-	303,188
	Debt service				
0071	Principal on long term debt	-	-	-	-
0072	Interest on long term debt	-	-	-	-
0073	Bond issuance cost and fees	-	-	-	-
	Capital outlay				
0081	Facilities acquisition and construction	-	78,529	-	-
6030	Total expenditures	<u>208,603</u>	<u>2,545,909</u>	<u>41,200</u>	<u>4,879,377</u>
1100	Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Other financing sources (Uses)				
7912	Sale of real and personal property	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
7080	Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200	Net change in fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
0100	Fund balance, September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000	Fund balance, August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Abilene Independent School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental
Funds (Exhibit H-2)
Year Ended August 31, 2018

224	225	226	242	244	255	281
IDEA Part B Formula	IDEA Part B Preschool	IDEA Part B Discretionary	Summer Feeding Program	Career and Technical - Basic Grant	ESEA II, A Training and Recruiting	ROTC
\$ -	\$ -	\$ -	\$ 344	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
<u>3,420,234</u>	<u>124,340</u>	<u>41,461</u>	<u>183,072</u>	<u>180,005</u>	<u>558,065</u>	<u>11,215</u>
<u>3,420,234</u>	<u>124,340</u>	<u>41,461</u>	<u>183,416</u>	<u>180,005</u>	<u>558,065</u>	<u>11,215</u>
3,114,201	124,340	41,461	-	31,974	-	11,215
-	-	-	-	-	-	-
-	-	-	-	1,130	424,709	-
109,575	-	-	-	75	133,356	-
-	-	-	-	-	-	-
150,228	-	-	-	146,826	-	-
-	-	-	-	-	-	-
46,230	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	151,412	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>3,420,234</u>	<u>124,340</u>	<u>41,461</u>	<u>151,412</u>	<u>180,005</u>	<u>558,065</u>	<u>11,215</u>
-	-	-	32,004	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	32,004	-	-	-
-	-	-	133,361	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 165,365</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	288-00	288-01	289-04	289-05
	Early	Child &	Title IV,	Emergency
	Head	Adult Care	Title IV,	Impact
	Start	Food	Part A	Aid
		Program		
Revenues				
Local and intermediate sources	\$ -	\$ -	\$ -	\$ -
State program revenues	-	-	-	-
Federal program revenues	2,333,610	186,763	63,172	80,050
Total revenues	2,333,610	186,763	63,172	80,050
Expenditures				
Current				
Instruction	1,092,532	-	28,781	80,050
Instructional resources and media services	-	-	-	-
Curriculum and instructional				
staff development	128,374	-	-	-
Instructional leadership	10,997	-	34,391	-
School leadership	375,916	-	-	-
Guidance, counseling, and				
evaluation services	130,264	-	-	-
Social work services	279,052	-	-	-
Health services	158,329	-	-	-
Student (pupil) transportation	56,712	-	-	-
Food services	617	186,763	-	-
Extracurricular activities	-	-	-	-
General administration	-	-	-	-
Facilities maintenance and operations	59,724	-	-	-
Security and monitoring services	-	-	-	-
Community services	41,093	-	-	-
Debt service				
Principal on long term debt	-	-	-	-
Interest on long term debt	-	-	-	-
Bond issuance cost and fees	-	-	-	-
Capital outlay				
Facilities acquisition and construction	-	-	-	-
Total expenditures	2,333,610	186,763	63,172	80,050
Excess (deficiency) of revenues				
over (under) expenditures	-	-	-	-
Other financing sources (Uses)				
Sale of real and personal property	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	-	-	-	-
Fund balance, September 1 (Beginning)	-	-	-	-
Fund balance, August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

Abilene Independent School District
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental
 Funds (Exhibit H-2)
 Year Ended August 31, 2018

309	312	397	410	412	429
SSA Adult Basic Education	SSA - TANF Family Assistance	Advanced Placement Incentives	Instructional Materials Allotment	CCPO	Other State Funded Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	1,181,556	1,210	50,529
<u>768,825</u>	<u>108,667</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>768,825</u>	<u>108,667</u>	<u>-</u>	<u>1,181,556</u>	<u>1,210</u>	<u>50,529</u>
638,161	88,442	-	1,070,087	-	7,870
-	-	-	-	-	-
12,142	1,500	-	111,469	-	31,259
54,883	3,537	-	-	-	-
28,633	12,574	-	-	-	-
33,888	2,614	-	-	1,210	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,118	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	11,400
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>768,825</u>	<u>108,667</u>	<u>-</u>	<u>1,181,556</u>	<u>1,210</u>	<u>50,529</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Data Control Codes		431 Adult Basic Education State	435 State Deaf	461 Campus Activity Fund
	Revenues			
5700	Local and intermediate sources	\$ -	\$ -	\$ 243,593
5800	State program revenues	140,707	211,397	-
5900	Federal program revenues	-	-	-
5020	Total revenues	140,707	211,397	243,593
	Expenditures			
	Current			
0011	Instruction	93,781	211,397	-
0012	Instructional resources and media services	-	-	-
0013	Curriculum and instructional staff development	16,623	-	-
0021	Instructional leadership	10,049	-	-
0023	School leadership	16,770	-	-
0031	Guidance, counseling, and evaluation services	3,484	-	-
0032	Social work services	-	-	-
0033	Health services	-	-	-
0034	Student (pupil) transportation	-	-	-
0035	Food services	-	-	-
0036	Extracurricular activities	-	-	216,701
0041	General administration	-	-	-
0051	Facilities maintenance and operations	-	-	-
0052	Security and monitoring services	-	-	-
0061	Community services	-	-	-
	Debt service			
0071	Principal on long term debt	-	-	-
0072	Interest on long term debt	-	-	-
0073	Bond issuance cost and fees	-	-	-
	Capital outlay			
0081	Facilities acquisition and construction	-	-	-
6030	Total expenditures	140,707	211,397	216,701
1100	Excess (deficiency) of revenues over (under) expenditures	-	-	26,892
	Other financing sources (Uses)			
7912	Sale of real and personal property	-	-	-
7080	Total other financing sources (uses)	-	-	-
1200	Net change in fund balance	-	-	26,892
0100	Fund balance, September 1 (Beginning)	-	-	194,546
3000	Fund balance, August 31 (Ending)	\$ -	\$ -	\$ 221,438

Abilene Independent School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental
Funds (Exhibit H-2)
Year Ended August 31, 2018

499	Total Nonmajor Special Revenue Funds	599	699	Total Nonmajor Governmental Funds
Other Local Special Revenue Funds		Debt Service Fund	2014 Capital Projects Fund	
936,067	\$ 1,180,004	\$ 7,209,334	\$ 9,908	\$ 8,399,246
-	1,585,399	1,773,709	-	3,359,108
-	15,734,568	-	-	15,734,568
<u>936,067</u>	<u>18,499,971</u>	<u>8,983,043</u>	<u>9,908</u>	<u>27,492,922</u>
573,688	12,627,848	-	9,900	12,637,748
-	124,633	-	-	124,633
49,959	1,162,391	-	-	1,162,391
41,012	617,504	-	-	617,504
1,402	744,567	-	-	744,567
250,363	895,161	-	-	895,161
-	601,240	-	-	601,240
-	329,454	-	-	329,454
-	90,942	-	-	90,942
-	343,422	-	-	343,422
13,031	229,732	-	-	229,732
-	-	-	-	-
6,100	141,174	-	54,622	195,796
-	-	-	17,894	17,894
512	454,478	-	-	454,478
-	-	4,770,000	-	4,770,000
-	-	4,697,400	-	4,697,400
-	-	157,638	-	157,638
-	78,529	-	1,700,598	1,779,127
<u>936,067</u>	<u>18,441,075</u>	<u>9,625,038</u>	<u>1,783,014</u>	<u>29,849,127</u>
-	58,896	(641,995)	(1,773,106)	(2,356,205)
-	-	-	-	-
-	-	-	-	-
-	58,896	(641,995)	(1,773,106)	(2,356,205)
-	327,907	1,929,223	1,874,840	4,131,970
<u>\$ -</u>	<u>\$ 386,803</u>	<u>\$ 1,287,228</u>	<u>\$ 101,734</u>	<u>\$ 1,775,765</u>



Required TEA Schedules
August 31, 2018

Abilene Independent School District

<u>Last Ten Years Ended August 31</u>	1	2	3
	<u>Tax Rates</u>		Assessed/ Appraised Value for School Tax Purposes
	<u>Maintenance</u>	<u>Debt Service</u>	
2009 (and prior years)	\$ Various	\$ Various	\$ Various
2010	1.040000	0.125900	3,879,552,072
2011	1.040000	0.124700	3,897,626,094
2012	1.040000	0.119900	3,955,489,744
2013	1.040000	0.112700	4,074,025,528
2014	1.040000	0.110100	4,172,275,368
2015	1.040000	0.177500	4,230,516,552
2016	1.040000	0.170600	4,280,261,809
2017	1.040000	0.164100	4,469,378,022
2018 (school year under audit)	1.040000	0.158300	4,493,015,439
1000 Totals			

Abilene Independent School District
Schedule of Delinquent Taxes Receivable (Exhibit J-1)
Year Ended August 31, 2018

10	20	31	32	40	50
Beginning Balance September 1, 2017	Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustments	Ending Balance August 31, 2018
\$ 140,193	\$ -	\$ 5,819	\$ 488	\$ (35,809)	\$ 98,077
38,827	-	3,466	420	(234)	34,707
52,008	-	3,559	427	(44)	47,978
54,399	-	4,599	530	(74)	49,196
63,306	-	17,040	1,846	2,670	47,090
91,664	-	26,275	2,781	4,074	66,682
132,980	-	47,714	8,144	7,904	85,026
210,805	-	104,071	17,072	7,265	96,927
761,049	-	413,625	65,265	(66,026)	216,133
<u>-</u>	<u>53,839,804</u>	<u>45,878,388</u>	<u>6,983,043</u>	<u>(233,558)</u>	<u>744,815</u>
<u>\$ 1,545,231</u>	<u>\$ 53,839,804</u>	<u>\$ 46,504,556</u>	<u>\$ 7,080,016</u>	<u>\$ (313,832)</u>	<u>\$ 1,486,631</u>

Abilene Independent School District
 Budgetary Comparison Schedule – Child Nutrition Program (Exhibit J-2)
 Year Ended August 31, 2018

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
5700	Local and intermediate sources		\$ 1,699,730	\$ (1,605,743)
5800	State program revenues		250,855	(64,396)
5900	Federal program revenues		7,117,295	(46,996)
5020	Total revenues		9,067,880	(1,717,135)
Expenditures				
Current				
0035	Food services		8,820,851	1,501,935
0051	Facilities maintenance and operations		167,280	35,426
Capital outlay				
0081	Facilities acquisition and construction		200,000	-
6030	Total expenditures		9,188,131	1,537,361
1100	Excess (deficiency) of revenues over (under) expenditures		(120,251)	(179,774)
Other financing sources (uses)				
7912	Sale of real and personal property		20,762	20,762
7080	Total other financing sources (uses)		20,762	20,762
1200	Net change in fund balances		(99,489)	(159,012)
0100	Fund balance, September 1 (Beginning)		2,369,948	-
3000	Fund balance, August 31 (Ending)		\$ 2,270,459	\$ (159,012)

Abilene Independent School District
 Budgetary Comparison Schedule – Debt Service Fund (Exhibit J-5)
 Year Ended August 31, 2018

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance with Final Budget - Positive (Negative)	
	Original	Final			
Revenues					
5700	Local and intermediate sources	\$ 7,100,670	\$ 7,100,670	\$ 7,209,334	\$ 108,664
5800	State program revenues	2,486,055	2,486,055	1,773,709	(712,346)
5020	Total revenues	9,586,725	9,586,725	8,983,043	(603,682)
Expenditures					
Debt service					
0071	Principal on long term debt	4,770,000	4,770,000	4,770,000	-
0072	Interest on long term debt	4,731,725	4,816,725	4,697,400	119,325
0073	Bond issuance costs and fees	-	-	157,638	(157,638)
0099	Other intergovernmental charges	85,000	-	-	-
6030	Total expenditures	9,586,725	9,586,725	9,625,038	(38,313)
1200	Net change in fund balances	-	-	(641,995)	(641,995)
0100	Fund balance, September 1 (Beginning)	1,929,223	1,929,223	1,929,223	-
3000	Fund balance, August 31 (Ending)	\$ 1,929,223	\$ 1,929,223	\$ 1,287,228	\$ (641,995)



Federal Award Section
August 31, 2018

Abilene Independent School District



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*

The Board of Trustees
Abilene Independent School District
Abilene, Texas

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Abilene 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, and have issued our report thereon dated December 20, 2018.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or 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 over financial reporting 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 financial reporting 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 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.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Abilene, Texas
December 20, 2018



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

The Board of Trustees
Abilene Independent School District
Abilene, Texas

Report on Compliance for Each Major Federal Program

We have audited Abilene Independent School District's (the District) 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 District's major federal program for the year ended August 31, 2018. The 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 the compliance for each of the 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 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 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 District's compliance.

Opinion on Each Major Federal Program

In our opinion, the 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 District is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the 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 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 compliance requirement 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 that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider 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.

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Abilene, Texas
December 20, 2018

Section 1. Summary of Auditor's Results

Financial Statements

An unmodified opinion was issued on the financial statements.

Internal control over financial reporting:

Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None Reported

An unmodified opinion was issued on compliance for major programs

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?	No
--	----

Identification of Major Programs:

ESEA, Title I, Part A – Improving Basic Programs (84.010)
 Adult Education and Literacy (84.002)
 Head Start and Early Head Start (93.600)

Dollar threshold used to distinguish between type A and type B federal programs	\$750,000
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Auditee qualified as a low-risk auditee?	No
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B. Findings Related to the Financial Statements which are Required to be Reported in Accordance with Government Auditing Standards

The audit disclosed no findings required to be reported.

C. Findings and Questioned Costs for Federal Awards Required to be Reported Under the Uniform Guidance

The audit disclosed no findings and questioned costs required to be reported.

Abilene Independent School District
Schedule of Expenditures of Federal Awards (Exhibit K-1)
Year Ended August 31, 2018

Project Number	Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Expenditures, Indirect Costs, & Refunds
	U.S. Department of Education		
	Direct Program		
Not available	Impact Aid - P.L. 874 Title I	84.041	\$ 321,672
	Passed Through Texas Workforce Commission:		
0917AEL000	Adult Education and Literacy	84.002	751
0918AEL000	Adult Education and Literacy	84.002	29,018
0919AEL000	Adult Education and Literacy	84.002	3,507
0917AEL001	AEL- Adult Education and Literacy	84.002	66,700
0918AEL001	AEL- Adult Education and Literacy	84.002	524,864
0919AEL001	AEL- Adult Education and Literacy	84.002	52,617
0917AELB01	AEL - Career Pathway Navigator Initiative	84.002	34,953
0918AELB01	AEL - Career Pathway Navigator Initiative	84.002	67,678
0919AELB01	AEL - Career Pathway Navigator Initiative	84.002	5,638
	Total CFDA Number 84.002		<u>785,726</u>
0918AEL001	AEL - Temporary Assistance for Needy Families	93.558	103,608
0919AEL001	AEL - Temporary Assistance for Needy Families	93.558	7,373
	Total TANF Cluster		<u>110,981</u>
	Total Passed Through Texas Workforce Commission		<u>896,707</u>
	Passed Through Texas Education Agency		
17610101221901	ESEA Title I, Part A - Improving Basic Programs	84.010	2,960
18610101221901	ESEA Title I, Part A - Improving Basic Programs	84.010	4,709,329
19610101221901	ESEA Title I, Part A - Improving Basic Programs	84.010	259,832
18610123221901	ESEA Title I, Part A - School Improvement	84.010	38,181
18610103221901	ESEA Title I, Part D, Subpart 2	84.010	16,080
	Total CFDA Number 84.010		<u>5,026,382</u>
	Special Education Cluster		
186600012219016600	IDEA-B Formula*	84.027	3,497,711
18660011221901	IDEA-B Discretionary Deaf*	84.027	42,299
	Total CFDA Number 84.027		<u>3,540,010</u>
186610012219016610	IDEA-B Preschool*	84.173	127,003
	Total Special Education Cluster		<u>3,667,013</u>
18420006221901	Carl D. Perkins Basic Grant Formula for CATE	84.048	167,573
19420006221901	Carl D. Perkins Basic Grant Formula for CATE	84.048	16,630
	Total CFDA Number 84.048		<u>184,203</u>
17694501221901	Title II, Part A - Teacher, Principal, Training & Recruitment	84.367	3,877
18694501221901	Title II, Part A - Teacher, Principal, Training & Recruitment	84.367	508,723
19694501221901	Title II, Part A - Teacher, Principal, Training & Recruitment	84.367	59,802
	Total CFDA Number 84.367		<u>572,402</u>
18680101221901	Title IV, Part A - Student Support and Academic Enrichment Program	84.424	65,819

Abilene Independent School District
Schedule of Expenditures of Federal Awards (Exhibit K-1)
Year Ended August 31, 2018

Project Number	Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Expenditures, Indirect Costs, & Refunds
51271901	Passed Through Texas Education Agency Emergency Impact Aid	84.938C	80,050
	Total Passed Through Texas Education Agency		9,595,869
00-014	Passed Through ESC Region 14 ESEA, Title X, Part C Education for the Homeless Children and Youth	84.196	41,200
	Total Passed Through ESC Region 14		41,200
	Total Department of Education		10,855,448
	U.S. Dept. of Health & Human Services Direct Program		
	Child Care and Development Block Grant	93.575	212,975
	Total CCDF Cluster		212,975
06CH7058/05	Head Start	93.600	1,615,006
06CH010462-01-01	Head Start	93.600	930,903
06CH7058/05	Early Headstart	93.600	1,473,815
06CH010462-01-01	Early Headstart	93.600	859,795
	Total CFDA Number 93.600		4,879,519
	Total Dept. of Health & Human Services		5,092,494
	U.S. Department of Agriculture Direct Program		
01034	Summer Food Service Program for Children*	10.559	183,072
71401701	Passed Through Texas Education Agency: School Breakfast Program*	10.553	1,695,851
71301701	National School Lunch Program - cash assistance*	10.555	5,340,455
	Total Passed Through Texas Education Agency		7,036,306
	Passed Through the Texas Department of Agriculture: National School Lunch Program*		
01034	-non cash assistance	10.555	80,989
01785	Child and Adult Care Food Program	10.558	186,763
			267,752
	Total Department of Agriculture		7,487,130
	* Total Child Nutrition Cluster		7,300,367
	U.S. Department of Defense Direct		
Not available	ROTC	12.000	11,215
Not available	ROTC Reimbursement	12.000	105,062
	Total CFDA Number 12.000		116,277
	Total Department of Defense		116,277
	Total Federal Awards		\$ 23,551,349

Note 1- Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the District under programs of the federal government for the year ended August 31, 2018. The information in the 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 the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

Note 2 - Summary of Significant Accounting Policies

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All federal expenditures were accounted for in the General Fund and Special Revenue Funds, components of the Governmental Fund type. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Federal grants are considered to be earned to the extent of expenditures made under the provisions of the grant.

School health and related services revenues are considered earned income at the local government level and thus are not included in the Schedule of Expenditures of Federal Awards. The following is a reconciliation of Federal Revenues on Exhibit C-2 to the Schedule of Expenditures of Federal Awards:

Federal Awards per Schedule of Expenditures of Federal Awards	\$ 23,551,349
School Health Related Services (SHARS)	2,887,867
Qualified School Construction bond interest subsidy	<u>281,164</u>
 Total federal program revenues - Exhibit C-2	 <u><u>\$ 26,720,380</u></u>

Note 3 - Indirect Cost Rate

The District is not eligible to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance because the District has previously received a negotiated indirect cost rate for its federal award.

Abilene Independent School District
Schedule of Required Responses to Selected School First Indicators (Exhibit L-1)
August 31, 2018

<u>Data Control Codes</u>	<u>Responses</u>
SF2 Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreements at fiscal year end?	No
SF4 Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5 Did the Annual Financial Report disclose any instances of material weaknesses in internal control over financial reporting and compliance for local, state, or federal funds?	No
SF6 Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7 Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8 Did the District not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10 Total accumulated accretion on capital appreciation bonds included in government-wide financial statements at fiscal year-end.	\$ 2,281,656
SF11 Net pension assets (1920) at fiscal year-end.	\$ -
SF12 Net pension liabilities (2540) at fiscal year-end.	\$ 30,600,763
SF13 Pension expense (6147) at fiscal year-end, excluding on-behalf pension expense (6144).	\$ -



Management's Response to Auditor's Findings:

Summary Schedule of Prior Audit Findings
August 31, 2018

Prepared by Management of
Abilene Independent School District

Finding 2017-A:

Finding Summary: The District's year end close process was not effective to be able to provide for the preparation of the financial statements and related financial statement disclosures being audited in a timely basis.

Responsible Individuals: Melissa Irby, Executive Director for Business & Finance

Corrective Action Plan: Personnel assignments within the District's Finance Department have been restructured to ensure that district accounting functions are performed in an accurate and timely manner. Also, a monthly checklist must be completed by employees to ensure that all month-end and year-end close processes are being completed on timely basis.

Anticipated Completion Date: Completed