

DUMAS INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED
JUNE 30, 2018

DUMAS INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2018

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**DUMAS INDEPENDENT SCHOOL DISTRICT
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CERTIFICATE OF BOARD

Dumas Independent School District
Name of School District

Moore
County

171901
Co.-Dist. Number

We, the undersigned, certify that the attached Annual Financial Reports of the above-named school district were reviewed and (check one) X approved _____ disapproved for the year ended June 30, 2018, at a meeting of the Board of Trustees of such school district on the 12th day of November 2018.

Brandon Skipworth
Signature of Board Secretary

Patty Willis
Signature of Board President

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

COY BARTON, C.P.A.

CERTIFIED PUBLIC ACCOUNTANT
116 EAST SEVENTH
P.O. BOX 800 – TELEPHONE 806-935-4188
DUMAS, TEXAS 79029

MEMBER OF
THE AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
THE AICPA'S PRIVATE COMPANIES
PRACTICE SECTION
TEXAS SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Unmodified Opinion on Basic Financial Statements Accompanied By Required Supplementary Information and Other Supplementary Information Including the Supplementary Schedule of Expenditures of Federal Awards

To the Board of Trustees
Dumas Independent School District
P.O. Box 615
Dumas, Texas

Members of the Board:

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 Dumas Independent School District as of and for the year ended June 30, 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.

Administration's Responsibility for the Financial Statements

The Administration 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 administration, 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 Dumas Independent School District as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note I to the Financial Statements, in 2018 the District adopted new accounting guidance prescribed by GASB Statement No. 75 for its other post-employment benefit (OPEB) plan that has a special funding situation. Because GASB Statement No. 75 implements new measurement criteria and reporting provisions, significant information has been added to the Government-wide statements. Exhibit A-1 discloses the District's Net OPEB Liability and some deferred resource outflows and deferred resource inflows related to the District's other post-employment benefit (OPEB) plan. Exhibit B-1 discloses the adjustment to the District's Beginning Net Position. Our opinion is not modified with respect to the matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 6 through 13 and 72 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. The District has also included a Schedule of the District's Proportionate Share of the Net Pension Liability – Teacher Retirement System of Texas, Schedule of District Contributions for Pensions – Teacher Retirement System of Texas, Schedule of the District's Proportionate Share of the Net OPEB Liability – Teacher Retirement System of Texas, and Schedule of District Contributions for Other Post-Employment Benefits (OPEB) – Teacher Retirement System of Texas in the required supplementary information. 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 administration about the methods of preparing the information and comparing the information for consistency with administration'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 Dumas Independent School District's basic financial statements. The TEA required schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The TEA required schedules and the schedule of expenditures of federal awards are the responsibility of administration 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 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.

To the Board of Trustees
Dumas Independent School District
Page 4

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2018, on our consideration of Dumas Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contract and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Coy Barton, CPA
Dumas, Texas

October 23, 2018

DUMAS INDEPENDENT SCHOOL DISTRICT
Introductory To Management's Discussion and Analysis
For the Year Ended June 30, 2018

To the Citizens and Taxpayers of Dumas Independent School District:

The Annual Financial Report of Dumas Independent School District for the year ended June 30, 2018, is hereby submitted. The District is responsible for the completeness and fairness of these financial statements.

The financial statements are presented in the following sections: Introductory, Management's Discussion and Analysis, Basic Financial Statements, Notes to the Financial Statements, Required Supplementary Information, Required TEA Schedules, and Reports on Internal Control, on Compliance and Other Matters, and Federal Awards.

This financial report is designed to provide the citizens and taxpayers of our District information concerning the financial condition of the District.

The state's school financial accountability rating system, known as the School Financial Integrity Rating System of Texas (FIRST), ensures that Texas public schools are held accountable for the quality of their financial management practices and that they improve those practices. The system is designed to encourage Texas public schools to better manage their financial resources to provide the maximum allocation possible for direct instructional purposes. Dumas Independent School District received a "Passed" status report by having a District Score of 100 for the fiscal year end 2017.

Dumas Independent School District was awarded a "B" rating from the Texas Education Agency for the District's student academic performance in the 2017-2018 school year. In addition, all nine campuses were rated "Met Standard." Declining student enrollment has brought both challenges and opportunities for the Board of Trustees and Administration during the year covered by these financial statements.

Because long range planning, for both program and facility improvement, is an important part of the District's operations, we know that the continued success of our students is safeguarded. Dumas Independent School District is financially strong and well positioned for a good future in public education.

Sincerely,

Monty Hysinger

Monty Hysinger
Superintendent

DUMAS INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the administrators of Dumas Independent School District, discuss and analyze the District's financial performance for the year ended June 30, 2018. Please read it in conjunction with our transmittal letter on page 6, the Independent Auditor's Report on pages 2-5, and the District's Basic Financial Statements, which begin on page 14.

FINANCIAL HIGHLIGHTS

The District's net position decreased by \$20.3 million compared to last year.

During the 2018 year, the District's expenses were \$4.7 million less than the \$49.3 million generated in taxes, charges for services, operating grants, and other revenues for governmental activities.

Total cost of all of the District's programs, after charges for services and operating grants, was \$31.8 million, which was a decrease from last year of about \$4.1 million or 11.5%.

The General Fund ended the twelve month period with a fund balance of \$21.6 million which is down from last year's balance of \$22.5 million. This decrease was the result of total expenditures exceeding revenues by about \$0.9 million.

The resources available for appropriation were \$1.9 million less than the expenditures budgeted for in the General Fund.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 14 and 15). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 16) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short-term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. The remaining fiduciary statements provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the District.

Dumas Independent School District
Management's Discussion and Analysis (continued)

The notes to the financial statements (starting on page 21) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The sections labeled Required TEA Schedules and Reports on Internal Control, on Compliance and Other Matters, and Federal Awards contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 14. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the fiscal year, and the Statement of Activities includes all the revenues and expenses generated by the District's operations during the twelve month period. These apply the accrual basis of accounting, which is the basis used by private sector companies.

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

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

In the Statement of Net Position and the Statement of Activities, we have the following activities:

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

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 16 and provide detailed information about the most significant funds - not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the Every Student Succeeds Act from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). The District's governmental funds use the following accounting approach:

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

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in the Statement of Net Position - Fiduciary Funds on page 20.

Dumas Independent School District
Management's Discussion and Analysis (continued)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The District implemented GASB Statement No. 34 in prior years. We have presented both current and prior year data and discussed significant changes in accounts. Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental activities.

Net position of the District's governmental activities decreased from \$42.1 million to \$21.9 million. Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, was \$(5.6) million at June 30, 2018, down \$21.0 million from last year.

Table I
Dumas Independent School District
NET POSITION
(in thousands)

	Governmental Activities 2018	Total 2018	Total 2017
Current and other assets	\$ 27,729	\$ 27,729	\$ 28,711
Capital assets	43,540	43,540	44,099
Total Assets	<u>71,269</u>	<u>71,269</u>	<u>72,810</u>
Deferred Outflows of Resources	<u>4,238</u>	<u>4,238</u>	<u>5,343</u>
Long-term liabilities	41,757	41,757	30,935
Other liabilities	4,039	4,039	4,086
Total Liabilities	<u>45,796</u>	<u>45,796</u>	<u>35,021</u>
Deferred Inflows of Resources	<u>7,841</u>	<u>7,841</u>	<u>996</u>
Net Position:			
Investment in capital assets	25,675	25,675	24,914
Restricted	1,793	1,793	1,851
Unrestricted	<u>(5,598)</u>	<u>(5,598)</u>	<u>15,371</u>
Total Net Position	<u>\$ 21,870</u>	<u>\$ 21,870</u>	<u>\$ 42,136</u>

Dumas Independent School District
Management's Discussion and Analysis (continued)

Table II
Dumas Independent School District
CHANGES IN NET POSITION
(in thousands)

	Governmental Activities 2018	Total 2018	Total 2017
Revenues:			
Program Revenues:			
Charges for services	\$ 416	\$ 416	\$ 476
Operating grants and contributions	12,354	12,354	6,772
General Revenues:			
Maintenance and operations taxes	18,789	18,789	18,248
Debt service taxes	1,988	1,988	1,965
State aid - formula grants	14,022	14,022	15,379
Grants and contributions not restricted	783	783	325
Investment earnings	296	296	141
Miscellaneous	604	604	539
Total Revenues	<u>49,252</u>	<u>49,252</u>	<u>43,845</u>
Expenses:			
Instruction, curriculum, and media services	26,892	26,892	26,407
Instructional and school leadership	2,765	2,765	2,666
Student support services	2,406	2,406	2,404
Child nutrition	2,314	2,314	2,451
Cocurricular activities	2,043	2,043	2,041
General administration	1,430	1,430	1,225
Plant maintenance, security, and data processing	5,611	5,611	4,804
Community services	8	8	6
Debt services	603	603	653
Payments to fiscal agent	66	66	85
Other intergovernmental charges	422	422	431
Total Expenses	<u>44,560</u>	<u>44,560</u>	<u>43,173</u>
Increase (decrease) in net position before extraordinary items	4,692	4,692	672
Extraordinary items	-	-	-
Net Position at Beginning of Year	42,136	42,136	41,464
Prior Period Adjustment - Implementation of GASB 75	<u>(24,958)</u>	<u>(24,958)</u>	-
Net Position at End of Year	<u>\$ 21,870</u>	<u>\$ 21,870</u>	<u>\$ 42,136</u>

Dumas Independent School District
Management's Discussion and Analysis (continued)

The District took action this year to compensate for some increase in cost.

- The District's property tax rate remained the same compared to the prior year and tax revenue increased approximately \$0.7 million. Property tax revenues are budgeted to decrease by \$0.01 million next year.

The cost of all governmental activities this year was \$44.6 million compared to \$43.2 million last year. However, as shown in the Statement of Activities on page 15, the amount that our taxpayers ultimately financed for these activities through District taxes was only \$17.8 million because some of the costs were paid by those who directly benefited from the programs (\$0.4 million), and by other governments and organizations that subsidized certain programs with grants and contributions (\$12.4 million), or by state formula grants (\$14.0 million).

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 16) reported a combined fund balance of \$23.4 million, which is less than last year's total of \$24.4 million. The fund balance in the District's General Fund decreased by \$0.9 million.

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments fall into two categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts we estimated in June 2017). The second category involved amendments moving funds from programs that did not need all the resources originally appropriated to them, to programs with resource needs.

The District's General Fund balance of \$21.6 million reported on page 16 differs from the General Fund's budgetary fund balance of \$20.2 million reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund on page 72. This is principally due to higher than anticipated revenues and unspent salary, supply, and facilities maintenance appropriations.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2018, the District had \$43.5 million invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance.

Dumas Independent School District
Management's Discussion and Analysis (continued)

This year's major additions included (in thousands):

Construction in progress paid for with local funds	\$ 357
Various building improvements paid for with local funds	692
Instructional, technology, and transportation equipment paid for with local funds	<u>319</u>
Total	<u><u>\$ 1,368</u></u>

The District's fiscal year 2019 capital budget calls for \$0.10 million in expenditures. More detailed information about the District's capital assets is presented in Note III.G. to the financial statements.

Debt

At year-end, the District had \$17.9 million in bonds and notes outstanding which was \$1.3 million less than the \$19.2 million last year. More detailed information about the District's long-term liabilities is presented in Note III.J. to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the fiscal year 2019 budget and tax rates. Two of those factors are the loss of property value and the continued underfunding of schools by the state legislature. Although the District's student population remained flat in 2018, we experienced continued growth in special populations such as economically disadvantaged, career/tech, and special education. With that trend in mind, the Board of Trustees adopted a budget for 2019 that made the assumption that student population would decrease slightly from the 2018 level.

Amounts available for appropriation in the General Fund budget are \$35.9 million, the same as last year's budget of \$35.9 million. Budgeted expenditures are expected to be down by about \$0.9 million compared to 2018, and we expect a balanced budget for 2019.

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 show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office at Dumas Independent School District, P. O. Box 615, Dumas, Texas, 79029.

BASIC FINANCIAL STATEMENTS

DUMAS INDEPENDENT SCHOOL DISTRICT
Statement of Net Position
June 30, 2018

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 22,763,941
1220 Property Taxes Receivable (Delinquent)	614,157
1230 Allowance for Uncollectible Taxes	(92,123)
1240 Due from Other Governments	4,223,621
1267 Due from Fiduciary Funds	501
1290 Other Receivables, net	56,430
1300 Inventories	82,028
1410 Prepayments	80,704
Capital Assets:	
1510 Land	986,825
1520 Buildings, Net	40,403,772
1530 Furniture and Equipment, Net	1,792,643
1580 Construction in Progress	357,296
1000 Total Assets	71,269,795
DEFERRED OUTFLOWS OF RESOURCES	
1701 Deferred Charge for Refunding	1,490,723
1705 Deferred Outflow Related to TRS Pension	2,548,217
1706 Deferred Outflow Related to TRS OPEB	199,526
1700 Total Deferred Outflows of Resources	4,238,466
LIABILITIES	
2110 Accounts Payable	161,522
2140 Interest Payable	271,312
2150 Payroll Deductions & Withholdings	7,426
2160 Accrued Wages Payable	3,476,613
2200 Accrued Expenses	122,039
Noncurrent Liabilities	
2501 Due Within One Year	1,375,000
2502 Due in More Than One Year	18,185,178
2540 Net Pension Liability (District's Share)	7,979,994
2545 Net OPEB Liability (District's Share)	14,217,104
2000 Total Liabilities	45,796,188
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS Pension	1,894,442
2606 Deferred Inflow Related to TRS OPEB	5,947,042
2600 Total Deferred Inflows of Resources	7,841,484
NET POSITION	
3200 Net Investment in Capital Assets	25,675,536
3820 Restricted for Federal and State Programs	73,099
3850 Restricted for Debt Service	1,720,266
3890 Restricted for Other Purposes	171
3900 Unrestricted	(5,598,483)
3000 Total Net Position	\$ 21,870,589

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

DUMAS INDEPENDENT SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2018

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
Codes	Expenses	3	4	Net (Expense) Revenue and Changes in Net Position
Codes	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 24,918,281	\$ -	\$ 7,673,783	\$ (17,244,498)
12 Instructional Resources and Media Services	516,793	-	85,171	(431,622)
13 Curriculum and Staff Development	1,456,607	-	381,394	(1,075,213)
21 Instructional Leadership	445,198	-	140,148	(305,050)
23 School Leadership	2,320,039	-	410,599	(1,909,440)
31 Guidance, Counseling and Evaluation Services	974,363	-	420,204	(554,159)
32 Social Work Services	8,597	-	8,597	-
33 Health Services	405,448	-	75,419	(330,029)
34 Student (Pupil) Transportation	1,017,206	-	186,429	(830,777)
35 Food Services	2,314,430	313,723	2,000,707	-
36 Extracurricular Activities	2,043,356	96,201	133,239	(1,813,916)
41 General Administration	1,430,460	-	201,933	(1,228,527)
51 Facilities Maintenance and Operations	4,571,019	6,387	513,312	(4,051,320)
52 Security and Monitoring Services	247,450	-	34,622	(212,828)
53 Data Processing Services	792,794	-	80,953	(711,841)
61 Community Services	7,640	-	7,640	-
72 Debt Service - Interest on Long-Term Debt	432,660	-	-	(432,660)
73 Debt Service - Bond Issuance Cost and Fees	170,459	-	-	(170,459)
93 Payments related to Shared Services Arrangements	65,673	-	-	(65,673)
99 Other Intergovernmental Charges	421,643	-	-	(421,643)
[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 44,560,116</u>	<u>\$ 416,311</u>	<u>\$ 12,354,150</u>	<u>(31,789,655)</u>
Data Control Codes	General Revenues:			
MT	Property Taxes, Levied for General Purposes			18,788,533
DT	Property Taxes, Levied for Debt Service			1,987,644
SF	State Aid - Formula Grants			14,022,342
GC	Grants and Contributions not Restricted			783,467
IE	Investment Earnings			296,137
MI	Miscellaneous Local and Intermediate Revenue			603,920
TR	Total General Revenues			<u>36,482,043</u>
CN	Change in Net Position			4,692,388
NB	Net Position - Beginning			42,136,223
PA	Prior Period Adjustment-Implementation of GASB 75			(24,958,022)
NE	Net Position--Ending			<u>\$ 21,870,589</u>

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

DUMAS INDEPENDENT SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2018

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
ASSETS			
1110 Cash and Cash Equivalents	\$ 20,666,254	\$ 2,097,687	\$ 22,763,941
1220 Property Taxes - Delinquent	573,462	40,695	614,157
1230 Allowance for Uncollectible Taxes (Credit)	(86,019)	(6,104)	(92,123)
1240 Receivables from Other Governments	3,812,141	411,480	4,223,621
1260 Due from Other Funds	254,982	6,497	261,479
1290 Other Receivables	9,682	46,748	56,430
1300 Inventories	49,876	32,152	82,028
1410 Prepayments	80,704	-	80,704
1000 Total Assets	<u>\$ 25,361,082</u>	<u>\$ 2,629,155</u>	<u>\$ 27,990,237</u>
LIABILITIES			
2110 Accounts Payable	\$ 157,520	\$ 4,002	\$ 161,522
2150 Payroll Deductions and Withholdings Payable	7,426	-	7,426
2160 Accrued Wages Payable	3,100,753	375,860	3,476,613
2170 Due to Other Funds	4,842	256,136	260,978
2200 Accrued Expenditures	-	122,039	122,039
2300 Unearned Revenues	-	10,839	10,839
2000 Total Liabilities	<u>3,270,541</u>	<u>768,876</u>	<u>4,039,417</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	487,443	34,591	522,034
2600 Total Deferred Inflows of Resources	<u>487,443</u>	<u>34,591</u>	<u>522,034</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3410 Inventories	49,876	32,152	82,028
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	73,099	73,099
3480 Retirement of Long-Term Debt	-	1,720,266	1,720,266
3490 Other Restricted Fund Balance	-	171	171
Committed Fund Balance:			
3510 Construction	4,000,000	-	4,000,000
3530 Capital Expenditures for Equipment	2,300,000	-	2,300,000
3545 Other Committed Fund Balance	500,000	-	500,000
Assigned Fund Balance:			
3570 Capital Expenditures for Equipment	4,500,000	-	4,500,000
3600 Unassigned Fund Balance	10,253,222	-	10,253,222
3000 Total Fund Balances	<u>21,603,098</u>	<u>1,825,688</u>	<u>23,428,786</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 25,361,082</u>	<u>\$ 2,629,155</u>	<u>\$ 27,990,237</u>

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

DUMAS INDEPENDENT SCHOOL DISTRICT
 Reconciliation of the Governmental Funds Balance Sheet to the
 Statement of Net Position
 June 30, 2018

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$	23,428,786
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$80,015,114 and the accumulated depreciation was \$35,915,771. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.		24,914,343
2 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2018 capital outlays and debt principal payments is to increase net position.		1,415,163
3 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB Statement No. 68. The net position related to TRS included a deferred resource outflow in the amount of \$2,548,217, a deferred resource inflow in the amount of \$1,894,442, and a net pension liability in the amount of \$7,979,994. This resulted in a decrease in net position.		(7,326,219)
4 Included in the items related to debt is the recognition of the District's proportionate share of the net OPEB liability required by GASB Statement No. 75. The net position related to TRS included a deferred resource outflow in the amount of \$199,526, a deferred resource inflow in the amount of \$5,947,042, and a net OPEB liability in the amount of \$14,217,104. This resulted in a decrease in net position.		(19,964,620)
5 The 2018 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(1,966,604)
6 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.		1,369,740
 19 Net Position of Governmental Activities	 \$	 <u><u>21,870,589</u></u>

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

DUMAS INDEPENDENT SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds	
REVENUES:				
5700	Total Local and Intermediate Sources	\$ 19,696,052	\$ 2,365,651	\$ 22,061,703
5800	State Program Revenues	15,829,451	105,938	15,935,389
5900	Federal Program Revenues	807,529	4,149,457	4,956,986
5020	Total Revenues	<u>36,333,032</u>	<u>6,621,046</u>	<u>42,954,078</u>
EXPENDITURES:				
Current:				
0011	Instruction	21,298,953	1,855,880	23,154,833
0012	Instructional Resources and Media Services	442,214	-	442,214
0013	Curriculum and Instructional Staff Development	1,207,141	170,873	1,378,014
0021	Instructional Leadership	381,710	76,139	457,849
0023	School Leadership	2,154,837	-	2,154,837
0031	Guidance, Counseling and Evaluation Services	744,833	286,195	1,031,028
0032	Social Work Services	-	12,731	12,731
0033	Health Services	361,027	-	361,027
0034	Student (Pupil) Transportation	898,287	-	898,287
0035	Food Services	-	2,266,050	2,266,050
0036	Extracurricular Activities	1,687,163	-	1,687,163
0041	General Administration	1,381,787	-	1,381,787
0051	Facilities Maintenance and Operations	4,145,523	-	4,145,523
0052	Security and Monitoring Services	577,111	-	577,111
0053	Data Processing Services	736,444	-	736,444
0061	Community Services	-	7,640	7,640
Debt Service:				
0071	Principal on Long-Term Debt	-	1,320,000	1,320,000
0072	Interest on Long-Term Debt	-	678,750	678,750
0073	Bond Issuance Cost and Fees	-	1,150	1,150
Capital Outlay:				
0081	Facilities Acquisition and Construction	768,954	-	768,954
Intergovernmental:				
0093	Payments to Fiscal Agent/Member Districts of SSA	65,673	-	65,673
0099	Other Intergovernmental Charges	421,643	-	421,643
6030	Total Expenditures	<u>37,273,300</u>	<u>6,675,408</u>	<u>43,948,708</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(940,268)	(54,362)	(994,630)
OTHER FINANCING SOURCES (USES):				
7912	Sale of Real and Personal Property	5,961	-	5,961
1200	Net Change in Fund Balances	(934,307)	(54,362)	(988,669)
0100	Fund Balance - July 1 (Beginning)	<u>22,537,405</u>	<u>1,880,050</u>	<u>24,417,455</u>
3000	Fund Balance - June 30 (Ending)	<u>\$ 21,603,098</u>	<u>\$ 1,825,688</u>	<u>\$ 23,428,786</u>

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

DUMAS INDEPENDENT SCHOOL DISTRICT
 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,
 and Changes in Fund Balances to the Statement of Activities
 For the Year Ended June 30, 2018

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$	(988,669)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2018 capital outlays and debt principal payments is to increase net position.		1,415,163
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.		(1,966,604)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.		1,421,429
GASB Statement No. 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in net position to increase by \$702,279. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in net position totaling \$681,185. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$203,427. The net result is a decrease in the change in net position.		(182,333)
GASB Statement No. 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$197,300. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in net position totaling \$141,557. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$4,937,659. The net result is an increase in the change in net position.		4,993,402
Change in Net Position of Governmental Activities	<u>\$</u>	<u>4,692,388</u>

DUMAS INDEPENDENT SCHOOL DISTRICT
Statement of Net Position
Fiduciary Funds
June 30, 2018

	Agency Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 163,865
Total Assets	<u>\$ 163,865</u>
LIABILITIES	
Due to Other Funds	\$ 501
Due to Student Groups	163,364
Total Liabilities	<u>\$ 163,865</u>

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

DUMAS INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Dumas Independent School District (the “District”) is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the “Board”) elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in **GASB Statement No. 56**, and it complies with the requirements of the appropriate version of Texas Education Agency’s *Financial Accountability System Resource Guide* (the “Resource Guide”) and the requirements of contracts and grants of agencies from which it receives funds.

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

A. Reporting Entity

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

B. Basis of Presentation, Basis of Accounting

Basis of Presentation

Government-wide Statements: The Statement of Net Position and the Statement of Activities include the financial activities of the overall government. Eliminations have been made to minimize the over-reporting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

DUMAS INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2018

B. Basis of Presentation, Basis of Accounting (continued)

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

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

The District reports the following major governmental funds:

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

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

Governmental Funds:

1. **Special Revenue Funds** - These funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal financial assistance generally is accounted for in a special revenue fund. Except for the food service fund, any unused balances are returned to the grantor at the close of specific project periods. The Food Service Fund is the only required budgeted special revenue fund. For all other funds in this fund type, project accounting is employed to maintain integrity for the various sources of funds.
2. **Debt Service Fund** - This fund accounts for financial resources that are restricted, committed, or assigned to expenditures for principal and interest on long-term debt of governmental activities.

DUMAS INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

B. Basis of Presentation, Basis of Accounting (continued)

Fiduciary Funds:

1. **Agency Funds** - The District accounts for resources held for others in a custodial capacity in agency funds. The District's agency funds are the Activity or Class Funds.

C. Measurement Focus, Basis of Accounting

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

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, the revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

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

Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims, and judgments, which are recognized as expenditures to the extent they have matured. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources.

DUMAS INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2018

C. Measurement Focus, Basis of Accounting (continued)

The fiduciary funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable.

D. Fund Balance Classification

Non-spendable: This classification includes amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are to be used for future servicing of bonds and are restricted by State statute. Capital projects are restricted by State statute and are legally segregated for funding of capital improvements.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Trustees. These amounts cannot be used for any other purpose unless the Board of Trustees removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed.

Assigned: This classification includes amounts that do not meet the criteria to be classified as Restricted or Committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the superintendent may assign for specific purposes.

Unassigned: This classification includes the residual fund balance for the General Fund.

The District would typically use Restricted fund balances first, followed by Committed resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

E. Financial Statement Amounts

1. 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.

DUMAS INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2018

E. Financial Statement Amounts (continued)

State statutes authorize the District to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and State Treasurer's Investment Pools.

Investments for the District are reported at fair value. The State Treasurer's Investment Pools are operated in accordance with appropriate state laws and regulations. The reported value of the pools is the same as the fair value of the pool shares.

2. Property Taxes

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

Allowances for uncollectible tax receivables are based upon historical experience in collecting property taxes. As of June 30, 2018, the amount deemed uncollectible by this estimate was \$92,123. 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.

3. Inventories and Prepaid Items

The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory in accordance with the Resource Guide. Certain payments to vendors reflect the cost applicable to future periods and are recorded as prepaid items. The District reports inventories of supplies at weighted average cost including consumable maintenance, instructional, office, athletic, transportation items, and food supplies. Supplies are recorded as expenditures when they are consumed. Inventories of food commodities are recorded at market value supplied by the Texas Health and Human Services Commission. The school supplies inventories, at June 30, 2018, were \$49,876 for the General Fund. The food supplies inventories including commodities, at June 30, 2018, were \$32,152 for the Child Nutrition Fund.

DUMAS INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

E. Financial Statement Amounts (continued)

4. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the governmental activities column in the government-wide financial statements. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair market value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	50
Buildings and improvements	25-50
Vehicles	7-10
Office equipment and furniture	5-20
Computer equipment	3-5

5. Interfund Activity

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

DUMAS INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

E. Financial Statement Amounts (continued)

6. 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 discounts.

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.

7. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of administration's estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

8. Data Control Codes

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

9. Contingent Liability

Upon leaving employment, the District provides payment for accrued unused state and local leave to employees who have twenty or more years of service with the District as follows:

The first thirty days of unused leave multiplied by 75% of the employee's daily rate of pay plus any days in excess of thirty multiplied by 25% of the employee's daily rate plus the number of years of continuous service in Dumas Independent School District multiplied by 50% of the employee's daily rate of pay not to exceed \$5,000 for 20 to 24 years of service, \$7,500 for 25 to 29 years of service, and \$10,000 for over 29 years of service.

DUMAS INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2018

E. Financial Statement Amounts (continued)

The total for these payments for employees who were eligible at June 30, 2018, was \$450,335 and is reported as a contingent liability since it is contingent on their separation from the District.

10. Group Self-Insurance Pool

The District began to participate in a group self-insurance pool with TRS Active Care on September 1, 2006. The District has no risks or liabilities associated with the health insurance plan.

11. Other Post-Employment Benefits

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

12. New Financial Accounting Standards

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions* (GASB 75). The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB) and improve information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability, an inter-period equity, and creating additional transparency. This Statement supersedes Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended*, and GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB*. This Statement is effective for fiscal years beginning after June 15, 2017. Administration is currently evaluating the impact of the adoption of this Statement on the District's financial statements.

DUMAS INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

E. Financial Statement Amounts (continued)

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of areas including issues related to postemployment benefits. This Statement addresses the following areas:

- a) Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus;
- b) Recognizing on-behalf payments for pensions or OPEB in employer financial statements;
- c) Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB;
- d) Classifying employer-paid member contributions for OPEB;
- e) Simplifying certain aspects of the alternative measurement method for OPEB;
- f) Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Administration is currently evaluating the impact of the adoption of this Statement on the District's financial statements.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Data

The Board of Trustees adopts an "appropriated budget" for the General Fund, Food Service Fund of the special revenue funds, and Debt Service Fund. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1 and the other two reports are in Exhibits J-2 and J-3.

DUMAS INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

A. Budgetary Data (continued)

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

1. Prior to June 20th, the District prepares a budget for the next succeeding fiscal year beginning July 1st. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days public notice of the meeting must be given.
3. Prior to July 1st, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. The following amendments were significant:

General Fund

Function 11 - Salaries and transportation allotment	\$	483,558
Function 13 - Transportation reallocation allotment and salaries		138,588
Function 36 - Transportation allotment		282,693
Function 52 - Security and monitoring services		404,146
Function 81 - Facility construction		819,092

4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year-end. A reconciliation of fund balances for both appropriated budget and nonappropriated budget special revenue funds is as follows:

		June 30, 2018 Fund Balance
Appropriated Budget Funds - Food Service Special Revenue Fund	\$	102,789
Nonappropriated Budget Funds		-
All Special Revenue Funds	\$	102,789

DUMAS INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

B. Finance-Related Legal and Contractual Provisions

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

<u>Violation</u>	<u>Action Taken</u>
None Reported	Not Applicable

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Cash, Cash Equivalents, and Investments

Cash and Cash Equivalents

District Policies and Legal and Contractual Provisions Governing Deposits

Custodial Credit Risk for Deposits

State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the District complies with this law, it has no custodial credit risk for deposits.

During the year, the District's deposits were covered by depository insurance and collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name. At June 30, 2018, the District's deposits were covered with depository insurance in the amount of \$258,491 and collateralized with securities held by the pledging financial institution's trust department or agent in the District's name in the amount of \$8,983,524.

Foreign Currency Risk

The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit by limiting all deposits denominated in a foreign currency. The District was not exposed to any foreign currency risk at June 30, 2018.

DUMAS INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

A. Cash, Cash Equivalents, and Investments (continued)

As of June 30, 2018, the following are the District's cash and cash equivalents with respective maturities and credit rating:

<u>Type of Deposit</u>	<u>Fair Value</u>	<u>Percent</u>	<u>Maturity in Less than 1 Year</u>	<u>Maturity in 1-10 Years</u>	<u>Maturity in Over 10 Years</u>	<u>Credit Rating</u>
FDIC Insured Accounts	\$ 10,852,495	100%	\$ 10,852,495	\$ -	\$ -	N/A
Investment Pools:						
Lone Star	5,294,752	100%	5,294,752	-	-	AAAm
TexPool	2,880,977	100%	2,880,977	-	-	AAAm
TexStar	3,735,717	100%	3,735,717	-	-	AAAm
Total Investment Pools:	<u>11,911,446</u>	<u>100%</u>	<u>11,911,446</u>	<u>-</u>	<u>-</u>	
Total Cash and Cash Equivalents	<u>\$ 22,763,941</u>	<u>100%</u>	<u>\$ 22,763,941</u>	<u>\$ -</u>	<u>\$ -</u>	

TexPool is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Texas Government Code, Chapter 791, and Texas Government Code, Chapter 2256. The Trust Company has specifically identified the authorized investments consistent with the Investment Act. The District owns an undivided beneficial interest in the assets of TexPool in an amount proportional to the total amount of the District's accounts relative to the total amount of all the participants' accounts in TexPool, computed on a daily basis.

Lone Star Investment Pool is a public funds investment pool created under the Interlocal Cooperation Act, Chapter 791, of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256, of the Texas Government Code. The Lone Star Investment Pool includes the Government Overnight Fund, in which the District participates, whose investments are confined to securities having effective maturities at various times within two years from the date of purchase of the securities. The average dollar-weighted maturity of the fund does not exceed 120 days. The Lone Star Investment Pool is authorized to invest in obligations of the United States; any obligations backed by the full faith and credit of the United States; fully collateralized repurchase agreements having a defined termination date secured by obligations of the United States; and no-load money market mutual funds regulated by the SEC with certain exceptions as defined in the Lone Star Investment Pool Information Statement.

DUMAS INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2018

A. Cash, Cash Equivalents, and Investments (continued)

Texas Short Term Asset Reserve Fund (TexStar) 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, of the Texas Government Code. J. P. Morgan Investor Services, Inc. provides custodial, transfer agency, fund accounting, and depository services. TexStar Cash Reserve Fund authorized investments are government securities unconditionally guaranteed or backed by the full faith and credit of the United States with no collateralized mortgage obligations greater than ten years; repurchase agreements and reverse repurchase agreements with defined termination date and fully collateralized; and money market mutual funds with a dollar-weighted average maturity of 90 days or fewer and a dollar-weighted average maturity of 60 days or fewer.

Investments

District Policies and Legal and Contractual Provisions Governing Investments

Compliance with the Public Funds Investment Act

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

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

DUMAS INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2018

A. Cash, Cash Equivalents, and Investments (continued)

the Act. Dumas Independent School District is in substantial compliance with the requirements of the Act and with local policies.

Additional policies and contractual provisions governing investments for Dumas Independent School District are specified below:

Credit Risk

To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations, the District limits investments that comply with the Public Funds Investment Act and all federal, state, and local statutes, rules, or regulations. As of June 30, 2018, the District had no investments.

Custodial Credit Risk for Investments

To limit the risk that, in the event of the failure of the counterparty to a transaction, the District will not be able to recover the value of investment or collateral securities that are in possession of an outside party, the District requires counterparties to register the securities in the name of the District and hand them over to the District or its designated agent. This includes securities in securities lending transactions. The District had no investments at June 30, 2018.

Concentration of Credit Risk

To limit the risk of loss attributed to the magnitude of the District's investment in a single issuer, the District's investment policy emphasizes safety of principal and liquidity. The policy requires prudence with respect to single investments. During the year, the District invested in Texpool, Lone Star Investment Pool, and TexStar under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and Public Funds Investments Act, Chapter 2256, Texas Government Code. The District was not exposed to any concentration of credit risk for the year ended June 30, 2018.

Interest Rate Risk

To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires that internally created pool fund groups have a maximum dollar weighted maturity of 180 days and other investments shall not exceed one year from time of purchase unless specifically authorized by the Board for a given investment. The District was not exposed to any investment rate risk at June 30, 2018.

DUMAS INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

A. Cash, Cash Equivalents, and Investments (continued)

Foreign Currency Risk for Investments

The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment by not investing in foreign investments. The District was not exposed to any foreign currency risk for investments at June 30, 2018.

Other Credit Risk Exposure

The District had no other known credit risk exposure at June 30, 2018.

Defaults and Recovery of Prior Period Losses

The District had no defaults or prior period losses for the year ended June 30, 2018.

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

As of June 30, 2018, Dumas Independent School District had no investments subject to the fair value measurement.

B. Property Taxes

Property taxes are levied by October 1st on the assessed value listed as of the prior January 1st for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1st of the year following the year in which imposed. On January 31st of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

DUMAS INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

B. Property Taxes (continued)

The assessed value of the property tax roll on August 1, 2017, upon which the levy for the 2017-2018 fiscal year was based, was \$2,237,811,220. The roll was subsequently decreased to a year-end assessed value of \$1,808,934,609.

The tax rates assessed for the year ended June 30, 2018, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.04 and \$0.11 per \$100 valuation, respectively, for a total of \$1.15 per \$100 valuation.

C. Delinquent Taxes Receivable

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

D. Interfund Balances and Transfers

Interfund balances at June 30, 2018, consisted of the following amounts:

Due to General Fund from:	
Nonmajor Governmental Funds	\$ 254,481
Trust and Agency Fund	501
Total Due to General Fund	<u>254,982</u>
Due to Nonmajor Governmental Funds from:	
General Fund	4,373
Nonmajor Governmental Funds	2,124
Total Due to Nonmajor Governmental Funds	<u>6,497</u>
Total Due from Other Funds	<u>\$ 261,479</u>

The purpose of these interfund balances is to allow for ease of funding the daily operations of the District. These interfund balances are expected to be repaid in the next fiscal year.

There were no interfund transfers for the year ended June 30, 2018.

DUMAS INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

E. Disaggregation of Receivables and Payables

Receivables at June 30, 2018, were as follows:

	Property Taxes (Net)	Other Governments	Due From Other Funds	Other	Total Receivables
Governmental Activities:					
General Fund	\$ 487,443	\$ 3,812,141	\$ 254,982	\$ 9,682	\$ 4,564,248
Nonmajor Governmental Activities	<u>34,591</u>	<u>411,480</u>	<u>6,497</u>	<u>46,748</u>	<u>499,316</u>
Total - Governmental Activities	<u>\$ 522,034</u>	<u>\$ 4,223,621</u>	<u>\$ 261,479</u>	<u>\$ 56,430</u>	<u>\$ 5,063,564</u>
Amounts not scheduled for collection during the subsequent year					
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	General Fund	Nonmajor Governmental Funds	Total
Property Taxes (Net):			
Delinquent taxes receivable (ad valorem)	\$ 573,462	\$ 40,695	\$ 614,157
Less allowance for uncollectible taxes	<u>(86,019)</u>	<u>(6,104)</u>	<u>(92,123)</u>
Total - Property Taxes (Net)	<u>\$ 487,443</u>	<u>\$ 34,591</u>	<u>\$ 522,034</u>

The allowance for uncollectible taxes is calculated by the District. The allowance is 15% of the delinquent taxes receivable, which appears reasonable.

	General Fund	Nonmajor Governmental Fund	Total
Receivable - Other Governments:			
Receivable - State	<u>\$ 3,812,141</u>	<u>\$ 411,480</u>	<u>\$ 4,223,621</u>
Total Receivable - Other Governments	<u>\$ 3,812,141</u>	<u>\$ 411,480</u>	<u>\$ 4,223,621</u>

DUMAS INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

E. Disaggregation of Receivables and Payables (continued)

The other receivables consist of the following:

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Other Receivables:			
Due from miscellaneous vendors	\$ 9,682	\$ 46,748	\$ 56,430
Total - Other Receivables	<u>\$ 9,682</u>	<u>\$ 46,748</u>	<u>\$ 56,430</u>

All receivables (net) are expected to be collected within one year.

Aged receivables at June 30, 2018, were as follows:

	<u>0-30 Days</u>	<u>31-60 Days</u>	<u>61-90 Days</u>	<u>Over 90 Days</u>	<u>Total Aged Receivables</u>
Aged Receivables:					
Property taxes (net)	\$ -	\$ -	\$ -	\$ 522,034	\$ 522,034
Other governments	1,950,614	2,273,007	-	-	4,223,621
Due from other funds	-	-	-	261,479	261,479
Other receivables	<u>56,430</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,430</u>
Total Aged Receivables	<u>\$ 2,007,044</u>	<u>\$ 2,273,007</u>	<u>\$ -</u>	<u>\$ 783,513</u>	<u>\$ 5,063,564</u>

DUMAS INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

E. Disaggregation of Receivables and Payables (continued)

Payables at June 30, 2018, were as follows:

	Accounts Payable	Loans, Leases, Bonds, and Other Liabilities Payable- Current Year	Salaries and Benefits	Due To Other Funds	Due to Other Governments	Other	Total Payables
Governmental Activities:							
General Fund	\$ 157,520	\$ -	\$ 3,108,179	\$ 4,842	\$ -	\$ -	\$ 3,270,541
Nonmajor Governmental Funds	4,002	-	375,860	256,136	-	132,878	768,876
Total - Governmental Activities	<u>\$ 161,522</u>	<u>\$ -</u>	<u>\$ 3,484,039</u>	<u>\$ 260,978</u>	<u>\$ -</u>	<u>\$ 132,878</u>	<u>\$ 4,039,417</u>
Amounts not scheduled for payment during the subsequent year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

F. Deferred Outflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and, therefore, will *not* be recognized as an outflow of resources (expenditure/expense) until that time. The District has three types of this item, which arises only under a full accrual basis of accounting, that qualifies for reporting in this category. Accordingly, these items, *Deferred Charge for Refunding Bonds*, *Deferred Outflows Related to TRS Pension*, and *Deferred Outflows Related to TRS OPEB* are reported only in the Government-wide Statement of Net Position. The Government-wide Statement of Net Position reports the District's share of deferred charges for refunding bonds, the District's share of the unrecognized plan deferred outflows of resources which TRS uses in calculating the end net pension liability, as well as the District's contributions to TRS in the current fiscal year, and the District's share of the unrecognized OPEB deferred outflows of resources which TRS uses in calculating the end net OPEB liability. These amounts are deferred and recognized as an outflow of resources in the period that the amounts become available.

DUMAS INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

G. Capital Asset Activity

Capital asset activity for the District for the year ended June 30, 2018, was as follows:

	Primary Government				Ending Balance
	Beginning Balance	Additions	Retirements	Other Reclassifications	
Governmental Activities:					
Land and improvements	\$ 947,385	\$ 39,440	\$ -	\$ -	\$ 986,825
Total Assets Not Being Depreciated	947,385	39,440	-	-	986,825
Buildings and improvements	73,573,299	692,326	16,790	43,779	74,292,614
Furniture and equipment	1,592,880	81,900	7,395	-	1,667,385
Capital leases	-	-	-	-	-
Vehicles	3,857,771	236,835	70,978	-	4,023,628
Construction in progress	43,779	357,296	-	(43,779)	357,296
Total Assets Being Depreciated	79,067,729	1,368,357	95,163	-	80,340,923
Totals at Historical Cost	80,015,114	1,407,797	95,163	-	81,327,748
Less Accumulated Depreciation for:					
Buildings and improvements	32,328,210	1,577,422	16,790	-	33,888,842
Furniture and equipment	1,052,719	122,529	7,395	-	1,167,853
Capital leases	-	-	-	-	-
Vehicles	2,534,842	266,653	70,978	-	2,730,517
Total Accumulated Depreciation	35,915,771	1,966,604	95,163	-	37,787,212
Governmental Activities					
Capital Assets, Net	\$44,099,343	\$ (558,807)	\$ -	\$ -	\$43,540,536

Construction in progress consists of four projects. These projects are as follows:

Projects	Total Estimated Project Costs	Construction in Progress at 6-30-18	Percent Complete at 6-30-18	Estimated Completion Date
1. Security Camera System	\$ 320,000	\$ 307,128	96%	9/30/2018
2. Twichell Bookroom Shipping & Receiving	18,000	14,352	80%	9/30/2018
3. High School Classroom Restroom & Shower	20,000	1,475	7%	8/1/2018
4. Building at 319 Twichell	39,818	34,341	86%	8/1/2018

DUMAS INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

G. Capital Asset Activity (continued)

Depreciation expense was charged to governmental functions as follows:

Data Control Codes	Expense	Amount
11	Instruction	\$ 1,021,552
12	Instructional resources and media services	33,344
13	Curriculum development and instructional staff development	4,923
21	Instructional leadership	288
23	School leadership	34,252
31	Guidance, counseling and evaluation services	6,779
33	Health services	2,564
34	Student (pupil) transportation	198,957
35	Food services	76,576
36	Extracurricular activities	361,730
41	General administration	19,690
51	Facilities maintenance and operations	159,223
52	Security and monitoring services	29,745
53	Data processing services	16,981
	Total Depreciation Expense	<u>\$ 1,966,604</u>

H. Short-Term Debt Payable

The District accounts for short-term debts for maintenance purposes through the General Fund. Short-term debts include notes made in accordance with the provisions of the Texas Education Code Section 45.108. The District had no short-term loans payable at June 30, 2018.

I. Deferred Inflows of Resources

In addition to liabilities, both the Governmental Funds Balance Sheet and the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has three types of items that qualify for reporting in this category. One item, which arises only under a modified accrual basis of accounting, is *unavailable revenue*. Unavailable revenue is reported only in the Governmental Funds Balance Sheet. The governmental funds report unavailable revenue from property taxes. The next items

DUMAS INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

I. Deferred Inflows of Resources (continued)

are *Deferred Inflow Related to TRS Pension* and *Deferred Inflow Related to TRS OPEB*, which arises only under a full accrual basis of accounting, and are reported only in the Government-wide Statement of Net Position. The Government-wide Statement of Net Position reports the District's share of unrecognized plan deferred inflows of resources, which TRS uses in calculating the ending net pension liability and net other post-employment benefit liability. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

J. Bonds and Long-Term Debt Payable

Long-term debt includes long-term bonds. Current requirements for principal and interest expenditures are accounted for in the Debt Service Fund.

A summary of changes in general long-term debt for the year ended June 30, 2018, is as follows:

Governmental Activities Description	Interest Rate Payable	Amounts Original Issue	Interest Current Year	Amounts Outstanding 7/1/17	Issued/ Other	Retired/ Other	Amounts Outstanding 6/30/18
General Obligation Bonds-							
Series 2008 Unlimited Tax School Building Bonds	3.62% to 5.0%	\$ 25,000,000	\$ 93,700	\$ 2,610,000	\$ -	\$ 1,280,000	\$ 1,330,000
Series 2015 Unlimited Tax Refunding Bonds	2.0% to 4.0%	8,355,000	312,000	8,250,000	-	-	8,250,000
Series 2016 Unlimited Tax Refunding Bonds	2.0% to 4.0%	8,400,000	273,050	8,325,000	-	40,000	8,285,000
Total Bond Obligation				<u>19,185,000</u>	<u>-</u>	<u>1,320,000</u>	<u>17,865,000</u>
Unamortized Premium on Bonds-							
Series 2008 Unlimited Tax School Building Bonds	N/A	128,697	N/A	41,826	-	20,913	20,913
Series 2015 Unlimited Tax Refunding Bonds	N/A	1,253,114	N/A	1,061,461	-	88,455	973,006
Series 2016 Unlimited Tax Refunding Bonds	N/A	966,601	N/A	814,977	-	113,718	701,259
Total Unamortized Premium on Bonds				<u>1,918,264</u>	<u>-</u>	<u>223,086</u>	<u>1,695,178</u>
Net Pension Liability (District's Share)-							
Unfunded Defined Benefit Retirement Plan Obligation	N/A	6,446,492	N/A	9,831,343	(1,033,395)	817,954	7,979,994
Net OPEB Liability (District's Share)-							
Other Post-Employment Benefit Obligation (Prior Period Adjustment)	N/A	25,099,579	N/A	25,099,579	(10,712,502)	169,973	14,217,104
Total Obligations of the District				<u>\$ 56,034,186</u>	<u>\$ (11,745,897)</u>	<u>\$ 2,531,013</u>	<u>\$ 41,757,276</u>

DUMAS INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2018

J. Bonds and Long-Term Debt Payable (continued)

Dumas Independent School District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas (SID), which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of Dumas Independent School District. These requirements to the Municipal Advisory Council are for the \$25,000,000 Series 2008 Unlimited Tax School Building Bonds, the \$8,355,000 Series 2015 Unlimited Tax Refunding Bonds, and the \$8,400,000 Series 2016 Unlimited Tax Refunding Bonds. There are a number of limitations and restrictions contained in the various general obligation bond indentures. Administration has indicated that the District is in compliance with all significant limitations and restrictions at June 30, 2018.

The \$25,000,000 Unlimited Tax School Building Bonds, Series 2008, dated July 1, 2008, were issued in accordance with the Constitution and laws of the State of Texas, including Chapter 45 of the Texas Education Code, as amended. The bonds were issued for the purpose of construction, renovation, and equipment of school buildings and purchase of necessary sites for school buildings; purchase of technology equipment and new school buses; and paying the costs of issuing the bonds. The bonds are payable from ad valorem taxes on each one hundred dollars valuation of taxable property within the District, at a rate sufficient without limit as to rate or amount to pay Debt Service when due and payable allowing for delinquencies and costs of collection, pursuant to the authority granted by the Constitution and laws of the State of Texas. The payment of the bonds is guaranteed, pursuant to Article 7, Section 5, of the Texas Constitution, and Section 45.051, et seq., of the Texas Education Code by the corpus of the Permanent School Fund with certain limitations. The closing date of the bonds was July 24, 2008, with the following as the purchase price of the bond obligation:

Par amount of bonds	\$	25,000,000
Premuim		128,697
Accrued interest		72,995
Good faith check		<u>(500,000)</u>
Total Purchase Price of Bond Obligation	\$	<u><u>24,701,692</u></u>

The bonds are callable (at par) on August 1, 2018. The final payment is due on August 1, 2028. The interest rate ranges from 3.62% to 5.0% with an average yield of 4.686%. The bonds are guaranteed pursuant to the bond guarantee program administered by the Texas Education Agency. Ad valorem taxes have been pledged for payment of these bonds. The current year interest paid for the Series 2008 Unlimited Tax School Building Bonds was \$93,700. Current requirements for principal and interest were accounted for in the Debt Service Fund. The building project was completed in August of 2010.

DUMAS INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

J. Bonds and Long-Term Debt Payable (continued)

There was \$8,390,000 of bond principal that was paid with the Series 2015 Unlimited Tax Refunding Bonds, dated May 11, 2015. For financial reporting purposes, the portion of the Series 2008 Unlimited Tax School Building Bonds that were refunded were considered defeased, therefore, they were removed as a liability from the District's Government-wide Financial Statements. The Series 2015 Unlimited Tax Refunding Bonds (\$8,355,000), dated May 11, 2015, were issued in accordance with the Constitution and general laws of the State of Texas, particularly Chapter 1207, Texas Government Code, as amended. The bonds are payable, as to principal and interest in the Debt Service Fund, from the proceeds of a continuing direct annual ad valorem tax levied, without legal limit as to rate or amount, against all taxable property located within the District. The District has received conditional approval from the Texas Education Agency for the Bonds to be guaranteed under the State of Texas Permanent School Fund Guarantee Program, which guarantee will automatically become effective when the Attorney General of Texas approves the bonds. Interest on the bonds will accrue from May 11, 2015, and will be payable on February 1st and August 1st of each year commencing August 1, 2015, until stated maturity or prior redemption. Principal on the bonds are due as follows: August 1, 2015-\$105,000, August 1, 2023-\$800,000, August 1, 2025-\$1,765,000, August 1, 2026-\$1,830,000, August 1, 2027-\$1,890,000, and August 1, 2028-\$1,965,000. The interest rate ranges from 2.0% to 4.0%. The maturity date of the bonds is August 1, 2028. The current year interest paid is \$312,000. The refunding bond proceeds were used to pay off in 2015 the Series 2008 Unlimited Tax Schools Building Bonds principal and interest of \$8,390,000 and \$-0-, respectively. The difference between the cash flow requirements to service the 2015 Unlimited Tax Refunding Bonds over its life and the cash flow requirements to service the Series 2008 Unlimited Tax School Building Bonds was \$1,108,434. The economic gain that resulted because of the refunding bonds was \$943,814. There was no book gain or loss. The Bonds were issued at a premium of \$1,253,114. For financial reporting purposes, the portion of the Series 2008 Unlimited Tax School Building Bonds were considered defeased and, therefore, removed as a liability from the District's Government-wide Financial Statements. The defeased debt was called for redemption on May 11, 2015. The administration has indicated the District is in compliance with all reporting requirements. There was no accretion of interest.

There was \$8,400,000 of bond principal that was paid with the Series 2016 Unlimited Tax Refunding Bonds, dated March 1, 2016. For financial reporting purposes, the portion of the Series 2008 Unlimited Tax School Building Bonds that were refunded were considered defeased, therefore, they were removed as a liability from the District's Government-wide Financial Statements. The Series 2016 Unlimited Tax Refunding Bonds (\$8,400,000),

DUMAS INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

J. Bonds and Long-Term Debt Payable (continued)

dated March 1, 2016, were issued in accordance with the Constitution and general laws of the State of Texas, particularly Chapter 1207, Texas Government Code, as amended. The bonds are payable, as to principal and interest in the Debt Service Fund, from the proceeds of a continuing direct annual ad valorem tax levied, without legal limit as to rate or amount, against all taxable property located within the District. The District has received conditional approval from the Texas Education Agency for the Bonds to be guaranteed under the State of Texas Permanent School Fund Guarantee Program, which guarantee will automatically become effective when the Attorney General of Texas approves the bonds. Interest on the bonds will accrue from March 1, 2016, and will be payable on February 1st and August 1st of each year commencing August 1, 2016, until stated maturity or prior redemption. Principal on the bonds are due as follows:

<u>August 1:</u>	
2018	\$ 45,000
2019	1,430,000
2020	1,445,000
2021	1,480,000
2022	1,505,000
2023	760,000
2024	<u>1,620,000</u>
Totals	<u>\$ 8,285,000</u>

The interest rate ranges from 2.0% to 4.0%. The maturity date of the bonds is August 1, 2024. The current year interest paid is \$273,050. The refunding bond proceeds were used to pay off in 2016 the Series 2008 Unlimited Tax School Building Bonds principal and interest of \$8,415,000 and \$-0-, respectively. The difference between the cash flow requirements to service the 2016 Unlimited Tax Refunding Bonds over its life and the cash flow requirements to service the Series 2008 Unlimited Tax School Building Bonds was \$755,050. The economic gain that resulted because of the refunding bonds was \$717,387. There was no book gain or loss. The bonds were issued at a premium of \$966,601. For financial reporting purposes, the portion of the Series 2008 Unlimited Tax School Building Bonds were considered defeased and, therefore, removed as a liability from the District's Government-wide Financial Statements. The defeased debt was for redemption on March 1, 2016. The administration has indicated the District is in compliance with all reporting requirements. There was no accretion of interest.

DUMAS INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

J. Bonds and Long-Term Debt Payable (continued)

The District is subject to arbitrage provisions under the Internal Revenue Code (IRC), which requires that excess earnings on invested proceeds from tax-exempt bond sales, over interest expense paid to bond holders be remitted to the Internal Revenue Service. The District did not have an arbitrage liability due and payable at June 30, 2018.

The District provides retirement, disability, and death benefits for all its full-time employees through a defined benefit plan. The unfunded status of the plan as of June 30, 2018, was \$7,979,994. At the time of the audit, the latest information available from the actuaries was as of August 31, 2017. The unfunded liability is reported as a long-term liability in the Statement of Net Position (Exhibit A-1).

The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). This program is a cost-sharing defined Other Post-Employment Benefit (OPEB) plan. The unfunded status of the plan as of June 30, 2018, was \$14,217,104. At the time of the audit, the latest information available was as of August 31, 2017. The unfunded liability is reported as a long-term liability in the Statement of Net Position (Exhibit A-1).

K. Commitments Under Operating Leases

Commitments under operating (noncapitalized) lease agreements for facilities and equipment provide for minimum future rental payments as of June 30, 2018, as follows:

<u>Year Ending June 30,</u>	
2019	\$ 70,769
2020	70,769
2021	70,769
2022	35,385
2023	<u>-</u>
Totals	<u><u>\$ 247,692</u></u>

Rental expenditures in fiscal year 2018 were \$92,541.

The imputed interest on the leases ranges from 6.0% to 10.0%.

DUMAS INDEPENDENT SCHOOL DISTRICT
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June 30, 2018

L. Debt Service Requirements - Bonds, Long-Term Loans, Capital Leases, and Other Long-Term Debt

Debt service requirements for bonds are as follows:

Year Ending June 30,	Bonded Indebtedness		Total Requirements
	Principal	Interest	
2019	\$ 1,375,000	\$ 617,450	\$ 1,992,450
2020	1,430,000	569,450	1,999,450
2021	1,445,000	533,475	1,978,475
2022	1,480,000	489,600	1,969,600
2023	1,505,000	437,300	1,942,300
Thereafter	10,630,000	1,294,600	11,924,600
Totals	\$ 17,865,000	\$ 3,941,875	\$ 21,806,875

Long-Term Loans

The District had no long-term loans as of June 30, 2018.

Capital Leases

The District had no capital leases for the year ended June 30, 2018.

Other Long-Term Debt

The District had other long-term debt for the year ended June 30, 2018 as follows:

Year Ending June 30,	Principal	Interest	Total Requirements
2019	\$ -	\$ -	\$ -
2020	-	-	-
2021	-	-	-
2022	-	-	-
2023	-	-	-
Thereafter	22,197,098	-	22,197,098
Totals	\$ 22,197,098	\$ -	\$ 22,197,098

DUMAS INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2018

M. Defined Benefit Pension Plan

Plan Description

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

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

Pension Plan Fiduciary Net Position

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

Benefits Provided

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

DUMAS INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

M. Defined Benefit Pension Plan (continued)

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 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10.0% 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 through 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

	<u>Contribution Rates</u>	
	<u>2017</u>	<u>2018</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
District's FY 2018 Employer Contributions	\$	838,947
District's FY 2018 Member Contributions	\$	2,115,315
District's 2017 Measurement Year NECE On-Behalf Contributions	\$	1,363,191

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).

DUMAS INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2018

M. Defined Benefit Pension Plan (continued)

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by a federal funding source or a privately sponsored source.

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

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, 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%
Inflation	2.50%
Salary Increases Including Inflation	3.50% to 9.50%
Payroll Growth Rate	2.50%
Benefit Changes During the Year	None
Ad Hoc Post Employment Benefit Changes	None

DUMAS INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

M. Defined Benefit Pension Plan (continued)

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

Discount Rate

The 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 8.0%. 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 below:

Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return*
Global Equity			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy and Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk Parity			
Risk Parity	5%	6.7%	0.3%
Inflation Expectations			2.2%
Alpha			1.0%
Total	100%		8.7%

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

DUMAS INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

M. Defined Benefit Pension Plan (continued)

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1.0% less than and 1.0% greater than the discount rate that was used (8.0%) in measuring the 2017 Net Pension Liability.

	1.0% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1.0% Increase in Discount Rate (9.0%)
Dumas Independent School District's proportionate share of the Net Pension Liability:	<u>\$ 13,452,693</u>	<u>\$ 7,979,994</u>	<u>\$ 3,423,084</u>

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

At June 30, 2018, Dumas Independent School District reported a liability of \$7,979,994 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Dumas Independent School District. The amount recognized by Dumas Independent School 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 Dumas Independent School District were as follows:

Dumas ISD's proportionate share of the collective net pension liability	\$	7,979,994
State's proportionate share that is associated with the District		13,327,308
Total	\$	21,307,302

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 of September 1, 2016, through August 31, 2017.

At August 31, 2017, the employer's proportion of the collective net pension liability was 0.02495728%, which was a decrease of 0.0010594693% from its proportion measured as of August 31, 2016.

DUMAS INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

M. Defined Benefit Pension Plan (continued)

Changes Since the Prior Actuarial Valuation

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

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

For the year ended June 30, 2018, Dumas Independent School District recognized pension expense of \$1,016,554 and revenue of \$1,016,554 for support provided by the State in the Government-wide Statement of Activities.

At June 30, 2018, Dumas Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources: (The amounts shown below will be the cumulative layers from the current and prior years combined.)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual actuarial experience	\$ 116,751	\$ 430,351
Changes in actuarial assumptions	363,501	208,096
Difference between projected and actual investment earnings	-	581,565
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	1,365,686	674,430
Contributions paid to TRS subsequent to the measurement date	<u>702,279</u>	<u>-</u>
Total	<u><u>\$ 2,548,217</u></u>	<u><u>\$1,894,442</u></u>

DUMAS INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

M. Defined Benefit Pension Plan (continued)

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

<u>Year ended June 30:</u>	<u>Pension Expense Amount</u>
2019	\$ (40,857)
2020	468,527
2021	(79,991)
2022	(234,896)
2023	(112,208)
Thereafter	(49,079)

N. Defined Other Post-Employment Benefit Plans

Plan Description

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

OPEB Plan Fiduciary Net Position

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

DUMAS INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

N. Defined Other Post-Employment Benefit Plans (continued)

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

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

Benefits Provided

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

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

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

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

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

DUMAS INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

N. Defined Other Post-Employment Benefit Plans (continued)

Contributions

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

Texas Insurance Code, section 1575.202 establishes the state’s contribution rate which is 1.0% of the employee’s salary. Section 1575.203 establishes the active employee’s rate which is 0.65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

	<u>Contribution Rates</u>	
	<u>2017</u>	<u>2018</u>
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.00%	1.25%
Employers	0.55%	0.75%
Federal/private Funding Remitted by Employers	1.00%	1.25%
District's FY 2018 Employer Contributions	\$	225,703
District's FY 2018 Member Contributions	\$	178,565
Measurement Year NECE On-Behalf Contributions	\$	249,318

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$15.6 million in fiscal year 2017. House Bill 21 was passed in special session and provided a supplemental appropriation in the amount of \$212 million in fiscal year 2018.

DUMAS INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

N. Defined Other Post-Employment Benefit Plans (continued)

The District's proportionate share of the \$212,000,000 received during the District's 2018 fiscal year is reported in the fund level financial statements as an on-behalf contribution as required by GASB 85 and GASB 24.

Actuarial Assumptions

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

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

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

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

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

DUMAS INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

N. Defined Other Post-Employment Benefit Plans (continued)

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% - 9.50%
Healthcare Trend Rates	4.50% - 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

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. The Discount Rate can be found in the 2017 TRS CAFR on page 83. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. The source of the municipal bond rate was Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index’s “20-year Municipal GO AA Index” as of August 31, 2017.

DUMAS INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

N. Defined Other Post-Employment Benefit Plans (continued)

**Sensitivity of the Net OPEB Liability:
Discount Rate Sensitivity Analysis**

The following schedule shows the impact of the net OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.42%) in measuring the net OPEB liability.

	1% Decrease in Discount Rate (2.42%)	Discount Rate (3.42%)	1% Increase in Discount Rate (4.42%)
Dumas Independent School District's proportionate share of the net OPEB liability	\$ 16,779,712	\$ 14,217,104	\$ 12,157,345

Healthcare Cost Trend Rates Sensitivity Analysis

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Dumas Independent School District's proportionate share of the net OPEB liability	\$ 11,837,159	\$ 14,217,104	\$ 17,339,891

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

At June 30, 2018, Dumas Independent School District reported a liability of \$14,217,104 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 Dumas Independent School District were as follows:

DUMAS INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

N. Defined Other Post-Employment Benefit Plans (continued)

District's proportionate share of the collective net OPEB liability	\$ 14,217,104
State's proportionate share that is associated with the District	<u>20,853,778</u>
Total	<u>\$ 35,070,882</u>

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

At August 31, 2017, the employer's proportion of the collective net OPEB liability was 0.032693332%.

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 June 30, 2018. Effective January 1, 2018, only one health plan option will exist (instead of three), and all retirees will be required to contribute monthly premiums for coverage. The health plan changes triggered changes to several of the assumptions, including participation rates, retirement rates, and spousal participation rates.
2. The August 31, 2016, valuation had assumed that the savings related to the Medicare Part D reimbursements would phase out by 2022. This assumption was removed for the August 31, 2017, valuation. Although there is uncertainty regarding these federal subsidies, the new assumption better reflects the current substantive plan. This change was unrelated to the plan amendment, and its impact was included as an assumption change in the reconciliation of the total OPEB liability. This change significantly lowered the OPEB liability.
3. The discount rate changed from 2.98% as of August 31, 2016, to 3.42% as of August 31, 2017. This change lowered the total OPEB liability.

DUMAS INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

N. Defined Other Post-Employment Benefit Plans (continued)

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

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

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

Future actuarial measurements may differ significantly from the current measurements due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan 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 June 30, 2018, Dumas Independent School District recognized OPEB expense of \$6,978,229 and revenue of \$6,978,229 for support provided by the State.

At June 30, 2018, Dumas Independent School 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 actuarial experience	\$ -	\$ 296,793
Changes in actuarial assumptions	-	5,650,249
Net Difference between projected and actual investment earnings	2,160	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	66	-
Contributions paid to TRS subsequent to the measurement date (to be calculated by employer)	197,300	-
Total	\$ 199,526	\$5,947,042

DUMAS INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

N. Defined Other Post-Employment Benefit Plans (continued)

The net amounts of the employer’s balances of deferred outflows and inflows (not including the deferred contribution paid subsequent to the measurement date) of resources related to OPEBs will be recognized in OPEB expense as follows:

<u>Year ended June 30:</u>	<u>OPEB Expense Amount</u>
2019	\$ (784,425)
2020	(784,425)
2021	(784,425)
2022	(784,425)
2023	(784,425)
Thereafter	(784,425)

O. On-Behalf Payments – Teacher Retirement/ TRS-Care

The revenues from “On-Behalf” payments of matching teacher retirement for active members of the District is in accordance with GASB. The District contributes matching funds for personnel funded from federal sources and, if applicable, statutory minimum funds for qualifying personnel. The State provides the matching funds on behalf of the members. The District’s on-behalf payments for the fiscal years ended June 30, 2018, 2017, and 2016 were \$1,807,109, \$1,713,106, and \$1,675,897, respectively. On-Behalf payments are reported as state revenue in the financial statements.

P. Medicare Part D and TRS-Care - On-Behalf Payments

Federal Government Retiree Drug Subsidy – Medicare Part D allows for the TRS-Care to receive retiree drug subsidy payments from the federal government to offset certain drug expenditures for eligible TRS-Care participants. On-behalf payments must be recognized as equal revenues and expenditures/expenses by each reporting entity. Payments made on-behalf of the District for the years ended June 30, 2018, 2017, and 2016 were \$108,777, \$124,178, and \$79,064, respectively. The revenues from “On-Behalf” payments for other post-employment benefits (TRS-Care) for the year ended June 30, 2018, was \$51,982.

DUMAS INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

Q. Health Care Coverage

During the year ended June 30, 2018, the employees of the District were covered by a health insurance plan (the Plan) with TRS Active Care. The District contributed premiums of \$384 per month per employee to the Plan and employees, at their option, authorized payroll withholdings to pay premiums for dependents. All contracts were paid to a third party administrator acting on behalf of the self-funded pool. The Plan was authorized by Section 21.922, Texas Education Code. The contract between Dumas Independent School District and the third party administrator is automatically renewed each year and terms of coverage and contribution costs are included in the contractual provisions. The District is only a participant in the self-funded pool and does not share in the risks and liabilities of the pool.

Because the District is only a participant, stop-loss coverage and unpaid claims do not apply to the District. Latest financial statements for the health insurance plan are available for the year ended June 30, 2018, and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

DUMAS INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

R. Changes in Long-Term Liabilities

Long-term activity for the year ended June 30, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds, Long-Term Loans, and Notes Payable:					
General obligation bonds	\$ 19,185,000	\$ -	\$ 1,320,000	\$ 17,865,000	\$ 1,375,000
Long-term loans and notes	-	-	-	-	-
Less deferred amount on refunding	-	-	-	-	-
Total Bonds, Long-Term Loans, and Notes Payable	<u>19,185,000</u>	<u>-</u>	<u>1,320,000</u>	<u>17,865,000</u>	<u>1,375,000</u>
Other Liabilities:					
Capital leases	-	-	-	-	-
Unfunded defined benefit retirement obligation	9,831,343	(1,033,395)	817,954	7,979,994	-
Other Post-Employment Benefit Obligation	25,099,579	(10,712,502)	169,973	14,217,104	-
Total Other Liabilities	<u>34,930,922</u>	<u>(11,745,897)</u>	<u>987,927</u>	<u>22,197,098</u>	<u>-</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 54,115,922</u>	<u>\$ (11,745,897)</u>	<u>\$ 2,307,927</u>	<u>40,062,098</u>	<u>\$ 1,375,000</u>
Due within one year				(1,375,000)	
Unamortized premium on bonds				<u>1,695,178</u>	
Total Long-Term Liabilities Due in More Than One Year including Net Pension Liability (District's Share) and Net OPEB Liability (District's Share)				<u>\$ 40,382,276</u>	

DUMAS INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

S. Unearned Revenue

Unearned revenue for the year ended June 30, 2018, consisted of the following:

	General Fund	Other Nonmajor Funds	Total
Federal Revenue	\$ -	\$ 10,839	\$ 10,839
State Revenue	-	-	-
Total Unearned Revenue	\$ -	\$ 10,839	\$ 10,839

T. Fund Balances – Governmental Funds

As of June 30, 2018, fund balances of the governmental funds are classified as follows:

Non-spendable - amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

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

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the Superintendent may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

DUMAS INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

T. Fund Balances – Governmental Funds (continued)

As of June 30, 2018, fund balances are composed of the following:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Non-spendable:			
Inventories	\$ 49,876	\$ 32,152	\$ 82,028
Restricted:			
Federal or state funds grant restriction	-	73,099	73,099
Other Restricted	-	171	171
Retirement of long-term debt	-	1,720,266	1,720,266
Total Restricted	<u>-</u>	<u>1,793,536</u>	<u>1,793,536</u>
Committed:			
Construction	4,000,000	-	4,000,000
Capital expenditures for equipment	2,300,000	-	2,300,000
Other purposes	500,000	-	500,000
Total Committed	<u>6,800,000</u>	<u>-</u>	<u>6,800,000</u>
Assigned:			
Capital expenditures for equipment	<u>4,500,000</u>	<u>-</u>	<u>4,500,000</u>
Unassigned funds	<u>10,253,222</u>	<u>-</u>	<u>10,253,222</u>
Total Fund Balances	<u>\$ 21,603,098</u>	<u>\$ 1,825,688</u>	<u>\$ 23,428,786</u>

The total committed funds in the General Fund is \$6,800,000. The \$500,000 Other Committed fund balance is for other purposes. The total restricted funds in the Nonmajor Governmental Funds is \$1,793,536.

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

DUMAS INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

U. Revenue from Local and Intermediate Sources

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

	General Fund	Other Nonmajor Funds	Total
Property taxes	\$ 18,755,745	\$ 1,986,533	\$ 20,742,278
Penalties, interest, and other tax- related income	124,044	13,396	137,440
Investment income	280,981	15,156	296,137
Food sales	-	313,723	313,723
Cocurricular student activities	96,201	-	96,201
Other	439,081	36,843	475,924
Totals	<u>\$ 19,696,052</u>	<u>\$ 2,365,651</u>	<u>\$ 22,061,703</u>

V. Insurance Recoveries

Dumas Independent School District had the following insurance recoveries at June 30, 2018:

1. Property Casualty Alliance of Texas Claims Account

On May 9, 2018, a 2017 Chevrolet Micro Bird G-S Van Bus was involved in a collision. On June 8, 2018, \$1,893 was received. The vehicle was purchased in 2017 for a total cost of \$59,400, and had a book value of \$53,460 at the time of the collision. The economic loss was \$-0-. The vehicle was fully repaired and there was no impairment of this asset as of June 30, 2018. The insurance proceeds were reported as other local revenue.

2. Progressive

On February 14, 2018, a vehicle ran through the Administration building. On April 24, 2018, \$17,717 was received. The cost of the building was \$270,000. The book value at the time of the collision was \$27,000, and the economic loss was \$-0-. The building was repaired and there was no impairment of this asset as of June 30, 2018. The insurance proceeds are reported as other local revenue.

DUMAS INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

V. Insurance Recoveries (continued)

3. Property Casualty Alliance of Texas Claims Account

Various buildings of the District were damaged by hail on March 23, 2017. On December 14, 2017, \$185,469 was received. The cost of the buildings was \$73,573,299. The book value at the time of the loss was \$41,245,088. The economic loss was \$-0-. The necessary repairs were made in the year the damage was incurred, and there was no impairment of these assets as of June 30, 2018. The insurance proceeds are reported as other local revenue.

4. State Farm Mutual Automobile Insurance Company

On September 13, 2017, a vehicle collided with the fence at the Dumas High School Baseball Field. On October 26, 2017, \$872 was received. The original cost of the District's portion was expensed as a supply and is not considered a fixed asset. The economic loss was \$-0-. The necessary repairs were made in the year the damage was incurred, and there was no impairment of these assets as of June 30, 2018. The insurance proceeds are reported as other local revenue.

W. Joint Venture - Shared Services Arrangements

The District participates in a shared services arrangement for the Amarillo Regional Day School Program for the Deaf with 61 other school districts. Although 4.5% of the activity of the shared services arrangement is attributable to the District's participation, the District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint interest in fixed assets purchased by the fiscal agent, Amarillo Independent School District, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to Dumas Independent School District. The fiscal agent manager is responsible for all financial activities of the shared services arrangement. Presented below are the expenditures attributable to the District's participation in the General Fund.

93-6492	Payments to Fiscal Agent of Shared Services Arrangement	<u>\$ 65,673</u>
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DUMAS INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

X. General Fund Federal Source Revenues

Program or Source	CFDA Number	Amount
Indirect Cost:		
ESEA, Title I, Part A - Improving Basic Programs	84.010A	\$ 14,901
Title I, 1003A-Priority and Focus School Grant	84.010A	1,319
ESEA, Title II, Part A - Teacher and Principal Training and Recruiting	84.367A	2,279
Career and Technical - Basic Grant	84.048A	762
Title III, Part A - English Language Acquisition and Language Enhancement	84.365A	2,759
Title IV, Part A, Subpart I	84.424A	318
Title VI, Part B - Rural & Low Income Program	84.358B	<u>1,723</u>
Total Indirect Cost for General Fund		<u>24,061</u>
School Health and Related Services (SHARS)-not included in the Schedule of Expenditures of Federal Awards		<u>783,468</u>
Total General Fund Federal Source Revenues		<u><u>\$ 807,529</u></u>

The School Health and Related Service Expenditures are not included in Schedule of Expenditures of Federal Awards.

Y. Workers' Compensation

The District participates in the Public Workers' Compensation Program (the Program) self-insurance fund for workers' compensation insurance. The District, as a member of the Program, pays a contribution for the fund year to cover the servicing costs of program administration, claims handling, loss control, and stop-loss coverage, as well as all claims expenses. The District's required contribution for the year ended June 30, 2018, was \$227,432 and was recorded as an insurance expenditure.

The Public Workers' Compensation Program purchases aggregate excess and specific excess reinsurance for protection against losses in excess of applicable retentions. The Program carries the following excess coverage: (a) aggregate excess reinsurance - when total net losses exceed the established attachment point of \$3,162,205 the maximum coverage of \$2,000,000 takes effect; (b) specific excess reinsurance - when losses from an individual occurrence exceed the attachment point of \$450,000, the Program has purchased specific excess reinsurance coverage to pay further losses. Both aggregate excess and specific excess reinsurance is provided by Safety National Casualty Corporation. All risks and liabilities are not shared by Dumas Independent School District; they are the liability of the Public Workers' Compensation Program.

DUMAS INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

Z. Property/Casualty Insurance

During the year ended June 30, 2018, the District participated in the Property Casualty Alliance of Texas (the Fund) Property and Liability Program.

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

Based on the information we have available as of today, for the year ended June 30, 2018, the District will have no additional liability beyond the contractual obligations for payment of contributions.

AA. 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 the year ended June 30, 2018, the District purchased insurance to cover general liabilities. There were no significant reductions in coverage in the past year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

BB. Debt Issuances and Defeasance of Debt

The District had no debt issuances for the year ended June 30, 2018.

There was no defeasance of debt for the year ended June 30, 2018.

CC. 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 June 30, 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 financial statements for such contingencies.

DD. Litigation

The District was a defendant in two lawsuits at June 30, 2018. The District's administration believes there is no material liability to the District due to these lawsuits.

DUMAS INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

EE. Prior Period Adjustment

During fiscal year 2018, the District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits other than Pensions*. With GASB Statement No. 75, the District must assume their proportionate share of the net OPEB liability of the Teacher Retirement System of Texas. Adoption of GASB Statement No. 75 required a prior period adjustment to report the effect of GASB Statement No. 75 retroactively. The prior period adjustment totaled \$(24,958,022) which resulted in a restated beginning net position balance of \$17,178,201.

FF. Subsequent Events

The District has evaluated events and transactions for potential recognition or disclosure through the date the financial statements were available to be issued (October 23, 2018), and had the following subsequent event that was required to be disclosed:

1. Synthetic turf replacement at the football stadium at an estimated cost of \$750,000. This project is expected to be completed in July 2019.

REQUIRED SUPPLEMENTARY INFORMATION

DUMAS INDEPENDENT SCHOOL DISTRICT
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended June 30, 2018

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
	REVENUES:				
5700	Total Local and Intermediate Sources	\$ 18,344,906	\$ 19,241,790	\$ 19,696,052	\$ 454,262
5800	State Program Revenues	16,919,759	15,826,408	15,829,451	3,043
5900	Federal Program Revenues	730,000	820,000	807,529	(12,471)
5020	Total Revenues	35,994,665	35,888,198	36,333,032	444,834
EXPENDITURES:					
Current:					
0011	Instruction	21,016,843	21,500,401	21,298,953	201,448
0012	Instructional Resources and Media Services	413,632	442,239	442,214	25
0013	Curriculum and Instructional Staff Development	1,116,657	1,255,245	1,207,141	48,104
0021	Instructional Leadership	428,992	388,314	381,710	6,604
0023	School Leadership	2,259,011	2,196,928	2,154,837	42,091
0031	Guidance, Counseling and Evaluation Services	785,788	745,464	744,833	631
0033	Health Services	347,433	363,843	361,027	2,816
0034	Student (Pupil) Transportation	1,275,122	1,072,028	898,287	173,741
0036	Extracurricular Activities	1,431,356	1,714,049	1,687,163	26,886
0041	General Administration	1,362,803	1,420,669	1,381,787	38,882
0051	Facilities Maintenance and Operations	4,401,149	4,462,673	4,145,523	317,150
0052	Security and Monitoring Services	209,887	614,033	577,111	36,922
0053	Data Processing Services	661,477	750,487	736,444	14,043
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	819,092	768,954	50,138
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of	85,000	85,000	65,673	19,327
0099	Other Intergovernmental Charges	436,000	436,000	421,643	14,357
6030	Total Expenditures	36,231,150	38,266,465	37,273,300	993,165
1100	Excess (Deficiency) of Revenues Over Expenditures	(236,485)	(2,378,267)	(940,268)	1,437,999
OTHER FINANCING SOURCES (USES):					
7912	Sale of Real and Personal Property	-	-	5,961	5,961
1200	Net Change in Fund Balances	(236,485)	(2,378,267)	(934,307)	1,443,960
0100	Fund Balance - July 1 (Beginning)	22,537,405	22,537,405	22,537,405	-
3000	Fund Balance - June 30 (Ending)	\$ 22,300,920	\$ 20,159,138	\$ 21,603,098	\$ 1,443,960

DUMAS INDEPENDENT SCHOOL DISTRICT
 Schedule of the District's Proportionate Share of the Net Pension Liability
 Teacher Retirement System of Texas
 For the Year Ended June 30, 2018

	FY 2018 Plan Year 2017	FY 2017 Plan Year	FY 2016 Plan Year	FY 2015 Plan Year
District's Proportion of the Net Pension Liability (Asset)	0.02495728%	0.026016749%	0.0287002%	0.0196543%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 7,979,994	\$ 9,831,343	\$ 10,145,139	\$ 5,249,935
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	13,327,308	16,471,692	16,414,555	14,338,853
Total	\$ 21,307,302	\$ 26,303,035	\$ 26,559,694	\$ 19,588,788
District's Covered Payroll	\$ 27,139,162	\$ 27,318,145	\$ 27,551,143	\$ 27,052,651
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	29.40%	35.99%	36.82%	19.41%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.17%	78.00%	78.43%	83.25%

Note: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2017 for year 2018, August 31, 2016 for Year 2017, August 31, 2015 for Year 2016 and August 31, 2014 for 2015.

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

DUMAS INDEPENDENT SCHOOL DISTRICT
 Schedule of District Contributions for Pensions
 Teacher Retirement System of Texas
 For Fiscal Year 2018

	2018	2017	2016	2015
Contractually Required Contribution	\$ 838,947	\$ 812,592	\$ 868,529	\$ 782,386
Contribution in Relation to the Contractually Required Contribution	(838,947)	(812,592)	(868,529)	(782,386)
Contribution Deficiency (Excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-
District's Covered Payroll	\$ 27,537,182	\$ 27,091,557	\$ 27,405,597	\$ 27,462,194
Contributions as a Percentage of Covered Payroll	3.05%	3.00%	3.17%	2.85%

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

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

DUMAS INDEPENDENT SCHOOL DISTRICT
 Schedule of the District's Proportionate Share of the Net OPEB Liability
 Teacher Retirement System of Texas
 For the Year Ended June 30, 2018

	<u>FY 2018 Plan Year 2017</u>
District's Proportion of the Net Liability (Asset) for Other Post Employment Benefits	0.032693332%
District's Proportionate Share of Net Post Employment Benefit Liability (Asset)	\$ 14,217,104
State's Proportionate Share of the Net Post Employment Benefit Liability (Asset) associated with the District	20,853,778
Total	<u>\$ 35,070,882</u>
District's Covered Payroll	\$ 27,139,162
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	52.39%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.91%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. Therefore the amounts reported for FY 2018 are based on the August 31, 2017 measurement date.

This schedule shows only the year for which this information is available. Additional information will be added until 10 years of data are available and reported.

DUMAS INDEPENDENT SCHOOL DISTRICT
 Schedule of District Contributions for Other Post Employment Benefits (OPEB)
 Teacher Retirement System of Texas
 For the Year Ended June 30, 2018

	2018
Contractually Required Contribution	\$ 225,703
Contribution in Relation to the Contractually Required Contribution	(225,703)
	\$ -0-
Contribution Deficiency (Excess)	-0-
District's Covered Payroll	\$ 27,537,182
Contributions as a Percentage of Covered Payroll	0.82%

Note: GASB Codification, Vol. 2, P50.238 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year..

Information in this schedule should be provided only for the years where data is available. Eventually 10 years of data should be presented.

DUMAS INDEPENDENT SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2018

A. Notes to Schedules for the TRS Pension

Changes of benefit terms.

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

Changes of assumptions.

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

B. Notes to Schedules for the TRS OPEB Plan

Changes in benefit.

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

Changes in assumptions.

The following were changes to the actuarial assumptions or other inputs that affected measurement of 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 option will exist (instead of three), and all retirees will be required to contribute monthly premiums for coverage. The health plan changes triggered changes to several of the assumptions, including participation rates, retirement rates, and spousal participation rates.
2. The August 31, 2016 valuation had assumed that the savings related to the Medicare Part D reimbursements would phase out by 2022. This assumption was removed for the August 31, 2017 valuation. Although there is uncertainty regarding these federal subsidies, the new assumption better reflects the current substantive plan. This change was unrelated to the plan amendment, and its impact was included as an assumption change in the reconciliation of the total OPEB liability. This change significantly lowered the OPEB liability.

DUMAS INDEPENDENT SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2018

3. The discount rate changed from 2.98% as of August 31, 2016 to 3.42% as of August 31, 2017. This change lowered the total OPEB liability.

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

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

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

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

REQUIRED TEA SCHEDULES

DUMAS INDEPENDENT SCHOOL DISTRICT
Schedule of Delinquent Taxes Receivable
Fiscal Year Ended June 30, 2018

Last 10 Years	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2009 and prior years	Various	Various	\$ Various
2010	1.040000	0.06840	2,556,288,782
2011	1.040000	0.10490	2,024,711,066
2012	1.040000	0.10710	1,949,543,719
2013	1.040000	0.10690	2,046,632,852
2014	1.040000	0.10740	2,115,576,581
2015	1.040000	0.10460	2,054,886,692
2016	1.040000	0.10150	2,011,474,070
2017	1.040000	0.11200	1,748,916,415
2018 (School year under audit)	1.040000	0.11000	1,808,934,609
100 TOTALS			

Source: Moore County Tax Assessor/Collector. October 1st tax roll current year adjustments must be applied to the tax levy after October 1st due to taxpayer protests and valuation adjustments. Tax rates are per \$100 of assessed valuation. No payments to Tax Increment Zone under Chapter 313.

(10) Beginning Balance 7/1/2017	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 6/30/2018
\$ 46,642	\$ -	\$ 1,143	\$ 51	\$ (2)	\$ 45,446
14,197	-	1,042	68	(1)	13,086
11,966	-	421	42	(1)	11,502
21,260	-	487	50	-	20,723
27,521	-	2,283	235	813	25,816
27,863	-	2,960	306	813	25,410
31,612	-	10,712	1,077	810	20,633
105,158	-	33,758	3,295	853	68,958
288,057	-	168,630	18,160	(3,453)	97,814
-	20,802,748	18,534,309	1,963,249	(20,421)	284,769
<u>\$ 574,276</u>	<u>\$ 20,802,748</u>	<u>\$ 18,755,745</u>	<u>\$ 1,986,533</u>	<u>\$ (20,589)</u>	<u>\$ 614,157</u>

DUMAS INDEPENDENT SCHOOL DISTRICT
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Child Nutrition Program
For the Year Ended June 30, 2018

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 320,000	\$ 320,000	\$ 344,283	\$ 24,283
5800	State Program Revenues	11,000	11,000	11,703	703
5900	Federal Program Revenues	2,035,000	2,035,000	1,883,910	(151,090)
5020	Total Revenues	2,366,000	2,366,000	2,239,896	(126,104)
EXPENDITURES:					
0035	Food Services	2,369,900	2,377,604	2,259,969	117,635
6030	Total Expenditures	2,369,900	2,377,604	2,259,969	117,635
1200	Net Change in Fund Balances	(3,900)	(11,604)	(20,073)	(8,469)
0100	Fund Balance - July 1 (Beginning)	122,862	122,862	122,862	-
3000	Fund Balance - June 30 (Ending)	\$ 118,962	\$ 111,258	\$ 102,789	\$ (8,469)

DUMAS INDEPENDENT SCHOOL DISTRICT
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Debt Service Fund
For the Year Ended June 30, 2018

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 1,995,282	\$ 1,993,560	\$ 2,012,350	\$ 18,790
5800	State Program Revenues	34,489	34,489	35,040	551
5020	Total Revenues	2,029,771	2,028,049	2,047,390	19,341
EXPENDITURES:					
Debt Service:					
0071	Principal on Long-Term Debt	1,320,000	1,320,000	1,320,000	-
0072	Interest on Long-Term Debt	678,750	678,750	678,750	-
0073	Bond Issuance Cost and Fees	1,500	1,500	1,150	350
6030	Total Expenditures	2,000,250	2,000,250	1,999,900	350
1200	Net Change in Fund Balances	29,521	27,799	47,490	19,691
0100	Fund Balance - July 1 (Beginning)	1,672,776	1,672,776	1,672,776	-
3000	Fund Balance - June 30 (Ending)	\$ 1,702,297	\$ 1,700,575	\$ 1,720,266	\$ 19,691

**REPORTS ON INTERNAL CONTROL,
ON COMPLIANCE AND OTHER MATTERS,
AND FEDERAL AWARDS**

COY BARTON, C.P.A.

CERTIFIED PUBLIC ACCOUNTANT

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DUMAS, TEXAS 79029

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TEXAS SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Trustees
Dumas Independent School District
P.O. Box 615
Dumas, Texas

Members of the Board:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dumas Independent School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Dumas Independent School District's basic financial statements, and have issued our report thereon dated October 23, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Coy Barton, CPA
Dumas, Texas

October 23, 2018

COY BARTON, C.P.A.

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INDEPENDENT AUDITOR'S REPORT

On Compliance for Each Major Federal Program; on Internal Control Over Compliance; and on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

To the Board of Trustees
Dumas Independent School District
P.O. Box 615
Dumas, Texas

Members of the Board:

Report on Compliance for Each Major Federal Program

We have audited Dumas Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Dumas Independent School District's major federal programs for the year ended June 30, 2018. Dumas Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Administration's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Dumas Independent School District complied, in all material respects, with the types of compliance requirements referred to previously that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of Dumas Independent School District as of and for the for the year ended June 30, 2018, and have issued our report thereon dated October 23, 2018, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of administration and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Coy Barton, CPA
Dumas, Texas

October 23, 2018

DUMAS INDEPENDENT SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

I. Summary of the Auditor's Results:

<u>PROGRAM</u>	<u>DESCRIPTION</u>
Type of Report on Financial Statements	Unmodified Opinion
Significant Deficiencies in Internal Control	None
Significant Deficiencies in Internal Control that were Material Weaknesses	None
Noncompliance Material to the Financial Statements	None
Significant Deficiencies in Internal Control over Major Programs	None
Significant Deficiencies in Internal Control over Major Programs that were Material Weaknesses	None
Type of Report on Compliance with Major Programs	Unmodified Opinion
Findings and Questioned Costs for Federal Awards as defined in Uniform Guidance, including significant deficiencies in internal control over major programs, material noncompliance, questioned costs when likely questioned cost greater than \$25,000, Auditor's report other than unmodified opinion, known fraud of federal award and misrepresentation of status of prior findings	None
Known Questioned Cost greater than \$25,000 for a Federal Program which is not audited as a major program	None
Dollar Threshold Considered Between Type A and Type B Federal Programs	\$750,000
Low-Risk Auditee Statements	The District was classified as a low-risk auditee in the context of Uniform Guidance

DUMAS INDEPENDENT SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

I. Summary of the Auditor's Results: (continued)

<u>PROGRAM</u>	<u>DESCRIPTION</u>
Major Federal Programs	CFDA 10.555 National School Lunch Program CFDA 10.553 National School Breakfast Program CFDA 10.559 Summer Feeding Program
Pass-through Entity	Texas Education Agency

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

Criteria	None
Condition Found	None
Questioned Costs Basis	None
Instances/Universe	None
Effect	None
Recommendations	None
Total All Questioned Costs	None

III. Findings and Questioned Costs for Federal Awards Including Audit Findings:

<u>FINDINGS</u>	<u>QUESTIONED COSTS</u>
None	None

DUMAS INDEPENDENT SCHOOL DISTRICT
Schedule of Status of Prior Audit Findings
For the Year Ended June 30, 2018

<u>FINDING</u>	<u>PROGRAM</u>	<u>STATUS OF PRIOR YEAR'S FINDING/NONCOMPLIANCE</u>
None	None	None

DUMAS INDEPENDENT SCHOOL DISTRICT

Corrective Action Plan

For the Year Ended June 30, 2018

FINDING

CORRECTIVE ACTION PLAN

None

None

DUMAS INDEPENDENT SCHOOL DISTRICT
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2018

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through ESC, Region XVI</u>			
ESEA, Title I, Part C - Migratory Children	84.011A	18615001188950	\$ 12,731
Total Passed Through ESC, Region XVI			12,731
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	18610101171901	807,499
Title I, 1003(A) Priority and Focus School Grant	84.010A	17610112171901000	13,670
Total CFDA Number 84.010A			821,169
*IDEA - Part B, Formula	84.027A	186600011719016600	774,411
*IDEA - Part B, Preschool	84.173A	186610011719016610	15,359
Total Special Education Cluster (IDEA)			789,770
Career and Technical - Basic Grant	84.048A	18420006171901	41,281
ESEA, Title VI, Part B - Rural & Low Income Prog.	84.358B	18696001171901	60,897
ESEA, Title VI, Part B - Rural & Low Income Prog.	84.358B	17696001171901	38,763
Total CFDA Number 84.358B			99,660
Title III, Part A - English Language Acquisition	84.365A	18671001171901	149,500
ESEA, Title II, Part A, Supporting Effective Instr	84.367A	18694501171901	123,521
Title VI, A - Summer School LEP	84.369A	096551702	3,562
Title IV, Part A, Subpart I	84.424A	18680101171901	17,268
Total Passed Through State Department of Education			2,045,731
TOTAL U.S. DEPARTMENT OF EDUCATION			2,058,462
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through State Department of Education</u>			
Head Start	93.600	08CH10104-01	223,111
Total Passed Through State Department of Education			223,111
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			223,111
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553		632,240
*National School Lunch Program - Cash Assistance	10.555		1,103,880
*National School Lunch Prog. - Non-Cash Assistance	10.555		147,790
Total CFDA Number 10.555			1,251,670
*Summer Feeding Program - Cash Assistance	10.559		7,814
*Non Cash Assistance - Summer Feeding Program	10.559		220
Total CFDA Number 10.559			8,034
Total Child Nutrition Cluster			1,891,944
Total Passed Through the State Department of Agriculture			1,891,944
TOTAL U.S. DEPARTMENT OF AGRICULTURE			1,891,944
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 4,173,518

*Clustered Programs

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

DUMAS INDEPENDENT SCHOOL DISTRICT
Notes on Accounting Policies for Federal Awards
For the Year Ended June 30, 2018

1. For all federal programs, the District uses the fund types specified in Texas Education Agency's *Financial Accountability System Resource Guide*. Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund.
2. 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 grant funds were accounted for in a Special Revenue Fund or, in some instances, in the General Fund which are Governmental Fund type funds.

With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The modified accrual basis of accounting is used for the Governmental Fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and accordingly, when such funds are received, they are recorded as unearned revenues until earned.

3. The period performance for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 90 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Performance of Federal Funds, Part 3, Uniform Guidance Compliance Supplement.
4. CFDA numbers for commodity assistance are the CFDA numbers of the programs under which USDA donated the commodities.
5. Indirect cost reimbursement for federal programs for this fiscal year was received in the amount of \$24,061.
6. Reconciliation of Expenditures of Federal Awards:

Total Expenditures of Federal Awards per Exhibit K-1	\$ 4,173,518
Total School Health and Related Services not included on Expenditures of Federal Awards	<u>783,468</u>
Total	<u><u>\$ 4,956,986</u></u>

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