

# ***Chisum Independent School District***

## ***Annual Financial Report***

***For the Year Ended  
August 31, 2019***

**Malnory, McNeal & Company, PC**

***Certified Public Accountants***

**CHISUM INDEPENDENT SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED AUGUST 31, 2019**

Chisum Independent School District  
Annual Financial Report  
For The Year Ended August 31, 2019

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## Introductory Section

CERTIFICATE OF BOARD

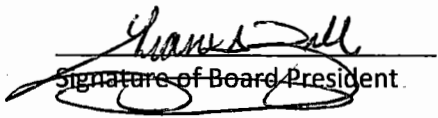
Chisum Independent School District  
Name of School District

Lamar  
County

139-905  
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above school district were reviewed and (check one) \_\_\_\_\_ approved \_\_\_\_\_ disapproved for the year ended August 31, 2019, at a meeting of the board of trustees of such school district on the 17<sup>th</sup> day of December, 2019.

  
Signature of Board Secretary

  
Signature of Board President

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

## Financial Section

# Malnory, McNeal & Company, PC

## Certified Public Accountants

Mark W. Malnory, CPA  
Johnna W. McNeal, CPA  
Beverly Smith, CPA

Members of  
American Institute of Certified Public Accountants  
Texas Society of Certified Public Accountants  
AICPA Governmental Audit Quality Center

Elizabeth Hamm, CPA  
E. J. Musharbash, CPA  
Les S. Malnory, CPA

### **Independent Auditor's Report**

To the Board of Trustees  
Chisum Independent School District  
Paris, Texas

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Chisum Independent School District ("the District") as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Chisum Independent School District as of August 31, 2019, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As described in Note Q to the financial statements, Chisum Independent School District and Roxton Independent School District consolidated effective July 1, 2019. The consolidation was accounted for as a merger with application of Government Accounting Standards Board, Statement No 69 Government Combinations and Disposals of Government Operations.

## **Other Matters**

### *Required Supplementary Information*

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

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, supplementary information section, and Schedule of Required Responses to Selected School First Indicators, as listed in the table of contents, are presented for purposes of additional analysis and are not required parts of the basic financial statements.

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

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

The Schedule of Required Responses to School First Indicators has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of

an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Malnory, McNeal & Company PC*  
Certified Public Accountants

December 12, 2019  
Paris, Texas

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Chisum Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended August 31, 2019. Please read it in conjunction with the District's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The District's total combined net position was \$4,096,531 at August 31, 2019. This is a decrease of \$1,610,26 from August 31, 2018. The majority of the decrease from last year to this year is Pension postings of \$3.5 million. For more detailed information, please see paragraph: Government-Wide Financial Analysis.
- The total costs of the District's programs were \$13,919,829 as shown on Exhibit C-2 of the financial statements. The total expenditures were \$2,509,510 more than the 2017-2018 school year.
- The general fund reported a fund balance this year of \$4,549,205, a decrease of \$256,428 over the previous year's fund balance. The Capital Outlay expenses for 18-19 were \$432,134. The Chapter 41 Recapture Payment (function 91) to Texas Education Agency to equalize wealth has increased from \$2,566,794 in 2017-18 to \$2,703,574 in 2018-19. Debt service ended the year with \$191,799 fund balance, an increase of \$33,094. For more detailed information, please see paragraphs: Financial Analysis of the District's Funds and General Fund Budgetary Highlights.
- The District earned a School FIRST (Financial Integrity Rating System of Texas) Rating of A ("Superior") for the school year 2017-2018.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

## Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's *net position* and how they have changed. Net position—the difference between the District's assets and liabilities—is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's tax base.

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

## Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant *funds*—not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and by bond covenants. The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has two kinds of funds:

- *Governmental funds*—Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Fiduciary funds*—The District is the trustee, or fiduciary, for certain funds. It is also responsible for other assets that – because of a trust arrangement – can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following analysis of comparative balances and changes therein is inclusive of the current year's and prior year's operations. Our analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the district's governmental activities.

The District's *combined* net position was approximately \$4,096,531 at August 31, 2019. (See Table A-1) The District net position was decreased by \$1,610,026 from the year ending August 31, 2018. Implementation of accounting pronouncement GASB Statement No. 75 related to accruals of other post-employment benefit liabilities (OPEB) was the primary reason behind the significant decrease in net position for the year. The net effect of GASB 75 on current year net position was approximately \$4.5 million. Unrestricted net position – the part that can be used finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – decreased from \$5,706,557 to \$4,096,531 due to effects of GASB 75 and 68. Long-term liabilities increased by \$1,848,320 due to the effects of GASB 75 (TRS OPEB) and GASB 68 (TRS Pension) offset by reductions in outstanding long-term debt balances. Deferred resource outflows related to TRS net pension and OPEB liabilities increased by \$1,477,741 and deferred resource inflows related to TRS net pension and OPEB liabilities increased by \$109,716. Approximately \$248,783 of the District's restricted net position represents proceeds from local taxes and is restricted for debt service.

The District's total revenues were \$17,699,421 (see Table A-2). Seventy-one percent of the District's revenue was realized from local property taxes, while nine percent came from state aid. Eight percent came from state and federal grants, while three percent came from charges for services and seven percent from other resources. The total cost of all programs and services was \$18,569,602; forty-two percent of these costs are for instruction.

Table A-1  
The District's Net Position  
Governmental Activities

|                                       | <u>2019</u>         | <u>2018</u>         |
|---------------------------------------|---------------------|---------------------|
| Current and Other Asset               | \$9,770,000         | 16,327,000          |
| Capital and Non-Current               | <u>34,043,000</u>   | <u>28,091,000</u>   |
| Total Assets                          | <u>43,813,000</u>   | <u>44,418,000</u>   |
| Deferred Outflow Related to Pensions  | <u>2,139,000</u>    | <u>687,000</u>      |
| Current Liabilities                   | 2,222,000           | 1,786,000           |
| Long Term Liabilities                 | 31,800,000          | 32,598,000          |
| Net Pension Liability                 | 2,674,000           | 1,215,000           |
| Net OPEB Liability                    | <u>3,808,000</u>    | <u>2,522,000</u>    |
| Total Liabilities                     | <u>40,504,000</u>   | <u>38,121,000</u>   |
| Deferred inflow related to pension    | <u>1,351,000</u>    | <u>1,242,000</u>    |
| Net Assets Invested in Capital Assets |                     |                     |
| Net of Related Debt                   | 6,440,000           | 2,814,000           |
| Restricted                            | 249,000             | 214,000             |
| Capital Projects                      | 1,996,000           | -                   |
| Unrestricted                          | <u>(4,588,000)</u>  | <u>2,679,000</u>    |
| Total Net Position                    | <u>\$ 4,097,000</u> | <u>\$ 5,707,000</u> |

**Table A-2**  
**Change in the District's Net Position**  
**Governmental Activities**

|                                                                             | <u>2019</u>         | <u>2018</u>         |
|-----------------------------------------------------------------------------|---------------------|---------------------|
| <b>Revenues</b>                                                             |                     |                     |
| <b>Program Revenues:</b>                                                    |                     |                     |
| Charges for Services                                                        | \$ 513,000          | \$ 458,000          |
| Operating Grants and Contributions                                          | 1,494,000           | (557,000)           |
| <b>General Revenues</b>                                                     |                     |                     |
| Property Taxes                                                              | 13,677,000          | 11,929,000          |
| State Aid – Formula                                                         | 1,569,000           | 430,000             |
| Investment Earnings                                                         | 317,000             | 336,000             |
| Other                                                                       | 129,000             | 35,000              |
| <b>Total Revenues</b>                                                       | <u>17,699,000</u>   | <u>12,631,000</u>   |
| <b>Expenses</b>                                                             |                     |                     |
| Instruction and instructional related                                       | 7,560,000           | 3,933,000           |
| Inst leadership/school administration                                       | 977,000             | 370,000             |
| Guidance, social work, health, transportation                               | 852,000             | 565,000             |
| Food Services                                                               | 631,000             | 380,000             |
| Extracurricular activities                                                  | 1,517,000           | 1,004,000           |
| General Administration                                                      | 971,000             | 358,000             |
| Plant Maintenance and security                                              | 1,242,000           | 859,000             |
| Security & monitoring                                                       | 198,000             | 55,000              |
| Data Processing                                                             | 119,000             | 68,000              |
| Debt Service                                                                | 1,065,000           | 1,062,000           |
| Contracted Instructional Services between<br>Schools (Chapter 41)           | 2,704,000           | 2,567,000           |
| Payments to fiscal agent/member districts-shared<br>service arrangement     | 525,000             | 542,000             |
| Intergovernmental charges                                                   | 209,000             | 185,000             |
| <b>Total Expenses</b>                                                       | <u>18,570,000</u>   | <u>11,948,000</u>   |
| <b>Excess (Deficiency) before Other Resources,<br/>Uses &amp; Transfers</b> |                     |                     |
| <b>Other Resources (Uses)</b>                                               | <u>(1,815,000)</u>  | <u>--</u>           |
| <b>Change in Net Position</b>                                               | <u>(2,685,000)</u>  | <u>684,000</u>      |
| <b>Beginning Net Position</b>                                               | 5,707,000           |                     |
| <b>Roxton ISD Beginning Net Position</b>                                    | 1,075,000           |                     |
| Prior Period Adjustment                                                     | -                   | (4,410,000)         |
| <b>Beginning Net Position - Restated</b>                                    | <u>6,782,000</u>    | <u>5,022,522</u>    |
| <b>Ending Net Position</b>                                                  | <u>\$ 4,097,000</u> | <u>\$ 5,707,000</u> |

Table A-3 presents the cost of each of the District's largest functions and as well as each function's *net cost* (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects state revenues as well as local tax dollars.

- The cost of all *governmental* activities this year was \$18,569,602.
- However, the amount that our taxpayers paid for these activities through property taxes was \$13,676,614. Those who directly benefited from some of the programs paid a portion of the cost of \$513,441 while some cost was paid by grants and contributions restricted for specific operations of \$1,568,736.

**Table A-3**  
**Net Cost of Selected District Functions**

|                                | <b>Total Cost of Services</b> |              | <b>Net Cost of Services</b> |              |
|--------------------------------|-------------------------------|--------------|-----------------------------|--------------|
|                                | <b>2019</b>                   | <b>2018</b>  | <b>2019</b>                 | <b>2018</b>  |
| Instruction                    | \$7,560,000                   | \$ 3,803,000 | (6,662,000)                 | ( 4,312,000) |
| Food Service                   | 1,517,000                     | 380,000      | (1,129,000)                 | 19,000       |
| Plant Maintenance & Operations | 1,242,000                     | 859,000      | (1,203,000)                 | (910,000)    |
| Cocurricular/Extracurricular   | 1,517,000                     | 1,004,000    | (1,129,000)                 | (766,000)    |

### **FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

2017-18 School Year: Revenues from governmental fund types totaled \$17,015,538 an increase of 20% over the preceding year. General fund costs increased 22% percent over the previous year. Within this cost percent was an increase of \$1,570,512 resulting from the Consolidation of Chisum ISD with Roxton ISD. Expenditures exceeded revenue by \$459,452. Property tax rates on the debt service fund were lowered for the 2018-2019 school year at .190 with the tax rate for M&O remaining the same at \$1.04.

### **General Fund Budgetary Highlights**

Over the course of the year, the District revised its general fund budget several times. The original budget for the general fund was \$11,652,775 and it ended the year with a total expense of \$12,349,317. Some of the amendments affecting fund balance were: early incentive notice; various building repairs; Roxton expenses; legal fees; sprinkler system for high school and elementary; security expenses.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### **Capital Assets**

At the end of 2019, the District had invested \$34,042,816 in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.) This amount represents a net increase (including additions and deductions) of \$5,951,326 over last year.

**Table A-4**  
**District's Capital Assets**

|                                | <b>Governmental<br/>Activities</b> |                     |
|--------------------------------|------------------------------------|---------------------|
|                                | <b><u>2019</u></b>                 | <b><u>2018</u></b>  |
| Land                           | \$487,000                          | \$487,000           |
| Buildings and improvements     | 37,376,000                         | 29,216,000          |
| Vehicles                       | 2,248,000                          | 1,880,000           |
| Construction in progress       | 5,218,000                          | 7,875,000           |
| Equipment                      | 5,281,000                          | 3,734,000           |
| Infrastructure                 | <u>915,760</u>                     | <u>686,000</u>      |
| Totals at historical cost      | 51,526,000                         | 43,878,000          |
| Total accumulated depreciation | <u>17,483,000</u>                  | <u>15,787,000</u>   |
| Net capital assets             | <u>\$34,043,000</u>                | <u>\$28,091,000</u> |

## Long-Term Debt

At year-end the District had \$31,799,000 in bonds outstanding as shown in Table A-5. More detailed information about the District's debt is presented in the notes to the financial statements.

Table A-5  
District's Long Term Debt

|                                         | 2019          | 2018          |
|-----------------------------------------|---------------|---------------|
| Chisum                                  |               |               |
| Maintenance - Tax Note 2016             | \$ 724,000    | \$ 816,000    |
| Unlimited Tax School Bonds Series 2016  | 27,745,000    | 28,505,000    |
| Unamortized Premium Series 2016         | 3,131,000     | 3,277,000     |
| Total Chisum Bonds/Notes                | \$ 31,600,000 | \$ 32,598,000 |
| Roxton                                  |               |               |
| Unlimited Tax School Bonds Series 2012s | \$ 75,000     | \$ -          |
| Capital Lease                           | 85,000        | 0             |
| Loans                                   | 38,000        | 0             |
| Unamortized Premium Series 2012         | 1,000         | 0             |
| Total Roxton Bonds/Notes                | \$ 199,000    | \$ -          |
| Total Bonds/Notes                       | \$ 31,799,000 | \$ 32,598,000 |

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

2019-20 School Year: Revenues projected for 19-20 are increased over those received in 18-19 due to an increase in appraised value and an increase in student enrollment and Roxton consolidation. The amount of recapture for 2019-20 is estimated at \$1.2M. As of December 2019 our student enrollment has increased over 18-19 by 134 students, if this increased enrollment continues this could reduce our re-capture for 19-20.

In August of 2019 a balance of \$820,000 of fund balance was committed for the 19-20 School Year by the Board of Trustees for ballfield improvements and additional parking lots.

The Board of Trustees adopted a 2019-2020 Maintenance and Operation tax rate of \$0.97 as a result of tax compression as required by HB3. The 19-20 Debt Service tax rate decreased to \$.18 from the 18-19 rate of \$.19.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

## Basic Financial Statements

**CHISUM INDEPENDENT SCHOOL DISTRICT**

## STATEMENT OF NET POSITION

AUGUST 31, 2019

1

| Data<br>Control<br>Codes |                                        | Governmental<br>Activities |
|--------------------------|----------------------------------------|----------------------------|
|                          | <b>ASSETS:</b>                         |                            |
| 1110                     | Cash and Cash Equivalents              | \$ 8,812,813               |
| 1225                     | Property Taxes Receivable (Net)        | 759,105                    |
| 1240                     | Due from Other Governments             | 180,664                    |
| 1290                     | Other Receivables (Net)                | 13,739                     |
| 1300                     | Inventories                            | 3,784                      |
|                          | Capital Assets:                        |                            |
| 1510                     | Land                                   | 487,301                    |
| 1520                     | Buildings and Improvements, Net        | 23,829,165                 |
| 1530                     | Furniture and Equipment, Net           | 3,731,389                  |
| 1580                     | Construction in Progress               | 5,217,874                  |
| 1590                     | Infrastructure, Net                    | 777,088                    |
| 1000                     | Total Assets                           | <u>43,812,922</u>          |
|                          | <b>DEFERRED OUTFLOWS OF RESOURCES:</b> |                            |
|                          | Unrealized Loss on Defeasance of Bonds | 91,691                     |
|                          | Deferred Outflow Related to Pensions   | 1,485,903                  |
|                          | Deferred Outflow Related to OPEB       | 560,997                    |
| 1700                     | Total Deferred Outflows of Resources   | <u>2,138,591</u>           |
|                          | <b>LIABILITIES:</b>                    |                            |
| 2110                     | Accounts Payable                       | 1,260,701                  |
| 2140                     | Interest Payable                       | 57,108                     |
| 2165                     | Accrued Liabilities                    | 476,237                    |
| 2180                     | Due to Other Governments               | 428,077                    |
|                          | Noncurrent Liabilities:                |                            |
| 2501                     | Due Within One Year                    | 985,861                    |
| 2502                     | Due in More Than One Year              | 30,813,838                 |
| 2540                     | Net Pension Liability                  | 2,674,244                  |
| 2545                     | Net OPEB Liability                     | 3,807,695                  |
| 2000                     | Total Liabilities                      | <u>40,503,761</u>          |
|                          | <b>DEFERRED INFLOWS OF RESOURCES:</b>  |                            |
|                          | Deferred Inflow Related to Pensions    | 147,136                    |
|                          | Deferred Inflow Related to OPEB        | 1,204,085                  |
| 2600                     | Total Deferred Inflows of Resources    | <u>1,351,221</u>           |
|                          | <b>NET POSITION:</b>                   |                            |
| 3200                     | Net Investment in Capital Assets       | 6,439,860                  |
|                          | Restricted For:                        |                            |
| 3850                     | Debt Service                           | 248,783                    |
| 3860                     | Capital Projects                       | 1,995,801                  |
| 3900                     | Unrestricted                           | (4,587,913)                |
| 3000                     | Total Net Position                     | <u>\$ 4,096,531</u>        |

The accompanying notes are an integral part of this statement.

**CHISUM INDEPENDENT SCHOOL DISTRICT**

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2019

| Data<br>Control<br>Codes | Functions/Programs                                           | 1             | 3                       | 4                                        | Net (Expense)<br>Revenue and<br>Changes in<br>Net Position |
|--------------------------|--------------------------------------------------------------|---------------|-------------------------|------------------------------------------|------------------------------------------------------------|
|                          |                                                              | Expenses      | Program Revenues        |                                          | Governmental<br>Activities                                 |
|                          |                                                              |               | Charges for<br>Services | Operating<br>Grants and<br>Contributions |                                                            |
|                          | Governmental Activities:                                     |               |                         |                                          |                                                            |
| 11                       | Instruction                                                  | \$ 7,559,761  | \$ 18,957               | \$ 878,999                               | \$ (6,661,805)                                             |
| 12                       | Instructional Resources and Media Services                   | 148,740       | 317                     | 8,171                                    | (140,252)                                                  |
| 13                       | Curriculum and Staff Development                             | 113,182       | 142                     | 44,165                                   | (68,875)                                                   |
| 21                       | Instructional Leadership                                     | 2,258         | --                      | --                                       | (2,258)                                                    |
| 23                       | School Leadership                                            | 713,048       | 2,138                   | 47,947                                   | (662,963)                                                  |
| 31                       | Guidance, Counseling, & Evaluation Services                  | 178,114       | 543                     | 11,164                                   | (166,407)                                                  |
| 32                       | Social Work Services                                         | 1,900         | 4                       | --                                       | (1,896)                                                    |
| 33                       | Health Services                                              | 90,238        | 271                     | 6,611                                    | (83,356)                                                   |
| 34                       | Student Transportation                                       | 581,347       | (723)                   | 18,366                                   | (563,704)                                                  |
| 35                       | Food Service                                                 | 631,011       | 126,107                 | 329,573                                  | (175,331)                                                  |
| 36                       | Cocurricular/Extracurricular Activities                      | 1,516,823     | 348,331                 | 39,880                                   | (1,128,612)                                                |
| 41                       | General Administration                                       | 971,042       | 2,836                   | 29,637                                   | (938,569)                                                  |
| 51                       | Facilities Maintenance and Operations                        | 1,241,798     | 3,354                   | 35,467                                   | (1,202,977)                                                |
| 52                       | Security and Monitoring Services                             | 198,089       | 464                     | 24,257                                   | (173,368)                                                  |
| 53                       | Data Processing Services                                     | 118,553       | 359                     | 10,957                                   | (107,237)                                                  |
| 61                       | Community Services                                           | 309           | --                      | --                                       | (309)                                                      |
| 72                       | Interest on Long-term Debt                                   | 1,064,661     | --                      | 9,183                                    | (1,055,478)                                                |
| 73                       | Bond Issuance Costs and Fees                                 | 800           | --                      | --                                       | (800)                                                      |
| 91                       | Contracted Instructional Services between Schools            | 2,703,574     | 8,658                   | --                                       | (2,694,916)                                                |
| 93                       | Payments Related to Shared Services Arrangements             | 525,072       | 1,683                   | --                                       | (523,389)                                                  |
| 99                       | Other Intergovernmental Charges                              | 209,282       | --                      | --                                       | (209,282)                                                  |
| TG                       | Total Governmental Activities                                | 18,569,602    | 513,441                 | 1,494,377                                | (16,561,784)                                               |
| TP                       | Total Primary Government                                     | \$ 18,569,602 | \$ 513,441              | \$ 1,494,377                             | (16,561,784)                                               |
|                          | General Revenues:                                            |               |                         |                                          |                                                            |
| MT                       | Property Taxes, Levied for General Purposes                  |               |                         |                                          | 11,804,900                                                 |
| DT                       | Property Taxes, Levied for Debt Service                      |               |                         |                                          | 1,871,714                                                  |
| IE                       | Investment Earnings                                          |               |                         |                                          | 317,355                                                    |
| GC                       | Grants and Contributions Not Restricted to Specific Programs |               |                         |                                          | 1,568,736                                                  |
| MI                       | Miscellaneous                                                |               |                         |                                          | 128,898                                                    |
|                          | Special and Extraordinary Items:                             |               |                         |                                          |                                                            |
| S2                       | Special Item Outflow                                         |               |                         |                                          | (1,815,342)                                                |
| TR                       | Total General Revenues                                       |               |                         |                                          | 13,876,261                                                 |
| CN                       | Change in Net Position                                       |               |                         |                                          | (2,685,523)                                                |
| NB                       | Net Position - Beginning                                     |               |                         |                                          | 6,782,054                                                  |
| NE                       | Net Position - Ending                                        |               |                         |                                          | \$ 4,096,531                                               |

The accompanying notes are an integral part of this statement.

**CHISUM INDEPENDENT SCHOOL DISTRICT****BALANCE SHEET - GOVERNMENTAL FUNDS**

AUGUST 31, 2019

| Data<br>Control<br>Codes                                                  | 10<br>General<br>Fund | 50<br>Debt<br>Service<br>Fund |
|---------------------------------------------------------------------------|-----------------------|-------------------------------|
| <b>ASSETS:</b>                                                            |                       |                               |
| 1110 Cash and Cash Equivalents                                            | \$ 5,405,144          | \$ 191,799                    |
| 1225 Taxes Receivable, Net                                                | 645,013               | 114,092                       |
| 1240 Due from Other Governments                                           | --                    | --                            |
| 1260 Due from Other Funds                                                 | 125,390               | --                            |
| 1290 Other Receivables                                                    | 13,739                | --                            |
| 1300 Inventories                                                          | 3,784                 | --                            |
| 1000 Total Assets                                                         | <u>6,193,070</u>      | <u>305,891</u>                |
| <b>LIABILITIES:</b>                                                       |                       |                               |
| Current Liabilities:                                                      |                       |                               |
| 2110 Accounts Payable                                                     | \$ 129,280            | \$ --                         |
| 2160 Accrued Wages Payable                                                | 389,109               | --                            |
| 2170 Due to Other Funds                                                   | --                    | --                            |
| 2180 Due to Other Governments                                             | 428,077               | --                            |
| 2200 Accrued Expenditures                                                 | 52,386                | --                            |
| 2000 Total Liabilities                                                    | <u>998,852</u>        | <u>--</u>                     |
| <b>DEFERRED INFLOWS OF RESOURCES:</b>                                     |                       |                               |
| Deferred Revenue                                                          | 645,013               | 114,092                       |
| 2600 Total Deferred Inflows of Resources                                  | <u>645,013</u>        | <u>114,092</u>                |
| <b>FUND BALANCES:</b>                                                     |                       |                               |
| Nonspendable Fund Balances:                                               |                       |                               |
| 3410 Inventories                                                          | 3,783                 | --                            |
| Restricted Fund Balances:                                                 |                       |                               |
| 3480 Retirement of Long-Term Debt                                         | --                    | 191,799                       |
| 3490 Other Restrictions of Fund Balance                                   | --                    | --                            |
| Committed Fund Balances:                                                  |                       |                               |
| 3510 Construction                                                         | 820,000               | --                            |
| 3545 Other Committed Fund Balance                                         | --                    | --                            |
| 3600 Unassigned                                                           | 3,725,422             | --                            |
| 3000 Total Fund Balances                                                  | <u>4,549,205</u>      | <u>191,799</u>                |
| Total Liabilities, Deferred Inflow<br>4000 of Resources and Fund Balances | <u>\$ 6,193,070</u>   | <u>\$ 305,891</u>             |

The accompanying notes are an integral part of this statement.

## EXHIBIT C-1

| 60<br>Capital<br>Projects<br>Fund | Other<br>Governmental<br>Funds | 98<br>Total<br>Governmental<br>Funds |
|-----------------------------------|--------------------------------|--------------------------------------|
| \$ 3,110,688                      | \$ 105,183                     | \$ 8,812,813                         |
| --                                | --                             | 759,105                              |
| --                                | 180,664                        | 180,664                              |
| --                                | --                             | 125,390                              |
| --                                | --                             | 13,739                               |
| --                                | --                             | 3,784                                |
| <u>3,110,688</u>                  | <u>285,847</u>                 | <u>9,895,496</u>                     |
| <br>                              |                                |                                      |
| \$ 1,114,887                      | \$ 16,534                      | \$ 1,260,701                         |
| --                                | 31,314                         | 420,423                              |
| --                                | 125,390                        | 125,390                              |
| --                                | --                             | 428,077                              |
| --                                | 3,428                          | 55,814                               |
| <u>1,114,887</u>                  | <u>176,666</u>                 | <u>2,290,405</u>                     |
| <br>                              |                                |                                      |
| --                                | --                             | 759,105                              |
| --                                | --                             | 759,105                              |
| <br>                              |                                |                                      |
| --                                | --                             | 3,783                                |
| --                                | --                             | 191,799                              |
| 1,995,801                         | --                             | 1,995,801                            |
| --                                | --                             | 820,000                              |
| --                                | 109,181                        | 109,181                              |
| --                                | --                             | 3,725,422                            |
| <u>1,995,801</u>                  | <u>109,181</u>                 | <u>6,845,986</u>                     |
| <br>                              |                                |                                      |
| \$ <u>3,110,688</u>               | \$ <u>285,847</u>              | \$ <u>9,895,496</u>                  |

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

Total fund balances - governmental funds balance sheet \$ 6,845,986

Amounts reported for governmental activities in the Statement of Net Position  
("SNP") are different because:

|                                                                                                              |              |
|--------------------------------------------------------------------------------------------------------------|--------------|
| Capital assets used in governmental activities are not reported in the funds.                                | 34,042,817   |
| Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.      | 759,105      |
| Payables for bond principal which are not due in the current period are not reported in the funds.           | (27,820,000) |
| Payables for capital leases which are not due in the current period are not reported in the funds.           | (85,286)     |
| Payables for bond interest which are not due in the current period are not reported in the funds.            | (57,108)     |
| Payables for notes which are not due in the current period are not reported in the funds.                    | (761,467)    |
| Deferred Resource Inflows related to the OPEB are not reported in the funds.                                 | (1,204,085)  |
| Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.    | (3,807,695)  |
| Deferred Resource Outflows related to the OPEB are not reported in the funds.                                | 560,997      |
| Recognition of the District's proportionate share of the net pension liability is not reported in the funds. | (2,674,244)  |
| Deferred Resource Inflows related to the pension plan are not reported in the funds.                         | (147,136)    |
| Deferred Resource Outflows related to the pension plan are not reported in the funds.                        | 1,485,903    |
| Bond premiums are amortized in the SNA but not in the funds.                                                 | (3,132,947)  |
| Unamortized loss on defeasance is not reported in the funds                                                  | 91,691       |

Net position of governmental activities - Statement of Net Position \$ 4,096,531

The accompanying notes are an integral part of this statement.

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

| Data<br>Control<br>Codes            |                                              | 10                  | 50                      |
|-------------------------------------|----------------------------------------------|---------------------|-------------------------|
|                                     |                                              | General<br>Fund     | Debt<br>Service<br>Fund |
| <b>REVENUES:</b>                    |                                              |                     |                         |
| 5700                                | Local and Intermediate Sources               | \$ 11,732,719       | \$ 1,891,521            |
| 5800                                | State Program Revenues                       | 1,745,084           | 9,183                   |
| 5900                                | Federal Program Revenues                     | 5,180               | --                      |
| 5020                                | Total Revenues                               | <u>13,482,983</u>   | <u>1,900,704</u>        |
| <b>EXPENDITURES:</b>                |                                              |                     |                         |
| Current:                            |                                              |                     |                         |
| 0011                                | Instruction                                  | 5,682,468           | --                      |
| 0012                                | Instructional Resources and Media Services   | 99,705              | --                      |
| 0013                                | Curriculum and Staff Development             | 43,972              | --                      |
| 0021                                | Instructional Leadership                     | --                  | --                      |
| 0023                                | School Leadership                            | 667,304             | --                      |
| 0031                                | Guidance, Counseling, & Evaluation Services  | 169,605             | --                      |
| 0032                                | Social Work Services                         | 1,900               | --                      |
| 0033                                | Health Services                              | 84,882              | --                      |
| 0034                                | Student Transportation                       | 336,918             | --                      |
| 0035                                | Food Service                                 | 23,130              | --                      |
| 0036                                | Cocurricular/Extracurricular Activities      | 596,589             | --                      |
| 0041                                | General Administration                       | 886,292             | --                      |
| 0051                                | Facilities Maintenance and Operations        | 1,057,090           | --                      |
| 0052                                | Security and Monitoring Services             | 145,158             | --                      |
| 0053                                | Data Processing Services                     | 111,644             | --                      |
| 0061                                | Community Services                           | 309                 | --                      |
| 0071                                | Principal on Long-term Debt                  | 112,467             | 760,000                 |
| 0072                                | Interest on Long-term Debt                   | 30,334              | 1,126,700               |
| 0073                                | Bond Issuance Costs and Fees                 | --                  | 500                     |
| 0081                                | Capital Outlay                               | 432,134             | --                      |
| 0091                                | Contracted Instructional Services            |                     |                         |
| 0091                                | Between Public Schools                       | 2,703,574           | --                      |
| 0093                                | Payments to Shared Service Arrangements      | 525,072             | --                      |
| 0099                                | Other Intergovernmental Charges              | 209,282             | --                      |
| 6030                                | Total Expenditures                           | <u>13,919,829</u>   | <u>1,887,200</u>        |
| 1100                                | Excess (Deficiency) of Revenues Over (Under) |                     |                         |
| 1100                                | Expenditures                                 | <u>(436,846)</u>    | <u>13,504</u>           |
| Other Financing Sources and (Uses): |                                              |                     |                         |
| 7915                                | Transfers In                                 | 279,107             | --                      |
| 8911                                | Transfers Out                                | <u>(301,713)</u>    | --                      |
| 7080                                | Total Other Financing Sources and (Uses)     | <u>(22,606)</u>     | --                      |
| 1200                                | Net Change in Fund Balances                  | <u>(459,452)</u>    | <u>13,504</u>           |
| 0100                                | Fund Balances - Beginning                    | 5,008,657           | 178,295                 |
| 3000                                | Fund Balances - Ending                       | <u>\$ 4,549,205</u> | <u>\$ 191,799</u>       |

The accompanying notes are an integral part of this statement.

## EXHIBIT C-2

| 60<br>Capital<br>Projects<br>Fund | Other<br>Governmental<br>Funds | 98<br>Total<br>Governmental<br>Funds |
|-----------------------------------|--------------------------------|--------------------------------------|
| \$ 144,926                        | \$ 514,550                     | \$ 14,283,716                        |
| --                                | 158,249                        | 1,912,516                            |
| --                                | 814,126                        | 819,306                              |
| <u>144,926</u>                    | <u>1,486,925</u>               | <u>17,015,538</u>                    |
| 318,625                           | 487,397                        | 6,488,490                            |
| --                                | 6,752                          | 106,457                              |
| --                                | 59,076                         | 103,048                              |
| --                                | 2,258                          | 2,258                                |
| --                                | 2,200                          | 669,504                              |
| --                                | --                             | 169,605                              |
| --                                | --                             | 1,900                                |
| --                                | --                             | 84,882                               |
| 201,452                           | --                             | 538,370                              |
| --                                | 571,822                        | 594,952                              |
| --                                | 293,168                        | 889,757                              |
| --                                | --                             | 886,292                              |
| --                                | --                             | 1,057,090                            |
| 7,663                             | 16,072                         | 168,893                              |
| --                                | --                             | 111,644                              |
| --                                | --                             | 309                                  |
| --                                | 73,000                         | 945,467                              |
| --                                | 2,676                          | 1,159,710                            |
| --                                | 300                            | 800                                  |
| 6,823,618                         | --                             | 7,255,752                            |
| --                                | --                             | 2,703,574                            |
| --                                | --                             | 525,072                              |
| --                                | --                             | 209,282                              |
| <u>7,351,358</u>                  | <u>1,514,721</u>               | <u>24,673,108</u>                    |
| <u>(7,206,432)</u>                | <u>(27,796)</u>                | <u>(7,657,570)</u>                   |
| --                                | 22,606                         | 301,713                              |
| --                                | --                             | (301,713)                            |
| --                                | 22,606                         | --                                   |
| <u>(7,206,432)</u>                | <u>(5,190)</u>                 | <u>(7,657,570)</u>                   |
| 9,202,233                         | 114,371                        | 14,503,556                           |
| <u>\$ 1,995,801</u>               | <u>\$ 109,181</u>              | <u>\$ 6,845,986</u>                  |

**CHISUM INDEPENDENT SCHOOL DISTRICT**

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

|                                                                                                                                                                                                                                                    |                       |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|
| Net change in fund balances - total governmental funds                                                                                                                                                                                             | \$ (7,657,570)        |
| Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:                                                                                                                                         |                       |
| Capital outlays are not reported as expenses in the SOA.                                                                                                                                                                                           | 7,481,351             |
| The depreciation of capital assets used in governmental activities is not reported in the funds.                                                                                                                                                   | (1,784,918)           |
| The loss on the disposal of capital assets is not reported in the funds                                                                                                                                                                            | (1,815,342)           |
| Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.                                                                                                                                            | 368,182               |
| Change in accrued interest payable on bonds payable                                                                                                                                                                                                | (27,171)              |
| Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.                                                                                                                                                       | 833,000               |
| Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.                                                                                                                                              | 14,249                |
| Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.                                                                                                                                                       | 97,955                |
| (Increase) decrease in accrued interest from beginning of period to end of period.                                                                                                                                                                 |                       |
| Bond premiums are reported in the funds but not in the SOA.                                                                                                                                                                                        | 148,565               |
| Implementing GASB 75 required certain expenditures to be de-expended and recorded as deferred resource outflows. These conditions made after the measurement date of August 31, 2018 caused the change in the ending net position to increase.     | 54,078                |
| OPEB contributions made before the measurement date and during the previous fiscal year were also de-expanded recorded as a reduction in net OPEB liability.                                                                                       | (51,009)              |
| The District's proportionate share of the TRS net OPEB expense decreased the change on the net pension.                                                                                                                                            | (74,280)              |
| Implementing GASB 68 required certain expenditures to be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of August 31, 2018 caused the change in the ending net positions to increase. | 167,106               |
| Pension contributions made before the measurement date and during the previous fiscal year were also de-expanded and recorded as a reduction in net pension liability.                                                                             | (158,832)             |
| The District's proportionate share of the TRS net pension expense decreased the change on the net pension.                                                                                                                                         | (254,690)             |
| Current year amortization of loss on defeasance                                                                                                                                                                                                    | (26,197)              |
| Change in net position of governmental activities - Statement of Activities                                                                                                                                                                        | \$ <u>(2,685,523)</u> |

The accompanying notes are an integral part of this statement.

**CHISUM INDEPENDENT SCHOOL DISTRICT**

## STATEMENT OF FIDUCIARY NET POSITION

## FIDUCIARY FUNDS

AUGUST 31, 2019

| Data<br>Control<br>Codes |                           | Private-purpose<br>Trust<br>Funds | Agency<br>Funds |
|--------------------------|---------------------------|-----------------------------------|-----------------|
| <b>ASSETS:</b>           |                           |                                   |                 |
| 1110                     | Cash and Cash Equivalents | \$ --                             | \$ 11,611       |
| 1800                     | Restricted Assets         | 341,993                           | --              |
| 1000                     | Total Assets              | <u>341,993</u>                    | <u>11,611</u>   |
| <b>LIABILITIES:</b>      |                           |                                   |                 |
| Current Liabilities:     |                           |                                   |                 |
| 2190                     | Due to Student Groups     | \$ --                             | \$ 11,611       |
| 2000                     | Total Liabilities         | <u>--</u>                         | <u>11,611</u>   |
| <b>NET POSITION:</b>     |                           |                                   |                 |
| 3800                     | Held in Trust             | 341,993                           | --              |
| 3000                     | Total Net Position        | <u>\$ 341,993</u>                 | <u>\$ --</u>    |

The accompanying notes are an integral part of this statement.

**CHISUM INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

|                                             | Private-<br>Purpose<br>Trusts |
|---------------------------------------------|-------------------------------|
| <b>Additions:</b>                           |                               |
| Investment Income                           | \$ 3,255                      |
| Net (Increase) in Fair Value of Investments | 5,173                         |
| Employer Contributions                      | --                            |
| Donations                                   | 71,971                        |
| Total Additions                             | <u>80,399</u>                 |
| <b>Deductions:</b>                          |                               |
| Scholarship Awards                          | 1,200                         |
| Benefits                                    | --                            |
| Refunds of Contributions                    | --                            |
| Administrative Expenses                     | 1,275                         |
| Total Deductions                            | <u>2,475</u>                  |
| <b>Change in Net Position</b>               | 77,924                        |
| Net Position-Beginning of the Year          | 264,069                       |
| Net Position-End of the Year                | <u><u>\$ 341,993</u></u>      |

The accompanying notes are an integral part of this statement.

# CHISUM INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2019

### A. Summary of Significant Accounting Policies

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

#### 1. Reporting Entity

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

#### 2. Basis of Presentation, Basis of Accounting

##### a. Basis of Presentation

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

Chisum Independent School District and Roxton Independent School District, in accordance with applicable state law elected to form a single consolidated Independent School District to serve the students and families of their respective communities by combining the territories of Chisum ISD and Roxton ISD. The Districts are authorized by Subchapter D of Chapter 13, Texas Education Code, to consolidate into a single district. The effective date of the merger was July 1, 2019. See additional information in Note Q to the financial statements.

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.

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

The District reports the following major governmental funds:

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

**Debt Service Fund:** This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

**Capital Projects Funds:** This is the District's fund to account for the resources provided through bonds to build new facilities and make renovations to existing facilities.

In addition, the District reports the following fund types:

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

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

**Special Revenue Funds:** These funds account for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most federal and some state financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.

b. **Measurement Focus, Basis of Accounting**

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

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

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

financing sources.

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

**3. Financial Statement Amounts**

**a. Property Taxes**

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

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

**b. Inventories and Prepaid Items**

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

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

**c. Capital Assets**

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

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

| <u><b>Asset Class</b></u> | <u><b>Estimated Useful Lives</b></u> |
|---------------------------|--------------------------------------|
| Infrastructure            | 30                                   |
| Buildings                 | 50                                   |
| Building Improvements     | 20                                   |
| Vehicles                  | 2-15                                 |
| Office Equipment          | 3-15                                 |
| Computer Equipment        | 3-15                                 |

**d. Deferred Outflows and Inflows of Resources**

## CHISUM INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2019

In addition to assets, the statements of financial position (the government-wide Statement of Net Position and governmental funds balance sheet) 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 and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

e. Receivable and Payable Balances

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

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

f. Interfund Activity

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

g. Use of Estimates

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

h. Data Control Codes

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

i. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

## CHISUM INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2019

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's Board of Trustees. Committed amounts cannot be used for any other purpose unless the Board of Trustees removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Board of Trustees. Commitments are typically done through adoption and amendment of budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board of Trustees or by an official or body to which the Board of Trustees delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. The general fund only reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

Fund Balance Policy - In an effort to provide adequate cash flow for operations, maintain a strong credit rating, and plan for unanticipated extraordinary costs, the District shall strive to maintain in the general fund an unassigned fund balance of at least two months operations.

j. Net Position Flow Assumption

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

k. Fund Balance Flow Assumptions

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

4. Pensions

## CHISUM INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2019

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

#### 5. 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' fiduciary net position. Benefit payments (including refunds of employee contributions) 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.

#### 6. Implementation of New Standards

In the current fiscal year, the District implemented the following new standards. The applicable provisions of the new standards are summarized below. Implementation is reflected in the financial statements and the notes to the financial statements.

##### GASB 88 - Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements

The primary objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The District does not currently have any debt effected by GASB 88 and does not expect that implementation of the pronouncement will have an impact on the financial statements.

##### GASB Statement No. 83, -Certain Asset Retirement Obligations

This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement.

The District does not currently have any AROs and does not expect that implementation of the pronouncement will have an impact on the financial statements.

# CHISUM INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2019

GASB Statement No. 90, -Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61

The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. This Statement also establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

The District does not currently have any interest in any separate organizations and does not expect that implementation of the pronouncement will have an impact on the financial statements

### B. Compliance and Accountability

#### 1. 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      |

#### 2. Deficit Fund Balance or Fund Net Position of Individual Funds

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

| <u>Fund Name</u> | <u>Deficit Amount</u> | <u>Remarks</u> |
|------------------|-----------------------|----------------|
| None reported    | Not applicable        | Not applicable |

### C. Deposits and Investments

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

#### 1. Cash Deposits:

At August 31, 2019, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$6,369,799 and the bank balance was \$6,462,041. The District's cash deposits at August 31, 2019 and during the year ended August 31, 2019, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

## CHISUM INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2019

#### 2. Investments:

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

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

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

The District's investments at August 31, 2019 are shown below.

| <u>Investments or Investment Type</u> | <u>Maturity</u> | <u>Fair Value</u>   |
|---------------------------------------|-----------------|---------------------|
| TexPool Investments                   | N/A             | \$ 2,798,618        |
| Total Investments                     |                 | <u>\$ 2,798,618</u> |

#### 3. Analysis of Specific Deposit and Investment Risks

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

##### a. Credit Risk

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

At August 31, 2019, the District's investments, other than those which are obligations of or guaranteed by the U. S. Government, are rated as to credit quality as follows: AAA-m

##### b. Custodial Credit Risk

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

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

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

At year end, the District was not exposed to custodial credit risk.

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

Investment Accounting Policy

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

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares. The District's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

TexPool

The District invests in the Texas Local Government Investment Pool (TexPool), which is local government investment pool that was established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds investment Act, Chapter 2256 of the Texas Government Code. The State Comptroller of public Accounts oversees TexPool. Federated Investors, Inc. is the administrator and investment manager of TexPool under contract with the State Comptroller. In accordance with the Public Funds Investment Act, the State Comptroller has appointed the TexPool Investment Advisory Board to advise with respect to TexPool. The board is composed equally of participants in TexPool Portfolios and other persons who do not have a business relationship with TexPool Portfolios and are qualified to advise in

# CHISUM INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2019

respect to TexPool Portfolios. The Advisory Board members review the investment policy and management fee structure. TexPool is rated AAAM by Standard and Poor's and operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. All investments are stated at amortized cost, which usually approximates the market value of the securities. The stated objective of TexPool is to maintain a stable average \$1.00 per unit net asset value; however, the \$1.00 net asset value is not guaranteed or insured. The financial statements can be obtained from the Texas Trust Safekeeping Trust Company website at [www.ttstc.org](http://www.ttstc.org).

### D. Capital Assets

|                                              | Beginning<br>Balances | Increases    | Decreases   | Ending<br>Balances |
|----------------------------------------------|-----------------------|--------------|-------------|--------------------|
| <i>Capital assets not being depreciated:</i> |                       |              |             |                    |
| Land                                         | \$ 551,119            | \$ -         | \$ 63,818   | \$ 487,301         |
| Construction in progress                     | 7,874,235             | 2,203,202    | 4,859,564   | 5,217,873          |
| Total capital assets not being depreciated   | 8,425,354             | 2,203,202    | 4,923,382   | 5,705,174          |
| <i>Capital assets being depreciated:</i>     |                       |              |             |                    |
| Buildings and improvements                   | 33,263,214            | 8,159,425    | 4,047,053   | 37,375,586         |
| Equipment                                    | 3,847,843             | 1,547,530    | 114,130     | 5,281,243          |
| Vehicles                                     | 2,219,514             | 368,396      | 339,976     | 2,247,934          |
| Infrastructure                               | 686,454               | 229,306      | -           | 915,760            |
| Total Capital Assets being depreciated       | 40,017,025            | 10,304,657   | 4,501,159   | 45,820,523         |
| Less accumulated depreciation for:           |                       |              |             |                    |
| Buildings and improvements                   | (14,557,492)          | (1,151,943)  | (2,163,014) | (13,546,421)       |
| Equipment                                    | (2,189,663)           | (297,063)    | (108,262)   | (2,378,464)        |
| Vehicles                                     | (1,407,739)           | (322,999)    | (311,415)   | (1,419,324)        |
| Infrastructure                               | (125,759)             | (12,913)     | -           | (138,672)          |
| Total accumulated depreciation               | (18,280,653)          | (1,784,918)  | (2,582,691) | (17,482,881)       |
| Total capital assets being depreciated, net  | 21,736,372            | 8,519,739    | 1,918,468   | 28,337,642         |
| Governmental activities capital assets, net  | \$ 30,161,726         | \$10,722,940 | \$6,841,850 | \$34,042,816       |

Depreciation was charged to functions as follows:

|    |                                         |                     |
|----|-----------------------------------------|---------------------|
| 11 | Instruction                             | \$ 638,025          |
| 12 | Instruction Resources & Media Services  | 36,401              |
| 13 | Curriculum & Staff Development          | 7,764               |
| 31 | Guidance and Counseling                 | 1,137               |
| 33 | Health Services                         | 2,274               |
| 34 | Student Transportation                  | 234,216             |
| 35 | Food Services                           | 17,023              |
| 36 | Cocurricular/Extracurricular Activities | 612,543             |
| 41 | General Administration                  | 37,598              |
| 51 | Plant Maintenance and Operations        | 170,286             |
| 52 | Security and Monitoring Services        | 27,651              |
|    |                                         | <u>\$ 1,784,918</u> |

**CHISUM INDEPENDENT SCHOOL DISTRICT****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2019****E. Interfund Balances and Activities****1. Due to and From Other Funds**

Balances due to and due from at August 31, 2019, consisted of the following:

| <u>Due To Fund</u> | <u>Due From Fund</u> | <u>Amount</u> | <u>Purpose</u>                            |
|--------------------|----------------------|---------------|-------------------------------------------|
| General            | Textbook             | \$ 125,390    | Negative fund cash in pooled cash account |

**2. Transfer To and From Other Funds**

Transfers to and from other funds at August 31, 2019, consisted of the following:

| <u>Transfers From – Fund</u> | <u>Transfer To – Fund</u> | <u>Amount</u>     | <u>Purpose</u> |
|------------------------------|---------------------------|-------------------|----------------|
| General Fund                 | Interest & Sinking        | \$ 279,107        | Bond Payments  |
| General Fund                 | Breakfast & Lunch         | 22,606            | Expenditures   |
|                              |                           | <u>\$ 301,713</u> |                |

**F. Short-Term Debt Activity**

The District accounts for short-term debts for maintenance purposes through the General Fund. The proceeds from loans are shown in the financial statements as Other Resources. The District had no short-term loans.

**G. Long-Term Obligations**

The District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, 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 the District.

**1. Long-Term Obligation Activity**

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2019, are as follows:

|                           | <u>Beginning</u> | <u>Int.</u>       | <u>Decreases/</u> | <u>Ending</u>  | <u>Amounts</u>  |
|---------------------------|------------------|-------------------|-------------------|----------------|-----------------|
|                           | <u>Balance</u>   | <u>Accretion/</u> | <u>Refunded</u>   | <u>Balance</u> | <u>Due</u>      |
|                           |                  | <u>Increases</u>  |                   |                | <u>Within</u>   |
|                           |                  |                   |                   |                | <u>One Year</u> |
| Governmental Activities:  |                  |                   |                   |                |                 |
| Chisum Unlimited Tax      |                  |                   |                   |                |                 |
| School & Refunding Bonds, |                  |                   |                   |                |                 |
| Series 2016:              |                  |                   |                   |                |                 |
| Current Interest Bonds    | \$28,505,000     | \$ --             | \$ 760,000        | \$27,745,000   | \$795,000       |
| Roxton Unlimited Tax      |                  |                   |                   |                |                 |
| School &                  |                  |                   |                   |                |                 |
| Refunding Bonds, Series   |                  |                   |                   |                |                 |
| 2012:                     |                  |                   |                   |                |                 |
| Current Interest Bonds    | 148,000          | --                | 73,000            | 75,000         | 75,000          |
| Maintenance & Tax Notes,  |                  |                   |                   |                |                 |
| 2016                      |                  |                   |                   |                |                 |
|                           | 816,027          | --                | 92,126            | 723,901        | 94,789          |

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

|                               |                      |                     |                    |                      |                   |
|-------------------------------|----------------------|---------------------|--------------------|----------------------|-------------------|
| Roxton Capital Leases Payable | 99,535               | --                  | 14,249             | 85,286               | 15,071            |
| Roxton Loans – Southside Bank | 43,395               | --                  | 5,829              | 37,566               | 6,001             |
| Total General Obligations     | <u>\$ 29,611,957</u> | <u>\$ --</u>        | <u>\$ 945,204</u>  | <u>\$ 28,666,753</u> | <u>\$ 985,861</u> |
| Premium on Bonds              |                      |                     |                    |                      |                   |
| Chisum Series 2016            | 3,277,143            | \$ --               | 145,651            | 3,131,492            |                   |
| Roxton Series 2012            | 4,369                | --                  | 2,914              | 1,455                |                   |
| Subtotal                      | <u>\$ 32,893,469</u> | <u>\$ --</u>        | <u>\$1,093,769</u> | <u>\$ 31,799,700</u> |                   |
| Net Pension Liability         | 1,215,008            | 1,589,397           | 130,161            | 2,674,244            |                   |
| Net OPEB Liability            | 2,522,013            | 1,328,084           | 42,402             | 3,807,695            |                   |
| Subtotal                      | <u>\$ 3,737,021</u>  | <u>\$ 2,917,481</u> | <u>\$ 172,563</u>  | <u>\$6,481,939</u>   |                   |
| Total Governmental Activities | <u>\$36,630,490</u>  | <u>\$ 2,917,481</u> | <u>\$1,266,332</u> | <u>\$ 38,281,639</u> |                   |

2. Debt Services Requirements

Bonds

The District has issued various series of general obligation bonds to fund facility construction and improvements. Bonds mature at various times with varying rates of interest. The bonds issued require the District to levy an ad valorem tax annually to retire the current maturities.

Debt Service requirements on long- term debt at August 31, 2019, are as follows:

Chisum Unlimited Tax School Building & Refunding Bonds, Series 2016

| Year Ending August 31, | Principal | Interest  | Total     |
|------------------------|-----------|-----------|-----------|
| 2020                   | 795,000   | 1,096,300 | 1,891,300 |
| 2021                   | 820,000   | 1,064,500 | 1,884,500 |
| 2022                   | 860,000   | 1,031,700 | 1,891,700 |
| 2023                   | 890,000   | 997,300   | 1,887,300 |
| 2024                   | 930,000   | 952,800   | 1,882,800 |
| 2025                   | 975,000   | 906,300   | 1,881,300 |
| 2026                   | 1,025,000 | 857,550   | 1,882,550 |
| 2027                   | 1,075,000 | 806,300   | 1,881,300 |
| 2028                   | 1,130,000 | 752,550   | 1,882,550 |
| 2029                   | 1,175,000 | 707,350   | 1,882,350 |
| 2030                   | 1,235,000 | 648,600   | 1,883,600 |
| 2031                   | 1,270,000 | 611,550   | 1,881,550 |
| 2032                   | 1,310,000 | 573,450   | 1,883,450 |
| 2033                   | 1,350,000 | 534,150   | 1,884,150 |
| 2034                   | 1,400,000 | 480,150   | 1,880,150 |
| 2035                   | 1,460,000 | 424,150   | 1,884,150 |
| 2036                   | 1,515,000 | 365,750   | 1,880,750 |
| 2037                   | 1,580,000 | 305,150   | 1,885,150 |
| 2038                   | 1,640,000 | 241,950   | 1,881,950 |
| 2039                   | 1,705,000 | 176,350   | 1,881,350 |

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

|        |               |               |               |
|--------|---------------|---------------|---------------|
| 2040   | 1,775,000     | 108,150       | 1,883,150     |
| 2041   | 1,830,000     | 54,900        | 1,884,900     |
| Totals | \$ 27,745,000 | \$ 13,696,950 | \$ 41,441,950 |

Interest rate on series 2016 is 3 % to 5%. TEC Code 45.004

Roxton Unlimited Tax School Building & Refunding Bonds, Series 2016

| Year Ending August 31, | Principal | Interest | Total     |
|------------------------|-----------|----------|-----------|
| 2020                   | \$ 75,000 | \$ 900   | \$ 75,900 |
| Totals                 | \$ 75,000 | \$ 900   | \$ 75,900 |

Interest Rate on series 2016 is 3.378% TEC Code 45.108

Chisum Maintenance Tax Note, Series 2016

| Year Ending August 31, | Principal  | Interest  | Total      |
|------------------------|------------|-----------|------------|
| 2020                   | \$ 94,789  | \$ 20,921 | \$ 115,710 |
| 2021                   | 97,528     | 18,181    | 115,709    |
| 2022                   | 100,347    | 15,363    | 115,710    |
| 2023                   | 103,247    | 12,463    | 115,710    |
| 2024                   | 106,230    | 9,479     | 115,709    |
| 2025                   | 109,300    | 6,409     | 115,709    |
| 2026                   | 112,460    | 3,250     | 115,709    |
| Totals                 | \$ 723,901 | \$ 86,066 | \$ 809,966 |

Interest rate on Series 2016 is 2.89%. TEC Code 45.108

There are a number of limitations and restrictions contained in the general obligation bond indentures. The District appears to be in compliance with all significant limitations and restrictions as of year-end.

Capital Leases

The recorded lease meets the criteria of a capital lease as defined by the Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lease. Commitments under capitalized lease agreement for equipment provide for minimum future lease payments as of year-end, as follows:

The following schedule lists property leases:

| Energy Management System<br>Year Ending August 31, | Total Requirements |
|----------------------------------------------------|--------------------|
| 2020                                               | \$ 19,947          |
| 2021                                               | 19,947             |
| 2022                                               | 19,947             |
| 2023                                               | 19,947             |
| 2024                                               | 19,947             |
| Total Minimum Lease Payment                        | \$ 99,735          |
| Less Amount Representing Interest                  | (14,449)           |
| Present Value of Net Minimum Lease<br>Payments     | \$ 85,286          |

# CHISUM INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2019

Interest on capital lease is 5.70%.  
Texas Local Government Code Sec. 271.

### Loans

The District issued a capital equipment loan in 2015. The loan was used to purchase football field lights and scoreboard. The term requires ten annual payments beginning April 2016. The loan was authorized under Texas Education Code, Section 45.103 and interest rate is 2.95%.

Maturity requirements on loans at year end are as follows:

| Year Ending August 31 | Loans     | Interest | Total Requirements |
|-----------------------|-----------|----------|--------------------|
| 2020                  | \$ 6,001  | \$ 1,144 | \$ 7,145           |
| 2021                  | 6,178     | 967      | 7,145              |
| 2022                  | 6,360     | 785      | 7,145              |
| 2023                  | 6,548     | 597      | 7,145              |
| 2024-2025             | 12,479    | 606      | 13,085             |
| Totals                | \$ 37,566 | \$ 4,099 | \$ 41,665          |

Interest rate on loan is 2.95%. TEC Code 45.103.

### H. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2019, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

### I. Pension Plan

#### 1. Plan Description

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

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

#### 2. Pension Plan Fiduciary Net Position

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

## CHISUM INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2019

#### 3. 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 (1.) above.

#### 4. Contributions

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83<sup>rd</sup> Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016, 2017, 2018 and 2019.

#### Contributions and Rates

|                                                     | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> |
|-----------------------------------------------------|-------------|-------------|-------------|-------------|
| Member                                              | 7.20%       | 7.70%       | 7.70%       | 7.70%       |
| Non-Employer Contributing<br>Entity (NECE -- State) | 6.80%       | 6.80%       | 6.80%       | 6.80%       |
| Employers                                           | 6.80%       | 6.80%       | 6.80%       | 6.80%       |
| District Employer Contributions                     | \$ 120,757  | \$ 124,539  | \$ 130,161  | \$ 171,936  |
| District Member Contributions                       | \$ 365,154  | \$ 392,680  | \$ 401,562  | \$ 523,089  |
| NECE On-Behalf Contributions<br>to District         | \$ 279,823  | \$ 296,162  | \$ 289,665  | \$ 354,468  |

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

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

## CHISUM INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2019

Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

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

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

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

#### 5. Actuarial Assumptions

The total pension liability is determined by an annual actuarial valuation. The actuarial methods and assumptions have been selected by the Board of Trustees based upon analysis and recommendations by the System's actuary. The Board of Trustees has sole authority to determine the actuarial assumptions used for the plan. The actuarial methods and assumptions are primarily based on a study of actual experience for the four-year period ending August 31, 2014 and were adopted in September 2015.

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

|                                              |                             |
|----------------------------------------------|-----------------------------|
| Valuation Date                               | August 31, 2018             |
| Actuarial Cost Method                        | Individual Entry Age Normal |
| Asset Valuation Method                       | Market Value                |
| Single Discount Rate                         | 6.907%                      |
| Long-term Expected Investment Rate of Return | 7.25%                       |
| Inflation                                    | 2.30%                       |
| Salary Increases Including Inflation         | 3.05% to 9.05%              |
| Payroll Growth Rate                          | 3.00%                       |
| Benefit Changes During the Year              | None                        |
| Ad Hoc Post-Employment Benefit Changes       | None                        |

# CHISUM INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2019

### 6. Discount Rate

The discount rate used to measure the total pension liability was 6.907%. The single discount rate was based on the expected rate of return on the pension plan investments of 7.25 percent and a municipal bond rate of 3.69 percent. 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 sufficient to finance the benefit payments until year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal 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 arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2018 are summarized below:

#### Teacher Retirement System of Texas Asset Allocation and Long-Term Expected Real Rate of Return As of August 31, 2018

| Asset Class                   | Target<br>Allocation * | Long-Term<br>Expected<br>Geometric<br>Real Rate of<br>Return | Expected<br>Contribution<br>To Long-Term<br>Portfolio<br>Returns ** |
|-------------------------------|------------------------|--------------------------------------------------------------|---------------------------------------------------------------------|
| Global Equity                 |                        |                                                              |                                                                     |
| U.S.                          | 18.00%                 | 5.70%                                                        | 1.00%                                                               |
| Non-U.S. Developed            | 13.00%                 | 6.90%                                                        | 0.90%                                                               |
| Emerging Markets              | 9.00%                  | 8.90%                                                        | 0.80%                                                               |
| Directional Hedge Funds       | 4.00%                  | 3.50%                                                        | 0.10%                                                               |
| Private Equity                | 13.00%                 | 10.20%                                                       | 1.30%                                                               |
| Stable Value                  |                        |                                                              |                                                                     |
| U.S. Treasuries               | 11.00%                 | 1.10%                                                        | 0.10%                                                               |
| Absolute Return               | 0.00%                  | 0.00%                                                        | 0.00%                                                               |
| Stable Value Hedge Funds      | 4.00%                  | 3.10%                                                        | 0.10%                                                               |
| Cash                          | 1.00%                  | (0.30%)                                                      | 0.00%                                                               |
| Real Return                   |                        |                                                              |                                                                     |
| Global Inflation Linked Bonds | 3.00%                  | 70.00%                                                       | 0.00%                                                               |
| Real Assets                   | 14.00%                 | 5.20%                                                        | 0.70%                                                               |
| Energy & Natural Resources    | 5.00%                  | 7.50%                                                        | 0.40%                                                               |
| Commodities                   | 0.00%                  | 0.00%                                                        | 0.00%                                                               |
| Risk Parity                   |                        |                                                              |                                                                     |
| Risk Parity                   | 5.00%                  | 3.70%                                                        | 20.00%                                                              |
| Inflation Expectation         |                        |                                                              | 2.30%                                                               |
| Alpha                         |                        |                                                              | (0.80%)                                                             |
| Total                         | 100%                   |                                                              | 7.20%                                                               |

### 7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (6.907%) in measuring the Net Pension Liability.

# CHISUM INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2019

|                                                                | 1%<br>Decrease in<br>Discount<br>Rate<br>5.907% | Discount<br>Rate<br>6.907% | 1%<br>Increase in<br>Discount<br>Rate<br>7.907% |
|----------------------------------------------------------------|-------------------------------------------------|----------------------------|-------------------------------------------------|
| District's Proportionate Share<br>of the Net Pension Liability | \$ 4,036,075                                    | \$ 2,674,244               | \$ 1,571,760                                    |

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

At August 31, 2019, the District reported a liability of \$2,674,244 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

|                                                                        |              |
|------------------------------------------------------------------------|--------------|
| District's Proportionate Share of the Collective Net Pension Liability | \$ 2,674,244 |
| State's Proportionate Share that is Associated with District           | \$ 5,795,308 |
| Total                                                                  | \$ 8,469,552 |

The net pension liability was measured as of August 31, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2017 through August 31, 2018.

At August 31, 2018 the employer's proportion of the collective net pension liability was 0.0048110998 %, which was a decrease of -0.0001095587% from its proportion measured as of August 31, 2017.

### Changes Since the Prior Actuarial Valuation -

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

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

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

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

For the year ended August 31, 2019, the District recognized pension expense of \$893,923 and revenue of \$515,138 for support provided by the State.

At August 31, 2019 the District reported its proportionate share of the TRS' deferred outflows of resources and deferred inflows of resources related to pensions from the following sources: (The amounts below will be the cumulative layers from the current and prior years combines.)

|                                                                                                                              | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|-------------------------------------|
| Differences Between Expected and Actual<br>Economic Experience                                                               | \$ 16,669                            | \$ 65,615                           |
| Changes in Actuarial Assumptions                                                                                             | 964,194                              | 30,131                              |
| Difference Between Projected and Actual<br>Investment Earnings                                                               | --                                   | 50,742                              |
| Changes in Proportion and Difference Between<br>The District's Contributions and the<br>Proportionate Share of Contributions | <u>337,934</u>                       | <u>648</u>                          |
| Total as of August 31, 2018 Measurement Date                                                                                 | \$ 1,318,797                         | \$ 147,136                          |
| Contributions Paid to TRS Subsequent to the<br>Measurement Date                                                              | <u>167,106</u>                       | <u>--</u>                           |
| Total                                                                                                                        | \$ <u>1,485,903</u>                  | \$ <u>147,136</u>                   |

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

| Year Ended August 31 |    | Pension Expense Amount |
|----------------------|----|------------------------|
| 2020                 | \$ | 320,120                |
| 2021                 | \$ | 213,340                |
| 2022                 | \$ | 181,205                |
| 2023                 | \$ | 180,946                |
| 2024                 | \$ | 166,604                |
| Thereafter           | \$ | 109,446                |

**J. Defined Other Post-Employment Benefit Plans**

**1. Plan Description**

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

## CHISUM INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2019

in accordance with the Texas Insurance Code, Chapter 1575.

#### 2. OPEB Plan Fiduciary Net Position

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

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

| Net OPEB Liability                                      | Total                    |
|---------------------------------------------------------|--------------------------|
| Total OPEB Liability                                    | \$ 50,729,490,103        |
| Less: Plan Fiduciary Net Position                       | <u>798,574,633</u>       |
| Net OPEB Liability                                      | \$ <u>49,930,915,470</u> |
| Net Position as a Percentage of Total<br>OPEB Liability | <u>1.57%</u>             |

#### 3. Benefits Provided

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

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

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

| Monthly TRS-Care Plan Premium Rates<br>January 1, 2018 through December 31, 2018 |          |       |              |
|----------------------------------------------------------------------------------|----------|-------|--------------|
|                                                                                  | Medicare |       | Non-Medicare |
| Retiree *                                                                        | \$       | 135   | \$ 200       |
| Retiree and Spouse                                                               | \$       | 529   | \$ 689       |
| Retiree* and Children                                                            | \$       | 468   | \$ 408       |
| Retiree and Family                                                               | \$       | 1,020 | \$ 999       |
| * or Surviving Spouse                                                            |          |       |              |

#### 4. Contributions

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

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 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public school. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

**Contribution Rates**

|                                                    | 2019      | 2018  | 2017  | 2016  |
|----------------------------------------------------|-----------|-------|-------|-------|
| Active Employee                                    | 0.65%     | 0.65% | 0.65% | 0.65% |
| Non-Employer Contributing Entity<br>(NECE) - State | 1.25%     | 1.25% | 1.00% | 1.00% |
| Employers                                          | 0.75%     | 0.75% | 0.55% | 0.55% |
| Federal/Private Funding Remitted                   | 1.25%     | 1.25% | 1.00% | 1.00% |
| By Employers                                       | 1.25%     | 1.25% | 1.00% | 1.00% |
| Current Fiscal year District Contributions         | \$ 55,678 |       |       |       |
| Current Fiscal year Member Contributions           | \$ 44,155 |       |       |       |
| 2018 Measurement year NECE Contributions           | \$ 76,897 |       |       |       |

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to, regardless of whether they participate in the TRS-Care OPEB program. When employers hire a TRS retiree, they are required to pay to TRS-Care a monthly surcharge of \$535 per retiree if enrolled in TRS-Care.

TRS-Care received supplemental appropriations from the State of Texas as the NECE in the amount of \$15.6 million in fiscal year 2017 and \$182.6 million in fiscal year 2019. The 85th Texas Legislature, 1st Called Special Session, House Bill 30 provided an additional \$212 million in supplemental funding for the fiscal year 2018-19 biennium to continue to support the program. This was also received in FY2018 bringing the total appropriations received in fiscal year 2018 to \$394.6 million.

**Medicare Part D Subsidies**

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2019, 2018, and 2017, the subsidy payments received by TRS-Care on behalf of the District were \$25,059, \$15,957, \$16,245 respectively.

# CHISUM INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2019

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

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

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

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2017 TRS pension actuarial valuation that was rolled forward to August 31, 2018.

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

### Additional Actuarial Methods and Assumptions:

|                                        |                                                                                                                                    |
|----------------------------------------|------------------------------------------------------------------------------------------------------------------------------------|
| Valuation Date                         | August 31, 2017 rolled to August 31, 2018                                                                                          |
| Actuarial Cost Method                  | Individual Entry Age Normal                                                                                                        |
| Inflation                              | 2.30%                                                                                                                              |
| Discount Rate *                        | 3.69% *                                                                                                                            |
| Aging Factors                          | Based on plan specific experience                                                                                                  |
| Expenses                               | Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs. |
| Payroll Growth Rate                    | 3.0%                                                                                                                               |
| Projected Salary Increases **          | 3.05% to 9.05% **                                                                                                                  |
| Healthcare Trend Rates ***             | 8.50% ***                                                                                                                          |
| Election Rates                         | Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65                                            |
| Ad Hoc Post-Employment Benefit Changes | None                                                                                                                               |

\*Source: Fixed income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of August 31, 2017.

\*\*Includes inflation at 2.30%

\*\*\*Initial medical trend rates of 107.74% and 9.00% for Medicare retirees and initial medical trend rate of 6.75% for non-Medicare retirees. Initial prescription drug trend rate of 11.00% for all retirees. The first-year medical trend for Medicare retirees (107.74%) reflects the anticipated return of the Health Insurer Fee (HIF) in 2020. Initial trend rates decrease to an ultimate trend rate of 4.50% over a period of 9 years

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

6. Discount Rate

A single discount rate of 3.69% was used to measure the total OPEB liability. There was a change of 0.27% in the discount rate since the previous year. Because the plan is essentially a "pay-as-

# CHISUM INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2019

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 contributions entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected not to be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

### 7. Discount Rate Sensitivity Analysis

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

|                                                         | 1% Decrease In<br>Discount Rate<br>(2.69%) | Current Single<br>Discount Rate<br>(3.69%) | 1% Increase In<br>Discount Rate<br>(4.69%) |
|---------------------------------------------------------|--------------------------------------------|--------------------------------------------|--------------------------------------------|
| District's Proportionate Share of<br>Net OPEB Liability | \$ 4,532,465                               | \$ 3,807,695                               | \$ 3,234,355                               |

### 8. Healthcare Cost Trend Rates Sensitivity Analysis

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

|                                                         | 1% Decrease  | Current<br>Healthcare Cost<br>Trend Rate<br>(8.5%) | 1% Increase  |
|---------------------------------------------------------|--------------|----------------------------------------------------|--------------|
| District's Proportionate Share of<br>Net OPEB Liability | \$ 3,162,353 | \$ 3,807,695                                       | \$ 4,657,626 |

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

At August 31, 2019, the District reported a liability of \$3,807,695 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

|                                                                        |                     |
|------------------------------------------------------------------------|---------------------|
| District's Proportionate Share of the<br>Collective Net OPEB Liability | \$ 3,807,695        |
| State's Proportionate Share that is<br>Associated with the District    | <u>\$ 5,573,638</u> |
| Total                                                                  | <u>\$ 9,381,333</u> |

## CHISUM INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2019

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

At August 31, 2018 the District's proportion of the collective net OPEB liability was .0076259043% which was an increase of .0004389839% from its proportion measured as of August 31, 2017.

#### 10. Changes Since the Prior Actuarial Valuation

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

- a. Significant plan changes were adopted during the fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will exist (instead of three), and all retirees will be required to contribute monthly premiums for coverage. The health plan changes triggered changes to several of the assumptions, including participation rates, retirement rates, and spousal participation rates.
- b. The August 31, 2016 valuation had assumed that the savings related to the Medicare Part D reimbursements would phase out by 2022. This assumption was removed for the August 31, 2017 valuation. Although there is uncertainty regarding these federal subsidies, the new assumption better reflects the current substantive plan. This change was unrelated to the plan amendment and its impact was included as an assumption change in the reconciliation of the OPEB liability. This change significantly lowered the OPEB liability.
- c. The discount rate changed from 3.42% as of August 31, 2017 to 3.69% as of August 31, 2018. This change lowered the TOL.

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

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

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

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

There were not changes of benefit terms that affected measurement of the total OPEB liability during the measurement period.

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

For the year ended August 31, 2019, the District recognized OPEB expense of \$328,025 and revenue of \$202,736 for support by the states.

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

|                                                                                                                              | Deferred<br>Outflow<br>Of Resources | Deferred<br>Inflow<br>Of Resources |
|------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|------------------------------------|
| Differences Between Expected and Actual<br>Economic Experience                                                               | \$ 202,060                          | \$ 60,091                          |
| Changes in Actuarial Assumptions                                                                                             | 63,540                              | 1,143,994                          |
| Differences between Projected and Actual<br>Investment Earnings                                                              | 666                                 | --                                 |
| Changes in Proportion and Difference<br>Between the District's Contributions<br>And the Proportionate Share of Contributions | 240,653                             | --                                 |
| Total as of August 31, 2018 Measurement Date                                                                                 | \$ 506,919                          | \$ 1,204,085                       |
| Contributions Paid to TRS Subsequent to the<br>Measurement Date                                                              | 54,078                              | --                                 |
| Total                                                                                                                        | \$ 560,997                          | \$ 1,204,085                       |

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

| Year Ended June 30 | Pension Expense Amount |
|--------------------|------------------------|
| 2020               | \$ (119,924)           |
| 2021               | \$ (119,924)           |
| 2022               | \$ (119,924)           |
| 2023               | \$ (120,050)           |
| 2024               | \$ (120,124)           |
| Thereafter         | \$ (97,220)            |

**K. Employee Health Care Coverage**

Texas House Bill 3343 created a statewide program for public school employee group health coverage beginning September 1, 2002. The Active Care Plan "the Plan" was authorized by Article 3.50-7 of the Texas Insurance Code and is administered by the Teacher Retirement System of Texas (TRS). Both the TRS and the Texas Education Agency (TEA) have roles in funding the program. The TRS Active Care Plan is a self-funding pool at TRS, but the participating districts are fully insured. The District contributed a maximum of \$367 per month per eligible employee to the Plan. Employees, at their option, authorized payroll withholdings to pay contributions for dependents. All contributions were paid to the administrator of the Plan. The contract between the District and the Plan is renewable September 1, 2019, and the annual financial statements have been filed with the Texas State Board of Insurance.

# CHISUM INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2019

### L. Commitments and Contingencies

#### 1. Contingencies

The District participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

Under Texas Education Code 42.2531 Roxton Independent School District qualified for a property value adjustment related to a major taxpayer filing a valuation dispute. This property value adjustment resulted in Roxton ISD receiving additional state funding in the 2018 – 2019 school year. Roxton ISD received a supplemental payment of \$243,818 from TEA to offset the temporary taxes not paid by the taxpayer. If the taxpayer loses the dispute or if there is some compromise in value the resolution of the dispute may result in Chisum ISD owing TEA a repayment in the future. The amount of the potential refund is not known at this time.

#### 2. Litigation

No reportable litigation was pending against the District at August 31, 2019.

### O. Shared Services Arrangements

#### Shared Services Arrangement – Membership

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

Member Districts: North Lamar ISD, Prairiland ISD, Roxton ISD and Chisum ISD

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

The District participates in a shared services arrangement ("SSA") for a federal program with the following fiscal agents.

| Program                  | Fiscal Agent                                                      | Funds             |
|--------------------------|-------------------------------------------------------------------|-------------------|
| IDEA-B Formula Model 2   | North Lamar ISD for Lamar County Cooperative                      | \$ 213,828        |
| IDEA-B Preschool Model 2 | North Lamar ISD for Lamar County Cooperative                      | \$ 4,934          |
| Carl Perkins             | Region VIII Education Service Center for Lamar County Cooperative | \$ 18,088         |
| Title III Part A         | Region VIII Education Service Center for Lamar County Cooperative | \$ 4,939          |
| Total                    |                                                                   | <u>\$ 241,789</u> |

## CHISUM INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2019

Model 2 as prescribed by Texas Education Agency Financial Resource Guide is used to account for this shared service arrangement. In Model 2 the fiscal agent receives the monies from the granting agency and administers the program. The Fiscal agent manages the shared services arrangement's financial matters, including budgeting, accounting, auditing and reporting. Certain management decisions may be made by an executive board or committee of participating members.

Local Special Education Shared Service Arrangement:

Using Model 3 whereby the member districts agree to combine resources to provide certain services, the District participates in the following shared service arrangements with North Lamar ISD as the fiscal agent for the Lamar County Special Education Cooperative. Each member district contributes their local funds for each program to the cooperative. Chisum ISD's contributions for the year ended August 31, 2019 is reported below:

| Program                          | Fiscal Agent                                 | District Contributions |
|----------------------------------|----------------------------------------------|------------------------|
| Special Education                | North Lamar ISD for Lamar County Cooperative | \$ 447,914             |
| Regional Day School for Deaf Ed. | North Lamar ISD                              | 31,357                 |

#### M. Subsequent Events

Management has evaluated subsequent events through December 17, 2019, the date the financials were available for release and have the following disclosures:

- The District is in a lawsuit concerning a dispute over the quality of work by a contractor on the artificial turf for the sports fields. The District is requesting the fields turf to be replaced, no monetary value requested in the suit. The District is withholding the final payment to the contractor.

#### N. Accounting Standards Applicable to Subsequent Year

The Governmental Accounting Standards Board (GASB) has issued several new accounting standards. Each standard has a separate effective date. The new standards and related effective dates are listed below:

- Statement No. 84-Fiduciary Activities  
effective for reporting periods beginning after December 15, 2018
- Statement No. 87-Leases  
effective for reporting periods beginning after December 15, 2019

GASB Statements No. 84, and 87 when effective are expected to affect the District. The effect has not been calculated. While early implementation is sometimes allowed, the District does not plan to early implement.

#### O. Special Item Out

Roxton Independent School District and Chisum Independent School District consolidation occurred on July 1, 2019. The consolidation agreement specified what entities would take possession of the capital assets belonging to Roxton ISD which Chisum ISD did not wish to keep. All assets not kept by Chisum ISD were transferred to other entities as directed in the Consolidation Agreement which resulted in a net loss on disposal of capital assets of \$1,815,342.

## CHISUM INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2019

P. Federal Program Revenues

At year end, August 31, 2019, Chisum Independent School District had \$819,606 in total federal funds. On July 1, 2019 Roxton Independent School District consolidated with Chisum Independent School District. The total federal expenditures of either district during the fiscal year did not reach the \$750,000 threshold. Chisum ISD expended \$646,796 in federal funds and Roxton ISD expended \$172,810 in federal funds. Both schools were under threshold individually and therefore a single audit is not required for fiscal year 2019.

Q. Consolidation of Roxton Independent School District with Chisum Independent School District

Chisum Independent School District and Roxton Independent School District elected to consolidate into a single school district effective July 1, 2019. The voters of each District voted for the consolidation in an election held by each entity on May 4, 2019. The consolidation occurred because the two districts believed that it was in the best educational and economic interests of the students. The accounting treatment of the consolidation follows GASB 69 Government Combinations and Disposal of Operations to account for the merger of Chisum ISD and Roxton ISD. The initial consolidated balances of Chisum Independent School District's assets, deferred outflow of resources, liabilities, deferred inflow of resources and net position as of the beginning of the period, were determined on the basis of the carrying values reported in separate financial statements of Chisum Independent School District and the Roxton Independent School District as of September 1, 2018. The consolidation is a merger of two school districts and the operations of the two Districts' are merged into the operations of the Chisum Independent District for the year ended August 31, 2019. The September 1, 2018 consolidated balances of the Chisum Independent School District and Roxton Independent School District are presented on the following pages.

**CHISUM INDEPENDENT SCHOOL DISTRICT**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2019

**Governmental Fund Types**

|                                                                             | <b>Chisum ISD</b> | <b>Roxton ISD</b> | <b>As<br/>Consolidated</b> |
|-----------------------------------------------------------------------------|-------------------|-------------------|----------------------------|
| <b>ASSETS:</b>                                                              |                   |                   |                            |
| Cash and Cash Equivalents                                                   | 15,853,592        | 267,029           | 16,120,621                 |
| Taxes Receivable, net                                                       | 278,562           | 112,476           | 391,038                    |
| Due from Other Governments                                                  | 178,067           | 68,012            | 246,079                    |
| Due from Other Funds                                                        | 5,109             | -                 | 5,109                      |
| Other Receivables                                                           | 11,909            | 6,525             | 18,434                     |
| Inventories                                                                 | 4,015             | -                 | 4,015                      |
| <b>Total Assets</b>                                                         | <b>16,331,254</b> | <b>454,042</b>    | <b>16,785,296</b>          |
| <b>LIABILITIES:</b>                                                         |                   |                   |                            |
| Current Liabilities:                                                        |                   |                   |                            |
| Accounts Payable                                                            | 1,431,557         | 17,989            | 1,449,546                  |
| Accrued Wages Payable                                                       | 331,752           | 67,014            | 398,766                    |
| Due to Other Funds                                                          | 5,109             | -                 | 5,109                      |
| Accrued Expenditures                                                        | 33,667            | 1,621             | 35,288                     |
| Unearned Revenues                                                           | -                 | 1,994             | 1,994                      |
| <b>Total Liabilities</b>                                                    | <b>1,802,085</b>  | <b>88,618</b>     | <b>1,890,703</b>           |
| <b>DEFERRED INFLOWS OF RESOURCES:</b>                                       |                   |                   |                            |
| Deferred Revenue                                                            | 278,561           | 112,476           | 391,037                    |
| <b>Total Deferred Inflows of Resources</b>                                  | <b>278,561</b>    | <b>112,476</b>    | <b>391,037</b>             |
| <b>FUND BALANCES:</b>                                                       |                   |                   |                            |
| Nonspendable Fund Balances:                                                 |                   |                   |                            |
| Inventories                                                                 | 4,015             | -                 | 4,015                      |
| Restricted Fund Balances                                                    |                   |                   |                            |
| Federal/State Funds Grant Restrictions                                      | -                 | 5,592             | 5,592                      |
| Retirement of Long-Term Debt                                                | 158,705           | 26,580            | 185,285                    |
| Other Restrictions of Fund Balance                                          | -                 | 1,642             | 1,642                      |
| Committed Fund Balance                                                      |                   |                   |                            |
| Construction                                                                | 1,089,170         | -                 | 1,089,170                  |
| Capital Expenditure for Equipment                                           | -                 | 152,000           | 152,000                    |
| Other Committed Fund Balance                                                | 84,038            | -                 | 84,038                     |
| Unassigned                                                                  | 12,914,680        | 67,134            | 12,981,814                 |
| <b>Total Fund Balance</b>                                                   | <b>14,250,608</b> | <b>252,948</b>    | <b>14,503,556</b>          |
| <b>Total Liabilities, Deferred Inflow<br/>of Resources and Fund Balance</b> | <b>16,331,254</b> | <b>454,042</b>    | <b>16,785,296</b>          |

# CHISUM INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2019

## Governmental Activities

|                                             | Chisum ISD        | Roxton ISD       | As Consolidated   |
|---------------------------------------------|-------------------|------------------|-------------------|
| <b>ASSETS:</b>                              |                   |                  |                   |
| Cash and Cash Equivalents                   | 15,853,593        | 267,026          | 16,120,619        |
| Property Taxes Receivable (Net)             | 278,562           | 112,476          | 391,038           |
| Due from Other Governments                  | 178,067           | 68,012           | 246,079           |
| Other Receivables (Net)                     | 11,909            | 6,525            | 18,434            |
| Inventories                                 | 4,015             | -                | 4,015             |
| Capital Assets:                             | -                 | -                | -                 |
| Land                                        | 487,301           | 63,818           | 551,119           |
| Buildings and Improvements, Net             | 16,742,868        | 1,962,855        | 18,705,723        |
| Furniture and Equipment, Net                | 2,426,393         | 43,562           | 2,469,955         |
| Construction in Progress                    | 7,874,235         | -                | 7,874,235         |
| Infrastructure, Net                         | 560,695           | -                | 560,695           |
| <b>Total Assets</b>                         | <b>44,417,638</b> | <b>2,524,274</b> | <b>46,941,912</b> |
| <b>DEFERRED OUTFLOWS OF RESOURCES:</b>      |                   |                  |                   |
| Unrealized Loss on Defeasance of Bonds      | 117,888           | -                | 117,888           |
| Deferred Outflow Related to Pensions        | 526,364           | 135,986          | 662,350           |
| Deferred Outflow Related to OPEB            | 42,795            | 10,298           | 53,093            |
| <b>Total Deferred Outflows of Resources</b> | <b>687,047</b>    | <b>146,284</b>   | <b>833,331</b>    |
| <b>LIABILITIES:</b>                         |                   |                  |                   |
| Accounts Payable                            | 1,040,631         | 17,987           | 1,058,618         |
| Interest Payable                            | 24,456            | 5,596            | 30,052            |
| Accrued Liabilities                         | 756,345           | 68,635           | 824,980           |
| Unearned Revenue                            | -                 | 1,994            | 1,994             |
| Noncurrent Liabilities:                     |                   |                  |                   |
| Due Within One Year                         | 852,126           | 93,078           | 945,204           |
| Due in More Than One Year                   | 31,746,044        | 202,220          | 31,948,264        |
| Net Pension Liability                       | 1,215,008         | 303,452          | 1,518,460         |
| Net OPEB Liabilities                        | 2,522,013         | 603,319          | 3,125,332         |
| <b>Total Liabilities</b>                    | <b>38,156,623</b> | <b>1,296,281</b> | <b>39,452,904</b> |
| <b>DEFERRED INFLOWS OF RESOURCES:</b>       |                   |                  |                   |
| Deferred Inflow Related to Pensions         | 186,542           | 46,409           | 232,951           |
| Deferred Inflow Related to OPEB             | 1,054,963         | 252,370          | 1,307,333         |
| <b>Total Deferred Inflows of Resources</b>  | <b>1,241,505</b>  | <b>298,779</b>   | <b>1,540,284</b>  |
| <b>Net Position</b>                         |                   |                  |                   |
| Net Investment in Capital Assets            | 2,813,441         | 1,772,021        | 4,585,462         |
| Restricted For:                             |                   |                  |                   |
| Federal and State Programs                  | -                 | 4,840            | 4,840             |
| Debt Service                                | 213,893           | 34,597           | 248,490           |
| Other Purposes                              | -                 | 1,395            | 1,395             |
| Unrestricted                                | 2,679,223         | (737,356)        | 1,941,867         |
| <b>Total Net Position</b>                   | <b>5,706,557</b>  | <b>1,075,497</b> | <b>6,782,054</b>  |

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

The results of the merged operations of the Chisum Independent School District and Roxton Independent School District for the year ended August 31, 2019 are as follows:

|                                                                  | <b>Chisum ISD</b>  | <b>Roxton ISD</b> | <b>As Consolidated</b> |
|------------------------------------------------------------------|--------------------|-------------------|------------------------|
| <b>REVENUES:</b>                                                 |                    |                   |                        |
| <i>Local and Intermediate Sources</i>                            | 13,021,717         | 1,261,999         | 14,283,716             |
| <i>State Program Revenues</i>                                    | 1,252,430          | 660,086           | 1,912,516              |
| <i>Federal Program Revenues</i>                                  | 646,496            | 172,810           | 819,306                |
| <b>Total Revenues</b>                                            | <b>14,920,643</b>  | <b>2,094,895</b>  | <b>17,015,538</b>      |
| <b>EXPENDITURES:</b>                                             |                    |                   |                        |
| <b>Current</b>                                                   |                    |                   |                        |
| Instruction                                                      | 5,537,039          | 951,451           | 6,488,490              |
| Instructional Resources and Media Services                       | 90,193             | 16,264            | 106,457                |
| Curriculum and Staff Development                                 | 77,127             | 25,921            | 103,048                |
| Instructional Leadership                                         | -                  | 2,258             | 2,258                  |
| School Leadership                                                | 595,919            | 73,585            | 669,504                |
| Guidance, Counseling, and Evaluation Services                    | 166,832            | 2,773             | 169,605                |
| Social Work Services                                             | 1,900              | -                 | 1,900                  |
| Health Services                                                  | 67,630             | 17,252            | 84,882                 |
| Student Transportation                                           | 501,288            | 37,082            | 538,370                |
| Food Service                                                     | 478,158            | 116,794           | 594,952                |
| Cocurricular/Extracurricular Activities                          | 841,469            | 48,288            | 889,757                |
| General Administration                                           | 667,269            | 219,023           | 886,292                |
| Facilities Maintenance and Operations                            | 925,633            | 131,457           | 1,057,090              |
| Security and Monitoring                                          | 167,005            | 1,888             | 168,893                |
| Data Processing Services                                         | 108,984            | 2,660             | 111,644                |
| Community Services                                               | -                  | 309               | 309                    |
| Principal on Long-term Debt                                      | 852,389            | 93,078            | 945,467                |
| Interest on Long-term Debt                                       | 1,150,020          | 9,690             | 1,159,710              |
| Bond Issuance Costs and Fees                                     | 500                | 300               | 800                    |
| Capital Outlay                                                   | 7,255,752          | -                 | 7,255,752              |
| Contracted Instructional Services                                |                    |                   |                        |
| Between Public Schools                                           | 2,703,574          | -                 | 2,703,574              |
| Payments to Shared Service Arrangements                          | 427,089            | 97,983            | 525,072                |
| Other Intergovernmental Changes                                  | 193,557            | 15,725            | 209,282                |
| <b>Total Expenditures</b>                                        | <b>22,809,327</b>  | <b>1,863,781</b>  | <b>24,673,108</b>      |
| <b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b> | <b>(7,888,684)</b> | <b>231,114</b>    | <b>(7,657,570)</b>     |
| <b>Other Financing Sources and (Uses):</b>                       |                    |                   |                        |
| Transfers In                                                     | 285,604            | 16,109            | 301,713                |
| Transfers Out                                                    | (285,604)          | (16,109)          | (301,713)              |
| <b>Total Other Financing Sources and (Uses)</b>                  | <b>-</b>           | <b>-</b>          | <b>-</b>               |
| <b>Net Change in Fund Balances</b>                               | <b>(7,888,684)</b> | <b>231,114</b>    | <b>(7,657,570)</b>     |
| Fund Balances - Beginning                                        | 14,250,608         | 252,948           | 14,503,556             |
| Fund Balances - Ending                                           | <b>6,361,924</b>   | <b>484,062</b>    | <b>6,845,986</b>       |

## Required Supplementary Information

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

# CHISUM INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2019

EXHIBIT G-1

Page 1 of 2

| Data<br>Control<br>Codes                      |                                                   | 1                | 2             | 3             | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|-----------------------------------------------|---------------------------------------------------|------------------|---------------|---------------|---------------------------------------------------------|
|                                               |                                                   | Budgeted Amounts |               | Actual        |                                                         |
|                                               |                                                   | Original         | Final         |               |                                                         |
| <b>REVENUES:</b>                              |                                                   |                  |               |               |                                                         |
| 5700                                          | Local and Intermediate Sources                    | \$ 10,515,516    | \$ 10,920,825 | \$ 10,540,423 | \$ (380,402)                                            |
| 5800                                          | State Program Revenues                            | 1,137,259        | 1,138,259     | 1,111,997     | (26,262)                                                |
| 5020                                          | Total Revenues                                    | 11,652,775       | 12,059,084    | 11,652,420    | (406,664)                                               |
| <b>EXPENDITURES:</b>                          |                                                   |                  |               |               |                                                         |
| Current:                                      |                                                   |                  |               |               |                                                         |
| Instruction & Instructional Related Services: |                                                   |                  |               |               |                                                         |
| 0011                                          | Instruction                                       | 4,960,938        | 4,942,218     | 4,803,949     | 138,269                                                 |
| 0012                                          | Instructional Resources and Media Services        | 95,306           | 95,306        | 90,193        | 5,113                                                   |
| 0013                                          | Curriculum and Staff Development                  | 37,697           | 37,697        | 34,408        | 3,289                                                   |
|                                               | Total Instruction & Instr. Related Services       | 5,093,941        | 5,075,221     | 4,928,550     | 146,671                                                 |
| Instructional and School Leadership:          |                                                   |                  |               |               |                                                         |
| 0023                                          | School Leadership                                 | 588,246          | 601,399       | 595,919       | 5,480                                                   |
|                                               | Total Instructional & School Leadership           | 588,246          | 601,399       | 595,919       | 5,480                                                   |
| Support Services - Student (Pupil):           |                                                   |                  |               |               |                                                         |
| 0031                                          | Guidance, Counseling and Evaluation Services      | 178,025          | 178,025       | 166,832       | 11,193                                                  |
| 0032                                          | Social Work Services                              | 1,900            | 1,900         | 1,900         | --                                                      |
| 0033                                          | Health Services                                   | 66,389           | 70,439        | 67,630        | 2,809                                                   |
| 0034                                          | Student (Pupil) Transportation                    | 304,180          | 304,711       | 299,836       | 4,875                                                   |
| 0035                                          | Food Services                                     | 22,168           | 24,708        | 23,130        | 1,578                                                   |
| 0036                                          | Cocurricular/Extracurricular Activities           | 230,354          | 578,054       | 548,301       | 29,753                                                  |
|                                               | Total Support Services - Student (Pupil)          | 803,016          | 1,157,837     | 1,107,629     | 50,208                                                  |
| Administrative Support Services:              |                                                   |                  |               |               |                                                         |
| 0041                                          | General Administration                            | 457,024          | 708,800       | 667,269       | 41,531                                                  |
|                                               | Total Administrative Support Services             | 457,024          | 708,800       | 667,269       | 41,531                                                  |
| Support Services - Nonstudent Based:          |                                                   |                  |               |               |                                                         |
| 0051                                          | Plant Maintenance and Operations                  | 811,434          | 938,462       | 925,633       | 12,829                                                  |
| 0052                                          | Security and Monitoring Services                  | 120,182          | 149,779       | 143,270       | 6,509                                                   |
| 0053                                          | Data Processing Services                          | 110,250          | 110,250       | 108,984       | 1,266                                                   |
|                                               | Total Support Services - Nonstudent Based         | 1,041,866        | 1,198,491     | 1,177,887     | 20,604                                                  |
| Debt Service:                                 |                                                   |                  |               |               |                                                         |
| 0071                                          | Principal on Long-Term Debt                       | 115,710          | 92,127        | 92,389        | (262)                                                   |
| 0072                                          | Interest on Long-Term Debt                        | --               | 23,583        | 23,320        | 263                                                     |
|                                               | Total Debt Service                                | 115,710          | 115,710       | 115,709       | 1                                                       |
| Capital Outlay:                               |                                                   |                  |               |               |                                                         |
| 0081                                          | Capital Outlay                                    | 10,000           | 678,679       | 432,134       | 246,545                                                 |
|                                               | Total Capital Outlay                              | 10,000           | 678,679       | 432,134       | 246,545                                                 |
| Intergovernmental Charges:                    |                                                   |                  |               |               |                                                         |
| 0091                                          | Contracted Instr. Services Between Public Schools | 2,591,608        | 2,797,907     | 2,703,574     | 94,333                                                  |
| 0093                                          | Payments to Fiscal Agent/Member Dist.-SSA         | 467,984          | 467,984       | 427,089       | 40,895                                                  |
| 0099                                          | Other Intergovernmental Charges                   | 190,000          | 195,519       | 193,557       | 1,962                                                   |
|                                               | Total Intergovernmental Charges                   | 3,249,592        | 3,461,410     | 3,324,220     | 137,190                                                 |
| 6030                                          | Total Expenditures                                | 11,359,395       | 12,997,547    | 12,349,317    | 648,230                                                 |

# CHISUM INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2019

EXHIBIT G-1

Page 2 of 2

| Data Control Codes |                                              | 1                | 2            | 3            | Variance with Final Budget Positive (Negative) |
|--------------------|----------------------------------------------|------------------|--------------|--------------|------------------------------------------------|
|                    |                                              | Budgeted Amounts |              |              |                                                |
|                    |                                              | Original         | Final        | Actual       |                                                |
| 1100               | Excess (Deficiency) of Revenues Over (Under) |                  |              |              |                                                |
| 1100               | Expenditures                                 | 293,380          | (938,463)    | (696,897)    | 241,566                                        |
|                    | Other Financing Sources (Uses):              |                  |              |              |                                                |
| 7915               | Transfers In                                 | --               | 301,500      | 279,107      | (22,393)                                       |
| 8911               | Transfers Out                                | (293,380)        | (337,371)    | (301,713)    | 35,658                                         |
| 7080               | Total Other Financing Sources and (Uses)     | (293,380)        | (35,871)     | (22,606)     | 13,265                                         |
| 1200               | Net Change in Fund Balance                   | --               | (974,334)    | (719,503)    | 254,831                                        |
| 0100               | Fund Balance - Beginning                     | 5,268,708        | 5,268,708    | 5,268,708    | --                                             |
| 3000               | Fund Balance - Ending                        | \$ 4,975,328     | \$ 4,294,374 | \$ 4,549,205 | \$ 254,831                                     |

Note: This schedule only includes the original budget, final budget, and actual revenues and expenditures approved by the Chisum ISD Board of Trustees. No activity related to Roxton ISD prior to July 1, 2019 is included.

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

|                                                                                                               | Measurement Year Ended August 31, |                     |                     |                     |                     |
|---------------------------------------------------------------------------------------------------------------|-----------------------------------|---------------------|---------------------|---------------------|---------------------|
|                                                                                                               | 2018                              | 2017                | 2016                | 2015                | 2014                |
| District's Proportion of the Net Pension Liability (Asset)                                                    | 0.0048585127%                     | 0.0037999138%       | 0.0038006729%       | 0.0038163000%       | 0.0020199000%       |
| District's Proportionate Share of Net Pension Liability (Asset)                                               | \$ 2,674,244                      | \$ 1,215,008        | \$ 1,436,218        | \$ 1,349,011        | \$ 539,543          |
| States Proportionate Share of the Net Pension Liability (Asset)<br>associated with the District               | 5,795,308                         | 2,831,921           | 3,515,393           | 3,339,510           | 2,867,065           |
| Total                                                                                                         | <u>\$ 8,469,552</u>               | <u>\$ 4,046,929</u> | <u>\$ 4,951,611</u> | <u>\$ 4,688,521</u> | <u>\$ 3,406,608</u> |
| District's Covered Payroll                                                                                    | \$ 6,486,887                      | \$ 5,091,729        | \$ 5,071,604        | \$ 4,804,209        | \$ 4,705,247        |
| District's Proportionate Share of the Net Pension Liability (Asset)<br>as a percentage of its Covered Payroll | 41.23%                            | 23.86%              | 28.32%              | 28.08%              | 11.47%              |
| Plan Fiduciary Net Position as a percentage of the Total Pension Liability                                    | 73.74%                            | 82.17%              | 78.00%              | 78.43%              | 83.25%              |

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

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

|                                                                     | Fiscal Year Ended August 31, |              |              |              |              |
|---------------------------------------------------------------------|------------------------------|--------------|--------------|--------------|--------------|
|                                                                     | 2019                         | 2018         | 2017         | 2016         | 2015         |
| Contractually Required Contribution                                 | \$ 171,946                   | \$ 130,161   | \$ 124,539   | \$ 120,757   | \$ 111,751   |
| Contribution in Relation to the Contractually Required Contribution | (171,946)                    | (130,161)    | (124,539)    | (120,757)    | (111,751)    |
| Contribution Deficiency (Excess)                                    | <u>\$ -</u>                  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  |
| District's Covered Payroll                                          | \$ 6,793,351                 | \$ 5,215,091 | \$ 5,091,729 | \$ 5,071,604 | \$ 4,804,209 |
| Contributions as a percentage of Covered Payroll                    | 2.53%                        | 2.50%        | 2.45%        | 2.38%        | 2.33%        |

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

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

|                                                                                                            | Measurement Year<br>Ended August 31,<br>2018 | Measurement Year<br>Ended August 31,<br>2017 |
|------------------------------------------------------------------------------------------------------------|----------------------------------------------|----------------------------------------------|
| District's Proportion of the Net OPEB Liability (Asset)                                                    | 0.0076259275%                                | 0.0057995644%                                |
| District's Proportionate Share of the Net OPEB Liability (Asset)                                           | \$ 3,807,695                                 | \$ 2,522,013                                 |
| State's Proportionate Share of the Net OPEB Liability (Asset) associated with the District                 | 5,573,638                                    | 4,067,412                                    |
| Total                                                                                                      | <u>\$ 9,381,333</u>                          | <u>\$ 6,589,425</u>                          |
| District's Covered Payroll                                                                                 | \$ 6,486,887                                 | \$ 5,091,729                                 |
| District's Proportionate Share of the Net OPEB Liability (Asset)<br>as a percentage of its Covered Payroll | 58.70%                                       | 49.53%                                       |
| Plan Fiduciary Net Position as a percentage of the Total OPEB Liability                                    | 1.57%                                        | 0.91%                                        |

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

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

|                                                                     | Fiscal Year Ended<br>August 31,<br>2019 | Fiscal Year Ended<br>August 31,<br>2018 |
|---------------------------------------------------------------------|-----------------------------------------|-----------------------------------------|
| Contractually Required Contribution                                 | \$ 55,678                               | \$ 42,402                               |
| Contribution in Relation to the Contractually Required Contribution | <u>(55,678)</u>                         | <u>(42,402)</u>                         |
| Contribution Deficiency (Excess)                                    | <u>\$ -</u>                             | <u>\$ -</u>                             |
| District's Covered Payroll                                          | \$ 6,793,351                            | \$ 5,215,091                            |
| Contributions as a percentage of Covered Payroll                    | 0.82%                                   | 0.81%                                   |

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

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

**Budget**

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

- a. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
- c. Prior to the beginning of the fiscal year, the budget is legally enacted through passage of a resolution by the Board.

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

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

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

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

**Excess of Expenditures over Appropriations**

The district expenditures exceeded appropriations in the following funds in the noted function:

| <u>Fund</u> | <u>Function</u> |
|-------------|-----------------|
| NONE        | NONE            |

**Defined Benefit Pension Plan**

**Changes of benefit terms:**

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

**Changes of assumptions:**

The Board adopted new assumptions on July 27, 2018 based on recommendations from the experience study for the period ending August 31, 2017.

The active mortality rates were based on 90% of the MP-2014 Employee Mortality Tables 2D for males and females, with full generational mortality using Scale BB., the post-retirement mortality rates for healthy lives were based on the 2015 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection using Scale BB.

|                                   |                                           |
|-----------------------------------|-------------------------------------------|
| Valuation Date                    | August 31, 2017 rolled to August 31, 2018 |
| Actuarial Cost Method             | Individual Entry Age Normal               |
| Asset Valuation Method            | Market Value                              |
| Single Discount Rate              | 6.907%                                    |
| Long-term Expected Rate of Return | 7.25%                                     |
| Municipal Bond Rate               | N/A*                                      |
| Inflation                         | 2.3%                                      |
| Salary Increases*                 | 3.05% to 9.05%, including inflation       |

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

Ad hoc post-employment benefit changes      None

\* If a municipal bond rate was to be used, the rate would be 3.42% as of August 2017 (Le. the weekly rate closest to but not later than the Measurement Date). The source for the rate is the Fixed Income Market Data/Yield Curve/Data 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."

**Defined Other Post-Employment Benefits**

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

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

**Additional Actuarial Methods and Assumptions:**

|                                        |                                                                                                                                    |
|----------------------------------------|------------------------------------------------------------------------------------------------------------------------------------|
| Valuation Date                         | August 31, 2017 rolled to August 31, 2018                                                                                          |
| Actuarial Cost Method                  | Individual Entry Age Normal                                                                                                        |
| Inflation                              | 2.30%                                                                                                                              |
| Discount Rate *                        | 3.69% *                                                                                                                            |
| Aging Factors                          | Based on plan specific experience                                                                                                  |
| Expenses                               | Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs. |
| Payroll Growth Rate                    | 3.0%                                                                                                                               |
| Projected Salary Increases **          | 3.05% to 9.05% **                                                                                                                  |
| Healthcare Trend Rates ***             | 8.50% ***                                                                                                                          |
| Election Rates                         | Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65                                            |
| Ad Hoc Post-Employment Benefit Changes | None                                                                                                                               |

\*Source: Fixed income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of August 31, 2017.

\*\*Includes inflation at 2.30%

\*\*\*Initial medical trend rates of 107.74% and 9.00% for Medicare retirees and initial medical trend rate of 6.75% for non-Medicare retirees. Initial prescription drug trend rate of 11.00% for all retirees. The first year medical trend for Medicare retirees (107.74%) reflects the anticipated return of the Health Insurer Fee (HIF) in 2020. Initial trend rates decrease to an ultimate trend rate of 4.50% over a period of 9 years

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

Assumption changes include an updated health care trend assumption to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020, revised demographic and economic assumptions based on the TRS experience study, and a discount rate change from 3.42% as of August 31, 2017 to 3.69% as of August 31, 2018.

# CHISUM INDEPENDENT SCHOOL DISTRICT

## CAPITAL PROJECTS FUND

### BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2019

EXHIBIT H-1

| Data<br>Control<br>Codes |                                               | 1                  | 2                   | 3                                  |
|--------------------------|-----------------------------------------------|--------------------|---------------------|------------------------------------|
|                          |                                               | Budget             | Actual              | Variance<br>Positive<br>(Negative) |
|                          | <b>REVENUES:</b>                              |                    |                     |                                    |
| 5700                     | Local and Intermediate Sources                | \$ 100,000         | \$ 144,926          | \$ 44,926                          |
| 5020                     | Total Revenues                                | <u>100,000</u>     | <u>144,926</u>      | <u>44,926</u>                      |
|                          | <b>EXPENDITURES:</b>                          |                    |                     |                                    |
|                          | Current:                                      |                    |                     |                                    |
|                          | Instruction & Instructional Related Services: |                    |                     |                                    |
| 0011                     | Instruction                                   | 525,655            | 318,625             | 207,030                            |
|                          | Total Instruction & Instr. Related Services   | <u>525,655</u>     | <u>318,625</u>      | <u>207,030</u>                     |
|                          | Support Services - Student (Pupil):           |                    |                     |                                    |
| 0034                     | Student (Pupil) Transportation                | 441,550            | 201,452             | 240,098                            |
|                          | Total Support Services - Student (Pupil)      | <u>441,550</u>     | <u>201,452</u>      | <u>240,098</u>                     |
|                          | Support Services - Nonstudent Based:          |                    |                     |                                    |
| 0052                     | Security and Monitoring Services              | 38,600             | 7,663               | 30,937                             |
|                          | Total Support Services - Nonstudent Based     | <u>38,600</u>      | <u>7,663</u>        | <u>30,937</u>                      |
|                          | Capital Outlay:                               |                    |                     |                                    |
| 0081                     | Capital Outlay                                | 8,296,428          | 6,823,618           | 1,472,810                          |
|                          | Total Capital Outlay                          | <u>8,296,428</u>   | <u>6,823,618</u>    | <u>1,472,810</u>                   |
| 6030                     | Total Expenditures                            | <u>9,302,233</u>   | <u>7,351,358</u>    | <u>1,950,875</u>                   |
| 1100                     | Excess (Deficiency) of Revenues Over (Under)  |                    |                     |                                    |
| 1100                     | Expenditures                                  | (9,202,233)        | (7,206,432)         | 1,995,801                          |
| 1200                     | Net Change in Fund Balance                    | <u>(9,202,233)</u> | <u>(7,206,432)</u>  | <u>1,995,801</u>                   |
| 0100                     | Fund Balance - Beginning                      | 9,202,233          | 9,202,233           | --                                 |
| 3000                     | Fund Balance - Ending                         | <u>\$ --</u>       | <u>\$ 1,995,801</u> | <u>\$ 1,995,801</u>                |

Note: This schedule only includes the original budget, final budget, and actual revenues and expenditures approved by the Chisum ISD Board of Trustees. No activity related to Roxton ISD prior to July 1, 2019 is included.

## Other Supplementary Information

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

**CHISUM INDEPENDENT SCHOOL DISTRICT****SCHEDULE OF DELINQUENT TAXES RECEIVABLE****FOR THE YEAR ENDED AUGUST 31, 2019**

| Year Ended<br>August 31        | 1           |         | 2            |         | 3                                                      |               |
|--------------------------------|-------------|---------|--------------|---------|--------------------------------------------------------|---------------|
|                                | Tax Rates   |         |              |         | Assessed/Appraised<br>Value For School<br>Tax Purposes |               |
|                                | Maintenance |         | Debt Service |         |                                                        |               |
| 2010 and Prior Years           | \$          | Various | \$           | Various | \$                                                     | Various       |
| 2011                           |             | 1.04    |              | .160    |                                                        | 777,639,500   |
| 2012                           |             | 1.04    |              | .160    |                                                        | 740,549,662   |
| 2013                           |             | 1.04    |              | .160    |                                                        | 757,862,304   |
| 2014                           |             | 1.04    |              | .145    |                                                        | 832,482,880   |
| 2015                           |             | 1.04    |              | .145    |                                                        | 781,272,791   |
| 2016                           |             | 1.04    |              | .147    |                                                        | 806,323,978   |
| 2017                           |             | 1.04    |              | .207    |                                                        | 961,600,117   |
| 2018                           |             | 1.04    |              | .195    |                                                        | 971,459,028   |
| 2019 (School Year Under Audit) |             | 1.04    |              | .190    |                                                        | 1,000,495,476 |
| 1000 Totals                    |             |         |              |         |                                                        |               |

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

| 10<br>Beginning<br>Balance<br>9/1/18 | 20<br>Current<br>Year's<br>Total Levy | 31<br>Maintenance<br>Collections | 32<br>Debt Service<br>Collections | 40<br>Entire<br>Year's<br>Adjustments | 50<br>Ending<br>Balance<br>8/31/19 |
|--------------------------------------|---------------------------------------|----------------------------------|-----------------------------------|---------------------------------------|------------------------------------|
| \$ 82,294                            | \$ --                                 | \$ 1,122                         | \$ 179                            | \$ 24,619                             | \$ 105,612                         |
| 11,948                               | --                                    | 568                              | 87                                | 3,125                                 | 14,418                             |
| 14,331                               | --                                    | 13                               | 2                                 | 1,840                                 | 16,156                             |
| 15,322                               | --                                    | 450                              | 69                                | 7,495                                 | 22,298                             |
| 16,963                               | --                                    | 1,231                            | 172                               | 6,804                                 | 22,364                             |
| 19,536                               | --                                    | 1,764                            | 246                               | 9,009                                 | 26,535                             |
| 31,912                               | --                                    | 8,113                            | 1,147                             | 11,351                                | 34,003                             |
| 50,408                               | --                                    | 5,190                            | 1,031                             | 11,347                                | 55,534                             |
| 77,472                               | --                                    | 23,200                           | 4,350                             | 10,689                                | 60,611                             |
| --                                   | 12,306,094                            | 10,156,471                       | 1,854,432                         | 219,812                               | 515,003                            |
| <u>\$ 320,187</u>                    | <u>\$ 12,306,094</u>                  | <u>\$ 10,198,122</u>             | <u>\$ 1,861,715</u>               | <u>\$ 306,091</u>                     | <u>\$ 872,534</u>                  |
| \$ --                                | \$ --                                 | \$ --                            | \$ --                             | \$ --                                 | \$ --                              |

Note: The adjustments column includes the amounts receivable at 7/1/19 on Roxton ISD which was consolidated with Chisum ISD at that date. Collections in July and August 2019 on the Roxton ISD taxes are included in Column 31.

**CHISUM INDEPENDENT SCHOOL DISTRICT**  
**NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

**EXHIBIT J-2**

| Data<br>Control<br>Codes |                                              | 1               | 2               | 3                                  |
|--------------------------|----------------------------------------------|-----------------|-----------------|------------------------------------|
|                          |                                              | Budget          | Actual          | Variance<br>Positive<br>(Negative) |
|                          | <b>REVENUES:</b>                             |                 |                 |                                    |
| 5700                     | Local and Intermediate Sources               | \$ 141,044      | \$ 126,536      | \$ (14,508)                        |
| 5800                     | State Program Revenues                       | 2,200           | 2,206           | 6                                  |
| 5900                     | Federal Program Revenues                     | 294,484         | 302,284         | 7,800                              |
| 5020                     | Total Revenues                               | <u>437,728</u>  | <u>431,026</u>  | <u>(6,702)</u>                     |
|                          | <b>EXPENDITURES:</b>                         |                 |                 |                                    |
|                          | Current:                                     |                 |                 |                                    |
|                          | Support Services - Student (Pupil):          |                 |                 |                                    |
| 0035                     | Food Services                                | <u>473,599</u>  | <u>455,028</u>  | <u>18,571</u>                      |
|                          | Total Support Services - Student (Pupil)     | <u>473,599</u>  | <u>455,028</u>  | <u>18,571</u>                      |
| 6030                     | Total Expenditures                           | <u>473,599</u>  | <u>455,028</u>  | <u>18,571</u>                      |
| 1100                     | Excess (Deficiency) of Revenues Over (Under) |                 |                 |                                    |
| 1100                     | Expenditures                                 | <u>(35,871)</u> | <u>(24,002)</u> | <u>11,869</u>                      |
|                          | Other Financing Sources (Uses):              |                 |                 |                                    |
| 7915                     | Transfers In                                 | <u>35,871</u>   | <u>22,606</u>   | <u>(13,265)</u>                    |
| 7080                     | Total Other Financing Sources and (Uses)     | <u>35,871</u>   | <u>22,606</u>   | <u>(13,265)</u>                    |
| 1200                     | Net Change in Fund Balance                   | <u>--</u>       | <u>(1,396)</u>  | <u>(1,396)</u>                     |
| 0100                     | Fund Balance - Beginning                     | <u>--</u>       | <u>1,396</u>    | <u>1,396</u>                       |
| 3000                     | Fund Balance - Ending                        | <u>\$ --</u>    | <u>\$ --</u>    | <u>\$ --</u>                       |

Note: This schedule only includes the original budget, final budget, and actual revenues and expenditures approved by the Chisum ISD Board of Trustees. No activity related to Roxton ISD prior to July 1, 2019 is included.

# CHISUM INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-3

DEBT SERVICE FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED AUGUST 31, 2019

| Data<br>Control<br>Codes |                                              | 1                | 2                 | 3                                  |
|--------------------------|----------------------------------------------|------------------|-------------------|------------------------------------|
|                          |                                              | Budget           | Actual            | Variance<br>Positive<br>(Negative) |
| <b>REVENUES:</b>         |                                              |                  |                   |                                    |
| 5700                     | Local and Intermediate Sources               | \$ 1,911,225     | \$ 1,891,521      | \$ (19,704)                        |
| 5800                     | State Program Revenues                       | --               | 9,183             | 9,183                              |
| 5020                     | Total Revenues                               | <u>1,911,225</u> | <u>1,900,704</u>  | <u>(10,521)</u>                    |
| <b>EXPENDITURES:</b>     |                                              |                  |                   |                                    |
| Debt Service:            |                                              |                  |                   |                                    |
| 0071                     | Principal on Long-Term Debt                  | 760,000          | 760,000           | --                                 |
| 0072                     | Interest on Long-Term Debt                   | 1,126,700        | 1,126,700         | --                                 |
| 0073                     | Bond Issuance Costs and Fees                 | 5,167            | 500               | 4,667                              |
|                          | Total Debt Service                           | <u>1,891,867</u> | <u>1,887,200</u>  | <u>4,667</u>                       |
| 6030                     | Total Expenditures                           | <u>1,891,867</u> | <u>1,887,200</u>  | <u>4,667</u>                       |
| 1100                     | Excess (Deficiency) of Revenues Over (Under) |                  |                   |                                    |
| 1100                     | Expenditures                                 | 19,358           | 13,504            | (5,854)                            |
| 1200                     | Net Change in Fund Balance                   | <u>19,358</u>    | <u>13,504</u>     | <u>(5,854)</u>                     |
| 0100                     | Fund Balance - Beginning                     | --               | 178,295           | 178,295                            |
| 3000                     | Fund Balance - Ending                        | <u>\$ 19,358</u> | <u>\$ 191,799</u> | <u>\$ 172,441</u>                  |

Note: This schedule only includes the original budget, final budget, and actual revenues and expenditures approved by the Chisum ISD Board of Trustees. No activity related to Roxton ISD prior to July 1, 2019 is included.

# Malnory, McNeal & Company, PC

## Certified Public Accountants

Mark W. Malnory, CPA  
Johnna W. McNeal, CPA  
Beverly Smith, CPA

Members of  
American Institute of Certified Public Accountants  
Texas Society of Certified Public Accountants  
AICPA Governmental Audit Quality Center

Elizabeth Hamm, CPA  
E. J. Musharbash, CPA  
Les S. Malnory, CPA

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

Board of Trustees  
Chisum Independent School District  
3250 Church St.  
Paris, Texas 75462

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Chisum Independent School District, as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise Chisum Independent School District's basic financial statements, and have issued our report thereon dated December 12, 2019.

#### **Internal Control Over Financial Reporting**

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

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

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

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Chisum 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.

December 12, 2019  
Paris, Texas

*Maenory, McNeal & Company PC*  
Certified Public Accountants

**CHISUM INDEPENDENT SCHOOL DISTRICT****SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS  
AS OF AUGUST 31, 2019**

| <u>Data<br/>Control<br/>Codes</u> |                                                                                                                                                                                                              | <u>Responses</u> |
|-----------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|
| SF2                               | Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?                                   | No               |
| SF4                               | Was there an unmodified opinion in the Annual Financial Report?                                                                                                                                              | Yes              |
| SF5                               | Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds?                                | No               |
| SF6                               | Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts and laws related to local, state or federal funds?                                                   | No               |
| SF7                               | Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other governmental agencies?                     | Yes              |
| SF8                               | Did the school district <u>not</u> receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship? | Yes              |
| SF10                              | What was the total accumulated accretion on capital appreciation bonds (CABs) included in government-wide financial statements at fiscal year-end?                                                           | \$ --            |
| SF11                              | Net Pension Assets (object 1920) at fiscal year-end.                                                                                                                                                         | \$ --            |
| SF12                              | Net Pension Liabilities (object 2540) at fiscal year-end.                                                                                                                                                    | \$ 2,674,244     |
| SF13                              | Pension Expense (object 6147) at fiscal year-end.                                                                                                                                                            | \$               |

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