

COLLINSVILLE INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2018

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

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CERTIFICATE OF BOARD

Collinsville Independent School District
Name of School District

Grayson
County

091-902
Co.-Dist. Number

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

/s/Donita Byrom

/s/ Justin McDonnell

Signature of Board **Secretary**

Signature of Board **President**

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

Morgan, Davis & Company, P.C.
Post Office Box 8158
Greenville, Texas 75404

**Unmodified Opinions on Basic Financial Statements Accompanied by Required Supplementary Information
and Other Information**

Independent Auditor's Report

Collinsville Independent School District
Post Office Box 49
Collinsville, Texas 76233

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 Collinsville Independent School District as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Collinsville Independent School District as of June 30, 2018 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information:

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 6-10 and the Schedules contained in Exhibits G-1, G-2, G-3, G-4, & G-5 on pages 50-54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of

financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information:

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Collinsville Independent School District's basic financial statements. The Combining Statements for Nonmajor Governmental Funds contained in Exhibits H-1 & H-2 on pages 58-64 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The Texas Education Agency requires school districts to include certain information in the Annual Financial and Compliance Report in conformity with laws and regulations of the State of Texas. This information is in Exhibits identified in the Table of Contents as J-1, J-2, & J-3. We have applied certain limited procedures to this supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted on inquiries of management about methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standard

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2018 on our consideration of Collinsville Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Collinsville Independent School District's internal control over financial reporting and compliance.

/s/ Morgan, Davis & Company, P.C.

Morgan, Davis, & Company, P.C.
Greenville, Texas

October 28, 2018

COLLINSVILLE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

In this section of the Annual Financial and Compliance Report, we, the administrators of Collinsville Independent School District, discuss and analyze the District's financial performance for the fiscal year ended June 30, 2018. Please read it in conjunction with the District's Basic Financial Statements which follow this section.

FINANCIAL HIGHLIGHTS

- The District's net position increased by \$662,923 as a result of this year's operations. There was a prior period adjustment of \$(2,558,632), due to the required implementation of GASB 75, which resulted in a net decrease to total combined net position of \$1,894,709.
- The District's assets exceeded its liabilities at the close of the most recent fiscal year by \$2,388,865 which represents the District's total combined net position. Of this amount, \$(1,235,519) (unrestricted net position) may be used to meet the District's ongoing obligations.
- As of June 30, 2018, the District's governmental funds reported a combined fund balance of \$1,610,786 compared to \$4,848,366 for the last fiscal year. The Capital Projects Fund reported a fund balance of \$20,410 this fiscal year compared to \$3,248,327 this year. The General Fund reported a fund balance of \$1,214,255 this fiscal year compared to \$1,346,296 the last fiscal year.
- The District's total tax rate for the 2017-2018 school year was \$ 1.4296 with \$ 1.1700 for maintenance & operation and \$ 0.2596 for debt service.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 12 and 13). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 14) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the district.

The notes to the financial statements (starting on page 26) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for nonmajor funds contain even more information about the District's individual funds. These are not required by T.E.A. The section labeled Required Texas Education Agency Schedules contains data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 12. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

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

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

In the Statement of Net Position and the Statement of Activities, the District has one kind of activity:

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

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 14 and provide detailed information about the most significant funds—not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the ESEA Title I Part A from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes. The District's two kinds of funds—governmental and proprietary—use different accounting approaches.

- Governmental funds—Most of the District's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.
- Proprietary funds—The District reports the activities for which it charges users (whether outside customers or other units of the District) in proprietary funds using the same accounting methods employed in the Statement of Net Position and the Statement of Activities. The internal service funds (a category of proprietary funds) report activities that provide services for the District's other programs and activities—such as the District's self-insurance programs.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position on page 25. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The District is presenting government-wide financial analysis in the form of current year data and prior year data and the changes in these accounts. Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental activities.

Net position of the District's governmental activities decreased from \$4,284,574 last year to \$2,388,865 at June 30, 2018. Included in this decrease was a prior period adjustment of \$2,558,632 due to implementation of GASB 75. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – decreased from \$956,170 last year to \$(1,235,519) at June 30, 2018.

Changes in net position of the District's governmental activities were a \$98,066 increase last year compared to a \$662,923 increase at June 30, 2018.

Table I
Collinsville Independent School District
NET POSITION

	Governmental Activities 6/30/2018	Governmental Activities 6/30/2017	Net Change
Current and other assets	\$2,282,664	\$5,694,635	(\$3,411,971)
Capital assets	14,074,835	10,989,788	3,085,047
Total assets	<u>\$16,357,499</u>	<u>\$16,684,423</u>	<u>(\$326,924)</u>
Deferred Outflows	\$391,393	\$503,879	(\$112,486)
Current and other liabilities	\$583,303	\$784,967	(\$201,664)
Long-term liabilities	10,865,000	11,182,000	(317,000)
Net Pension Liability (District's Share)	659,079	885,717	(226,638)
Net OPEB Liability (District's Share)	1,457,568	0	1,457,568
Total liabilities	<u>\$13,564,950</u>	<u>\$12,852,684</u>	<u>\$712,266</u>
Deferred Inflows	\$795,077	\$51,044	\$744,033
Net Position:			
Net Investment in Capital Assets	\$3,209,835	\$3,056,115	\$153,720
Restricted	414,549	272,289	142,260
Unrestricted	<u>(1,235,519)</u>	<u>956,170</u>	<u>(2,191,689)</u>
Total net position	<u><u>\$2,388,865</u></u>	<u><u>\$4,284,574</u></u>	<u><u>(\$1,895,709)</u></u>

Table II
Collinsville Independent School District
CHANGES IN NET POSITION

	Governmental Activities Yr Ended 6/30/2018	Governmental Activities Yr Ended 6/30/2017	Net Change
Revenues:			
Program Revenues:			
Charges for Services	\$170,791	\$185,772	(\$14,981)
Operating grants and contributions	(359,766)	523,695	(883,461)
General Revenues:			
Maintenance and operations taxes	1,957,312	1,774,481	182,831
Debt service taxes	434,320	423,563	10,757
State aid - formula grants	3,556,645	3,293,132	263,513
Grants & Contributions not restricted to specific functions	50,839	16,952	33,887
Investment Earnings	13,650	42,695	(29,045)
Miscellaneous	15,466	16,376	(910)
Total Revenue	\$5,839,257	\$6,276,666	(\$437,409)
Expenses:			
Instruction, curriculum and media services	\$1,994,893	\$3,072,062	(\$1,077,169)
Instructional and school leadership	479,119	385,355	93,764
Student support services	180,207	325,552	(145,345)
Child nutrition	316,218	370,164	(53,946)
Co curricular activities	352,154	302,673	49,481
General administration	414,450	328,711	85,739
Plant maintenance, security & data processing	934,586	773,974	160,612
Debt services	392,848	509,925	(117,077)
Payments to fiscal agents	66,264	71,222	(4,958)
Other intergovernmental charges	45,595	38,962	6,633
Total Expenses	\$5,176,334	\$6,178,600	(\$1,002,266)
Increase in net position before transfers and special items	\$662,923	\$98,066	\$564,857
Transfers	0	0	0
Special Items	0	0	0
Prior Period Adjustment-Implementation of GASB 75	(2,558,632)	0	(2,558,632)
Net position at Beginning of Fiscal Year	4,284,574	4,186,508	98,066
Net position at End of Fiscal Year	\$2,388,865	\$4,284,574	(\$1,895,709)

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in Exhibit C-3 on page 18) reported a combined fund balance of \$1,610,786 compared to \$4,848,365 for the last fiscal year. The District's General Fund reported a fund balance decrease of \$132,041, ending the year with \$1,214,255. The District's Special Revenue Funds reported a fund balance decrease of \$2,840, ending the year with \$31,080. The District's Debt Service Fund reported a fund balance increase of \$125,219, ending the year with \$345,041. The District's Capital Projects Fund reported a fund balance decrease of \$3,227,917, ending the year with \$20,410.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets:

During the year ended June 30, 2018, the District invested \$3,413,603 in capital assets, which consisted of the completion of the high school improvements, air conditioning equipment, and maintenance equipment.

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

	<u>Beginning</u>			<u>Ending</u>
	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u>
Land	\$263,052	\$0	\$0	\$263,052
Buildings & Improvements	9,163,315	8,687,357	0	17,850,672
Equipment	440,811	29,322	0	470,133
Vehicles	745,853	0	0	745,853
Construction in Progress	5,303,076	(5,303,076)	0	0
Totals at Historical Cost	<u>15,916,107</u>	<u>3,413,603</u>	<u>0</u>	<u>19,329,710</u>
Less accumulated depreciation for:				
Buildings & Improvements	(3,974,635)	(276,564)	0	(4,251,199)
Equipment	(372,428)	(18,208)	0	(390,636)
Vehicles	(579,256)	(33,784)	0	(613,040)
Total accumulated depreciation	<u>(4,926,319)</u>	<u>(328,556)</u>	<u>0</u>	<u>(5,254,875)</u>
Capital Assets, Net	<u>\$10,989,788</u>	<u>\$3,085,047</u>	<u>\$0</u>	<u>\$14,074,835</u>

Debt:

At year-end June 30, 2018, the District had \$9,158,000 outstanding in bonds compared to \$9,275,000 last year. The District had \$736,000 outstanding in loans compared to \$820,000 last year. The District had \$971,000 outstanding in capital leases compared to \$1,087,000 last year. During the current fiscal year, the District had no new borrowings.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the fiscal-year 2018 budget, and tax rates. Several of those factors were the economy, the District's population growth, and unemployment. These factors were taken into account when adopting the General Fund budget for 2018. Amounts available for appropriation in the General Fund budget are \$964,255. The District has added no major new programs or initiatives to the 2018 budget.

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 show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office, at Collinsville Independent School District, Post Office Box 49, Collinsville, Texas.

BASIC FINANCIAL STATEMENTS

COLLINSVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 1,163,469
1220 Property Taxes - Delinquent	132,189
1230 Allowance for Uncollectible Taxes	(4,760)
1240 Due from Other Governments	991,766
Capital Assets:	
1510 Land	263,052
1520 Buildings, Net	13,599,473
1530 Equipment, Net	79,497
1540 Vehicles, Net	132,813
1000 Total Assets	16,357,499
DEFERRED OUTFLOWS OF RESOURCES	
1705 Deferred Outflow Related to TRS Pension	369,529
1706 Deferred Outflow Related to TRS OPEB	21,864
1700 Total Deferred Outflows of Resources	391,393
LIABILITIES	
2110 Accounts Payable	56,993
2140 Interest Payable	146,135
2160 Accrued Wages Payable	326,137
2200 Accrued Expenses	25,180
2300 Unearned Revenue	28,858
Noncurrent Liabilities:	
2501 Due Within One Year	414,000
2502 Due in More Than One Year	10,451,000
2540 Net Pension Liability (District's Share)	659,079
2545 Net OPEB Liability (District's Share)	1,457,568
2000 Total Liabilities	13,564,950
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Resource Inflow Related to TRS Pension	185,373
2606 Deferred Resource Inflow Related to TRS OPEB	609,704
2600 Total Deferred Inflows of Resources	795,077
NET POSITION	
3200 Net Investment in Capital Assets	3,209,835
3820 Restricted for Federal and State Programs	388
3850 Restricted for Debt Service	363,059
3860 Restricted for Capital Projects	20,410
3870 Restricted for Campus Activities	30,692
3900 Unrestricted	(1,235,519)
3000 Total Net Position	\$ 2,388,865

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

COLLINSVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
Codes	Expenses	3	4	6
Codes	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities

Primary Government:

GOVERNMENTAL ACTIVITIES:

11	Instruction	\$ 1,906,504	\$ 10,168	\$ (517,100)	\$ (2,413,436)
12	Instructional Resources and Media Services	82,578	-	(556)	(83,134)
13	Curriculum and Instructional Staff Development	5,811	-	-	(5,811)
21	Instructional Leadership	36,740	-	-	(36,740)
23	School Leadership	442,379	-	(10,417)	(452,796)
31	Guidance, Counseling and Evaluation Services	64,859	-	(1,057)	(65,916)
33	Health Services	58,389	-	(1,025)	(59,414)
34	Student (Pupil) Transportation	56,959	-	(365)	(57,324)
35	Food Services	316,218	106,625	176,067	(33,526)
36	Extracurricular Activities	352,154	53,998	(723)	(298,879)
41	General Administration	414,450	-	(4,590)	(419,040)
51	Facilities Maintenance and Operations	800,611	-	-	(800,611)
52	Security and Monitoring Services	8,801	-	-	(8,801)
53	Data Processing Services	125,174	-	-	(125,174)
72	Debt Service - Interest on Long-Term Debt	389,398	-	-	(389,398)
73	Debt Service - Bond Issuance Cost and Fees	3,450	-	-	(3,450)
93	Payments Related to Shared Services Arrangements	66,264	-	-	(66,264)
99	Other Intergovernmental Charges	45,595	-	-	(45,595)
	[TP] TOTAL PRIMARY GOVERNMENT:	\$ 5,176,334	\$ 170,791	\$ (359,766)	\$ (5,365,309)

Data
Control
Codes

General Revenues:

Taxes:

MT	Property Taxes, Levied for General Purposes	1,957,312
DT	Property Taxes, Levied for Debt Service	434,320
SF	State Aid - Formula Grants	3,556,645
GC	Grants and Contributions not Restricted	50,839
IE	Investment Earnings	13,650
MI	Miscellaneous Local and Intermediate Revenue	15,466
TR	Total General Revenues	6,028,232
CN	Change in Net Position	662,923
NB	Net Position - Beginning	4,284,574
PA	Prior Period Adjustment	(2,558,632)
NE	Net Position--Ending	\$ 2,388,865

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

COLLINSVILLE INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
ASSETS			
1110 Cash and Cash Equivalents	\$ 728,707	\$ 347,575	\$ 20,410
1220 Property Taxes - Delinquent	111,765	20,424	-
1230 Allowance for Uncollectible Taxes	(4,025)	(735)	-
1240 Due from Other Governments	980,084	586	-
1260 Due from Other Funds	3,120	-	-
1000 Total Assets	<u>\$ 1,819,651</u>	<u>\$ 367,850</u>	<u>\$ 20,410</u>
LIABILITIES			
2110 Accounts Payable	\$ 36,314	\$ -	\$ -
2160 Accrued Wages Payable	295,570	-	-
2170 Due to Other Funds	146,195	3,120	-
2200 Accrued Expenditures	19,577	-	-
2300 Unearned Revenue	23,089	5,124	-
2000 Total Liabilities	<u>520,745</u>	<u>8,244</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	84,651	14,565	-
2600 Total Deferred Inflows of Resources	<u>84,651</u>	<u>14,565</u>	<u>-</u>
FUND BALANCES			
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3480 Retirement of Long-Term Debt	-	345,041	-
3490 Other Restricted Fund Balance	-	-	-
Committed Fund Balance:			
3510 Construction	-	-	20,410
3525 Retirement of Loans or Notes Payable	250,000	-	-
3600 Unassigned Fund Balance	964,255	-	-
3000 Total Fund Balances	<u>1,214,255</u>	<u>345,041</u>	<u>20,410</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 1,819,651</u>	<u>\$ 367,850</u>	<u>\$ 20,410</u>

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

Other Governmental Funds	Total Governmental Funds
\$ 56,799	\$ 1,153,491
-	132,189
-	(4,760)
11,096	991,766
-	3,120
<u>\$ 67,895</u>	<u>\$ 2,275,806</u>
\$ -	\$ 36,314
30,567	326,137
-	149,315
5,603	25,180
645	28,858
<u>36,815</u>	<u>565,804</u>
-	99,216
-	99,216
388	388
-	345,041
30,692	30,692
-	20,410
-	250,000
-	964,255
<u>31,080</u>	<u>1,610,786</u>
<u>\$ 67,895</u>	<u>\$ 2,275,806</u>

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COLLINSVILLE INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET POSITION
 JUNE 30, 2018

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$	1,610,786
1 The District uses internal service funds to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase(decrease) net position.		135,494
2 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$15,916,107 and the accumulated depreciation was \$4,926,319. In addition, long-term liabilities, including bonds payable of \$9,275,000, loans payable of \$820,000, and capital leases payable of \$1,087,000, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. Accrued interest payable on long term debt of \$143,890 is not reflected in the fund financial statements, but is shown in the government-wide financial statements. The net effect of including the beginning balances for capital assets (net of depreciation), long-term debt in the governmental activities is to increase (decrease) net position.		(336,102)
3 Current year capital outlays of \$3,413,603 and long-term debt principal payments of \$317,000 are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. Accrued interest on long term debt of \$2,245 is not reflected in the fund financial statements, but is recorded in the government-wide financial financial statements. The net effect of including the current year capital outlays, and debt principal payments, is to increase (decrease) net position.		3,728,358
4 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue of \$99,216 as revenue, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.		99,216
5 The current year depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(328,556)
6 The District is required to recognize its proportionate share of the net pension liability required by GASB 68 in the amount of \$659,079, a deferred resource inflow in the amount of \$185,373, and a deferred resource outflow in the amount of \$369,529. The net effect of including the net pension liability, deferred resource inflows, and deferred resource outflows, is to increase (decrease) net position.		(474,923)
7 The District implemented GASB 75 reporting requirements for the OPEB benefit plan through TRS. The District is required to recognize its proportionate share of the OPEB liability in the amount of \$1,457,568, a deferred resource inflow in the amount of \$609,704, and a deferred resource outflow in the amount of \$21,864. The net effect of including the prior period adjustment, net OPEB liability, deferred resource inflows, and deferred resource outflows, is to increase (decrease) net position.		(2,045,408)
19 Net Position of Governmental Activities	\$	<u>2,388,865</u>

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

COLLINSVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 2,014,987	\$ 432,106	\$ 6,204
5800 State Program Revenues	3,667,978	76,291	-
5900 Federal Program Revenues	71,804	-	-
5020 Total Revenues	<u>5,754,769</u>	<u>508,397</u>	<u>6,204</u>
EXPENDITURES:			
Current:			
0011 Instruction	2,809,601	-	-
0012 Instructional Resources and Media Services	82,344	-	-
0013 Curriculum and Instructional Staff Development	5,811	-	-
0021 Instructional Leadership	39,187	-	-
0023 School Leadership	481,645	-	-
0031 Guidance, Counseling and Evaluation Services	72,703	-	-
0033 Health Services	61,102	-	-
0034 Student (Pupil) Transportation	23,440	-	-
0035 Food Services	-	-	-
0036 Extracurricular Activities	333,343	-	-
0041 General Administration	433,497	-	-
0051 Facilities Maintenance and Operations	791,613	-	-
0052 Security and Monitoring Services	8,801	-	-
0053 Data Processing Services	119,279	-	-
Debt Service:			
0071 Principal on Long-Term Debt	200,000	117,000	-
0072 Interest on Long-Term Debt	61,925	325,228	-
0073 Bond Issuance Cost and Fees	2,500	950	-
Capital Outlay:			
0081 Facilities Acquisition and Construction	150,160	-	3,234,121
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	66,264	-	-
0099 Other Intergovernmental Charges	45,595	-	-
6030 Total Expenditures	<u>5,788,810</u>	<u>443,178</u>	<u>3,234,121</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(34,041)</u>	<u>65,219</u>	<u>(3,227,917)</u>
OTHER FINANCING SOURCES (USES):			
7915 Transfers In	-	60,000	-
8911 Transfers Out (Use)	(98,000)	-	-
7080 Total Other Financing Sources (Uses)	<u>(98,000)</u>	<u>60,000</u>	<u>-</u>
1200 Net Change in Fund Balances	(132,041)	125,219	(3,227,917)
0100 Fund Balance - July 1 (Beginning)	<u>1,346,296</u>	<u>219,822</u>	<u>3,248,327</u>
3000 Fund Balance - June 30 (Ending)	<u>\$ 1,214,255</u>	<u>\$ 345,041</u>	<u>\$ 20,410</u>

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

Other Governmental Funds	Total Governmental Funds
\$ 135,268	\$ 2,588,565
49,811	3,794,080
285,983	357,787
471,062	6,740,432
155,315	2,964,916
-	82,344
-	5,811
-	39,187
-	481,645
-	72,703
-	61,102
-	23,440
324,716	324,716
28,105	361,448
3,766	437,263
-	791,613
-	8,801
-	119,279
-	317,000
-	387,153
-	3,450
-	3,384,281
-	66,264
-	45,595
511,902	9,978,011
(40,840)	(3,237,579)
38,000	98,000
-	(98,000)
38,000	-
(2,840)	(3,237,579)
33,920	4,848,365
\$ 31,080	\$ 1,610,786

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COLLINSVILLE INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2018

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$	(3,237,579)
The District uses internal service funds to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase (decrease) net position.		26,543
Current year capital outlays of \$3,413,603 and long-term debt principal payments of \$317,000 are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. Accrued interest on long term debt of \$2,245 is not reflected in the fund financial statements, but is recorded in the government-wide financial statements. The net effect of removing the current year capital outlays and debt principal payments is to increase (decrease) net position.		3,728,358
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from taxes as revenue, adjusting current year revenue by \$2,974 to show the revenue earned from the current year's tax levy, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.		2,974
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.		(328,556)
Current year changes due to GASB 68 increased revenues in the amount of \$(38,567), but also increased expenses in the amount of \$3,474. The impact of these items is to increase (decrease) the change in net position.		(42,041)
The implementation of GASB 75 to report the District's share of the TRS OPEB plan resulted in current year increased revenues in the amount of \$(865,582), but also increased expenses in the amount of \$(1,378,806). The impact of these items is to increase (decrease) the change in net position.		513,224
 Change in Net Position of Governmental Activities	 \$	 <u>662,923</u>

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

COLLINSVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018

	Governmental Activities -
	Internal Service Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 9,978
Due from Other Funds	<u>146,195</u>
Total Assets	<u>156,173</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	<u>20,679</u>
Total Liabilities	<u>20,679</u>
NET POSITION	
Unrestricted Net Position	<u>135,494</u>
Total Net Position	<u><u>\$ 135,494</u></u>

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

COLLINSVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Governmental Activities -
	Internal Service Fund
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 34,012
Total Operating Revenues	34,012
OPERATING EXPENSES:	
Other Operating Costs	7,469
Total Operating Expenses	7,469
Operating Income	26,543
Total Net Position - July 1 (Beginning)	108,951
Total Net Position - June 30 (Ending)	\$ 135,494

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

COLLINSVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Governmental Activities -
	Internal Service Fund
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 65
Cash Payments for Insurance Claims	(1,859)
Net Cash Used for Operating Activities	<u>(1,794)</u>
Net Decrease in Cash and Cash Equivalents	(1,794)
Cash and Cash Equivalents at Beginning of Year	<u>11,772</u>
Cash and Cash Equivalents at End of Year	<u>\$ 9,978</u>
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Used for Operating Activities:</u>	
Operating Income:	\$ 26,543
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (increase) in Receivables	(32,203)
Increase (decrease) in Accounts Payable	<u>3,866</u>
Net Cash Used for Operating Activities	<u>\$ (1,794)</u>

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

COLLINSVILLE INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2018

	Agency Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 50,507
Total Assets	<u>\$ 50,507</u>
LIABILITIES	
Due to Student Groups	\$ 50,507
Total Liabilities	<u>\$ 50,507</u>

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

COLLINSVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

Note A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Collinsville Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven-member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

1. Reporting Entity

The Board of Trustees is elected by the public and has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, *"The Financial Reporting Entity,"* as amended by Statements No. 39, *"Determining Whether Certain Organizations are Component Units,"* and No. 61, *"The Financial Reporting Entity: Omnibus – an Amendment of GASB Statements No. 14 and No. 34."* There are no component units included within the reporting entity.

2. Government-Wide and Fund Financial Statements

The *Statement of Net Position* and the *Statement of Activities* are government-wide financial statements. They report information on all nonfiduciary activities of the District. Taxes and intergovernmental revenues normally support governmental activities. The effect of interfund activity has been removed from these statements.

The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Program revenues include (1) charges for services or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Program revenues included in the *Statement of Activities* reduce the cost of the function to be financed from general activities. Taxes and other items not identifiable as program revenues are reported instead as general revenues.

The District reports all direct expenses by function in the *Statement of Activities*. Direct Expenses are those clearly identifiable with a function. Depreciation expense is specifically identified by function and is included in the program expenses of each function.

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

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor have been met.

Governmental Fund Financial Statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. With this measurement focus, only current assets, current liabilities, deferred inflows of resources, deferred outflows of resources, and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses). Revenues are recognized in the accounting period in which they become both measurable and available. Expenditures are generally recorded when the liability is incurred, if measurable, except for unmatured principal and interest on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers all revenues available if they are collectible within 60 days of year-end.

Revenues from local sources consist primarily of property taxes, which are susceptible to accrual and considered available if they will be collected within 60 days of the end of the fiscal year. 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 at the earnings date.

The special revenue funds, except for the Child Nutrition Fund, include programs that are financed on a project grant basis. These projects have grant periods that range from less than twelve months to in excess of two years. Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. When grant funds are received in advance of being earned, they are recorded as deferred revenues until earnings criteria are met.

Proprietary and Fiduciary Fund Financial Statements are accounted for on a *flow of economic resources measurement focus*. Within this focus, all assets and all liabilities associated with the operation of these funds are included on the fund *Statement of Net Position*. Agency funds are custodial in nature and do not involve measurement of results or operations.

4. Fund Accounting

The District reports its financial activities through the use of “fund accounting”. The activities of the District are organized on the basis of funds. The operations of each fund are accounted for by providing a separate set of self-balancing accounts to reflect results of activities. Fund accounting segregates funds according to their intended purposes to assist management in demonstrating compliance with finance-related legal and contractual provisions.

Governmental Funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District’s expendable financial resources and the related liabilities are accounted for through the governmental funds. The following are the District’s **major** governmental funds:

General Fund – The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures that are not paid through other funds are paid from the General Fund.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and the retirement of, long-term debt principal, interest, and related costs.

Capital Projects Fund – The Capital Projects Fund is used to account for financial resources to be used for the acquisition, renovation, or construction of major capital projects.

Other non-major governmental funds consist of special revenue funds that account for resources that are legally restricted or locally committed to expenditures for specified purposes. Most Federal and some State financial assistance is accounted for in special revenue funds.

Proprietary Funds:

Internal Service Fund – The Internal Service Fund is established to account for revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis. The District’s Internal Service Fund is for Workers Compensation Self-Insurance.

Fiduciary Funds:

Agency Funds – The Agency Funds are fiduciary funds that are custodial in nature (assets equal liabilities). These funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, organizations, and/or other funds. The Student Activity Fund accounts for the receipt and disbursement of monies from student activity organizations. These organizations exist with the explicit approval of and are subject to revocation by, the District’s Board of Trustees. This fund reflects the District agency relationship with the student activity organizations.

5. Assets, Liabilities, and Deferred Inflows/Outflows

Cash and Cash Equivalents – The District’s cash and cash equivalents include cash on hand, demand deposits, money market accounts with original maturities of three months or less from the date of acquisition. For purposes of the statement of cash flows for proprietary funds, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased. Cash and cash equivalents in the Internal Service fund was \$9,978 as of June 30, 2018.

Investments - Investments are recorded at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. District management believes that the District adheres to the requirements of the State of Texas Public Funds Investment Act regarding investment practice, management reports, and establishment of appropriate policies. Additionally, management believes that the investment practices of the District are in accordance with local policies for the current fiscal year.

Interfund Receivables and Payables – Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds.” All residual balances between governmental activities are eliminated in the government-wide statements.

Capital Assets – Capital assets, which include land, buildings, equipment, and vehicles, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

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

<u>Asset Classification</u>	<u>Useful Life</u>
Buildings	39-50 years
Building Improvements	15-40 years
Vehicles & Buses	5-10 years
Equipment	5-7 years

Vacation and Sick Leave – Vacations are to be taken within the same year they are earned, and any unused days at the end of the year are forfeited. Therefore, no liability has been accrued in the accompanying basic financial statements. Employees of the District are entitled to sick leave based on category/class of employment Sick leave is allowed to be accumulated but does not vest. Therefore, no liability exists for unused sick leave.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the *Statement of Net Position*. Bond premiums and discounts are reported as a liability and amortized over the life of the bonds using the effective interest method. Bond issuance costs are expenses as incurred. In the fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are also reported as other financing sources while discounts on debt issuances and payments to bond refunding escrow agents are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Pensions and Other Post-Employment Benefits – The District records its proportionate share of the net pension & OPEB liabilities of the Teacher Retirement System of Texas (TRS). The fiduciary net position of TRS has been determined using the economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability and net OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions & OPEB, pension & OPEB expense, and information about assets, liabilities, and additions to/deductions from TRS and TRS-Care’s fiduciary net position. Benefit payments are recognized when due and payable in accordance with benefit terms. For the pension plan, investments are reported at fair value. For the TRS-Care OPEB plan, there are no investments as this is a pay as you go plan and all cash is held in a cash account.

Deferred Outflows/Inflows of Resources – In addition to assets and liabilities, the government-wide *Statement of Net Position* and governmental fund *Balance Sheet* report separate sections for deferred outflows and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position/fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources represent the acquisition of net position/fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District reports certain deferred inflows and outflows related to pensions and other post-employment benefits on the government-wide *Statement of Net Position*.

6. Fund Balances and Net Position

Net position on the government-wide *Statement of Net Position* includes the following:

Net Investment in Capital Assets reports the difference between capital assets, net of accumulated depreciation, and the outstanding balance of debt, excluding unspent bond proceeds that are directly attributable to the acquisition, construction or improvement of those capital assets.

Restricted for Federal and State Grant Programs is the component of net position restricted to be spent for specific purposes prescribed by federal and state granting agencies.

Restricted for Debt Service is the component of net position that is restricted for payment of debt service by constraints established by bond covenants.

Restricted for Campus Activities is the component of net position that is restricted for campus activities.

Restricted for Scholarships is the component of net position that is restricted for scholarships.

Unrestricted Net Position is the residual difference between assets, deferred outflows, liabilities, and deferred inflows that is not invested in capital assets or restricted for specific purpose.

It is the District’s policy to spend funds available from restricted sources prior to unrestricted sources.

Fund balances on the governmental funds’ *Balance Sheet* include the following:

Non-spendable fund balance is the portion of the gross fund balance that is not expendable because it is either not in spendable form or is legally or contractually required to be maintained intact.

Restricted fund balance includes amounts restricted for a specific purpose by the provider (such as grantors, bondholders, and high levels of government), through constitutional provisions, or by enabling legislation. Debt service resources are to be used for future servicing of the District's bonded debt and are restricted through debt covenants. Capital projects bond funds are restricted by the bondholders for the specific purpose of capital projects and capital outlays. Federal & State grant resources are restricted pursuant to the mandates of the granting agency.

Committed fund balance is that portion of fund balance that is committed to a specific purpose by the District's Board of Trustees. The Board of Trustees establishes (and modifies or rescinds) fund balance commitments by Board action. These amounts cannot be used for any other purpose unless the Board removes or changes the constraint by exercising the same type of action originally used to commit the funds.

Unassigned fund balance is the difference between the total fund balance and the total of the non-spendable, restrict, and committed fund balances and can be utilized for any legal purpose. This portion of the total fund balance in the General Fund is available to finance operating expenditures.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When expenditures are incurred for which committed, or unassigned fund balances are available, the District considers amounts to have been spent first from committed funds, then unassigned funds, as need, unless the Board of Trustees has provided otherwise in its commitment actions.

7. Data Control Codes

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

8. Management's Use of Estimates

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

9. Encumbrance Accounting

Under encumbrance accounting, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in the accounting system in order to assign the portion of the applicable appropriation. This methodology is employed in the governmental fund financial statements. Encumbrances are not liabilities and are therefore not recorded as expenditures until the receipt of the material or service. For budgetary purposes, appropriations lapse at fiscal year-end, and outstanding encumbrances at year-end are re-appropriated in the next fiscal year. There were no encumbrances at year-end considered to be significant.

Note B. CASH AND INVESTMENTS

The District's funds are required to be deposited under the terms of a depository contract pursuant to the School Depository Act. The depository bank places approved securities for safekeeping and trust with the District's agent bank 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 dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

At June 30, 2018, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts) was \$1,163,469. At June 30, 2018 and during the year then ended, the District's combined deposits were fully insured by FDIC insurance or collateralized with securities held by the District's agent bank in the District's name, or by letters of credit.

Depository information required to be reported to the Texas Education Agency is as follows:

- a. Depository: Independent Bank, McKinney, Texas
- b. The highest combined balance of cash, savings, and time deposits accounts amounted to \$4,031,461 and occurred during the month of July 2017.
- c. The market value of securities pledged as of the date of the highest combined balance on deposit was \$9,582,776.
- d. Total amount of FDIC coverage at the time of the highest combined balance was \$471,477.

The Public Funds Investment Act (PFIA) (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy, which must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in obligations of the U.S. Treasury and U.S. agencies, municipal securities, repurchase agreements, and certain other investments. The investments owned at fiscal year-end are held by the District or its agent in the District's name.

In compliance with the PFIA, the District has adopted a deposit and investment policy, which address the following risks:

Credit Risk is the risk that a security issuer may default on an interest or principal payment. The District controls and monitors this risk by purchasing quality rated instruments that have been evaluated by nationally recognized agencies such as Standards and Poor's (S&P) or Moody's Investor Service.

Custodial Credit Risk is the risk that, in the event of the failure of a depository financial institution or counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover its deposits, value of its investments, or collateral securities that are in the possession of an outside party. The PFIA, the District's investment policy, and Government Code Chapter 2257 "Collateral for Public Funds" contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments. The District's funds are deposited and invested under terms of a depository contract with amounts greater than the FDIC coverage protected by approved pledged securities held on behalf of the District.

Concentration of Credit Risk is the risk associated with holding investments that are not pools and full faith credit securities. These risks are controlled by limiting the percentages if these investments in the District's portfolio.

Interest Rate Risk is the risk that interest rates will rise and an investment in a fixed-income security will decrease in value. Interest rate risk is reduced by diversifying, investing in securities with different durations, and laddering maturity dates. The District manages its exposure to interest rate risk by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase.

Foreign Currency Risk is the potential for loss due to fluctuations in exchange rates. The District's policy does not allow for any direct foreign investments, and therefore the District is not exposed to foreign currency risk.

The District categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the below hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgement and considers factors specific to each asset.

The District has the following recurring fair value measurements as of June 30, 2018:

Cash & Cash Equivalents of \$1,163,469 are valued using quoted market prices (Level 1 inputs)

The District has no investments measured at the Net Asset Value (NAV) per Share or its equivalent.

Note C. PROPERTY TAXES

The District's ad valorem property tax is levied on all real and business personal property located in the District. A lien exists on all property on January 1st of each year. Tax statements are mailed on October 1st each year or as soon thereafter as possible. Taxes are due upon receipt and become delinquent if not paid before February 1st of the following calendar year. The assessed value of the roll as of the end of the fiscal year was \$167,293,800.

The tax rates levied for the fiscal year ended June 30, 2018, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.1700 and \$0.2596 per \$100 valuation, respectively, for a total of \$1.4296 per \$100 valuation.

Current year tax collections for the period ended June 30, 2018, were 98.93% of the levy.

The ad valorem tax rate is allocated each year between the General Fund and the Debt Service Fund. The full amount estimated to be required for general obligation bond retirement is provided by the debt service tax together with any available state funding and interest earned within the Debt Service Fund.

Allowances for uncollectible taxes within the General Fund and the Debt Service Fund are based on a historical experience. 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.

Note D. RECEIVABLES

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Available School Fund.

Receivables due from other governments as of June 30, 2018 are as follows:

<u>Fund</u>	<u>State Grants</u>	<u>Federal Grants</u>	<u>Other Governments</u>	<u>Totals</u>
General Fund	\$977,485	\$0	\$2,599	\$980,084
Debt Service Funds	0	0	586	586
Special Revenue Funds	0	11,096	0	11,096
Totals	\$977,485	\$11,096	\$3,185	\$991,766

Note E. INTERFUND TRANSACTIONS

Interfund balances at June 30, 2018, consisted of the following individual receivables & payables:

Due to General Fund from:

Debt Service Fund	\$3,120
Total Due to General Fund from Other Funds	<u>\$3,120</u>

Due to Internal Service Fund from:

General Fund	\$146,195
Total Due to Internal Service Fund from Other Funds	<u>\$146,195</u>

Interfund transfers for the year ended June 30, 2018, consisted of the following individual amounts:

Transfers to Debt Service Fund from:

General Fund	\$60,000
Total Transferred to Debt Service Fund from Other Funds	<u>\$60,000</u>

Transfers to Nonmajor Governmental Funds from:

General Fund	\$38,000
Total Transferred to Nonmajor Governmental Funds from Other Funds	<u>\$38,000</u>

Note F. CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2018 is as follows:

	<u>Beginning</u>			<u>Ending</u>
	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u>
Land	\$263,052	\$0	\$0	\$263,052
Buildings & Improvements	9,163,315	8,687,357	0	17,850,672
Equipment	440,811	29,322	0	470,133
Vehicles	745,853	0	0	745,853
Construction in Progress	5,303,076	(5,303,076)	0	0
Totals at Historical Cost	<u>15,916,107</u>	<u>3,413,603</u>	<u>0</u>	<u>19,329,710</u>
Less accumulated depreciation for:				
Buildings & Improvements	(3,974,635)	(276,564)	0	(4,251,199)
Equipment	(372,428)	(18,208)	0	(390,636)
Vehicles	(579,256)	(33,784)	0	(613,040)
Total accumulated depreciation	<u>(4,926,319)</u>	<u>(328,556)</u>	<u>0</u>	<u>(5,254,875)</u>
Capital Assets, Net	<u>\$10,989,788</u>	<u>\$3,085,047</u>	<u>\$0</u>	<u>\$14,074,835</u>

Depreciation expense for the current year was charged to governmental functions as follows:

11 Instruction	\$153,282
12 Instructional Resources & Media Services	5,895
21 Instructional Leadership	2,948
23 School Leadership	23,582
31 Guidance, Counseling, & Evaluation Services	2,948
33 Health Services	2,948
34 Student (Pupil) Transportation	33,784
35 Food Services	17,686
36 Cocurricular/Extracurricular Activities	17,686
41 General Administration	23,582
51 Plant Maintenance & Operations	38,320
53 Data Processing Services	5,895
	<hr/>
Total Depreciation Expense	<u>\$328,556</u>

Note G. LONG-TERM DEBT

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

	<u>Beginning</u>				<u>Amounts Due</u>
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>within One</u>
					<u>Year</u>
Governmental Activities:					
General Obligation Bonds	\$8,660,000	\$0	(\$117,000)	\$8,543,000	\$209,000
Unamortized Bond Premiums	615,000	0	0	615,000	
Total Bonds Payable, Government-Wide	<u>\$9,275,000</u>	<u>\$0</u>	<u>(\$117,000)</u>	<u>\$9,158,000</u>	
Loans	820,000	0	(84,000)	736,000	84,000
Capital Leases	1,087,000	0	(116,000)	971,000	121,000
	<hr/>				
Total Governmental Activities	<u>\$11,182,000</u>	<u>\$0</u>	<u>(\$317,000)</u>	<u>\$10,865,000</u>	<u>\$414,000</u>

Bonds

The District has entered into a continuing disclosure undertaking to provide annual reports and material event notices to the State Information Depository of Texas (SID), which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions at June 30, 2018.

A summary of changes in bonds for the year ended June 30, 2018 is as follows:

<u>Description</u>	<u>Interest Rates Payable</u>	<u>Amounts of Original Issue</u>	<u>Interest Current Year</u>	<u>Beginning Amounts Outstanding</u>			<u>Ending Amounts Outstanding 6/30/18</u>
				<u>7/01/17</u>	<u>Issued</u>	<u>Retired</u>	
Unlimited Refunding Bonds-Series 2011	2.94%	\$1,220,000	\$22,278	\$695,000	\$0	(\$117,000)	\$578,000
Unlimited Building Bonds-Series 2016	2.00-4.00%	7,965,000	302,950	7,965,000	0	0	7,965,000
Total Bonds				\$8,660,000	\$0	(\$117,000)	\$8,543,000
Unamortized Bond Premiums				615,000	0	0	615,000
Total Bonds Payable, Government-Wide Financials				\$9,275,000	\$0	(\$117,000)	\$9,158,000

Debt service requirements for bonds are as follows:

<u>Year Ending June 30,</u>	<u>Bonds</u>		<u>Total Requirements</u>
	<u>Principal</u>	<u>Interest</u>	
2019	\$209,000	\$320,198	\$529,198
2020	216,000	314,110	530,110
2021	213,000	307,952	520,952
2022	214,000	301,393	515,393
2023	186,000	294,867	480,867
2024-2028	1,060,000	1,380,575	2,440,575
2029-2033	1,255,000	1,167,100	2,422,100
2034-2038	1,535,000	889,100	2,424,100
2039-2043	1,875,000	549,500	2,424,500
2044-Maturity	1,780,000	145,800	1,925,800
Total Bonds	\$8,543,000	\$5,670,595	\$14,213,595

Loans

A summary of changes in loans for the year ended June 30, 2018 is as follows:

<u>Date of Issue/Maturity</u>	<u>Purpose/Lawful Authority</u>	<u>Fund Payable From/Interest Rate</u>	<u>Current</u>		<u>Beginning Balance</u>	<u>Amount Issued</u>	<u>Amount Retired</u>	<u>Ending Balance</u>
			<u>Year Interest</u>	<u>Interest</u>				
07/12-07/26	Maint. Tax/TEC 45.108	General/1.65%	\$13,010	\$820,000	\$0	(\$84,000)	\$736,000	
Totals			\$13,010	\$820,000	\$0	(\$84,000)	\$736,000	

Debt service requirements for loans are as follows:

<u>Year Ending June 30,</u>	<u>Loans</u>		<u>Total Requirements</u>
	<u>Principal</u>	<u>Interest</u>	
2019	\$84,000	\$11,624	\$95,624
2020	84,000	10,238	94,238
2021	88,000	8,828	96,828
2022	88,000	7,375	95,375
2023	89,000	5,924	94,924
2024-Maturity	303,000	8,823	311,823
Totals	<u>\$736,000</u>	<u>\$52,812</u>	<u>\$788,812</u>

Capital Leases

On June 11, 2011, the District entered into a public facility capital lease for school facilities. The asset was capitalized for \$1,707,000. The minimum annual payment is \$164,915. The effective rate of interest was 4.50%. This capital lease is scheduled to be liquidated during the fiscal year ending June 30, 2025.

Debt service requirements for capital leases are as follows:

<u>Year Ending June 30,</u>	<u>Capital Leases</u>		<u>Total Requirements</u>
	<u>Principal</u>	<u>Interest</u>	
2019	\$121,000	\$43,695	\$164,695
2020	127,000	38,250	165,250
2021	132,000	32,535	164,535
2022	138,000	26,595	164,595
2023	144,000	20,385	164,385
2024-Maturity	309,000	21,015	330,015
Totals	<u>\$971,000</u>	<u>\$182,475</u>	<u>\$1,153,475</u>

Note H. DUE TO OTHER GOVERNMENTS

As of June 30, 2018, the District had no amounts due to Texas Education Agency for 2017-2018 state foundation settle-up.

Note I. UNEARNED REVENUE & UNAVAILABLE REVENUE

Unearned revenue is that portion of the net revenue receivable which is expected to be collected within the first 60 days following the fiscal year end. Unavailable revenue is that portion of the net revenue receivable which is not expected to be collected within the first 60 days following the fiscal year end.

Unearned revenue and Unavailable revenue at June 30, 2018 consisted of the following:

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Totals</u>
		<u>Fund</u>	<u>Fund</u>	
Unearned Revenue:				
State Instructional Materials Allotment	\$0	\$645	\$0	\$645
Property Tax Revenue	23,089	0	5,124	28,213
Total Unearned Revenue	<u>\$23,089</u>	<u>\$0</u>	<u>\$5,124</u>	<u>\$28,213</u>
Unavailable Revenue:				
Property Tax Revenue	\$84,651	\$0	\$14,565	\$99,216
Total Unavailable Revenue	<u>\$84,651</u>	<u>\$0</u>	<u>\$14,565</u>	<u>\$99,216</u>

Note J. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals</u>
Property Taxes	\$1,937,682	\$0	\$428,345	\$0	\$2,366,027
Penalties, Interest, & Other Tax					
Related Income	24,173	0	2,672	0	26,845
Investment Income	6,357	0	1,089	6,204	13,650
Food Service Sales	0	106,625	0	0	106,625
Athletics	25,357	0	0	0	25,357
Other	21,418	28,643	0	0	50,061
Totals	\$2,014,987	\$135,268	\$432,106	\$6,204	\$2,588,565

Note K. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the current fiscal year, the District purchased commercial insurance to cover general liabilities. There are 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.

Health Care Coverage

During the year ended June 30, 2018, all employees of the District were offered health care coverage under the TRS Active Care insurance plan (the Plan), which is a statewide health insurance coverage program for public education employees established by the 77th Texas Legislature. The District contributed \$300 per month per enrolled employee, which includes \$75 per month which is reimbursed by the State of Texas to the Plan. Employees, at their option, authorized payroll withholdings to pay the additional cost of the premiums for themselves and dependents.

Workers Compensation Coverage

The District is self-funded for workers compensation insurance and has an interlocal agreement with Claims Administration Services, Inc. (CASA) to serve as the District’s third-party administrator. Transactions related to the plan are accounted for in the Workers Compensation Insurance Fund (the "Fund"), an internal service fund of the District. The District makes all contributions to the fund. Claims Administrative Services, Inc. obtained excess loss insurance, which limited annual claims paid from the entire fund for the year ended June 30, 2018, to \$350,000 for any individual participant. At June 30, 2018, the District’s unpaid claims totaled \$20,679, which includes incurred but not reported claims. The liability is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information obtained prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing the claims liability does not necessarily result in an exact amount. Claims are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

Changes in the balances of claims liabilities during the past two years are as follows:

	<u>Year Ended June 30, 2017</u>	<u>Year Ended June 30, 2018</u>
Unpaid claims, beginning of fiscal year	\$15,069	\$16,813
Incurred claims (including IBNR's)	8,703	7,469
Claim payments	(6,959)	(3,603)
Unpaid claims, end of fiscal year	<u>\$16,813</u>	<u>\$20,679</u>

Litigation and Contingencies

The District may be subjected to loss contingencies arising principally in the normal course of operations. In the opinion of the administration, the outcome of any lawsuits will not have a material adverse effect on the accompanying financial statements and accordingly no provision for losses has been recorded.

State and Federal Programs

The District participates in numerous state and federal 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 adjustments 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 at June 30, 2018 may be impaired. In the opinion of the District, there are no significant contingent liabilities related to compliance with rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Note L. DEFINED BENEFIT PENSION PLAN

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

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

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

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

automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017. Contribution Rates can be found in the TRS 2017 CAFR, Note 12, on page 88.

Contribution Rates

	<u>2017</u>	<u>2018</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
District's 2018 FY Employer Contributions		\$ 85,659
District's 2018 FY Member Contributions		\$ 248,377
Measurement Year NECE On-Behalf Contributions		\$ 135,954

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

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

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

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

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

Actuarial Assumptions. The total pension liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions: Actuarial Assumptions can be found in the 2017 TRS CAFR, Note 12, page 90.

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.50%
Salary Increases Including Inflation	3.50% to 9.50%
Payroll Growth Rate	2.50%
Benefit Changes During the Year	None
Ad hoc Post Employment Benefit Changes	None

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

Discount Rate. The discount rate used to measure the total pension liability was 8.0%. The Discount Rate can be found in the 2017 TRS CAFR on page 90. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2017 (see page 62 of the TRS CAFR) are summarized below:

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

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

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the Net Pension Liability. The discount rate can be found in the 2017 TRS CAFR, Note 12, page 91.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
District's proportionate share of the net pension liability:	\$ 1,111,077	\$ 659,079	\$ 282,717

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2018, Collinsville Independent School District reported a liability of \$659,079 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Collinsville Independent School District. The amount recognized by Collinsville Independent School District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with Collinsville Independent School District were as follows:

District's Proportionate share of the collective net pension liability	\$ 659,079
State's proportionate share that is associated with the District	<u>1,782,393</u>
Total	<u>\$2,441,472</u>

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

At August 31, 2017 the employer's proportion of the collective net pension liability was 0.000020612577% which was a decrease of 0.000002826222% from its proportion measured as of August 31, 2016.

Changes Since the Prior Actuarial Valuation – There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

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

For the year ended June 30, 2018, Collinsville Independent School District recognized pension expense of \$135,954 and revenue of \$135,954, for support provided by the State in the Government Wide Statement of Activities.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experience	\$9,643	\$35,543
Changes in actuarial assumptions	30,022	17,187
Net Difference between projected and actual investment earnings		48,032
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	254,196	84,611
Contributions paid to TRS subsequent to the measurement date [to be calculated by employer]	75,668	
Total	\$369,529	\$185,373

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

Year ended June 30:	Pension Expense Amount
2019	\$25,347
2020	67,417
2021	22,115
2022	7,678
2023	(2,432)
Thereafter	(11,638)

Note M. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

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

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

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

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

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

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

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

TRS-Care Plan Premium Rates
Effective Sept. 1, 2016 - Dec. 31, 2017

	TRS Care-1 <u>Basic Plan</u>	TRS Care-2 <u>Optional Plan</u>	TRS Care-3 <u>Optional Plan</u>
Retiree*	\$ 0	\$ 70	\$ 100
Retiree and Spouse	20	175	255
Retiree* and Children	41	132	182
Retiree and Family	61	237	337
Surviving Children Only	28	62	82
*or surviving spouse			

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

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

	<u>Contribution Rates</u>	
	<u>2017</u>	<u>2018</u>
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.00%	1.25%
Employers	0.55%	0.75%
Federal/private Funding Remitted by Employers	1.00%	1.25%
District's 2018 FY Employer Contributions		\$ 24,461
District's 2018 FY Member Contributions		\$ 20,967
Measurement Year NECE On-Behalf Contributions		\$(830,751)

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

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

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

Actuarial Assumptions. The total OPEB liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions: [Actuarial Assumptions can be found in the 2017 TRS CAFR, Note 10, page 82].

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

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

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

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

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.50%
Discount Rate	3.42%
Aging Factors	Based on Plan Specific Experience
Expenses	Third-party administrative expenses related to the
delivery of health care benefits are	included in the age-adjusted claims costs.
Payroll Growth Rate	2.50%
Projected Salary Increases	3.50% - 9.50%
Healthcare Trend Rates	4.50% - 12.00%
Election Rates	Normal Retirement: 70% participation
prior to age 65 and	75% participation after age 65.
Ad-hoc Post Employment Benefit Changes	None

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

***Includes inflation at 2.50%*

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

Discount Rate. A single discount rate of 3.42% was used to measure the total OPEB liability. There was a change of .44 percent in the discount rate since the previous year. The Discount Rate can be found in the 2017 TRS CAFR on page 83. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. The source of the municipal bond rate was Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of August 31, 2017.

Sensitivity of the Net OPEB Liability:

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.42%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (2.42%)	Discount Rate (3.42%)	1% Increase in Discount Rate (4.42%)
District's proportionate share of the Net OPEB Liability:	\$ 1,720,292	\$ 1,457,568	\$ 1,246,397

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of the Net OPEB Liability:	\$ 1,213,571	\$ 1,457,568	\$ 1,777,723

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At June 30, 2018, Collinsville Independent School District reported a liability of \$1,457,568 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 Collinsville Independent School District were as follows:

District's Proportionate share of the collective net OPEB liability	\$ 1,457,568
State's proportionate share that is associated with the District	<u>2,482,620</u>
Total	<u>\$3,940,188</u>

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

At August 31, 2017 the employer's proportion of the collective Net OPEB Liability was 0.000033517912% which was the same proportion measured as of August 31, 2016.

Changes Since the Prior Actuarial Valuation – The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB liability since the prior measurement period: [These can be found in the TRS CAFR on page 83].

Significant plan changes were adopted during fiscal year ending June 30, 2018. Effective January 1, 2018, only one health plan option will exist (instead of three), and all retirees will be required to contribute monthly premiums for coverage. The health plan changes triggered changes to several of the assumptions, including participation rates, retirement rates, and spousal participation rates.

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

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

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

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

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

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

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

For the year ended June 30, 2018, Collinsville Independent School District recognized OPEB expense of \$(830,751) and revenue of \$(830,751) for support provided by the State.

At June 30, 2018, Collinsville Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experience		\$ 30,428
Changes in actuarial assumptions		579,276
Net Difference between projected and actual investment earnings	221	
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	7	
Contributions paid to TRS subsequent to the measurement date [to be calculated by employer]	21,636	
Total	\$ 21,864	\$609,704

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

Year ended June 30:	OPEB Expense Amount
2019	\$(80,421)
2020	(80,421)
2021	(80,421)
2022	(80,421)
2023	(80,476)
Thereafter	(207,315)

Note N. MEDICARE PART D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the 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. The allocation of these on-behalf payments is based on the ratio of a reporting entity's covered payroll to the entire payroll reported by all reporting entities. State Contributions for Medicare Part D made on behalf of Collinsville Independent School District's employees were \$12,223, \$9,131, and \$13,911, respectively for fiscal years ended June 30, 2018, 2017, and 2016.

Note O. JOINT VENTURES – SHARED SERVICE ARRANGMENTS

The District participates in shared services arrangements for Special Education Services, with other school districts. The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, 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 Collinsville Independent School District. The fiscal agent manager is responsible for all financial activities of the shared services arrangement.

Note P. SUBSEQUENT EVENTS

In reviewing its financial statements, management has evaluated events subsequent to the balance sheet date through October 28, 2018, which is the date the financial statements were available to be issued.

Note Q. PRIOR PERIOD ADJUSTMENT

During the fiscal year 2018, the District adopted GASB Statement No. 75 for Other Post-Employment Benefits. With GASB 75, the District must assume their proportionate share of the net OPEB liability of the Texas Public School Retired Employees Group Insurance Program (TRS-Care) administered by the Teacher Retirement System of Texas. Adoption of GASB 75 required a prior period adjustment to report the effect of GASB 75 retroactively. The amount of the prior period adjustment decreased beginning net position by \$2,558,632. The restated beginning net position is \$1,725,942.

Note R. NEGATIVE OPERATING GRANTS AND CONTRIBUTIONS – STATEMENT OF ACTIVITIES

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

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

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

	Operating Grants & Contributions	Negative On-Behalf Accruals	Operating Grants & Contributions (excluding on-behalf accruals)
11 Instruction	(\$517,100)	(\$804,199)	\$287,099
12 Instructional Resources & Media Services	(556)	(665)	109
23 School Leadership	(10,417)	(12,459)	2,042
31 Guidance, Counseling & Evaluation Services	(1,057)	(1,264)	207
33 Health Services	(1,025)	(1,225)	200
34 Student (Pupil) Transportation	(365)	(436)	71
35 Food Services	176,067	(4,150)	180,217
36 Extracurricular Activities	(723)	(864)	141
41 General Administration	(4,590)	(5,489)	899
51 Facilities Maintenance & Operations			0
Totals	(\$359,766)	(\$830,751)	\$470,985

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REQUIRED SUPPLEMENTAL INFORMATION

COLLINSVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 2,223,352	\$ 2,032,852	\$ 2,014,987	\$ (17,865)
5800	State Program Revenues	3,394,717	3,694,717	3,667,978	(26,739)
5900	Federal Program Revenues	14,786	72,905	71,804	(1,101)
5020	Total Revenues	5,632,855	5,800,474	5,754,769	(45,705)
EXPENDITURES:					
Current:					
0011	Instruction	2,765,799	2,819,437	2,809,601	9,836
0012	Instructional Resources and Media Services	85,280	90,280	82,344	7,936
0013	Curriculum and Instructional Staff Development	14,650	14,650	5,811	8,839
0021	Instructional Leadership	-	45,000	39,187	5,813
0023	School Leadership	495,226	489,398	481,645	7,753
0031	Guidance, Counseling and Evaluation Services	65,361	75,361	72,703	2,658
0033	Health Services	63,849	63,849	61,102	2,747
0034	Student (Pupil) Transportation	144,076	141,898	23,440	118,458
0036	Extracurricular Activities	338,252	385,239	333,343	51,896
0041	General Administration	343,302	443,302	433,497	9,805
0051	Facilities Maintenance and Operations	740,127	815,127	791,613	23,514
0052	Security and Monitoring Services	24,314	24,314	8,801	15,513
0053	Data Processing Services	126,605	126,155	119,279	6,876
Debt Service:					
0071	Principal on Long-Term Debt	200,000	200,000	200,000	-
0072	Interest on Long-Term Debt	61,925	61,925	61,925	-
0073	Bond Issuance Cost and Fees	2,050	2,500	2,500	-
Capital Outlay:					
0081	Facilities Acquisition and Construction	263,975	150,160	150,160	-
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	67,040	67,040	66,264	776
0099	Other Intergovernmental Charges	45,000	45,600	45,595	5
6030	Total Expenditures	5,846,831	6,061,235	5,788,810	272,425
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(213,976)	(260,761)	(34,041)	226,720
OTHER FINANCING SOURCES (USES):					
8911	Transfers Out (Use)	-	(98,000)	(98,000)	-
1200	Net Change in Fund Balances	(213,976)	(358,761)	(132,041)	226,720
0100	Fund Balance - July 1 (Beginning)	1,346,296	1,346,296	1,346,296	-
3000	Fund Balance - June 30 (Ending)	\$ 1,132,320	\$ 987,535	\$ 1,214,255	\$ 226,720

COLLINSVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED JUNE 30, 2018

	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
District's Proportion of the Net Pension Liability (Asset)	0.000020613%	0.000023439%	0.000021793%	0.00000996%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 659,079	\$ 885,717	\$ 770,354	\$ 266,045
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	1,782,393	2,168,288	2,114,064	1,860,640
Total	<u>\$ 2,441,472</u>	<u>\$ 3,054,005</u>	<u>\$ 2,884,418</u>	<u>\$ 2,126,685</u>
District's Covered Payroll	\$ 3,029,543	\$ 3,023,870	\$ 2,920,558	\$ 2,954,044
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	21.76%	29.29%	26.38%	9.01%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.17%	78.00%	78.43%	83.25%

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

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

COLLINSVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2018

	2018	2017	2016	2015
Contractually Required Contribution	\$ 85,659	\$ 85,413	\$ 92,564	\$ 73,550
Contribution in Relation to the Contractually Required Contribution	85,659	85,413	92,564	73,550
Contribution Deficiency (Excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-
District's Covered Payroll	\$ 3,225,664	\$ 3,029,543	\$ 3,023,870	\$ 2,920,558
Contributions as a Percentage of Covered Payroll	2.66%	2.82%	3.06%	2.52%

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

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

COLLINSVILLE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR THE YEAR ENDED JUNE 30, 2018

	FY 2018 Plan Year 2017
District's Proportion of the Net Liability (Asset) for Other Post Employment Benefits	0.000033518%
District's Proportionate Share of Net Post Employment Benefit Liability (Asset)	\$ 1,457,568
State's Proportionate Share of the Net Post Employment Benefit Liability (Asset) Associated with the District	2,482,620
Total	\$ 3,940,188
District's Covered Payroll	\$ 3,029,543
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	48.11%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.91%

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

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

COLLINSVILLE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR FISCAL YEAR 2018

	2018
Contractually Required Contribution	\$ 24,461
Contribution in Relation to the Contractually Required Contribution	24,461
Contribution Deficiency (Excess)	\$ -0-
District's Covered Payroll	\$ 3,225,664
Contributions as a Percentage of Covered Payroll	0.76%

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

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

COLLINSVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018

A. Notes to Schedules for the TRS Pension

Changes of Benefit terms:

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

Changes of Assumptions:

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

B. Notes to Schedules for the TRS OPEB Plan

Changes in Benefit terms:

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

Changes in Assumptions:

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

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

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

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

- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

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

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

COMBINING STATEMENTS

COLLINSVILLE INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2018

Data Control Codes	211 ESSA I, A Improving Basic Program	240 National Breakfast and Lunch Program	255 ESSA II, A Training and Recruiting	263 Title III, A English Lang. Acquisition	
ASSETS					
1110	Cash and Cash Equivalents	\$ 7,375	\$ 27,882	\$ (1,274)	\$ (2,042)
1240	Due from Other Governments	-	-	1,361	2,042
1000	Total Assets	<u>\$ 7,375</u>	<u>\$ 27,882</u>	<u>\$ 87</u>	<u>\$ -</u>
LIABILITIES					
2160	Accrued Wages Payable	\$ 6,035	\$ 23,403	\$ -	\$ -
2200	Accrued Expenditures	1,340	4,091	87	-
2300	Unearned Revenue	-	-	-	-
2000	Total Liabilities	<u>7,375</u>	<u>27,494</u>	<u>87</u>	<u>-</u>
FUND BALANCES					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	388	-	-
3490	Other Restricted Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>388</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 7,375</u>	<u>\$ 27,882</u>	<u>\$ 87</u>	<u>\$ -</u>

270 ESSA VI, Pt B Rural & Low Income	289 ESSA Title IV Part A	410 Instructional Materials Allotment	429 Math/Literacy Achievement Grants	480 Elementary Campus Activity	481 Elem Library Campus Activity	482 High School Campus Activity	483 HS Library Campus Activity
\$ (7,693)	\$ 1,214	\$ 645	\$ -	\$ 27,482	\$ 429	\$ 889	\$ 1,892
7,693	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 1,214</u>	<u>\$ 645</u>	<u>\$ -</u>	<u>\$ 27,482</u>	<u>\$ 429</u>	<u>\$ 889</u>	<u>\$ 1,892</u>
\$ -	\$ 1,129	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	85	-	-	-	-	-	-
-	-	645	-	-	-	-	-
<u>-</u>	<u>1,214</u>	<u>645</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	27,482	429	889	1,892
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,482</u>	<u>429</u>	<u>889</u>	<u>1,892</u>
<u>\$ -</u>	<u>\$ 1,214</u>	<u>\$ 645</u>	<u>\$ -</u>	<u>\$ 27,482</u>	<u>\$ 429</u>	<u>\$ 889</u>	<u>\$ 1,892</u>

COLLINSVILLE INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2018

Data Control Codes	495 Local Scholarship Funds	Total Nonmajor Governmental Funds
ASSETS		
1110	Cash and Cash Equivalents	\$ 56,799
1240	Due from Other Governments	11,096
1000	Total Assets	<u>\$ 67,895</u>
LIABILITIES		
2160	Accrued Wages Payable	\$ 30,567
2200	Accrued Expenditures	5,603
2300	Unearned Revenue	645
2000	Total Liabilities	<u>36,815</u>
FUND BALANCES		
Restricted Fund Balance:		
3450	Federal or State Funds Grant Restriction	388
3490	Other Restricted Fund Balance	30,692
3000	Total Fund Balances	<u>31,080</u>
4000	Total Liabilities and Fund Balances	<u>\$ 67,895</u>

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COLLINSVILLE INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018

Data Control Codes	211 ESSA I, A Improving Basic Program	240 National Breakfast and Lunch Program	255 ESSA II, A Training and Recruiting	263 Title III, A English Lang. Acquisition
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ 106,625	\$ -	\$ -
5800 State Program Revenues	-	2,377	-	-
5900 Federal Program Revenues	44,510	178,102	8,244	2,432
5020 Total Revenues	44,510	287,104	8,244	2,432
EXPENDITURES:				
Current:				
0011 Instruction	44,510	-	8,244	2,432
0035 Food Services	-	324,716	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
6030 Total Expenditures	44,510	324,716	8,244	2,432
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(37,612)	-	-
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	38,000	-	-
1200 Net Change in Fund Balance	-	388	-	-
0100 Fund Balance - July 1 (Beginning)	-	-	-	-
3000 Fund Balance - June 30 (Ending)	\$ -	\$ 388	\$ -	\$ -

270 ESSA VI, Pt B Rural & Low Income	289 ESSA Title IV Part A	410 Instructional Materials Allotment	429 Math/Literacy Achievement Grants	480 Elementary Campus Activity	481 Elem Library Campus Activity	482 High School Campus Activity	483 HS Library Campus Activity
\$ -	\$ -	\$ -	\$ -	\$ 25,016	\$ -	\$ 2,539	\$ 1,088
-	-	46,384	1,050	-	-	-	-
42,195	9,800	-	700	-	-	-	-
42,195	9,800	46,384	1,750	25,016	-	2,539	1,088
42,195	9,800	46,384	1,750	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	19,546	81	8,346	132
-	-	-	-	-	-	-	-
42,195	9,800	46,384	1,750	19,546	81	8,346	132
-	-	-	-	5,470	(81)	(5,807)	956
-	-	-	-	-	-	-	-
-	-	-	-	5,470	(81)	(5,807)	956
-	-	-	-	22,012	510	6,696	936
\$ -	\$ -	\$ -	\$ -	\$ 27,482	\$ 429	\$ 889	\$ 1,892

COLLINSVILLE INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018

Data Control Codes	495 Local Scholarship Funds	Total Nonmajor Governmental Funds
REVENUES:		
5700 Total Local and Intermediate Sources	\$ -	\$ 135,268
5800 State Program Revenues	-	49,811
5900 Federal Program Revenues	-	285,983
5020 Total Revenues	-	471,062
EXPENDITURES:		
Current:		
0011 Instruction	-	155,315
0035 Food Services	-	324,716
0036 Extracurricular Activities	-	28,105
0041 General Administration	3,766	3,766
6030 Total Expenditures	3,766	511,902
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,766)	(40,840)
OTHER FINANCING SOURCES (USES):		
7915 Transfers In	-	38,000
1200 Net Change in Fund Balance	(3,766)	(2,840)
0100 Fund Balance - July 1 (Beginning)	3,766	33,920
3000 Fund Balance - June 30 (Ending)	\$ -	\$ 31,080

REQUIRED TEXAS EDUCATION AGENCY SCHEDULES

COLLINSVILLE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED JUNE 30, 2018

Last 10 Years	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2009 and prior years	\$ 1.040000	\$ 0.070000	\$ 114,071,892
2010	1.170000	0.074000	120,143,454
2011	1.170000	0.074300	122,742,601
2012	1.170000	0.074300	127,900,915
2013	1.170000	0.074300	133,317,565
2014	1.170000	0.074300	132,829,193
2015	1.170000	0.074300	137,796,150
2016	1.170000	0.074300	143,310,407
2017	1.170000	0.279270	151,665,550
2018 (School year under audit)	1.170000	0.259600	167,293,800
1000 TOTALS			

(10) Beginning Balance 7/1/2017	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 6/30/2018
\$ 18,281	\$ -	\$ 369	\$ 25	\$ (4,160)	\$ 13,727
2,548	-	105	7	(44)	2,392
2,730	-	82	5	(44)	2,599
2,074	-	205	13	(43)	1,813
3,134	-	709	45	(45)	2,335
3,443	-	1,318	84	(44)	1,997
6,039	-	2,575	163	(751)	2,550
13,603	-	8,587	545	(772)	3,699
71,890	-	36,872	8,801	(11,255)	14,962
-	2,391,632	1,886,860	418,657	-	86,115
<u>\$ 123,742</u>	<u>\$ 2,391,632</u>	<u>\$ 1,937,682</u>	<u>\$ 428,345</u>	<u>\$ (17,158)</u>	<u>\$ 132,189</u>

COLLINSVILLE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
 FOR THE YEAR ENDED JUNE 30, 2018

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 123,200	\$ 113,193	\$ 106,625	\$ (6,568)
5800 State Program Revenues	2,100	2,100	2,377	277
5900 Federal Program Revenues	150,000	183,000	178,102	(4,898)
5020 Total Revenues	<u>275,300</u>	<u>298,293</u>	<u>287,104</u>	<u>(11,189)</u>
EXPENDITURES:				
0035 Food Services	<u>275,300</u>	<u>336,293</u>	<u>324,716</u>	<u>11,577</u>
6030 Total Expenditures	<u>275,300</u>	<u>336,293</u>	<u>324,716</u>	<u>11,577</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(38,000)	(37,612)	388
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	38,000	38,000	-
1200 Net Change in Fund Balances	-	-	388	388
0100 Fund Balance - July 1 (Beginning)	-	-	-	-
3000 Fund Balance - June 30 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 388</u>	<u>\$ 388</u>

COLLINSVILLE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - DEBT SERVICE FUND
 FOR THE YEAR ENDED JUNE 30, 2018

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 510,431	\$ 435,431	\$ 432,106	\$ (3,325)
5800	State Program Revenues	30,199	30,199	76,291	46,092
5020	Total Revenues	540,630	465,630	508,397	42,767
EXPENDITURES:					
Debt Service:					
0071	Principal on Long-Term Debt	117,000	117,000	117,000	-
0072	Interest on Long-Term Debt	325,228	325,228	325,228	-
0073	Bond Issuance Cost and Fees	1,000	1,000	950	50
6030	Total Expenditures	443,228	443,228	443,178	50
1100	Excess of Revenues Over Expenditures	97,402	22,402	65,219	42,817
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	-	60,000	60,000	-
1200	Net Change in Fund Balances	97,402	82,402	125,219	42,817
0100	Fund Balance - July 1 (Beginning)	219,822	219,822	219,822	-
3000	Fund Balance - June 30 (Ending)	\$ 317,224	\$ 302,224	\$ 345,041	\$ 42,817

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REPORTS ON COMPLIANCE & INTERNAL CONTROL

Morgan, Davis & Company, P.C.
Post Office Box 8158
Greenville, Texas 75404

**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***

Independent Auditor's Report

Collinsville Independent School District
Post Office Box 49
Collinsville, Texas 76223

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 Collinsville Independent School District, as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 28, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Collinsville 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 Collinsville Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Collinsville 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 Collinsville 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.

/s/ Morgan, Davis & Company, P.C.

Morgan, Davis, & Company, P.C.
Greenville, Texas

October 28, 2018

COLLINSVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Summary of Auditor's Results:

The type of report we issued on whether the financial statements of Collinsville Independent School District were prepared in accordance with GAAP as an unmodified opinion.

With respect to internal control over financial reporting, we identified no material weaknesses and we reported no significant deficiencies.

We noted no noncompliance material to the financial statements,

Financial Statements Findings:

There are no findings related to financial statements which are required to be reported in accordance with *Generally Accepted Auditing Standards*.

COLLINSVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF STATUS OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

(Prepared by the District's Administration)

There were no prior audit findings which required corrective action.

COLLINSVILLE INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2018

(Prepared by the District's Administration)

There were no corrective actions necessary for the year ended June 30, 2018.

SCHOOLS FIRST QUESTIONNAIRE

Collinsville Independent School District

Fiscal Year 2018

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 on the financial statements as a whole?	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 government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	0
SF11	Net Pension Assets (1920) at fiscal year-end.	
SF12	Net Pension Liabilities (2540) at fiscal year-end.	659079
SF13	Pension Expense (6147) at fiscal year-end.	