TAYLOR INDEPENDENT SCHOOL DISTRICT

Annual Financial Report for the Ten Month Period Ended June 30, 2018

MAXWELL LOCKE & RITTER

TAYLOR INDEPENDENT SCHOOL DISTRICT
Annual Financial Report
Ten Month Period Ended June 30, 2018
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CERTIFICATE OF BOARD

Taylor Independent School District	Williamson	246911
Name of School District	County	Co.-Dist. Number

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

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.)

FINANCIAL SECTION

MAXWELL LOCKE & RITTER LLP
Accountants and Consultants
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Austin, TX 78701

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Round Rock, TX 78664

INDEPENDENT AUDITORS' REPORT

The Board of Trustees of
Taylor Independent School District:

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 Taylor Independent School District (the "District"), as of and for the ten month period 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.

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

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

Opinions

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

Emphasis of Matter

As described in Note 1 and Note 18 to the financial statements, for the ten month period ended June 30, 2018, the District adopted new accounting guidance, Governmental Accounting Standards Board ("GASB") Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* resulting in a restatement of the District's net position as of August 31, 2017. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the District's proportionate share of the net pension liability, the schedule of District contributions - pensions, the schedule of the District's proportionate share of the net OPEB liability, the schedule of District contributions - OPEB, and the notes to the required supplementary information on pages 5 through 12, 50, 51, 52, 53 and 54, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Maxwell Locke & Ritter LLP

Austin, Texas
November 12, 2018

TAYLOR INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Taylor Independent School District's (the "District") annual financial report presents our discussion and analysis of the District's financial performance during the ten month period ended June 30, 2018. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The liabilities and deferred inflows of resources of the District exceeded its assets and deferred outflows of resources at the close of the fiscal year by approximately $2.5 million. Of this amount, unrestricted net position is approximately a negative $17.4 million.
- As of the close of the fiscal year, the District's governmental funds reported combined ending fund balances of approximately $10.7 million. Approximately 70% of this amount, $7.5 million, is available for spending at the government's discretion (unassigned fund balance).
- For the ten month period ended June 30, 2018, the District adopted Governmental Accounting Standards Board ("GASB") Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* The implementation of this standard resulted in a prior period adjustment to net position of $20,784,903 to recognize the net other post-employment benefits ("OPEB") liability at the measurement period ending August 31, 2016, and the deferred outflows of resources related to the District's contributions after the measurement period ending August 31, 2016 through August 31, 2017.
- Effective for fiscal year 2018, the District changed its fiscal year end from August 31 to June 30.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide financial statements - The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to that of a private sector business.

The Statement of Net Position presents information on all of the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between reported as net position. Over time, increases or decreases in net position may serve as a useful indicator as to whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods such as uncollected property tax and earned but unused sick leave.

The government-wide financial statements distinguish functions of the District that are principally supported by taxes, intergovernmental revenues, and user fees and charges (governmental activities). The governmental activities of the District include the education of District students and the programs necessary to support such education.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements.

By doing so readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The District maintains numerous governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, and the Capital Projects Fund as they are considered to be major funds. Data from the other funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The District adopts an annual appropriated budget for the General Fund. A budgetary comparison statement has been provided for this fund to demonstrate compliance with this budget. Supplementary budgetary comparison schedules have also been prepared for the Food Service and Debt Service Funds and are included in the Combining and Individual Fund Statements section of this report.

Fiduciary Funds - The District is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that - because of a trust arrangement - can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

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

Other Information - The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the basic financial statements. Certain information required by the Texas Education Agency and the federal government regarding tax collection and grant expenditures is also presented along with supplementary information related to the District's contributions to cost-sharing pension and OPEB plans with the Teacher Retirement System of Texas.

Government-wide Financial Analysis

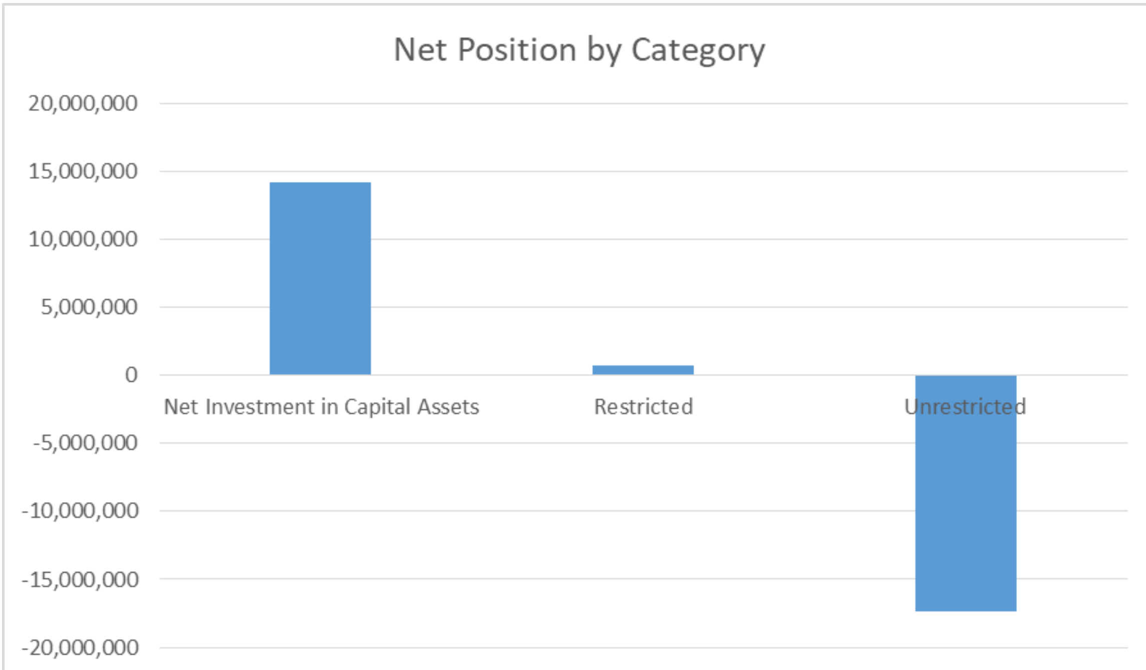
Net position may serve over time as a useful indicator of the District's financial position. For the ten month period ended June 30, 2018, net position was ($2,488,778), an increase of $8,427,145 as compared to net position for the year ended August 31, 2017, as restated.

Net position for the ten month period ended June 30, 2018 as compared to the year ended August 31, 2017 can be presented as follows:

Taylor Independent School District's
Net Position

	Governmental Activities as of	
	June 30, 2018	August 31, 2017
Current assets:		
Cash and temporary investments	$ 9,726,927	$ 20,176,126
Property taxes, net	374,555	261,343
Due from other governments	4,752,146	379,333
Due from other funds	53	-
Other receivables and inventories	109,771	228,111
Total current assets	14,963,452	21,044,913
Capital assets, net of accumulated depreciation	83,342,993	76,163,098
Total assets	$ 98,306,445	$ 97,208,011
Deferred outflows of resources	$ 5,304,746	$ 6,007,120
Current liabilities:		
Accounts payable and accrued liabilities	$ 3,471,927	$ 5,225,306
Due to other governments and student groups	58,985	63,222
Unearned revenue	358,217	842,394
Bond interest payable	997,948	127,121
Bonds payable	2,240,000	2,160,000
Capital lease and notes payable	435,602	464,241
Accumulated unpaid vacation and benefits	13,988	13,144
Total current liabilities	7,576,667	8,895,428
Long-term liabilities:		
Bonds and accretion payable	72,335,289	74,590,840
Notes payable	2,143,290	2,000,581
Accumulated unpaid vacation and benefits	131,432	130,433
Net pension liability	5,981,468	7,136,560
Net OPEB liability	11,853,428	-
Total liabilities	$ 100,021,574	$ 92,753,842
Deferred inflows of resources	$ 6,078,395	$ 592,309
Net position:		
Net investment in capital assets	$ 14,216,443	$ 10,632,944
Restricted	681,768	522,181
Unrestricted	(17,386,989)	(1,286,145)
Total net position	(2,488,778)	9,868,980
Prior period adjustment	-	(20,784,903)
Total net position, as restated	$ (2,488,778)	$ (10,915,923)

The District has unrestricted net position of ($17,386,989) as of June 30, 2018. For the ten month period ending June 30, 2018, restricted net position increased by $159,587. Overall cash and investments decreased from the previous fiscal year.



Net position may be restricted for a variety of uses by the District. These restrictions are imposed by bond covenants, debt agreements, or grant agreements. Restricted net position is available for use in the designated areas only. Unrestricted net position may be used by the District to meet ongoing operating obligations as determined by the Board of Trustees (the "Board").

Governmental Activities

Governmental activities increased the District's net position by $8,427,145 during the ten month period ended June 30, 2018. Key elements of this increase are as follows:

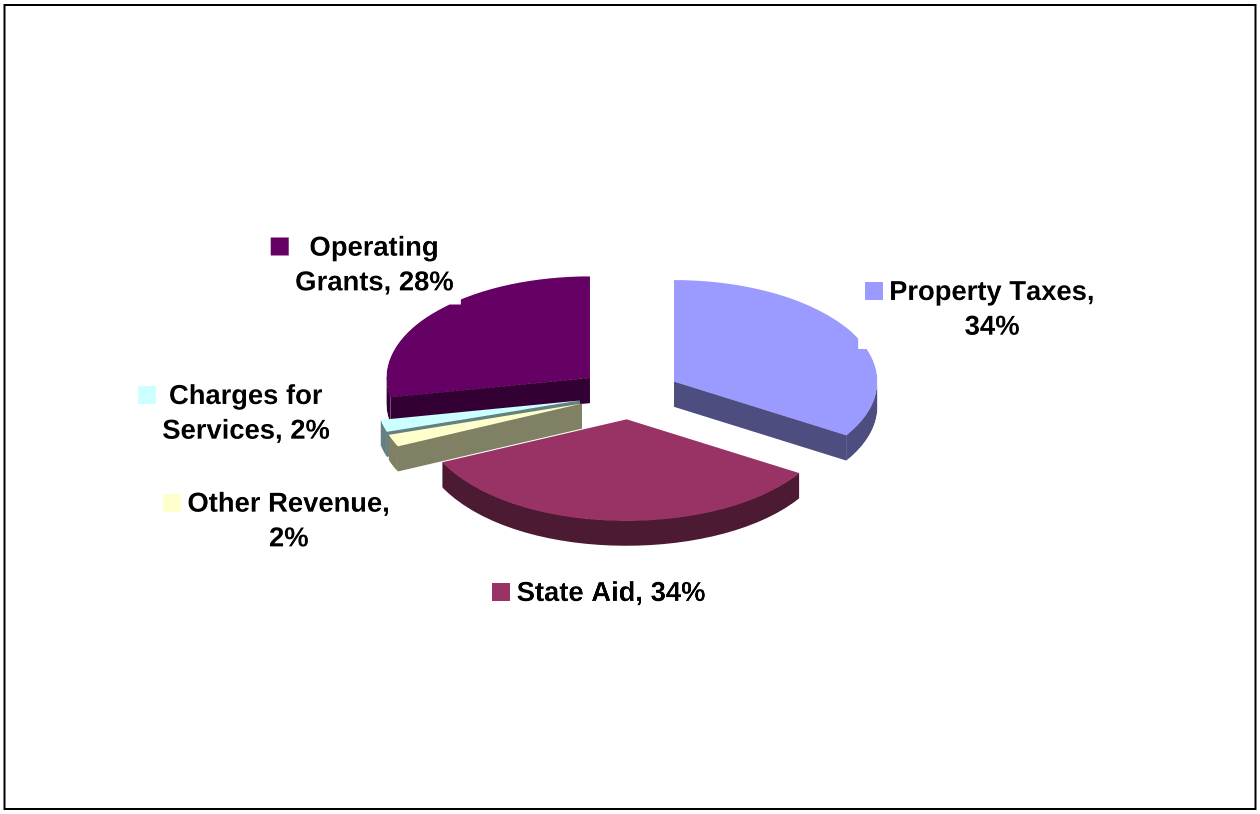
Taylor Independent School District's
Changes in Net Position

	Governmental Activities	
	Ten Month Period Ended June 30, 2018	Fiscal Year Ended August 31, 2017
Revenues:		
Program revenues:		
Charges for services	$ 1,077,513	$ 1,123,641
Operating grants and contributions	13,023,422	9,573,715
General revenues:		
Property taxes	15,671,071	14,550,333
State aid - formula grants	15,750,214	15,488,015
Investment earnings	237,444	294,626
Miscellaneous	486,339	678,773
Total revenues	46,246,003	41,709,103
Expenses:		
Instructional	19,125,019	21,200,526
Instructional leadership	2,414,646	2,873,869
Student support services	2,397,045	2,606,854
Food services	1,711,767	1,772,266
Extracurricular activities	1,074,047	1,140,641
General administration	1,119,321	1,283,403
Support services	4,870,806	4,960,392
Community services	455,203	518,640
Debt service	2,381,850	2,911,402
Facilities acquisition and construction	358,962	82,283
Payments to other districts/agencies	1,910,192	1,991,653
Total expenses	37,818,858	41,341,929
Change in net position	8,427,145	367,174
Net position beginning	(10,915,923)	9,501,806
Prior period adjustment	-	(20,784,903)
Net position ending	$ (2,488,778)	$ (10,915,923)

The District's enrollment is approximately 67% economically disadvantaged which qualifies the District for more funding from state and federal sources. The District actively pursues this avenue to acquire much needed funding for the District.

Overall property taxes and stated funding each account for 34% of the District's revenue sources. Operating grants account for 28% of revenue sources.

Revenues by Type



Governmental Funds

The focus of the District's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, the District's governmental funds reported a combined ending fund balance of $10,699,768. Of this amount $7,453,341 constitutes unassigned fund balance available for use in the General Fund activities at the District's discretion. The remainder of the fund balance is nonspendable, restricted, or assigned to indicate that it is not available for new spending because it is in nonspendable form or it will be used for bond projects, debt service and other obligations of the District.

The Texas Education Agency recommends that districts keep a fund balance that is between 12% to 20% of annual General Fund operating expenditures. As a measure of the General Fund's liquidity, unassigned fund balance represents 28% of the total General Fund expenditures.

The District sets maintenance and debt tax rates in August of each year. For the 2017-18 fiscal year the District adopted a maintenance and operations tax rate of $1.17 per $100 in valuation and a debt service rate of $0.40.

Budgetary Highlights

The Taylor ISD Board of Trustees approved two major budget amendments during the 2017-18 fiscal year. The District borrowed $489,169 and also appropriated $489,169 to finance an energy efficiency project that will improve energy efficiency throughout the District and save valuable dollars on the cost of energy. The Board also approved a $3,500,000 operating transfer from the fund balance of the General Fund to the Capital Projects Fund to complete bond projects that were started in 2016.

Capital Assets and Debt Administration:

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2018 amounts to $83,342,993 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, construction in progress, and furniture and equipment.

Taylor Independent School District
Capital Assets
(Net of accumulated depreciation)

Land	$	1,437,326
Buildings and improvements		56,294,252
Construction in progress		23,830,069
Furniture and equipment		1,781,346
Total	$	83,342,993

Additional information on the District's capital assets can be found in Note 7 of this report.

Long-term Debt

At the end of the current fiscal year the District had total bonded debt outstanding of $64,694,943. The bonded debt constitutes a direct obligation of the District from a continuing, direct ad valorum tax levied against all taxable property of the District without legal limit as to rate or amount. The bonds are also guaranteed by the corpus of the Permanent School fund of the State of Texas. Both Standard & Poor's Rating Services and Moody's Investors Services have provided bond ratings of AAA and Aaa, respectively, to the District's outstanding debt obligations.

Additional information on the District's long-term debt can be found in Note 9 of this report.

Economic Factors and Next Year's Budgets and Rates

The District's elected and appointed officials considered population growth and available resources from State revenues and tax revenues when setting the fiscal year 2019 budget and tax rate. The student population stayed relatively flat last year, but the District expects a 1-2% increase in 2018-19. Assessed property values increased by approximately 7.92% over last year. The District adopted a $37,943,292 budget (General Fund, Debt Service Fund and Food Service Fund) for fiscal year 2019. The budget will be funded through a $1.57 overall tax rate consisting of a $1.17 M&O tax rate and $0.40 I&S tax rate, State Per Capita and Foundation revenues, and other local revenues. The total tax rate adopted is the same as the previous year. The 2019 fiscal year budget is approximately 0.4% more than the 2018 fiscal year amended budget. If the District does not incur any unforeseen expenditures or reductions in revenues, it should accomplish the task of educating the students in the District with the available resources and not use any significant amount of its General fund balance.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Business Office at Taylor Independent School District, 3101 North Main Street, Suite 104, Taylor, Texas 76574.

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities
ASSETS:	
Cash and temporary investments	$ 9,726,927
Receivables:	
Property taxes - delinquent	468,193
Allowance for uncollectible taxes	(93,638)
Due from other governments	4,752,146
Due from fiduciary funds	53
Other receivables	43,959
Inventories	65,812
Capital assets (net of accumulated depreciation):	
Land	1,437,326
Buildings and improvements	56,294,252
Construction in progress	23,830,069
Furniture and equipment	1,781,346
Total assets	98,306,445
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred charges on bond refundings	3,289,943
Pension contributions after measurement date	675,435
Deferred outflows related to pension liability	1,175,786
OPEB contributions after measurement date	161,727
Deferred outflows related to OPEB liability	1,855
Total deferred outflows of resources	5,304,746
LIABILITIES:	
Current liabilities:	
Accounts payable	359,227
Payroll deductions and withholdings payable	100,739
Accrued wages payable	3,011,961
Due to other governments	243
Due to student groups	58,742
Unearned revenue	358,217
Bond interest payable	997,948
Bonds payable	2,240,000
Notes payable	346,460
Capital lease payable	89,142
Accumulated unpaid vacation and benefits	13,988
Noncurrent liabilities:	
Bonds payable	67,827,324
Notes payable	2,143,290
Accretion payable	4,507,965
Accumulated unpaid vacation and benefits	131,432
Net pension liability	5,981,468
Net OPEB liability	11,853,428
Total liabilities	100,021,574
DEFERRED INFLOWS OF RESOURCES:	
Deferred inflows related to pension liability	1,120,084
Deferred inflows related to OPEB liability	4,958,311
Total deferred outflows of resources	6,078,395
NET POSITION:	
Net investment in capital assets	14,216,443
Restricted for-	
Food service	681,768
Unrestricted	(17,386,989)
Total net position	$ (2,488,778)

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

TAYLOR INDEPENDENT SCHOOL DISTRICT
Statement of Activities
Ten Month Period Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental activities:				
Instruction	$ 18,184,880	676,854	7,734,564	(9,773,462)
Instructional resources and media services	280,769	-	48,257	(232,512)
Curriculum and staff development	659,370	-	247,402	(411,968)
Instructional leadership	452,968	-	208,463	(244,505)
School leadership	1,961,678	-	600,604	(1,361,074)
Guidance, counseling, and evaluation services	1,090,286	-	513,831	(576,455)
Social work services	49,999	-	49,999	-
Health services	271,783	-	78,318	(193,465)
Student transportation	984,977	-	206,165	(778,812)
Food services	1,711,767	286,959	1,426,028	1,220
Extracurricular activities	1,074,047	98,397	182,347	(793,303)
General administration	1,119,321	15,303	224,217	(879,801)
Facilities maintenance and operations	4,206,947	-	805,623	(3,401,324)
Security and monitoring services	79,489	-	-	(79,489)
Data processing services	584,370	-	119,373	(464,997)
Community services	455,203	-	167,326	(287,877)
Debt service	2,381,850	-	410,905	(1,970,945)
Facilities acquisition and construction	358,962	-	-	(358,962)
Payments related to shared services arrangements	1,657,007	-	-	(1,657,007)
Payments to juvenile justice alternative education programs	155,226	-	-	(155,226)
Other intergovernmental charges	97,959	-	-	(97,959)
Total governmental activities	$ 37,818,858	1,077,513	13,023,422	(23,717,923)

General revenues:	
Property taxes levied for general purposes	$ 11,679,305
Property taxes levied for debt service	3,991,766
State aid-formula grants	15,750,214
Investment earnings	237,444
Miscellaneous	486,339
Total general revenues	32,145,068
Change in net position	8,427,145
Net position - beginning, as restated	(10,915,923)
Net position - ending	$ (2,488,778)

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

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

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and temporary investments	$ 7,139,634	881,390	413,336	1,292,567	9,726,927
Receivables:					
Property taxes - delinquent	355,262	112,931	-	-	468,193
Allowance for uncollectible taxes	(71,052)	(22,586)	-	-	(93,638)
Due from other governments	4,430,778	34,467	-	286,901	4,752,146
Due from other funds	8,052	2,241	-	57,220	67,513
Other receivables	43,781	-	-	178	43,959
Inventories	65,812	-	-	-	65,812
Total assets	$ 11,972,267	1,008,443	413,336	1,636,866	15,030,912
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 146,125	-	183,613	29,489	359,227
Payroll deductions and withholdings payable	100,739	-	-	-	100,739
Accrued wages payable	2,557,119	-	-	454,842	3,011,961
Due to other funds	2,241	-	-	65,219	67,460
Due to other governments	243	-	-	-	243
Due to student groups	-	-	-	58,742	58,742
Unearned revenue	347,257	-	-	10,960	358,217
Total liabilities	3,153,724	-	183,613	619,252	3,956,589
Deferred inflows of resources -					
Deferred revenue - property taxes	284,210	90,345	-	-	374,555
Fund balances:					
Nonspendable-					
Inventories	65,812	-	-	-	65,812
Restricted for:					
Construction	-	-	229,723	-	229,723
Debt service	-	918,098	-	-	918,098
Food service	-	-	-	681,768	681,768
Assigned to:					
Self insurance	235,180	-	-	-	235,180
Debt service	380,000	-	-	-	380,000
Construction	400,000	-	-	-	400,000
Other state programs	-	-	-	335,846	335,846
Unassigned	7,453,341	-	-	-	7,453,341
Total fund balances	8,534,333	918,098	229,723	1,017,614	10,699,768
Total liabilities, deferred inflows of resources, and fund balances	$ 11,972,267	1,008,443	413,336	1,636,866	

Amounts reported for *governmental activities* in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	$ 83,342,993
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	374,555
The following liabilities and deferred inflows and outflows of resources are not due and payable in the current period and, therefore, are not reported in the funds:	
Bonds payable, including premiums	(70,782,988)
Less: Issuance discount	715,664
Less: Deferred charges on bond refundings	3,289,943
Notes payable	(2,489,750)
Accretion payable	(4,507,965)
Bond interest payable	(997,948)
Capital lease payable	(89,142)
Accumulated unpaid vacation and benefits	(145,420)
Net pension liability	(5,981,468)
Pension contributions after measurement date	675,435
Deferred outflows related to pension liability	1,175,786
Deferred inflows related to pension liability	(1,120,084)
Net OPEB liability	(11,853,428)
OPEB contributions after measurement date	161,727
Deferred outflows related to OPEB liability	1,855
Deferred inflows related to OPEB liability	(4,958,311)
Net position of governmental activities	$ (2,488,778)

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

TAYLOR INDEPENDENT SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Ten Month Period Ended June 30, 2018

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Local and intermediate sources	$ 12,704,317	3,971,111	22,718	659,553	17,357,699
State program revenues	17,016,566	410,905	-	2,119,580	19,547,051
Federal program revenues	878,639	-	-	3,276,372	4,155,011
Total revenues	30,599,522	4,382,016	22,718	6,055,505	41,059,761
EXPENDITURES:					
Current:					
Instruction	13,430,169	-	-	3,210,590	16,640,759
Instructional resources and media services	258,845	-	-	-	258,845
Curriculum and staff development	523,838	-	-	79,949	603,787
Instructional leadership	294,098	-	-	130,195	424,293
School leadership	1,764,550	-	-	4,803	1,769,353
Guidance, counseling, and evaluation services	691,707	-	-	331,401	1,023,108
Social work services	-	-	-	49,999	49,999
Health services	245,746	-	-	-	245,746
Student transportation	811,329	-	-	-	811,329
Food services	390	-	-	1,580,277	1,580,667
Extracurricular activities	984,116	-	-	16,719	1,000,835
General administration	1,026,741	-	-	413	1,027,154
Facilities maintenance and operations	3,780,156	-	-	207,562	3,987,718
Security and monitoring services	75,363	-	-	-	75,363
Data processing services	534,549	-	-	-	534,549
Community services	334,151	-	-	90,399	424,550
Debt service	215,392	3,689,617	-	-	3,905,009
Facilities acquisition and construction	-	-	9,247,784	-	9,247,784
Intergovernmental:					
Payments related to shared services arrangements	1,657,007	-	-	-	1,657,007
Payments to juvenile justice alternative education programs	155,226	-	-	-	155,226
Other intergovernmental charges	97,959	-	-	-	97,959
Total expenditures	26,881,332	3,689,617	9,247,784	5,702,307	45,521,040
Excess (deficiency) of revenues over (under) expenditures	3,718,190	692,399	(9,225,066)	353,198	(4,461,279)
OTHER FINANCING SOURCES (USES):					
Transfers in	-	191,649	3,500,000	-	3,691,649
Transfers out	(3,691,649)	-	-	-	(3,691,649)
Proceeds from note payable	489,169	-	-	-	489,169
Proceeds from sale of property	19,230	-	-	-	19,230
Total other financing sources (uses)	(3,183,250)	191,649	3,500,000	-	508,399
Net change in fund balances	534,940	884,048	(5,725,066)	353,198	(3,952,880)
Fund balances - beginning	7,999,393	34,050	5,954,789	664,416	14,652,648
Fund balances - ending	$ 8,534,333	918,098	229,723	1,017,614	10,699,768

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

TAYLOR INDEPENDENT SCHOOL DISTRICT
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Ten Month Period Ended June 30, 2018

Net change in fund balances-total governmental funds	$	(3,952,880)
Amounts reported for *governmental activities* in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital outlay, exclusive of non-capitalized items		9,097,554
Depreciation expense		(1,836,922)
Disposal of capital assets		(80,737)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in deferred tax revenue		113,212
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Proceeds from contractual obligations		(489,169)
Repayment of bond principal and contractual obligations		2,400,961
Repayment of capital lease principal		134,138
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Change in accretion payable		(223,853)
Change in bond interest payable		(870,827)
Amortization of bond premiums		302,577
Amortization of bond issuance discounts		(63,173)
Amortization of deferred charges on refundings		(156,664)
Change in accumulated unpaid vacation and benefits		(1,843)
Pension contributions made during the measurement year		73,475
Change in pension contributions made after the measurement date		611,921
Proportionate share of collective pension expense		543,171
Adjustment for ending deferred inflows and outflows related to net pension liability		(1,310,542)
OPEB contributions made during the measurement year		20,002
Change in OPEB contributions made after the measurement date		143,019
Proportionate share of collective OPEB expense		8,930,181
Adjustment for ending deferred inflows and outflows related to net OPEB liability		(4,956,456)
Change in net position of governmental activities	$	8,427,145

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

TAYLOR INDEPENDENT SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
Ten Month Period Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Local and intermediate sources	$ 12,729,044	12,801,134	12,704,317	(96,817)
State program revenues	17,065,835	16,846,910	17,016,566	169,656
Federal program revenues	820,000	903,000	878,639	(24,361)
Total revenues	30,614,879	30,551,044	30,599,522	48,478
EXPENDITURES:				
Current:				
Instruction	15,356,106	15,403,053	13,430,169	1,972,884
Instructional resources and media services	310,229	311,873	258,845	53,028
Curriculum and staff development	635,365	638,663	523,838	114,825
Instructional leadership	334,375	334,375	294,098	40,277
School leadership	2,127,424	2,125,950	1,764,550	361,400
Guidance, counseling, and evaluation services	856,256	856,281	691,707	164,574
Health services	298,035	298,045	245,746	52,299
Student transportation	1,038,271	1,038,271	811,329	226,942
Food services	450	450	390	60
Extracurricular activities	1,071,871	1,141,805	984,116	157,689
General administration	1,125,604	1,125,684	1,026,741	98,943
Facilities maintenance and operations	3,817,109	4,338,198	3,780,156	558,042
Security and monitoring services	87,351	87,351	75,363	11,988
Data processing services	649,233	649,274	534,549	114,725
Community services	346,152	346,152	334,151	12,001
Debt service	308,161	308,161	215,392	92,769
Intergovernmental:				
Payments related to shared services arrangements	1,657,007	1,657,007	1,657,007	-
Payments to juvenile justice alternative education programs	155,226	155,226	155,226	-
Other intergovernmental charges	101,567	101,567	97,959	3,608
Total expenditures	30,275,792	30,917,386	26,881,332	4,036,054
Excess (deficiency) of revenues over (under) expenditures	339,087	(366,342)	3,718,190	4,084,532
OTHER FINANCING SOURCES (USES):				
Transfers in	-	74,000	-	(74,000)
Transfers out	(207,423)	(3,707,423)	(3,691,649)	15,774
Proceeds from note payable	-	489,169	489,169	-
Proceeds from sale of property	2,000	19,200	19,230	30
Total other financing uses, net	(205,423)	(3,125,054)	(3,183,250)	(58,196)
Net change in fund balance	133,664	(3,491,396)	534,940	4,026,336
Fund balance - beginning	7,999,393	7,999,393	7,999,393	-
Fund balance - ending	$ 8,133,057	4,507,997	8,534,333	4,026,336

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

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

	Private Purpose Trust Funds	Agency Funds
ASSETS-		
Cash and temporary investments	$ 3,369,195	$ 356,585
Total assets	$ 3,369,195	$ 356,585
LIABILITIES:		
Due to other funds	$ 53	$ -
Due to student groups	-	356,691
Total liabilities	$ 53	$ 356,691
NET POSITION-		
Held in trust for private purposes	$ 3,369,142	

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

TAYLOR INDEPENDENT SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

Ten Month Period Ended June 30, 2018

		Private Purpose Trust Funds
ADDITIONS-		
Contributions	$	246,981
Total additions		246,981
DEDUCTIONS-		
Other operating costs		159,984
Total deductions		159,984
Change in net position		86,997
Net position - beginning		3,282,145
Net position - ending	$	3,369,142

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Reporting Entity

This report includes those activities, organizations and functions which are related to the Taylor Independent School District (the "District") and which are controlled by or dependent upon the District's governing body, the Board of School Trustees (the "Board"). The Board, a seven member group, is the level of government which has governance responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the District. Since the District receives funding from local, state and federal government sources, it must comply with the requirements of the entities providing those funds. However, the District is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board ("GASB"), since Board members are elected by the public and have decision making authority. In addition, there are no component units included within the reporting entity.

The accounting policies of the District comply with the rules prescribed by the Texas Education Agency's ("TEA") Financial Accountability System Resource Guide. These accounting policies conform to generally accepted accounting principles applicable to state and local governments. Effective for fiscal year 2018, the District changed its fiscal year end from August 31 to June 30.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities, which are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District has no business-type activities.

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the fiduciary fund statements, although agency funds have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided and 2) operating grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Major revenue sources considered susceptible to accrual include state and federal program revenues and interest income. No accrual for property taxes collected within sixty days of period end has been made as such amounts are deemed immaterial; delinquent property taxes at period end that are not collected within sixty days of period end are reported as deferred inflows of resources.

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

The District reports the following major governmental funds:

> The General Fund includes financial resources used for general operations. It is a budgeted fund, and any unassigned fund balance is considered resources available for current operations.
>
> The Debt Service Fund includes debt service taxes and other revenues collected to retire bond principal and to pay interest due. It is a budgeted fund.
>
> The Capital Projects Fund includes the proceeds from the sale of bonds and other revenues to be used for authorized construction and other capital asset acquisitions.

Additionally, the District reports the following fund types:

> Special Revenue Funds are governmental funds which include resources restricted, committed, or assigned for specific purposes by a grantor or the Board. Federally financed programs where unused balances are returned to the grantor at the close of specified project periods are accounted for in these funds. The District uses project accounting to maintain integrity for the various sources of funds.

Private Purpose Trust Funds are fiduciary trust funds and are used to account for the principal and income that benefit individuals in the form of scholarships.

Agency Funds are unbudgeted funds and are used to account for activities of student groups and other types of activities requiring clearing accounts. These funds have no equity, assets are equal to liabilities, and they do not include revenues and expenditures for general operations of the District.

Budgetary Information

Budgets are prepared annually for the General Fund, Debt Service Fund, and Food Service Fund (special revenue fund) on the modified accrual basis, which is consistent with generally accepted accounting principles. A formal budget is prepared by June 20th and is adopted by the Board at a public meeting after ten days public notice of the meeting has been given. The legal level of control for budgeted expenditures is the function level within the budgeted funds. Amendments to the budget are required prior to expending amounts greater than the budgeted amounts at the function level. Budgets are controlled at the departmental or campus level, the same level at which responsibility for operations is assigned. The budgets were amended by the Board as needed throughout the period.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at June 30th, and encumbrances outstanding at that time are to be either canceled or provided for in the subsequent year's budget. There were no material outstanding encumbrances at June 30, 2018 that were provided for in the subsequent year's budget.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity

Investments **-** Temporary investments throughout the period consisted of investments in external local government investment pools which are recognized at amortized cost as permitted by GASB Statement No. 79, *Certain External Investment Pools and Pool Participants.* The District is entitled to invest any and all of its funds in certificates of deposit, direct debt securities of the United States of America or the State of Texas, certain Federal agency securities and other types of municipal bonds, fully collateralized repurchase agreements, commercial paper and local government investment pools. The District's investment policies and types of investments are governed by Section 2256 of the Texas Government Code ("Public Funds Investment Act"). The District's management believes that it complied with the requirements of the Public Funds Investment Act and the District's investment policy. The District accrues interest on temporary investments based on the terms and effective interest rates of the specific investments.

Inventories **-** Inventories in the General Fund consist of expendable supplies held for consumption. Inventories are charged to expenditures when consumed. Supply inventory is recorded at cost using the FIFO method.

Capital Assets - Capital assets, which include land, construction in progress, buildings and improvements, and furniture and equipment, are reported in the governmental activities column in the government-wide financial statements. The District has no infrastructure assets. Capital assets are defined by the District as assets with an initial, individual cost of $5,000. Such assets are recorded at historical cost if purchased or estimated acquisition value at the date of donation if donated. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized. Capital assets (other than land and construction in progress) are depreciated and amortized using the straight line method over the following estimated useful lives: buildings and improvements - 50 years, furniture and equipment - 5 to 10 years.

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

Accumulated Sick Leave Liability - The State of Texas (the “State”) has created a minimum sick leave program consisting of five days of sick leave per year with no limit on accumulation and transferability among districts for every person regularly employed in Texas public schools. Each district’s local board is required to establish a sick leave plan. Local school districts may provide additional sick leave beyond the State minimum. The District’s policy is not to provide reimbursement upon termination of employment with the District. Accordingly, no liability for accrued compensated absences has been established by the District.

Accumulated Unpaid Benefits - The District provides employees with compensation benefits for absences for sick leave and personal matters. The costs of these benefits are recognized by the District when paid. There are limitations on carryover and accumulation of benefits, and the liability for accrued but unpaid benefits is included in the statement of net position.

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

Other Post-Retirement Benefits - The District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The fiduciary net position of the TRS Care Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net other post-employment benefits (“OPEB”) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS Care’s fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as you-go plan and all cash is held in a cash account.

Fund Equity/Net Position - The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. See Note 10 for additional information on those fund balance classifications.

Deferred Outflows and Inflows of Resources - The District complies with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which provides guidance for reporting the financial statement elements of deferred outflows of resources, which represent the consumption of the District's net position that is applicable to a future reporting period, and deferred inflows of resources, which represent the District's acquisition of net position applicable to a future reporting period.

The District complies with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. See Note 8, Note 12, and Note 13 for additional information on deferred inflows and outflows of resources.

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

- Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access.
- Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.
- Level 3 inputs are unobservable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

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

- Market approach - uses prices generated by market transactions involving identical or comparable assets or liabilities.
- Cost approach - uses the amount that currently would be required to replace the service capacity of an asset (replacement cost).
- Income approach - uses valuation techniques to convert future amounts to present amounts based on current market expectations.

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

Recently Issued Accounting Pronouncements

In June 2017, the GASB issued GASB Statement No. 87, *Leases*, effective for fiscal years beginning after December 15, 2019. The objective of GASB Statement No. 87 is to improve accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. GASB Statement No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB Statement No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and deferred inflow of resources. Management is evaluating the effects that the full implementation of GASB Statement No. 87 will have on its financial statements for the year ended June 30, 2021.

2. CASH AND TEMPORARY INVESTMENTS

The Public Funds Investment Act authorizes the District to invest in funds under a written investment policy, which is approved annually by the Board. The primary objectives of the District's investment strategy, in order of priority, are preservation and safety of principal, liquidity and yield.

The District is authorized to invest in the following investment instruments provided that they meet the guidelines established in the investment policy:

- Obligations of, or guaranteed by, governmental entities
- Certificates of deposit and share certificates
- Fully collateralized repurchase agreements
- Banker's acceptance
- Commercial paper
- Money market funds and no-load mutual funds
- Public funds investment pools

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the School Depository Act. The depository bank deposits for safekeeping and trust with the District's agent approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. Therefore, the District is not exposed to custodial credit risk.

Under the depository contract, the District, at its own discretion, may invest funds in time deposits and certificates of deposit provided by the depository bank at interest rates approximating United States Treasury Bill rates.

At June 30, 2018, the carrying amount of the District's deposits (cash and interest-bearing savings accounts included in temporary investments) was $12,825,534 and the bank balance was $13,290,979.

The District's deposits with financial institutions at June 30, 2018 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name. The deposits were collateralized in accordance with Texas law and the Texas Education Agency maintains copies of all safekeeping receipts in the name of the District. During the ten month period ended June 30, 2018, there were two instances in which the District's deposits were not fully collateralized by FDIC insurance or by pledged collateral. These instances were due to the timing of certain payments received by the District in which the bank did not increase the pledged collateral until the next day, thus deposits were exposed to custodial credit risk.

In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit:

a) Name of depository bank: Citizens National Bank

b) Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was $21,406,149.

c) Largest cash, savings and time deposit combined account balance amounted to $21,886,335 and occurred during the month of February 2018.

d) Total amount of FDIC coverage at the time of highest combined balance was $250,000.

Investments held at June 30, 2018 consisted of the following:

Type	Fair Value	Weighted Average Maturity (Days)	Standard & Poor's Rating
Local Governmental Investment Pools:			
Lone Star	$ 313,961	1	AAA
MBIA	313,212	1	AAAm
Total	$ 627,173		

The District had investments in two external local government investment pools at June 30, 2018: MBIA Texas CLASS ("MBIA") and Lone Star Investment Pool ("Lone Star"). Although Lone Star is not registered with the SEC as an investment company, it operates in a manner consistent with the SEC's Rule 2a7-of the Investment Company Act of 1940. MBIA is registered with the SEC. These investments are stated at amortized cost in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

MBIA is administered by MBIA-Municipal Investors Service Corporation ("MISC") and Wells Fargo Bank Texas. MISC is a subsidiary of MBIA Asset Management Group, one of the nation's largest providers of administrative and portfolio management services for local government investment pools. MBIA is supervised by a board of trustees who are elected by participants. The responsibility of the board includes the ability to influence operations, designation of management and accountability for fiscal matters. In addition, MBIA has an advisory board which provides input and feedback on the operations and direction of the program. Standard and Poor's reviews the pool on a weekly basis to ensure the pool's compliance with its rating requirements. MBIA's investment policy stipulates that it must invest in accordance with the Public Funds Investment Act.

Lone Star is governed by an eleven member board of trustees, in which all of the members are also participants in Lone Star. The board meets quarterly to review operations, adopt or make changes to the investment policy, review financial activity and approve contractor agreements. Lone Star also has an advisory board consisting of participants and nonparticipants. RBC Dain Rauscher, Inc. is an independent consultant for Lone Star that reviews daily operations, analyzes all investment transactions for compliance with the Public Funds Investment Act, and performs monitoring activities. The Bank of New York provides custody and valuation services for Lone Star. American Beacon Advisors and Standish Mellon provide other investment management services. Lone Star's investment policy stipulates that it must invest in accordance with the Public Funds Investment Act.

In accordance with GASB Statement No. 79, the external local government investment pools do not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. These pools do not impose any liquidity fees or redemption gates.

<u>Credit Risk</u> **-** At June 30, 2018, investments were included in external local government investment pools with ratings in compliance with the District's investment policy.

<u>Custodial Credit Risk</u> **-** Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the District, and are held by either the counterparty or the counterparty's trust department or agent not in the District's name. At June 30, 2018, the District was not exposed to custodial credit risk.

<u>Concentration of Credit Risk</u> **-** Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investments in a single issuer. Information regarding investments in any one issuer that represents five percent or more of the District's total investments must be disclosed under GASB Statement No. 40, excluding investments issued or explicitly guaranteed by the U.S. Government. At June 30, 2018, the District had no concentration of credit risk.

<u>Interest Rate Risk</u> **-** As a means of minimizing risk of loss due to interest rate fluctuations, the investment policy requires that maturities for internally created pool fund groups will not exceed the dollar weighted average maturity of 180 days. Maturities of any other individual investment owned by the District should not exceed one year from the time of purchase. The Board may specifically authorize a longer maturity for a given investment, within legal limits. The District considers the holdings in the external local government investment pools to have a one day weighted average maturity due to the fact that the share position can usually be redeemed each day at the discretion of the shareholders, unless there has been a significant change in value. At June 30, 2018, investments were included in external local government investment pools which have a weighted average maturity of one day.

3. APPRAISAL DISTRICT

The Texas Legislature in 1979 adopted a comprehensive Property Tax Code (the "Code") which established a county-wide appraisal district and an appraisal review board in each county in the State. The Williamson Central Appraisal District (the "Appraisal District") is responsible for the recording and appraisal of all property in the District. Under the Code, the District's Board sets the tax rates on property and the Appraisal District's tax department provides tax collection services. The Appraisal District is required under the Code to assess property at 100% of its appraised value. Further, real property must be reappraised at least every four years. Under certain circumstances, taxpayers and taxing units, including the District, may challenge orders of the Appraisal Review Board through various appeals and, if necessary, legal action.

Property taxes are levied as of October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, and penalties and interest that are ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period, including those property taxes expected to be collected during a 60 day period after the end of the District's fiscal year. The assessed value at January 1, 2017, upon which the October 2017 levy was based, was $1,062,570,209. The District levied taxes based on a combined tax rate of $1.57 per $100 of assessed valuation for local maintenance (general governmental services) and debt service.

In May 1993, the Texas Legislature passed Senate Bill 7. Senate Bill 7 significantly changed certain aspects of the school finance system relative to accountability, teacher appraisal, career ladder, funding allotments, district local share, distribution of Foundation School Funds, tax limitations and rollback tax provisions. Funding equalization for school districts is a major component of the bill. Districts with wealth per student in excess of $319,500 are required to take action to bring their wealth down to the equalized State level. Each year, the TEA notifies school districts in which property wealth per Weighted Average Daily Attendance ("WADA") meets or exceeds $319,500. However, the final determination of whether a school district will be required to make recapture payments is based on the district's tax effort and the extent to which the district's wealth per WADA exceeds the first equalized wealth level of $514,000. The District was not above the equalized wealth level for the 2017-2018 fiscal year.

4. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully fund certain activities. The District also receives entitlements from the State through the School Foundation and Per Capita Programs. These amounts are reported in the basic financial statements as Due from Other Governments and are summarized below as of June 30, 2018.

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
Federal and state grants	$ 4,427,504	33,362	142,365	4,603,231
Other	3,274	1,105	144,536	148,915
Total	$ 4,430,778	34,467	286,901	4,752,146

5. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds.” The composition of interfund balances as of June 30, 2018 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Funds	$ 7,999
	Private Purpose Trust Fund	53
Debt Service Fund	General Fund	2,241
Total		$ 10,293

During the period, the General Fund transferred $191,649 to the Debt Service Fund to assist with principal and interest payments and $3,500,000 to the Capital Projects Fund to assist with capital outlay expenditures.

6. UNEARNED REVENUE

At June 30, 2018, unearned revenue in governmental funds consisted of the following:

	General Fund	Nonmajor Governmental Funds	Total
State entitlements	$ 311,639	-	311,639
Federal and state grants	-	10,960	10,960
Other	35,618	-	35,618
Total	$ 347,257	10,960	358,217

7. CAPITAL ASSETS

Capital asset activity for the ten month period ended June 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 1,437,326	-	-	1,437,326
Construction in progress	14,913,236	8,916,833	-	23,830,069
Total capital assets, not being depreciated	16,350,562	8,916,833	-	25,267,395
Capital assets, being depreciated:				
Buildings and improvements	81,656,818	32,434	(114,792)	81,574,460
Furniture and equipment	7,673,256	148,287	-	7,821,543
Total capital assets, being depreciated	89,330,074	180,721	(114,792)	89,396,003
Less accumulated depreciation for:				
Buildings and improvements	(23,953,183)	(1,361,080)	34,055	(25,280,208)
Furniture and equipment	(5,564,355)	(475,842)	-	(6,040,197)
Total accumulated depreciation	(29,517,538)	(1,836,922)	34,055	(31,320,405)
Total capital assets, being depreciated, net	59,812,536	(1,656,201)	(80,737)	58,075,598
Governmental activities capital assets, net	$ 76,163,098	7,260,632	(80,737)	83,342,993

Depreciation and amortization expense was charged to functions/programs of the District as follows:

Governmental activities:	
Instruction	$ 937,454
Instructional resources and media services	14,171
Curriculum and staff development	28,679
Instructional leadership	16,101
School leadership	96,604
Guidance, counseling, and evaluation services	37,869
Health services	13,454
Student transportation	140,527
Food services	131,100
Extracurricular activities	59,705
General administration	56,211
Facilities maintenance and operations	251,984
Security and monitoring services	4,126
Data processing services	30,643
Community services	18,294
Total depreciation and amortization expense - governmental activities	$ 1,836,922

8. DEFERRED CHARGES ON BOND REFUNDINGS

The following is a summary of changes in deferred charges on bond refundings for the ten month period ended June 30, 2018:

	Beginning Balance	Additions	Retirements	Ending Balance
Deferred charges on bond refundings	$ 3,446,607	-	(156,664)	3,289,943

9. LONG-TERM DEBT

The following is a summary of changes in long-term debt for the ten month period ended June 30, 2018:

	Beginning Balance	Additions	Retirements	Ending Balance
General obligation bonds	$ 66,854,943	-	(2,160,000)	64,694,943
Accretion payable	4,284,112	223,853	-	4,507,965
Premium on bonds	6,390,622	-	(302,577)	6,088,045
Issuance discount on bonds	(778,837)	-	63,173	(715,664)
Capital lease payable	223,280	-	(134,138)	89,142
Notes payable	2,241,542	489,169	(240,961)	2,489,750
Accumulated unpaid benefits	143,577	9,500	(7,657)	145,420
Total	$ 79,359,239	722,522	(2,782,160)	77,299,601

Bonded debt consists of the following at June 30, 2018:

General obligation bonds:

Series	Date of Issue	Amounts of Original Issue	Matures Through	Interest Rate	Outstanding at 6-30-18	Due Within One Year
2009	5-19-09	$ 37,999,943	2029	2.00 - 5.25%	$ 1,919,943	$ 350,000
2009 Refunding	5-19-09	8,805,000	2021	1.30 - 3.75%	2,890,000	930,000
2010	12-22-10	5,000,000	2029	2.00 - 3.70%	3,385,000	255,000
2013 Refunding	11-19-13	6,525,000	2025	2.00 - 3.00%	4,965,000	355,000
2016	3-22-16	18,520,000	2041	3.00 - 5.00%	18,190,000	350,000
2016 Refunding	6-22-16	33,345,000	2039	2.94 - 5.00%	33,345,000	-
Total		$ 110,194,943			$ 64,694,943	$ 2,240,000

For the general obligation bonds, the District has pledged as collateral the proceeds of a continuing, direct annual tax levied against taxable property within the District without limitation as to rate. The Texas Education Code generally prohibits issuance of additional ad valorem tax bonds if the tax rate needed to pay aggregate principal and interest amounts of the District's tax bond indebtedness exceeds $0.50 per $100 of assessed valuation of taxable property within the District. The District's debt service rate for the current period is $0.40.

In December 2012, the District issued $2,575,000 in Maintenance Tax Notes, Series 2012, to renovate the District's old high school in order to accommodate a 4th and 5th grade intermediate elementary campus, the District's central administration and technology departments, and the East Williamson County Co-op headquarters. The note bears interest at interest rates ranging from 0.48% to 2.3% over the life of the note, with principal and interest payments due annually through February 2027.

In August 2016, the District financed the purchase of school buses through a note payable with a finance company. The note bears interest at 2.84% over the life of the note, with principal and interest payments of $77,872 due annually on September 15th beginning on September 15, 2017 through September 15, 2021.

In December 2017, the District financed the installation of controllers for HVAC units in several District buildings through a note payable with a finance company. The note bears interest at 3.20% over the life of the note, with principal and interest payments of $106,054 due annually on August 16th beginning on August 16, 2018 through August 16, 2022.

The annual principal installments for each of the outstanding issues vary each year. As of June 30, 2018, the debt service requirements of bonded indebtedness and the notes payable to maturity are as follows:

Year Ended June 30,	Principal	Interest	Total
2019	$ 2,586,460	2,633,318	5,219,778
2020	2,665,100	2,552,008	5,217,108
2021	2,760,124	2,459,682	5,219,806
2022	2,890,301	2,361,629	5,251,930
2023	2,912,765	2,269,309	5,182,074
2024 - 2028	9,457,097	15,610,605	25,067,702
2029 - 2033	14,152,846	10,196,695	24,349,541
2034 - 2038	19,580,000	4,881,200	24,461,200
2039 - 2042	10,180,000	966,300	11,146,300
Total	$ 67,184,693	43,930,746	111,115,439

The outstanding 2009 Series Bonds includes both Serial Bonds and Capital Appreciation Bonds. The interest shown above, with respect to the Capital Appreciation Bonds, includes the interest to be paid on bonds maturing in the respective years and does not include accrued interest on bonds not maturing in those years.

The District defeased outstanding general obligation bonds through the Series 2016 Refunding Bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all the future debt service payments on the old bonds. Accordingly, the trust account assets and defeased bonds are not included in the District's financial statements. At June 30, 2018 outstanding bonds of $33,655,000 are considered defeased.

As of June 30, 2018, there were no general obligation bonds authorized by voters of the District, but unissued.

The District financed the purchase of school buses through a capital lease agreement with a finance company. The purchase price of the school buses was $557,123 which equates to the original capital lease principal amount. At June 30, 2018, these assets had accumulated amortization of $380,701 and a net book value of $176,422. Under the terms of the capital lease agreement, principal and interest payments of $92,668 are due annually on August 5th beginning on August 5, 2012 through August 5, 2018. The effective interest rate on the lease is 3.96%.

The District financed the purchase of computer equipment through a capital lease agreement with the vendor. The purchase price of the computer equipment was $933,952 which equates to the original capital lease principal amount. At June 30, 2018, these assets had accumulated amortization of $638,201 and a net book value of $295,751. Under the terms of the capital lease agreement, principal and interest payments were due annually on October 15th with an effective interest rate on the lease is 2.59%. The lease matured and was paid in full on October 15, 2017.

Lease payment requirements are as follows:

Year Ended June 30,	Principal	Interest	Total
2019	$ 89,142	3,526	92,668

Upon retirement or death of certain employees, the District pays any accrued sick leave in a lump cash payment to such employees or their estate. The current portion of the accumulated unpaid benefits totaled $13,988 as of June 30, 2018.

10. FUND BALANCES

The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Those fund balance classifications are described below.

Nonspendable **-** Amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact.

Restricted **-** Amounts that can be spent only for specific purposes because of constraints imposed by external providers, or imposed by constitutional provisions or enabling legislation.

Committed **-** Amounts that can only be used for specific purposes pursuant to approval by formal action by the Board.

Assigned **-** For the General Fund, amounts that are appropriated by the Board or Board designee that are to be used for specific purposes. For all other governmental funds, any remaining positive amounts not previously classified as nonspendable, restricted or committed.

Unassigned **-** Amounts that are available for any purpose; these amounts can be reported only in the District's General Fund.

The detail of the fund balances is included in the Governmental Funds Balance Sheet on page 15.

Fund balance of the District may be committed for a specific purpose by formal action of the Board, the District's highest level of decision-making authority. Commitments may be established, modified, or rescinded only through a resolution approved by the Board. The Board has delegated the authority to assign fund balance for a specific purpose to the Superintendent or his or her designee.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

11. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

For the ten month period ended June 30, 2018, revenues from local and intermediate sources in governmental funds consisted of the following:

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
Property taxes	$ 11,526,129	3,938,322	-	-	15,464,451
Food service	-	-	-	286,959	286,959
Investment income	198,297	10,268	22,718	6,161	237,444
Penalties, interest, and other tax related income	70,887	22,521	-	-	93,408
Tuition and fees from patrons	347,856	-	-	-	347,856
Shared service arrangements	-	-	-	328,998	328,998
Co-curricular student activities	81,678	-	-	16,719	98,397
Other	479,470	-	-	20,716	500,186
Total	$ 12,704,317	3,971,111	22,718	659,553	17,357,699

12. DEFINED BENEFIT PENSION PLANS

Plan Description

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

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

Pension Plan Fiduciary Net Position

Detailed information about TRS'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, in which 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 cost-of-living-adjustments ("COLAs"). Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan Description above.

Contributions

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

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

	2017	2018
Contribution Rates:		
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
FY 2018 District Contributions		$ 675,435
FY 2018 Member Contributions		$ 1,391,458
FY 2018 NECE On-behalf Contributions		$ 965,321

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

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

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

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

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

Actuarial Assumptions

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

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.50%
Salary Increases including inflation	3.50% to 9.50%
Payroll Growth Rate	2.50%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

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

Discount Rate

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

Best estimates of geometric real rates of return for each major asset class included in TRS' target asset allocation as of August 31, 2017 are summarized below:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Return*
Global Equity:			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value:			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	(0.2%)	0.0%
Real Return:			
Global Inflation-Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy and Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk Parity-			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation			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 2017 Net Pension Liability.

	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	$ 10,083,574	$ 5,981,468	$ 2,565,800

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

At June 30, 2018, the District reported a liability of $5,981,468 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's Proportionate share of the collective net pension liability	$ 5,981,468
State's proportionate share that is associated with the District	10,718,092
Total	$ 16,699,560

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 0.01871% which was a decrease of 0.00018% 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 ten month period ended June 30, 2018, the District recognized pension expense of $757,410 and revenue of $817,533 for support provided by the State.

At June 30, 2018, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 87,512	$ 322,573
Changes in actuarial assumptions	272,465	155,980
Difference between projected and actual investment earnings	-	435,917
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	815,809	205,614
Contributions paid to TRS subsequent to the measurement date	675,435	-
Total	$ 1,851,221	$ 1,120,084

The $675,435 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	Pension Expense Amount
Year ended June 30:	
2019	$ (27,580)
2020	354,232
2021	(56,913)
2022	(167,846)
2023	(33,346)
Thereafter	(12,845)

13. DEFINED OTHER POST-EMPLOYEMENT 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 OPEB plan that has a special funding situation. The plan is administered through a trust by the TRS Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

OPEB Plan Fiduciary Net Position

Detailed information about TRS-Care'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-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 September 1, 2016 - December 31, 2017

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

**or surviving spouse*

Contributions

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.0% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 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.

	2017	2018
Contribution Rates:		
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%
FY 2018 District Contributions		$ 161,727
FY 2018 Member Contributions		$ 117,461
FY 2018 NECE On-behalf Contributions		$ 235,236

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

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

Actuarial Assumptions

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

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

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

Additional Actuarial Methods and Assumptions:

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

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

Discount Rate

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

Best estimates of geometric real rates of return for each major asset class included in TRS' target asset allocation as of August 31, 2017 are summarized below.

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

Sensitivity Analysis

Discount Rate **-** 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 2017 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	$ 13,989,987	$ 11,853,428	$ 10,136,115

Healthcare Cost Trend Rates **-** The following schedule shows the impact of the Net OPEB Liability if the healthcare cost trend rates used were 1% less than and 1% greater than the healthcare cost trend rates that was used in measuring the 2017 Net OPEB Liability.

	1% Decrease in Healthcare Cost Trend Rates	Current Healthcare Cost Trend Rates	1% Increase in Healthcare Cost Trend Rates
District's proportionate share of the net OPEB liability	$ 9,869,163	$ 11,853,428	$ 14,457,033

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

At June 30, 2018, the District reported a liability of $11,853,428 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's Proportionate share of the collective net OPEB liability	$ 11,853,428
State's proportionate share that is associated with the District	16,127,859
Total	$ 27,981,287

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

At August 31, 2017 the employer's proportion of the collective net OPEB liability was 0.02726% 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:

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

- 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.

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

For the ten month period ended June 30, 2018, the District recognized OPEB expense of $(3,973,563) and revenue of $5,396,811 for support provided by the State.

At June 30, 2018, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 247,449
Changes in actuarial assumptions	-	4,710,862
Difference between projected and actual investment earnings	1,801	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	54	-
Contributions paid to TRS subsequent to the measurement date	161,727	-
Total	$ 163,582	$ 4,958,311

The $161,727 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. The net amounts of the employer's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	OPEB Expense Amount
Year ended June 30:	
2019	$ (654,009)
2020	(654,009)
2021	(654,009)
2022	(654,009)
2023	(654,459)
Thereafter	(1,685,960)

14. ON-BEHALF PAYMENTS

The District recognizes as revenues and expenditures retiree drug subsidy reimbursements under the provisions of Medicare Part D made by the federal government to TRS on behalf of the District. For the ten month period ended June 30, 2018, reimbursements of $65,795 were received by TRS and allocated to the District.

15. RISK MANAGEMENT

The District's risk management program includes coverages through third party insurance providers for property, automobile liability, school professional liability, crime, workers' compensation and other miscellaneous bonds. During the ten month period ended June 30, 2018, there were no significant reductions in insurance coverage from coverage in the prior year. Losses in excess of the various deductible levels are covered through traditional indemnity coverage for buildings and contents, and vehicle liability with various insurance firms. Settled claims have not exceeded insurance limits for the past three years.

The District participates in a public entity risk pool for its workers compensation insurance with transfer of risk, whereas member districts pool risks and funds and share in the costs of losses. The plan year of the public entity risk pool begins September 1 and ends August 31 of each year. During the ten month period ended June 30, 2018, the District was responsible for paying the cost of each of its claim occurrences up to a per-occurrence limit of $69,979. For costs exceeding this limit, the member districts shared responsibility for paying the claims not covered by excess insurance. The District's maximum financial exposure for the ten month period ended June 30, 2018 was $138,170. Excess insurance is provided by a commercial carrier. The policy provides for specific stop-loss attachment at $250,000 per occurrence and additional aggregate stop-loss attachment of 125% of pool funds. At June 30, 2018, the General Fund has assigned fund balance of $235,180 to pay for any open claims. Incurred but not reported claims were minimal at June 30, 2018.

16. SHARED SERVICES ARRANGEMENTS

The District is the fiscal agent for a Shared Services Arrangement ("SSA") which provides speech therapists for special education to the member districts listed below. All services are provided by the fiscal agent and the member districts provide the funds to the fiscal agent. The District has accounted for the fiscal agent's activities of the SSA in a special revenue fund, Shared Services Arrangements - Special Education. Contributions from the SSA are summarized below:

Taylor ISD	$ 1,525,409
Coupland ISD	31,331
Granger ISD	186,785
Thrall ISD	289,072
Total	$ 2,032,397

17. COMMITMENTS AND CONTINGENCIES

The District participates in a number of federal financial assistance programs. Although the District's grant programs have been audited in accordance with the provisions of the Uniform Guidance through June 30, 2018, these programs are subject to financial and compliance audits. The amounts, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

The District leases vehicles under a long-term operating lease agreement. Rent expense for the ten month period ended June 30, 2018 totaled $92,927. Future minimum payments under non-cancelable operating leases at June 30, 2018 were as follows:

2019	$ 111,512
2020	111,512
2021	111,512
2022	78,924
Total	$ 413,460

At June 30, 2018, the District is also committed under construction contracts with a remaining balance of $746,780.

18. PRIOR PERIOD ADJUSTMENT

In accordance with the adoption of GASB Statement No. 75 in the current fiscal year, the District must record its proportionate share of the net OPEB liability related to its contributions to the TRS cost-sharing OPEB plan at the beginning of the measurement period ending August 31, 2017. In addition, the District must record a deferred outflow of resources for its contributions to TRS-Care from the beginning of the measurement period through August 31, 2017. The effect of this change in accounting principle is as follows:

Net position - August 31, 2017	$ 9,868,980
Net OPEB liability - August 31, 2016	(20,926,628)
District contributions - September 1, 2016 - August 31, 2017	141,725
Net position - August 31, 2017, as restated	$ (10,915,923)

REQUIRED SUPPLEMENTARY INFORMATION

TAYLOR INDEPENDENT SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Liability
Teacher Retirement System of Texas
6/30/2018**

	2017*	2016*	2015*	2014*	2013*
District's proportion of the net pension liability	0.01871%	0.01889%	0.02023%	0.01482%	0.01478%
District's proportionate share of the net pension liability	$ 5,981,468	$ 7,136,560	$ 7,150,223	$ 3,959,615	$ 4,843,893
State's proportionate share of the net pension liability associated with the District	10,718,092	12,987,024	12,807,228	10,560,409	12,963,345
Total	$ 16,699,560	$ 20,123,584	$ 19,957,451	$ 14,520,024	$ 17,807,238
District's covered-employee payroll (for Measurement Year)	$ 18,070,789	$ 20,643,228	$ 20,639,198	$ 20,083,893	$ 18,722,140
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	33.10%	34.57%	34.64%	19.72%	25.87%
Plan fiduciary net position as a percentage of the total pension liability	82.17%	78.00%	78.43%	83.25%	78.17%
Plan's net pension liability as a percentage of covered employee payroll	75.93%	92.75%	91.94%	72.90%	93.10%

* The amounts presented for each Plan year are as of August 31, plan information was unavailable prior to 2013.

** Schedule should provide ten years of Plan information, but data was unavailable prior to 2013.

TAYLOR INDEPENDENT SCHOOL DISTRICT
Schedule of District Contributions - Pensions
Teacher Retirement System of Texas
Last 10 Fiscal Years*

	2018	2017	2016	2015	2014
Contractually required contributions	$ 675,435	$ 601,960	$ 601,649	$ 576,227	$ 375,825
Contributions in relation to the contractual required contributions	(675,435)	(601,960)	(601,649)	(576,227)	(375,825)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District's covered employee payroll	$ 18,070,789	$ 21,030,187	$ 20,643,228	$ 20,639,198	$ 20,083,893
Contributions as a percentage of covered payroll	3.74%	2.86%	2.91%	2.79%	1.87%

	2013	2012	2011
Contractually required contributions	$ 319,310	$ 299,850	$ 349,694
Contributions in relation to the contractual required contributions	(319,310)	(299,850)	(349,694)
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered employee payroll	$ 18,722,140	$ 17,978,464	$ 18,943,508
Contributions as a percentage of covered payroll	1.71%	1.67%	1.85%

*Note: No information was available for fiscal years prior to August 31, 2011.

TAYLOR INDEPENDENT SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net OPEB Liability
Teacher Retirement System of Texas
6/30/2018**

	2017*
District's proportion of the net OPEB liability	0.02726%
District's proportionate share of the net OPEB liability	$ 11,853,428
State's proportionate share of the net OPEB liability associated with the District	16,127,859
Total	$ 27,981,287
District's covered-employee payroll (for Measurement Year)	$ 18,070,789
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	65.59%
Plan fiduciary net position as a percentage of the total OPEB liability	0.91%
Plan's net OPEB liability as a percentage of covered employee payroll	132.55%

* The amounts presented for each Plan year are as of August 31, plan information was unavailable prior to 2017.

** Schedule should provide ten years of Plan information, but data was unavailable prior to 2017.

TAYLOR INDEPENDENT SCHOOL DISTRICT
Schedule of District Contributions - OPEB
Teacher Retirement System of Texas
Last 10 Fiscal Years*

	2018	2017	2016	2015
Contractually required contributions	$ 161,727	$ 141,725	$ 134,626	$ 128,229
Contributions in relation to the contractual required contributions	(161,727)	(141,725)	(134,626)	(128,229)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District’s covered employee payroll	$ 18,070,789	$ 21,030,187	$ 20,643,228	$ 20,639,198
Contributions as a percentage of covered payroll	0.89%	0.67%	0.65%	0.62%

*Note: No information was available for fiscal years prior to August 31, 2015.

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
TEN MONTH PERIOD JUNE 30, 2018

1. CHANGE IN ASSUMPTIONS

Pensions

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

OPEB

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

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

COMBINING AND INDIVIDUAL FUND STATEMENTS

TAYLOR INDEPENDENT SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2018

	Title I Grants to Local Educational Agencies	Migrant Education - State Grant Program	National School Breakfast and Lunch Program	Career and Technical Education - Basic Grants to States	Supporting Effective Instruction State Grants	English Language Acquisition State Grants
Assets:						
Cash and temporary investments	$ 65,228	6,704	684,387	-	20,157	9,012
Receivables:						
Due from other governments	9,649	1,449	29,115	-	484	475
Due from other funds	-	-	-	-	-	-
Other receivables	-	35	-	-	-	-
Total assets	$ 74,877	8,188	713,502	-	20,641	9,487
Liabilities and fund balances:						
Accounts payable	$ 7	-	22,777	-	120	-
Accrued wages payable	74,870	8,188	8,957	-	20,521	9,487
Due to other funds	-	-	-	-	-	-
Due to student groups	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-
Total liabilities	74,877	8,188	31,734	-	20,641	9,487
Fund balances:						
Restricted	-	-	681,768	-	-	-
Assigned	-	-	-	-	-	-
Total fund balances	-	-	681,768	-	-	-
Total liabilities and fund balances	$ 74,877	8,188	713,502	-	20,641	9,487

(continued)

TAYLOR INDEPENDENT SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Special Revenue Funds (continued)
June 30, 2018

	Student Support and Academic Enrichment Program	Summer School LEP	SSA Special Education Grants to States	SSA Special Education Preschool Grants	SSA Special Education Discretionary	Advanced Placement Incentives
Assets:						
Cash and temporary investments	$ -	8,244	53,971	-	-	-
Receivables:						
Due from other governments	3,894	-	31,857	1,883	57,220	-
Due from other funds	-	-	57,220	-	-	-
Other receivables	-	-	-	-	-	-
Total assets	$ 3,894	8,244	143,048	1,883	57,220	-
Liabilities and fund balances:						
Accounts payable	$ -	-	2,148	10	-	-
Accrued wages payable	-	-	140,900	1,019	-	-
Due to other funds	3,894	-	-	854	57,220	-
Due to student groups	-	-	-	-	-	-
Unearned revenue	-	8,244	-	-	-	-
Total liabilities	3,894	8,244	143,048	1,883	57,220	-
Fund balances:						
Restricted	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Total fund balances	-	-	-	-	-	-
Total liabilities and fund balances	$ 3,894	8,244	143,048	1,883	57,220	-

(continued)

TAYLOR INDEPENDENT SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Special Revenue Funds (continued)
June 30, 2018

	Instructional Materials Allotment	Early College High School Demonstration Site Grant	APIB Campus Awards	SSA Visually Impaired	SSA Special Education	SSA Local Funded TSTC Co-Op	Campus Activity Fund	Total Special Revenue Funds
Assets:								
Cash and temporary investments	$ -	2,716	2,425	-	276,837	104,144	58,742	1,292,567
Receivables:								
Due from other governments	-	-	-	3,251	147,624	-	-	286,901
Due from other funds	-	-	-	-	-	-	-	57,220
Other receivables	-	-	-	-	-	143	-	178
Total assets	$ -	2,716	2,425	3,251	424,461	104,287	58,742	1,636,866
Liabilities and fund balances:								
Accounts payable	$ -	-	345	-	4,082	-	-	29,489
Accrued wages payable	-	-	2,080	-	169,003	19,817	-	454,842
Due to other funds	-	-	-	3,251	-	-	-	65,219
Due to student groups	-	-	-	-	-	-	58,742	58,742
Unearned revenue	-	2,716	-	-	-	-	-	10,960
Total liabilities	-	2,716	2,425	3,251	173,085	19,817	58,742	619,252
Fund balances:								
Restricted	-	-	-	-	-	-	-	681,768
Assigned	-	-	-	-	251,376	84,470	-	335,846
Total fund balances	-	-	-	-	251,376	84,470	-	1,017,614
Total liabilities and fund balances	$ -	2,716	2,425	3,251	424,461	104,287	58,742	1,636,866

TAYLOR INDEPENDENT SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
Ten Month Period Ended June 30, 2018

	Title I Grants to Local Educational Agencies	Migrant Education - State Grant Program	National School Breakfast and Lunch Program	Career and Technical Education - Basic Grants to States	Supporting Effective Instruction State Grants	English Language Acquisition State Grants
Revenues:						
Local and intermediate sources	$ -	-	313,836	-	-	-
State program revenues	-	-	8,918	-	-	-
Federal program revenues	599,290	43,971	1,467,110	32,282	75,895	30,497
Total revenues	599,290	43,971	1,789,864	32,282	75,895	30,497
Expenditures:						
Current:						
Instruction	419,233	43,333	-	30,723	56,864	23,398
Instructional resources and media services	-	-	-	-	-	-
Curriculum and staff development	36,049	638	-	1,059	18,911	6,026
Instructional leadership	-	-	-	-	-	-
School leadership	4,683	-	-	-	120	-
Guidance, counseling and evaluation services	-	-	-	500	-	-
Social work services	49,999	-	-	-	-	-
Food services	-	-	1,580,277	-	-	-
Extracurricular activities	-	-	-	-	-	-
General administration	-	-	-	-	-	-
Facilities maintenance and operations	-	-	50,000	-	-	-
Community services	89,326	-	-	-	-	1,073
Total expenditures	599,290	43,971	1,630,277	32,282	75,895	30,497
Excess of revenues over expenditures	-	-	159,587	-	-	-
Net change in fund balance	-	-	159,587	-	-	-
Fund balances - beginning	-	-	522,181	-	-	-
Fund balances - ending	$ -	-	681,768	-	-	-

(continued)

TAYLOR INDEPENDENT SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds (continued)
Ten Month Period Ended June 30, 2018

	Student Support and Academic Enrichment Program	Summer School LEP	SSA Special Education Grants to States	SSA Special Education Preschool Grants	SSA Special Education Discretionary	Advanced Placement Incentives
Revenues:						
Local and intermediate sources	$ -	-	-	-		-
State program revenues	-	-	-	-		4,987
Federal program revenues	13,736	-	923,551	32,820	57,220	-
Total revenues	13,736	-	923,551	32,820	57,220	4,987
Expenditures:						
Current:						
Instruction	-	-	746,657	32,523	57,220	4,987
Instructional resources and media services	-	-	-	-		-
Curriculum and staff development	13,736	-	494	219		-
Instructional leadership	-	-	-	-		-
School leadership	-	-	-	-		-
Guidance, counseling and evaluation services	-	-	176,400	78		-
Social work services	-	-	-	-		-
Food services	-	-	-	-		-
Extracurricular activities	-	-	-	-		-
General administration	-	-	-	-		-
Facilities maintenance and operations	-	-	-	-		-
Community services	-	-	-	-		-
Total expenditures	13,736	-	923,551	32,820	57,220	4,987
Excess of revenues over expenditures	-	-	-	-	-	-
Net change in fund balance	-	-	-	-	-	-
Fund balances - beginning	-	-	-	-	-	-
Fund balances - ending	$ -	-	-	-	-	-

(continued)

TAYLOR INDEPENDENT SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds (continued)
Ten Month Period Ended June 30, 2018

	Instructional Materials Allotment	Early College High School Demonstration Site Grant	APIB Campus Awards	SSA Visually Impaired	SSA Special Education	SSA Local Funded TSTC Co-Op	Campus Activity Fund	Total Special Revenue Funds
Revenues:								
Local and intermediate sources	$ -	-	-	-	-	328,998	16,719	659,553
State program revenues	69,677	-	350	3,251	2,032,397	-	-	2,119,580
Federal program revenues	-	-	-	-	-	-	-	3,276,372
Total revenues	69,677	-	350	3,251	2,032,397	328,998	16,719	6,055,505
Expenditures:								
Current:								
Instruction	69,677	-	-	3,251	1,407,952	314,772	-	3,210,590
Instructional resources and media services	-	-	-	-	-	-	-	-
Curriculum and staff development	-	-	350	-	2,467	-	-	79,949
Instructional leadership	-	-	-	-	130,195	-	-	130,195
School leadership	-	-	-	-	-	-	-	4,803
Guidance, counseling and evaluation services	-	-	-	-	154,423	-	-	331,401
Social work services	-	-	-	-	-	-	-	49,999
Food services	-	-	-	-	-	-	-	1,580,277
Extracurricular activities	-	-	-	-	-	-	16,719	16,719
General administration	-	-	-	-	413	-	-	413
Facilities maintenance and operations	-	-	-	-	157,562	-	-	207,562
Community services	-	-	-	-	-	-	-	90,399
Total expenditures	69,677	-	350	3,251	1,853,012	314,772	16,719	5,702,307
Excess of revenues over expenditures	-	-	-	-	179,385	14,226	-	353,198
Net change in fund balance	-	-	-	-	179,385	14,226	-	353,198
Fund balances - beginning	-	-	-	-	71,991	70,244	-	664,416
Fund balances - ending	$ -	-	-	-	251,376	84,470	-	1,017,614

TAYLOR INDEPENDENT SCHOOL DISTRICT
Combining Statement of Fiduciary Net Position
Private Purpose Trust Funds
June 30, 2018

	Non-Expendable Trust Fund	Expendable Trust Fund	Totals
ASSETS-			
Cash and temporary investments	$ 2,355,259	1,013,936	3,369,195
Total assets	$ 2,355,259	1,013,936	3,369,195
LIABILITIES-			
Due to other funds	$ -	53	53
Total liabilities	$ -	53	53
NET POSITION-			
Held in trust for private purposes	$ 2,355,259	1,013,883	3,369,142

TAYLOR INDEPENDENT SCHOOL DISTRICT
Combining Statement of Changes in Fiduciary Net Position
Private Purpose Trust Funds
Ten Month Period Ended June 30, 2018

	Non-Expendable Trust Fund	Expendable Trust Fund	Totals
ADDITIONS-			
Contributions	$ 157,737	89,244	246,981
Total additions	157,737	89,244	246,981
DEDUCTIONS-			
Other operating costs	32,398	127,586	159,984
Total deductions	32,398	127,586	159,984
Change in net position	125,339	(38,342)	86,997
Net position - beginning	2,229,920	1,052,225	3,282,145
Net position - ending	$ 2,355,259	1,013,883	3,369,142

TAYLOR INDEPENDENT SCHOOL DISTRICT
Debt Service Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Ten Month Period Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES:				
Local and intermediate sources	$ 4,000,387	4,000,387	3,971,111	(29,276)
State program revenues	336,576	336,576	410,905	74,329
Total revenues	4,336,963	4,336,963	4,382,016	45,053
EXPENDITURES-				
Debt service	4,998,467	4,998,467	3,689,617	1,308,850
Total expenditures	4,998,467	4,998,467	3,689,617	1,308,850
Excess (deficiency) of revenues over (under) expenditures	(661,504)	(661,504)	692,399	1,353,903
OTHER FINANCING SOURCE-				
Transfers in	207,423	207,423	191,649	(15,774)
Total other financing source	207,423	207,423	191,649	(15,774)
Net change in fund balance	(454,081)	(454,081)	884,048	1,338,129
Fund balance - beginning	34,050	34,050	34,050	-
Fund balance - ending	$ (420,031)	(420,031)	918,098	1,338,129

TAYLOR INDEPENDENT SCHOOL DISTRICT
Nonmajor Special Revenue Fund - Food Service
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Ten Month Period Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES:				
Local and intermediate sources	$ 328,272	347,732	313,836	(33,896)
State program revenues	9,747	9,747	8,918	(829)
Federal program revenues	1,622,950	1,603,490	1,467,110	(136,380)
Total revenues	1,960,969	1,960,969	1,789,864	(171,105)
EXPENDITURES-				
Current:				
Food services	1,759,567	1,709,567	1,580,277	129,290
Facilities maintenance and operations	-	50,000	50,000	-
Total expenditures	1,759,567	1,759,567	1,630,277	129,290
Excess of revenues over expenditures	201,402	201,402	159,587	(41,815)
Fund balance - beginning	522,181	522,181	522,181	-
Fund balance - ending	$ 723,583	723,583	681,768	(41,815)

OTHER SCHEDULES

TAYLOR INDEPENDENT SCHOOL DISTRICT
Schedule of Delinquent Taxes Receivable
Ten Month Period Ended June 30, 2018

	Tax Rates		Assessed/ Appraised Value for School Tax	Beginning Balance	Current Year's Total	Maintenance Total	Debt Service Total	Entire Year's	Ending Balance
Years Ended	Maintenance	Debt Service	Purposes	8/31/2017	Levy	Collections	Collections	Adjustment	6/30/2018
2009 & Prior	Various	Various	Various	34,338	-	2,615	402	(79)	31,242
2010	1.04	0.45	812,805,823	7,607	-	648	100	-	6,859
2011	1.04	0.43	802,297,119	9,794	-	544	235	-	9,015
2012	1.04	0.41	809,861,018	7,993	-	411	170	(432)	6,980
2013	1.17	0.28	816,828,227	7,958	-	567	223	-	7,168
2014	1.17	0.28	820,317,733	12,844	-	3,388	811	(109)	8,536
2015	1.17	0.28	880,144,970	29,840	-	5,504	1,317	(1,675)	21,344
2016	1.17	0.28	909,232,902	25,083	-	7,978	1,909	(2,652)	12,544
2017	1.17	0.40	977,059,969	191,222	-	67,447	23,059	(64,153)	36,563
2018	1.17	0.40	1,062,570,209	-	15,667,180	11,437,027	3,910,096	7,885	327,942
Totals				$ 326,679	15,667,180	11,526,129	3,938,322	(61,215)	468,193

TAYLOR INDEPENDENT SCHOOL DISTRICT
Exhibit L-1 - Required Responses to Selected
School First Indicators
As of June 30, 2018

Date Control Codes	Description	Responses
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year-end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report 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.	$ 4,507,965
SF11	Net Pension Assets (1920) at fiscal year-end.	$ -
SF12	Net Pension Liabilities (2540) at fiscal year-end.	$ 5,981,468
SF13	Pension Expense (6147) at fiscal year-end.	$ -
SF14	Net OPEB Liabilities (2545) at fiscal year-end.	$ 11,853,428

FEDERAL AWARDS SECTION

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Trustees of
Taylor Independent School District:

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 Taylor Independent School District (the "District"), as of and for the ten month period 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 November 12, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control 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, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2018-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2018-001.

The District's Response to the Finding

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Maxwell Locke & Ritter LLP

Austin, Texas
November 12, 2018

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

The Board of Trustees of
Taylor Independent School District:

Report on Compliance for the Major Federal Program

We have audited Taylor Independent School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal program for the ten month period ended June 30, 2018. The District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the ten month period ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

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

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

Maxwell Locke + Ritter LLP

Austin, Texas
November 12, 2018

TAYLOR INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Ten Month Period Ended June 30, 2018

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed Through Texas Education Agency:			
Title I Grants to Local Educational Agencies	84.010A	18610101246911	$ 599,290
Migrant Education State Grant Program	84.011A	18615001246911	43,971
Career and Technical Education - Basic Grants to States	84.048A	18420006246911	32,282
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367A	18694501246911	75,895
English Language Acquisition State Grants	84.365A	18671001246911	30,497
Special Education Cluster:			
SSA - Special Education Grants to States - Formula	84.027A	186600012469116000	923,551
SSA - Special Education Grants to States - Discretionary Residential	84.027A	186600012469116000	57,220
Total CFDA 84.027A			980,771
SSA - Special Education Preschool Grants	84.173A	186610012469116610	32,820
Total Special Education Cluster			1,013,591
Student Support and Academic Enrichment Program	84.424A	18680101246911	13,736
Total Passed Through Texas Education Agency			1,809,262
TOTAL DEPARTMENT OF EDUCATION			1,809,262
U.S. DEPARTMENT OF AGRICULTURE			
Child Nutrition Cluster:			
Passed Through Texas Education Agency:			
National School Lunch Program	10.555	01154	845,207
School Breakfast Program	10.553	01154	432,318
Total Passed Through Texas Education Agency			1,277,525
Passed Through the Texas Department of Human Services-			
Non-Cash Assistance - Food Distribution Program	10.555	01154	113,088
Total CFDA 10.555			958,295
Total Child Nutrition Cluster			1,390,613
Passed Through Texas Department of Agriculture-			
Child and Adult Care Food Program	10.558	01154	76,497
TOTAL DEPARTMENT OF AGRICULTURE			1,467,110
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 3,276,372

The accompanying notes are an integral part of this schedule.

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Taylor Independent School District (the "District") under programs of the federal government for the ten month period ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, change in net position, or cash flows of the District.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The expenditures reported on the Schedule are reported using the modified accrual basis of accounting, with the exception of the National School Lunch Program, the School Breakfast Program, the Child and Adult Care Food Program, and the Food Distribution Program. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become available and measurable, and expenditures in the accounting period in which the fund liability is incurred, if measurable. Expenditures in the National School Lunch Program, the School Breakfast Program, the Child and Adult Care Food Program, and the Food Distribution Program are not specifically attributable to this revenue source and are shown on the Schedule in an amount equal to revenue for balancing purposes only. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited to reimbursement.

The District has elected to not use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Relationship to Basic Financial Statements

Expenditures of federal awards are reported in the District's basic financial statements in the Special Revenue Funds.

Relationship to Federal Financial Reports

Amounts reported in the Schedule agree with the amounts reported in the related federal financial reports in all significant respects.

Valuation of Non-cash Programs

The District values revenues and expenditures for the Food Distribution Program based on the value of commodities received.

TAYLOR INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
TEN MONTH PERIOD ENDED JUNE 30, 2018

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued on whether the financial statements were prepared in accordance with GAAP:	Unmodified

Internal control over financial reporting:

• Material weakness(es) identified?	☐ yes	☒ no
• Significant deficiency(ies) identified?	☒ yes	☐ none reported
Noncompliance material to financial statements noted?	☐ yes	☒ no

FEDERAL AWARDS

Internal control over the major federal program:

• Material weakness(es) identified?	☐ yes	☒ no
• Significant deficiency(ies) identified?	☐ yes	☒ none reported

Type of auditors' report issued on compliance for the major federal program-

Special Education Cluster	Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	☐ yes	☒ no

Identification of the major federal program-

CFDA Number	Name of Federal Program or Cluster
	Special Education Cluster:
84.027A	Special Education Grants to States (IDEA - Part B, Formula)
84.027A	Special Education Grants to States (IDEA - Part B, Discretionary Residential)
84.173A	Special Education Preschool Grants (IDEA - Part B, Preschool)

Dollar threshold used to distinguish between type A and type B programs:	$750,000	
Auditee qualified as low-risk auditee?	☒ yes	☐no

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
TEN MONTH PERIOD ENDED JUNE 30, 2018

SECTION II - FINANCIAL STATEMENT FINDINGS

There was one finding required to be reported in accordance with *Government Auditing Standards* for the ten month period ended June 30, 2018. There were no findings required to be reported in accordance with *Government Auditing Standards* for the year ended August 31, 2017.

Finding Relating to Internal Control over Financial Reporting and Compliance in Accordance with *Government Auditing Standards*:

2018-001

Criteria:	The District's deposits with financial institutions are required to be entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.
Condition /Context:	There were two instances, with one being on the day of the highest cash balance, during the ten month period ended June 30, 2018 in which the District's deposits were not fully collateralized by FDIC insurance or pledged collateral.
Effect:	Noncompliance with the requirements of the Texas Education Code Section 45.208 and the District's deposits were exposed to custodial credit risk.
Cause:	The District received significant deposits and the District did not notify its depository bank timely to increase the amount of pledged collateral.
Recommendations:	The District should monitor deposit and related collateral balances on a daily basis and notify the District's depository bank when significant deposits are received to ensure that the District's deposits are fully collateralized.
Views of Responsible Officials and Planned Corrective Actions:	See Schedule of Corrective Action Plan

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings or questioned costs required to be reported in accordance with 2 CFR 200.516(a) for the ten month period ended June 30, 2018 or the year ended August 31, 2017.

Taylor Independent School District

Keith Brown, Superintendent

Rodney Fausett, Deputy Superintendent

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TAYLOR INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF CORRECTIVE ACTION PLAN (AUDITEE PREPARED)
TEN MONTH PERIOD ENDED JUNE 30, 2018

Finding 2018-001

Planned Corrective Action: District management will work to ensure that the District's deposits are fully collateralized and that the timing of large deposits does not put the District's deposits balance above the collateralized level. The Chief Financial Officer will monitor all incoming deposits daily to ensure that depository balances do not exceed the collateralized threshold. In the event of the Chief Financial Officer being out of the office, the Administrative Assistant to the Chief Financial Officer will monitor all incoming deposits.

Responsible Party: Bill Mikulencak, CFO

Estimated Completion Date: November 1, 2018