

JOAQUIN INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT FOR THE
YEAR ENDED AUGUST 31, 2018

JOAQUIN INDEPENDENT SCHOOL DISTRICT
Annual Financial Report for the
Year Ended August 31, 2018

Table of Contents

Exhibit	Page
CERTIFICATE OF BOARD	1
 FINANCIAL SECTION	
Independent Auditor’s Report	2-4
Management’s Discussion and Analysis	5-11
Basic Financial Statements	
Government-wide Financial Statements	
A-1 Statement of Net Position	12
B-1 Statement of Activities	13-14
Governmental Fund Financial Statements	
C-1 Balance Sheet	15
C-2 Reconciliation for C-1	16
C-3 Statement of Revenues, Expenditures, and Changes in Fund Balance ...	17
C-4 Reconciliation for C-3	18
Fiduciary Fund Financial Statements	
E-1 Statement of Fiduciary Net Position	19
E-2 Statement of Changes in Fiduciary Net Position and Cash Flows	20
Notes to the Financial Statements	21-50
 Required Supplementary Information	
G-1 Budgetary Comparison Schedule - General Fund	51
G-2 Schedule of the District’s Proportionate Share of the Net Pension	
Liability - Teachers Retirement System of Texas	52
G-3 Schedule of District Contributions for Pensions - Teachers Retirement	
System of Texas	53
G-4 Schedule of the District’s Proportionate Share of the Net OPEB	
Liability - Teachers Retirement System of Texas	54
G-5 Schedule of District Contributions for Other Post Employment Benefits (OPEB)	
- Teachers Retirement System of Texas	55
Notes to Required Supplementary Information	56-57
 Other Supplementary Information	
Combining Schedules	
H-1 Combining Balance Sheet - Nonmajor Governmental Funds	58-59
H-2 Combining Statement of Revenues, Expenditures, and Changes	
in Fund Balances - Nonmajor Governmental Funds	60-61

JOAQUIN INDEPENDENT SCHOOL DISTRICT
Annual Financial Report for the
Year Ended August 31, 2018

Table of Contents

Exhibit		Page
	Required TEA Schedules	
J-1	Schedule of Delinquent Taxes Receivable	62
J-2	Budgetary Comparison Schedule - Child Nutrition Fund	63
J-3	Budgetary Comparison Schedule - Debt Service Fund	64
	FEDERAL AWARDS SECTION	
	Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	65-66
	Schedule of Findings	67
	Schedule of Status of Prior Findings	68
	Corrective Action Plan	69

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
CERTIFICATE OF BOARD**

<u>Joaquin Independent School District</u>	<u>Shelby</u>	<u>210-902</u>
Name of School District	County	County-District 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 year ended August 31, 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 auditor's report, the reason(s) for disapproving it is(are):
(attach list as necessary)

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FINANCIAL SECTION



Certified Public Accountants

Goff & Herrington, P.C.

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A.J. Goff, CPA
Ronnie Herrington, CPA
Daniel Raney, CPA

Independent Auditor's Report

Members of the Board of Trustees
Joaquin Independent School District
Joaquin, Texas

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Independent Auditor's Report

Members of the Board of Trustees
November 5, 2018
Page 2

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 Joaquin Independent School District, as of August 31, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in the Notes to the financial statements, in 2018, the District adopted new accounting guidance prescribed by GASB #75 for its group insurance program, a multiple-employer, cost-sharing other post employment benefit (OPEB) plan that has a special funding situation. Because GASB #75 implements new measurement criteria and reporting provisions, significant information has been added to the Government Wide Statements. Exhibit A-1 discloses the District's OPEB Liability and some deferred resource outflows and deferred resource inflows related to the District's OPEB plan. Exhibit B-1 discloses the adjustment to the District's Beginning Net Position. Our opinion is not modified with respect to the matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 11, budgetary comparison information on page 51, and the Teacher's Retirement System pension schedules on pages 52-55, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The combining schedules and required TEA schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Independent Auditor's Report

Members of the Board of Trustees

November 5, 2018

Page 3

The combining schedules and required TEA schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 5, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Districts's internal control over financial reporting and compliance.

Goff & Herrington, P.C.

GOFF & HERRINGTON, P.C.

Certified Public Accountants

November 5, 2018

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JOAQUIN INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

FINANCIAL HIGHLIGHTS

- ▶ The District's total combined net position was a deficit of \$1,072,485 as of August 31, 2018. During fiscal year 2018, there were significant reductions to the net position as a result of the implementation of GASB 75, as required by the Governmental Accounting Standards Board (GASB). The District's net position includes a net pension liability of \$1,180,920 (as required by GASB 68) and a net OPEB liability of \$2,332,979, both of which decreased the combined net position. While these liabilities have always existed, they were not reported on the District's financial statements prior to the adoption of the related GASB pronouncements. Implementation of the accounting changes required by these accounting standards do not affect the financial stability of the District nor does it change how the District conducts its financial decision making.
- ▶ During the year ended August 31, 2018, the District's net position increased by \$927,425 from operations. The District's net position decreased during the year by \$4,090,865 as a result of the prior period adjustment related to the implementation of GASB 75. The net change in net position for the year ended August 31, 2018 was a decrease of \$3,163,440.
- ▶ The District generated \$8,093,006 in taxes and other revenues from governmental activities, and the total cost of the District's programs was \$7,165,581.
- ▶ The general fund reported a total fund balance this year of \$2,128,988, of which \$1,832,690 is unassigned. The fund financial statements reflect the District's reserves from normal operations, and were not affected by the recent GASB pronouncements. The District uses the balances reflected in the fund financial statement to make financial decisions.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report consists of three parts - **management's discussion and analysis** (this section), the **basic financial statements**, and **required supplementary information**. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The required supplementary information further explains and supports the information in the financial statements.

Government-wide Financial Statements

The District's annual financial report includes two government-wide financial statements. These statements provide both long-term and short-term information about the District's finances. Financial reporting at this level uses a perspective similar to that found in the private sector.

The first of these government-wide financial statements is the **Statement of Net Position**. This is the District wide statement of financial position presenting information that includes all of the District's assets, liabilities,

JOAQUIN INDEPENDENT SCHOOL DISTRICT

and deferred outflows and inflows, with the difference reported as **net position**. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non financial factors such as changes to the District's tax base.

The second government-wide financial statement is the **Statement of Activities**, which reports how the District's net position changed during the current year. All current revenues and expenses are included regardless of when the cash is received or paid.

The government-wide financial statements of the District include the governmental activities of the District. These are the basic services such as instruction, extracurricular activities, curriculum and staff development, health services, and administration. Property taxes, state aid, and federal grants finance most of these activities.

Fund Financial Statements

The fund financial statements focus on individual parts of the government, reporting the District's operations in more detail than the government-wide statements.

- ▶ The governmental funds statements tell how general government services were financed in the short term as well as what remains for future spending.
- ▶ The fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

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

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

The District has two kinds of funds:

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

Fiduciary funds - The District is the trustee, or fiduciary, for money raised by student activities and scholarship programs. 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

JOAQUIN INDEPENDENT SCHOOL DISTRICT

the District’s government-wide financial statements because the District cannot use these assets to finance its operations.

The accompanying notes to the financial statements provide essential information to a full understanding of the government-wide and fund financial statements.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District’s combined net position was a deficit of \$1,072,485 as of August 31, 2018. The following table provides a summary of the District’s net position.

The District’s Net Position

	Governmental Activities		
	2018	2017	% Change
Current and Other Assets	2,862,051	3,377,985	(15.3)%
Capital and Non-Current Assets	12,502,449	12,677,485	(1.4)%
Total Assets	15,364,500	16,055,470	(4.3)%
Deferred Outflows	1,211,133	1,404,704	(13.8)%
Total Deferred Outflows of Resources	1,211,133	1,404,704	(13.8)%
Other Liabilities	285,681	565,693	(49.5)%
Long Term Liabilities	16,049,423	14,560,032	10.2%
Total Liabilities	16,335,104	15,125,725	8.0%
Deferred Inflows	1,313,014	243,494	439.2%
Total Deferred Inflows of Resources	1,313,014	243,494	439.2%
Net Position:			
Net Investment in Capital Assets	695,136	345,178	101.4%
Restricted	174,095	186,802	(6.8)%
Unrestricted	(1,941,716)	1,558,975	(224.6)%
Total Net Position	<u>(1,072,485)</u>	<u>2,090,955</u>	<u>(151.3)%</u>

The District’s restricted net position of \$174,095 consists of \$72,349 restricted for food service and \$101,746 restricted for debt service.

Changes in net position. The District’s total revenues were \$8,093,006. A significant portion, 63.63 percent, of the District’s revenue comes from state aid-formula grants. Property taxes represent 33.86 percent of the District’s revenue. The rest of the District’s revenue comes from federal operating grants, charges for services, investment earnings, and other local sources. The total cost of all programs and services was \$7,165,581; 70.48 percent of these costs are for instructional and student services.

JOAQUIN INDEPENDENT SCHOOL DISTRICT

Governmental Activities

The following table provides a summary of the District’s changes in net position.

Changes in the District’s Net Position

	Governmental Activities		
	2018	2017	% Change
Revenues:			
Program Revenues:			
Charges for services	251,717	240,864	4.5%
Operating grants	786,144	1,126,581	(30.2)%
General Revenues:			
Property taxes	2,740,403	2,644,799	3.6%
State aid - formula	5,149,554	4,217,857	22.1%
Investment earnings	57,740	37,094	55.7%
Other general revenues	(892,552)	143,763	(720.9)%
Total revenues	8,093,006	8,410,958	(3.8)%
Expenses:			
Instructional and instructional related	3,431,495	4,402,443	(22.1)%
Instructional and school leadership	476,179	663,298	(28.2)%
Counseling, health, transportation, and extracurricular	1,245,065	1,343,831	(7.4)%
Food services	352,535	386,266	(8.7)%
General administration	338,694	438,750	(22.8)%
Plant maintenance and security	681,113	809,588	(15.9)%
Data processing services	112,136	124,885	(10.2)%
Community services	1,154	2,308	(50.0)%
Debt services	439,901	456,390	(3.6)%
Payments to fiscal agent/member districts	21,129	23,832	(11.3)%
Other intergovernmental charges	66,180	66,405	(0.3)%
Total expenses	7,165,581	8,717,996	(17.8)%
Increase (Decrease) in Net Position	927,425	(307,038)	(402.1)%
Beginning Net Position	2,090,955	2,397,993	(12.8)%
Prior period adjustment - GASB 75	(4,090,865)	-	(100.0)%
Ending Net Position	(1,072,485)	2,090,955	(514.9)%

JOAQUIN INDEPENDENT SCHOOL DISTRICT

The District’s combined tax rate remained the same as last year. Property tax revenues increased by 3.61 percent as appraised values increased by 3.16 percent.

The cost of governmental activities may be summarized as follows:

- ▶ The cost of all governmental activities this year was \$7,165,581.
- ▶ The amount that our taxpayers paid for these activities through property taxes was \$2,740,403.
- ▶ Some of the cost was paid by those who directly benefitted from the programs (\$251,717), or
- ▶ By operating grants (\$786,144).

The following table presents the cost of each of the District’s largest functions as well as each functions net cost (total cost less fees generated by activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

Net Cost of Selected District Functions

	Total cost of services			Net cost of services		
	2018	2017	% Change	2018	2017	% Change
Instruction	3,331,037	4,258,756	(21.8)%	2,889,042	3,592,350	(19.6)%
General Administration	338,694	438,750	(22.8)%	338,694	422,767	(19.9)%
Debt service	439,901	456,390	(3.6)%	439,901	456,390	(3.6)%
Maintenance & operations	659,623	801,917	(17.7)%	635,391	754,767	(15.8)%
Extracurricular activities	706,486	768,967	(8.1)%	558,639	602,902	(7.3)%

FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS

Revenues from governmental fund types totaled \$9,376,841, an increase of 11.49 percent from the preceding year. The increase was primarily due to an increase in revenue from state programs.

The District’s governmental funds ended the year with a reported combined fund balance of \$2,387,682, a decrease of \$248,438 from last years ending balance of \$2,636,120.

JOAQUIN INDEPENDENT SCHOOL DISTRICT

General Fund Budgetary Highlights

Over the course of the year the District revised the operating budget as actual results were analyzed. Actual expenditures were \$88,167 below final budget amounts. The most significant positive variance results were in the instruction and plant maintenance and operations areas as the final expenditures were less than expected.

Additionally reported total revenues were \$31,562 above the final budgeted amounts as local and state program revenues were more that anticipated.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2018, the District had invested \$24,030,791, less depreciation of \$11,528,342, in a broad range of capital assets, including land, school buildings, athletic facilities, instructional equipment, and school buses. The following table provides a summary of the District's capital assets.

District's Capital Assets

(Net of depreciation)

	Governmental Activities		% Change
	2018	2017	
Land	228,562	228,562	0.0%
Buildings & improvements	11,416,070	12,034,920	(5.1)%
Equipment & vehicles	656,037	414,003	58.5%
Construction in progress	201,780	-	100.0%
Net capital assets	<u>12,502,449</u>	<u>12,677,485</u>	<u>(1.4)%</u>

Significant capital asset expenditures in 2018 include major gym renovations and the purchase of two buses. Construction in progress at August 31, 2018 is related to resurfacing the track. More detailed information about the District's capital assets is presented in the notes to the financial statements.

JOAQUIN INDEPENDENT SCHOOL DISTRICT

Long-term Debt

The following table provides a summary of the District’s long-term debt.

	Governmental Activities		
	2018	2017	% Change
Series 2009 School Building Bonds	210,000	415,000	(49.4)%
Series 2010 School Building Bonds	2,975,000	3,110,000	(4.3)%
Series 2016 Refunding Bonds	8,245,000	8,435,000	100.0%
Total long term debt	<u>11,430,000</u>	<u>11,960,000</u>	<u>(4.4)%</u>

At year end the District had \$11,430,000 in school building bonds outstanding as shown above. The District’s bonds presently carry very favorable ratings of “AA” and “AAA” with Standard and Poors.

More detailed information about the District’s debt is presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

- ▶ Appraised values used for the 2019 budget preparation were \$171,110,953, a slight increase from 2018.
- ▶ The District’s average daily attendance is expected to be 623 which is a 6.32 percent decrease from the prior year.

These indicators were taken into account when adopting the general fund budget for 2019. Amounts available for expenditure in the general fund budget are \$7,100,000, a decrease of 4.20 percent from the final 2018 budget of \$7,411,000. The decrease is primarily due to decreased expected revenues from local and state programs for 2019. The District will use these revenues to finance programs we currently offer.

Expenditures are budgeted to decrease 8.55 percent to \$7,100,000. If the budgeted estimates are realized, the District’s budgetary general fund balance is expected to remain unchanged for 2019.

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

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

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Government-Wide Financial Statements

JOAQUIN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2018

Data Control Codes		Primary Government		
		Governmental Activities	Business-type Activities	Total
	ASSETS			
1110	Cash and cash equivalents	394,901	-	394,901
1120	Investments - current	2,126,869	-	2,126,869
1220	Property taxes receivable - delinquent	825,751	-	825,751
1230	Allowance for uncollectible taxes (credit)	(619,313)	-	(619,313)
1240	Due from other governments	16,499	-	16,499
1290	Other receivables	34,248	-	34,248
1300	Inventories	15,079	-	15,079
1410	Prepayments	68,017	-	68,017
	Capital Assets:			
1510	Land	228,562	-	228,562
1520	Buildings, net	11,416,070	-	11,416,070
1530	Furniture and equipment, net	656,037	-	656,037
1580	Construction in progress	201,780	-	201,780
1000	Total assets	<u>15,364,500</u>	-	<u>15,364,500</u>
	DEFERRED OUTFLOWS OF RESOURCES			
1702	Deferred charge on refunding	728,211	-	728,211
1705	Deferred outflow related to TRS Pension	441,803	-	441,803
1706	Deferred outflow related to TRS OPEB	41,119	-	41,119
1700	Total deferred outflows of resources	<u>1,211,133</u>	-	<u>1,211,133</u>
	LIABILITIES			
2110	Accounts payable	52,926	-	52,926
2140	Interest payable	17,750	-	17,750
2160	Accrued wages payable	189,211	-	189,211
2300	Unearned revenues	25,794	-	25,794
	Long Term Liabilities:			
2501	Due within one year	545,000	-	545,000
2502	Due after one year	11,990,524	-	11,990,524
2540	Net pension liability	1,180,920	-	1,180,920
2545	Net OPEB liability	2,332,979	-	2,332,979
2000	Total liabilities	<u>16,335,104</u>	-	<u>16,335,104</u>
	DEFERRED INFLOWS OF RESOURCES			
2605	Deferred inflow related to TRS Pension	337,124	-	337,124
2606	Deferred inflow related to TRS OPEB	975,890	-	975,890
2600	Total deferred inflows of resources	<u>1,313,014</u>	-	<u>1,313,014</u>
	NET POSITION			
3200	Net investment in capital assets	695,136	-	695,136
3820	Restricted for Federal and State programs	72,349	-	72,349
3850	Restricted for debt service	101,746	-	101,746
3900	Unrestricted net position	(1,941,716)	-	(1,941,716)
3000	Total net position	<u>(1,072,485)</u>	-	<u>(1,072,485)</u>

The accompanying notes are an integral part of this statement

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2018**

Data Control Codes	1	Program Revenues	
		3	4
	Expenses	Charges for Services	Operating Grants and Contributions
Governmental activities:			
11 Instruction	3,331,037	20,475	421,520
12 Instructional resources and media services	11,717	-	-
13 Curriculum and staff development	88,741	-	-
21 Instructional leadership	73,346	-	4,710
23 School leadership	402,833	-	-
31 Guidance, counseling, and evaluation services	169,213	-	55,568
32 Social work services	12,869	-	-
33 Health services	37,838	-	480
34 Student transportation	318,659	-	-
35 Food service	352,535	83,395	279,634
36 Cocurricular/extracurricular activities	706,486	147,847	-
41 General administration	338,694	-	-
51 Plant maintenance and operations	659,623	-	24,232
52 Security and monitoring services	21,490	-	-
53 Data processing services	112,136	-	-
61 Community services	1,154	-	-
72 Interest on long-term debt	438,351	-	-
73 Bond issuance costs	1,550	-	-
93 Payments related to shared services arrangements	21,129	-	-
99 Other intergovernmental charges	66,180	-	-
TP Total primary government	7,165,581	251,717	786,144

Data Control Codes

MT

DT

SF

GC

IE

MI

TR

CN

NB

PA

NE

General revenues:

Taxes:

Property taxes, levied for general purposes

Property taxes, levied for debt service

State aid formula grants

Grants and contributions, not restricted to specific programs

Investment earnings

Miscellaneous

Total general revenues

Change in net position

Net position, beginning

Prior period adjustment - GASB 75

Net position, ending

The accompanying notes are an integral part of this statement

Program Revenues	Net (Expense) Revenue and Changes in Net Position		
5	Governmental	Business	Total
Capital Grants and Contributions	Activities	Activities	
-	(2,889,042)	-	(2,889,042)
-	(11,717)	-	(11,717)
-	(88,741)	-	(88,741)
-	(68,636)	-	(68,636)
-	(402,833)	-	(402,833)
-	(113,645)	-	(113,645)
-	(12,869)	-	(12,869)
-	(37,358)	-	(37,358)
-	(318,659)	-	(318,659)
-	10,494	-	10,494
-	(558,639)	-	(558,639)
-	(338,694)	-	(338,694)
-	(635,391)	-	(635,391)
-	(21,490)	-	(21,490)
-	(112,136)	-	(112,136)
-	(1,154)	-	(1,154)
-	(438,351)	-	(438,351)
-	(1,550)	-	(1,550)
-	(21,129)	-	(21,129)
-	(66,180)	-	(66,180)
-	(6,127,720)	-	(6,127,720)
	2,003,954	-	2,003,954
	736,449	-	736,449
	5,149,554	-	5,149,554
	(927,583)	-	(927,583)
	57,740	-	57,740
	35,031	-	35,031
	7,055,145	-	7,055,145
	927,425	-	927,425
	2,090,955	-	2,090,955
	(4,090,865)	-	(4,090,865)
	(1,072,485)	-	(1,072,485)

The accompanying notes are an integral part of this statement

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Governmental Fund Financial Statements

JOAQUIN INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2018

Data Control Codes	10 General Fund	50 Debt Svc. Fund	Other Governmental Funds	98 Total Governmental Funds	
ASSETS					
1110	Cash and cash equivalents	257,221	2,443	135,237	394,901
1120	Investments - current	2,023,438	103,431	-	2,126,869
1220	Property taxes receivable - delinquent	617,637	208,114	-	825,751
1230	Allowance for uncollectible taxes (credit)	(463,227)	(156,086)	-	(619,313)
1240	Due from other governments	-	-	16,499	16,499
1290	Other receivables	24,818	9,430	-	34,248
1300	Inventories	-	-	15,079	15,079
1400	Prepayments	68,017	-	-	68,017
1000	Total Assets	2,527,904	167,332	166,815	2,862,051
LIABILITIES					
2110	Accounts payable	43,059	-	9,867	52,926
2160	Accrued wages payable	189,211	-	-	189,211
2300	Unearned revenues	12,236	13,558	-	25,794
2000	Total Liabilities	244,506	13,558	9,867	267,931
DEFERRED INFLOWS OF RESOURCES					
2601	Unavailable revenue - property taxes	154,410	52,028	-	206,438
2600	Total Inflows of Resources	154,410	52,028	-	206,438
FUND BALANCES					
Nonspendable Fund Balance					
3410	Inventories	-	-	15,079	15,079
3430	Prepaid items	68,017	-	-	68,017
Restricted Fund Balance					
3450	Federal or State grants	-	-	72,349	72,349
3480	Retirement of long-term debt	-	101,746	-	101,746
Committed fund balance:					
3530	Retirement of long-term debt	200,000	-	-	200,000
3540	Self insurance	28,281	-	-	28,281
Assigned fund balance:					
3590	Other assigned	-	-	69,520	69,520
3600	Unassigned fund balance	1,832,690	-	-	1,832,690
3000	Total Fund Balances	2,128,988	101,746	156,948	2,387,682
4000	Total Liabilities, Deferred Inflows and Fund Balances	2,527,904	167,332	166,815	2,862,051

The accompanying notes are an integral part of this statement

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AUGUST 31, 2018**

	Total fund balances - governmental funds	2,387,682
1	Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$23,586,379 and the accumulated depreciation was \$10,908,894. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the governmental funds. The net effect of including beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net position.	326,760
2	Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the current year capital outlays and debt principal payments is to increase net position.	1,198,719
3	The current depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(843,087)
4	Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of \$1,180,920, a deferred resource inflow related to TRS in the amount of \$337,124, and a deferred resource outflow related to TRS in the amount of \$441,803. This amounted to a decrease in net position in the amount of \$1,076,241.	(1,076,241)
5	The District implemented GASB 75 reporting requirements for the OPEB benefit plan through TRS. Since this is the first year of implementation, a prior period adjustment had to be made in the amount of \$4,090,865. The District's share of the TRS plan resulted in a net OPEB liability of \$2,332,979, a deferred outflow of \$41,119, and a deferred inflow of \$975,890. This resulted in a net difference between the ending fund balance and the ending net position of \$3,267,750.	(3,267,750)
6	Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying debt proceeds, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications is to increase (decrease) net position.	<u>201,432</u>
19	Net Position of governmental activities	<u><u>(1,072,485)</u></u>

The accompanying notes are an integral part of this statement

JOAQUIN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST, 2018

Data Control Codes	10 General Fund	50 Debt Svc. Fund	Other Governmental Funds	Total Governmental Funds	
REVENUES					
5700	Total local and intermediate sources	2,114,868	740,508	208,082	3,063,458
5800	State program revenues	5,284,749	199,545	85,311	5,569,605
5900	Federal program revenues	42,945	-	700,833	743,778
5020	Total revenues	<u>7,442,562</u>	<u>940,053</u>	<u>994,226</u>	<u>9,376,841</u>
EXPENDITURES					
0011	Instruction	3,766,329	-	421,520	4,187,849
0012	Instructional resources and media services	5,875	-	-	5,875
0013	Curriculum and staff development	87,658	-	-	87,658
0021	Instructional leadership	111,009	-	4,710	115,719
0023	School leadership	504,616	-	-	504,616
0031	Guidance, counseling, evaluation services	156,208	-	55,568	211,776
0032	Social work services	19,041	-	-	19,041
0033	Health services	53,204	-	480	53,684
0034	Student transportation	694,379	-	-	694,379
0035	Food service	-	-	370,704	370,704
0036	Cocurricular/extracurricular activities	504,301	-	116,256	620,557
0041	General administration	450,701	-	-	450,701
0051	Plant maintenance and operations	772,259	-	24,230	796,489
0052	Security and monitoring services	21,490	-	-	21,490
0053	Data processing services	141,584	-	-	141,584
0071	Principal on long-term debt	-	530,000	-	530,000
0072	Interest on long-term debt	-	434,013	-	434,013
0073	Bond issuance cost and fees	-	1,550	-	1,550
0081	Facilities acquisition and construction	299,870	-	-	299,870
0093	Payments to fiscal agent	21,129	-	-	21,129
0099	Other intergovernmental charges	66,180	-	-	66,180
6030	Total expenditures	<u>7,675,833</u>	<u>965,563</u>	<u>993,468</u>	<u>9,634,864</u>
1100	Excess (deficiency) of revenues over expenditures	(233,271)	(25,510)	758	(258,023)
OTHER FINANCING SOURCES (USES)					
7912	Sale of real or personal property	9,585	-	-	9,585
7915	Transfers in (sources)	-	-	-	-
8911	Transfers out (uses)	-	-	-	-
7080	Total other financing sources and uses	<u>9,585</u>	<u>-</u>	<u>-</u>	<u>9,585</u>
1200	Net change in fund balances	(223,686)	(25,510)	758	(248,438)
0100	Fund balance - September 1 (beginning)	2,352,674	127,256	156,190	2,636,120
3000	Fund balance - August 31 (ending)	<u>2,128,988</u>	<u>101,746</u>	<u>156,948</u>	<u>2,387,682</u>

The accompanying notes are an integral part of this statement

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2018**

Net change in fund balances - governmental funds	(248,438)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the current year capital outlays and debt principal payments is to increase net position.	1,198,719
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(843,087)
Current year changes in amounts related to GASB 68 increased decreased fund balance during the year. The current year change in the net pension liability amounted to \$243,357, the change in deferred outflows of resources related to TRS amounted to \$159,453, and the current year change in deferred inflows related to TRS amounted to \$93,630, resulting in a decrease in net position of \$9,726.	(9,726)
The implementation of GASB 75 to report the District's share of the TRS OPEB plan resulted in a prior period adjustment in the amount of \$4,090,865. The Changes in the ending net position as a result of reporting the OPEB items was an increase in the change in net position of \$823,115.	823,115
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying debt proceeds, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications is to increase (decrease) net position.	6,842
Change in net position of governmental activities	927,425

The accompanying notes are an integral part of this statement

Fiduciary Fund Financial Statements

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2018**

	Private Purpose Trust Fund	Agency Funds
	<u> </u>	<u> </u>
ASSETS		
Cash and cash equivalents	17,298	29,311
Total Assets	<u>17,298</u>	<u>29,311</u>
	<u> </u>	<u> </u>
LIABILITIES		
Due to student groups	-	29,311
Total Liabilities	<u>-</u>	<u>29,311</u>
	<u> </u>	<u> </u>
NET POSITION		
Restricted for scholarships	17,298	
Total net position	<u>17,298</u>	
	<u> </u>	

The accompanying notes are an integral part of this statement

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2018**

	<u>Private Purpose Trust Fund</u>
ADDITIONS:	
Local and Intermediate Sources	47,348
Total Additions	<u>47,348</u>
DEDUCTIONS:	
Scholarship Awarded	47,250
Total Deductions	<u>47,250</u>
Change in Net Position	98
Total Net Position - September 1 (Beginning)	<u>17,200</u>
Total Net Position - August 31 (Ending)	<u><u>17,298</u></u>

The accompanying notes are an integral part of this statement

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. FINANCIAL REPORTING ENTITY

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

Because the Board is elected by the public; has the authority to make decisions, appoint administrators and managers, and significantly influence operations; and has the primary accountability for fiscal matters; the District is not included in any other governmental “reporting entity” as defined by the Governmental Accounting Standards Board (GASB) in its statement No. 14, “The Financial Reporting Entity,” including subsequent revisions. There are no component units included within the reporting entity.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the District as a whole excluding fiduciary activities. Individual funds are not displayed but the statements present Governmental Activities which include programs supported by ad valorem taxes, state aid formula grants, and federal grants.

The statement of activities reports the expenses of the District’s functions offset by program revenues directly connected with the function. A function is a general operational area in the District that groups together similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with the function. Program revenues include: (1) charges for services which report charges to users of the District’s services such as tuition paid by students not residing in the District, athletic gate receipts and school lunch charges; and (2) operating grants and contributions which finance annual operating activities of the District such as the Elementary and Secondary Education Act. Taxes, state aid formula grants, and other revenue sources not properly included with program revenues are reported as general revenues.

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018**

All interfund transactions between governmental funds are eliminated on the government-wide financial statements. Interfund activities between governmental funds and fiduciary funds remain as due to/from on the government-wide statement of net position.

Fund Financial Statements

Fund financial statements provide reports on the financial condition and results of operations for governmental and fiduciary funds. Major individual governmental funds are reported in separate columns with composite columns for non-major funds. Interfund activity between governmental funds appear as due to/from on the governmental fund balance sheet and as other resources and other uses on the governmental fund statement of revenues, expenditures and changes in fund balance.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The financial statements of the District are prepared in accordance with generally accepted accounting principles (GAAP). The District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The government-wide financial statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Fiduciary fund financial statements also report using this same focus and basis of accounting. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grant revenues are recognized when allowable expenditures are made under the provisions of the grant.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The District considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for unmatured bond principal and interest on long-term debt, which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: property taxes, state aid formula grants, and investment income. In general, other revenues are recognized when cash is received.

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018**

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 needed.

The District does not allocate general administration or support services expenses to other functions. Depreciation expense for buildings that house District staff serving different functions is included in the direct expenses of the appropriate functions.

D. FUND TYPES AND MAJOR FUNDS

The District accounts are organized on the basis of funds, each of which is considered a separate accounting entity. The District has established several individual funds that are organized within a separate set of self-balancing accounts comprised of assets, liabilities, fund balance, revenues, and expenditures or expenses as appropriate. Governmental resources allocated to individual funds are recorded for the purpose of carrying on specific activities in accordance with laws, regulations, or other appropriate requirements. District accounts are organized into funds as described below:

Major Governmental Funds:

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

Debt Service Fund - The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt.

Non Major Governmental Funds:

Special Revenue Funds - The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most federal and some State financial assistance is accounted for in a special revenue fund. Sometimes any unused balances must be returned to the grantor at the close of the specified project periods.

Other Fund Types:

Private Purpose Trust Fund - The District accounts for donations for which the donor has stipulated that both the principal and income may be used for purposes that benefit parties outside the District. The District's private purpose trust fund is a scholarship fund.

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018**

Agency Fund - The District accounts for resources held for others in a custodial capacity in the agency fund. The District's agency fund is used to account for the activities of student groups and other organizational activities.

E. OTHER ACCOUNTING POLICIES

Inventories and Prepayments - The District reports inventories of supplies at cost, which approximates lower of cost or market. Certain payments to vendors reflect costs applicable to future accounting periods and are reported as prepayments.

Capital Assets and Depreciation - The District's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The District generally capitalizes assets with a cost of \$5,000 or more as purchases or construction occurs. The cost of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight line method. The District has elected not to report major general infrastructure assets retroactively. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded. Estimated useful lives, in years, for capital assets are as follows:

Buildings	15-30
Improvements	15-30
Transportation equipment	5-10
Furniture, fixtures, and equipment	5-10

The governmental fund financial statements recognize capital outlay as an expense of the current period. Proceeds from the sale of capital assets are reported as miscellaneous revenues when received.

Long-Term Debt - In the government-wide financial statements, outstanding debt is reported as liabilities. Bond premiums are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of applicable bond premiums. The governmental fund financial statements recognize the proceeds of debt and premiums received as other financing sources of the current period and principal and interest payments as expense.

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018**

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then.

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

Net Position and Fund Balance - Net position in the statement of net position include components that are restricted for use in local programs, to pay debt service on capital related debt, for use in food service operations, construction, or future operating deficits.

Unassigned fund balance in the governmental funds financial statements represents that portion of fund balance that is available for budgeting in future operations. The assigned fund balance represents fund balance that has been implicitly assigned as it is accounted for in particular funds, other than the general fund. Committed fund balance represents amounts approved by the Board of Trustees. Restricted fund balance is that portion of fund balance which is not available for appropriation or which has been legally separated for specific purposes. The General Fund commits \$28,281 for self insurance, and \$200,000 for capital expenditures. The General Fund also has a nonspendable fund balance of \$68,017 in the form of prepayments. The Special Revenue Fund assigns \$69,520 for campus activity programs and restricts \$72,349 for the food service operations. The Food Service Fund also has a nonspendable fund balance of \$15,079 in the form of inventories. The Debt Service Fund restricts \$101,746 for debt service.

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018**

Compensated Absences - As an attendance incentive, upon retirement the District purchases any unused state leave days for employees who have at least ten years continuous service in the District and who meet the requirements for retirement with the Texas Teacher Retirement System. Payment is at the rate of \$50 per day up to a maximum of \$2,500. The employee's leave balance is reduced by the number of days purchased. No liability for accrued sick leave or vacation time is recorded in the government-wide or governmental fund financial statements.

Fund Balance Policy - The District reports fund balances for governmental funds in classifications based primarily on the extent to which the entity is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The nonspendable classification represents assets that will be consumed or maintained intact; and, therefore will never convert to cash, such as inventories of supplies and endowments. Provisions of laws, contracts, and grants specify how fund resources can be used in the restricted classification. The nature of these two classifications precludes a need for a policy from the Board. However, the Board has adopted fund balance policies for the three unrestricted classifications-committed, assigned, and unassigned.

The District's restricted fund balances represent amounts for retirement of long term debt, and for operation of the food service program.

When the District incurs expenditures that can be made from either restricted or unrestricted balances, the expenditures are charged to restricted balances. When the District incurs expenditures that can be made from either committed, assigned, or unassigned balances, the expenditures are charged to committed, assigned and then unassigned.

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

F. BUDGETARY DATA

The Board of Trustees adopts an annual budget consistent with generally accepted accounting principles for the General Fund, Debt Service Fund, and the Food Service Fund (which is included in the Special Revenue Funds.) The District is required to present the adopted and final budgeted revenues and expenditures for each of these funds.

The following procedures are followed in establishing the budgetary data reflected in the budgetary comparison schedules.

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018**

1. Prior to August 20 the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meeting. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after the fiscal year end. During the fiscal year ended August 31, 2018, the District made significant amendments to the student transportation and plant maintenance and operations functions, increasing the overall appropriations over the original budget.
4. Each budget is monitored by the business manager at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments. The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market saving accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018**

Policies Governing Deposits and Investments. In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy. The policy addresses the following risks:

Deposits

Custodial Credit Risk - Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy regarding types of deposits allowed and collateral requirements is that the funds of the District must be deposited under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. The District's cash deposits at August 31, 2018 and during the year ended August 31, 2018 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

The District was not exposed to custodial credit risk during the year as all deposits were covered by depository insurance or by pledged collateral as follows:

1. Depository: Texas State Bank, Joaquin, Texas
2. The market value of securities pledged as of the date of the highest combined balance on deposit was \$3,440,875.
3. The highest combined balances of cash, savings, and time deposit accounts amounted to \$3,071,634 and occurred during the month of October, 2017.
4. Total amount of FDIC coverage at the time of the highest combined balance was \$750,000.

Investments

Credit Risk - This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. The District was not exposed to credit risk at August 31, 2018.

Custodial Credit Risk - Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the name of the District. The District was not exposed to custodial credit risk at August 31, 2018.

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018**

Interest Rate Risk - This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District was not exposed to interest rate risk at August 31, 2018.

Concentration of Credit Risk - This is the risk of loss attributed to the magnitude of the government's investment in a single issuer. The District was not exposed to concentration of credit risk at August 31, 2018.

Foreign Currency Risk - This is the risk that exchange rates will adversely affect the fair value of an investment. The District was not exposed to foreign currency risk at August 31, 2018.

The District's temporary investments as of August 31, 2018, which are included in current investments, were in certificates of deposit in the amount of \$1,400,000 at the District's local depository bank.

The District's deposits with Investment Pools (Pools) as of August 31, 2018 amounted to \$726,869 with Lone Star, included in current investments, and \$319,881 with LOGIC, included in cash and cash equivalents.

The Pools used by the District are organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. The investment pools are public funds investment pools created to provide a safe environment for the placement of the Districts funds in authorized short-term investments.

The investments in the Pools are based on contractual agreements and not the individual security itself, therefore, the District's investments in the Pools are not categorized as to credit risk. The market values of the Pools are based on quoted market values of underlying investments of the Pools. Authorized investments include obligations of the United States, or its agencies and instrumentalities; other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the United States or its agencies and instrumentalities; and other investments authorized by statutes governing public funds investment pools.

The Pools use amortized cost rather than market value to report net position to compute share prices. Accordingly, the fair value of the position in the pool is the same as the value of the shares in the pool. The purpose of the Pools is to allow for the pooling of public funds to provide a higher yield on the pooled investments than would be possible with the investment of the individual public entity's funds. The investments in the Pools and any accrued interest may be redeemed at the District's discretion.

Financial reports issued by Lone Star Investment Pool may be obtained by contacting First Public, LLC, a subsidiary of the Texas Association of School Boards (TASB), 7620 Guadalupe, Austin, Texas 78752.

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018**

Financial reports issued by LOGIC maybe obtained by contacting LOGIC c/o First Southwest Management, Inc., 325 North St. Paul, Suite 800, Dallas, Texas 75201.

The Pools are not registered with the SEC, however TASB exercises oversight responsibility over Lone Star and LOGIC is governed by a board of directors, with JP Morgan Chase acting as the investment manager and First Southwest Asset Management, Inc. serving as customer service and marketing agent.

B. RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, AND UNAVAILABLE REVENUE

Property Tax Calender, Property Tax Receivables, and Unavailable Revenue

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon 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 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. In the governmental fund financial statements, property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

Delinquent tax collections are prorated between maintenance and debt service based on rates adopted for year of the levy. Delinquent taxes receivable not paid within 60 days of year end, are recorded as deferred inflows of resources, net of an estimated allowance for uncollectible taxes. Allowances for uncollectible tax receivables within the General Fund are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

In the government-wide financial statements, property taxes receivable, net of an allowance for uncollectible taxes, and related revenue include all amounts due the District regardless of when the cash is received.

Due From/To Other Governments and Unavailable Revenue

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

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018**

Due from other governments at year-end consisted of the following:

Fund	State Foundation	State & Federal Programs	Total
Special Revenue Fund	-	16,499	16,499

Unearned revenues at year-end consisted of the following:

Fund	State Foundation	State & Federal Programs	Total
General Fund	12,236	-	12,236
Debt Service Fund	-	13,558	13,558
	<u>12,236</u>	<u>13,558</u>	<u>25,794</u>

Deferred inflows of resources at year end consisted of the following:

	General Fund	Debt Service Fund	Total
Unavailable Revenue - Property Taxes	<u>154,410</u>	<u>52,028</u>	<u>206,438</u>

C. INTERFUND BALANCES AND TRANSFERS

There were no interfund due to/from balances or interfund transfers as of or for the year ended August 31, 2018.

Transfers are periodically used to move revenues from the fund that the budget requires to collect them to the fund that the budget requires to expend them or to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

D. DISAGGREGATION OF RECEIVABLES AND PAYABLES

The District disaggregates significant components of receivables and payables in the financial statements. The only receivables not expected to be collected within one year is \$619,313 of delinquent property taxes.

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018**

E. CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Adjustments</u>	<u>Ending Balance</u>
Governmental Activities:				
Land	228,562	-	-	228,562
Buildings and improvements	21,168,723	105,390	-	21,274,113
Vehicles and equipment	2,189,094	360,881	(223,639)	2,326,336
Construction in progress	-	201,780		201,780
Totals at cost	<u>23,586,379</u>	<u>668,051</u>	<u>(223,639)</u>	<u>24,030,791</u>
Less accumulated depreciation:				
Buildings and improvements	9,133,803	724,240	-	9,858,043
Vehicles and equipment	1,775,091	118,847	(223,639)	1,670,299
Total accumulated depreciation	<u>10,908,894</u>	<u>843,087</u>	<u>(223,639)</u>	<u>11,528,342</u>
Governmental activities capital assets, net	<u><u>12,677,485</u></u>	<u><u>(175,036)</u></u>	<u><u>-</u></u>	<u><u>12,502,449</u></u>

Depreciation was charged to governmental functions as follows:

Instruction	441,987
Instructional Resources	5,842
Curriculum Development	1,084
School Leadership	59,482
Counseling	16,267
Social Work Services	2,055
Health Services	3,241
Student Transportation	55,207
Food Services	39,428
Cocurricular/Extracurricular	191,863
General Administration	6,883
Plant Maintenance	13,896
Data Processing	4,697
Community Services	1,155
Total depreciation expense	<u><u>843,087</u></u>

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018**

F. LONG-TERM DEBT

In 2009, the District as authorized by Texas Education Code Section 45.003, issued Unlimited Tax School Building Bonds, Series 2009, in the amount of \$9,500,000. Interest rates range from 2.50% to 5.00%, with maturity in 2034. The proceeds of the bond issue are to be used for construction, furnishing, and equipping a high school and junior high instructional facilities, physical education instructional facilities, and other campus improvements.

In 2010, the District as authorized by Texas Education Code Section 45.003, issued Unlimited Tax School Building Bonds, Series 2010, in the amount of \$3,950,000. Interest rates range from 2.60% to 3.05%, with maturity in 2034. The proceeds of the bond issue are to be used for construction, furnishing, and equipping a high school and junior high instructional facilities, physical education instructional facilities, and other campus improvements.

In 2016, the District issued \$8,750,000 of unlimited tax refunding bonds, Series 2016 to advance refund \$8,915,000 of prior year unlimited tax school building bonds (Series 2004 and 2009). These bonds were issued at an interest rate of 2.38% with final maturity in 2034. The advanced refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$899,768. This amount is recorded as a deferred outflow of resources on the government wide statement of net position.

Long term liability activity for the year ended August 31, 2018 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts due within one year
Governmental Activities:					
School Building Bonds 2009	415,000	-	205,000	210,000	210,000
School Building Bonds 2010	3,110,000	-	135,000	2,975,000	140,000
Refunding Bonds 2016	8,435,000	-	190,000	8,245,000	195,000
Total bonds payable	11,960,000	-	530,000	11,430,000	545,000
Unamortized bond premium	1,175,755	-	70,231	1,105,524	-
Total long term debt	<u>13,135,755</u>	<u>-</u>	<u>600,231</u>	<u>12,535,524</u>	<u>545,000</u>

The sales of the Series 2009, 2010, and 2016 bond issues resulted in premiums received, which are being amortized over the life of the bonds. In addition, deferred refunding costs are being amortized over 20 years, the life of the bond.

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018**

Annual debt service requirements to maturity for the District's long term debt are as follows:

Year ending August 31,	Principal	Interest	Total
2019	545,000	417,738	962,738
2020	560,000	403,188	963,188
2021	570,000	389,738	959,738
2022	590,000	374,594	964,594
2023	610,000	354,400	964,400
2024-2028	3,430,000	1,379,000	4,809,000
2029-2033	4,185,000	619,900	4,804,900
2034-2037	940,000	18,800	958,800
Totals	<u>11,430,000</u>	<u>3,957,358</u>	<u>15,387,358</u>

G. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

For the year ended August 31, 2018, revenues from local and intermediate sources reported in the governmental funds consisted of the following:

	General Fund	Special Revenue Fund	Debt Service Fund	Total
Property Taxes	1,946,537	-	715,034	2,661,571
Food Sales	-	83,395	-	83,395
Investment Income	51,542	291	5,907	57,740
Penalties, interest, and other tax	47,417	-	19,567	66,984
Tuition	20,475	-	-	20,475
Co-curricular student activities	23,451	-	-	23,451
Campus activity receipts	-	124,396	-	124,396
Other	25,446	-	-	25,446
Total	<u>2,114,868</u>	<u>208,082</u>	<u>740,508</u>	<u>3,063,458</u>

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018**

H. PENSION PLAN AND RETIREE HEALTH PLAN

Defined Benefit Pension Plan

Plan Description. The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (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 the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

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

Contributions. Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018**

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

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

	2017	2018
Member	7.70%	7.70%
Non-Employer Contribution Rate (State)	6.80%	6.80%
Employers	6.80%	6.80%
District's 2018 Employer Contributions	\$ 136,795	
District's 2018 Member Contributions	\$ 370,662	
District's 2018 NECE On-Behalf Contributions	\$ 243,578	

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

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

On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.

During a new member's first 90 days of employment.

When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source.

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018**

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

When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

When a school district does not contribute to the Federal Old-age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contributions 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*	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 primarily based on a study of actual experience for the four year period ending August 31, 2014 and adopted on September 24, 2015.

Discount Rate. The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018**

combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2017 are summarized below:

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

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

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:	\$1,990,798	\$1,180,920	\$506,565

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018**

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2018, the District reported a liability of \$1,180,920 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	\$1,180,920
State's proportionate share that is associated with the District	<u>2,381,357</u>
Total	<u><u>\$3,562,277</u></u>

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

August 31, 2017 the employer's proportion of the collective net pension liability was .0036933%, which was a decrease of 1.67% from its proportion measures 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 the measurement of the total pension liability during the measurement period.

For the year ended August 31, 2018, the District recognized pension expense of \$181,640 and revenue of \$243,578 for support provided by the State in the Government-wide Statement of Activities.

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018**

At August 31, 2018, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$17,277	\$63,685
Changes in actuarial assumptions	53,793	30,795
Difference between projected and actual investment earnings	-	86,063
Changes in proportion and difference between the employer's contribution and the proportionate share of contributions	233,938	156,581
Contributions paid to TRS subsequent to the measurement date	136,795	-
Total	\$441,803	\$337,124

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

Year Ended August 31:	Pension Expense Amount
2018	\$126,148
2019	64,734
2020	(16,439)
2021	(40,155)
2022	(25,501)
Thereafter	(4,108)

I. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

Other Post -Employment Benefit Plan (OPEB)

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

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018**

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

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

Net OPEB Liability	Total
Total OPEB Liability	\$ 43,885,785,621
Less: Plan Fiduciary Net Position	\$ <u>399,535,986</u>
Net OPEB Liability	\$ <u><u>43,486,248,635</u></u>
Net Position as a Percentage of Total OPEB Liability	0.91%

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

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

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

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018**

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 (or surviving spouse)	\$0	\$70	\$100
Retiree and spouse	\$20	\$175	\$255
Retiree and children	\$41	\$132	\$182
Retiree and family	\$61	\$237	\$337
Surviving children only	\$28	\$62	\$82

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

Texas Insurance Code, section 1575.202 establishes the state’s contribution rate which is 1.0% of the employee’s salary. Section 1575.203 establishes the active employee’s rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act.

The following table shows contributions to the TRS-Care plan by type of contributor.

	2017	2018
Member	0.65%	0.65%
Non-Employer Contribution Rate (State)	1.00%	1.25%
Employers	0.55%	0.75%
Federal/Private Funding Remitted by Employers	1.00%	1.25%
District’s 2018 Employer Contributions	\$ 40,756	
District’s 2018 Member Contributions	\$ 31,290	
District’s 2018 NECE On-Behalf Contributions	\$ 40,769	

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018**

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.

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

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

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

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

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2017 TRS pension actuarial valuation: Rates of Mortality, General Inflation, Rates of Retirement, Wage Inflation, Rates of Termination, Expected Payroll Growth, and Rates of Disability Incidence.

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018**

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:

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 cost.
Payroll Growth Rate	2.50%
Projected Salary Increases**	3.50% to 9.50%**
Healthcare Trend Rates***	4.50% to 12.00%***
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75^ participation after age 65
Ad hoc Post-Employment Benefit Changes	None

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

** Includes Inflation at 2.50%

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

Other Information: There was a significant plan change adopted in 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 .44 percent 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

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018**

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.

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

	1% Decrease in Discount Rate (2.2%)	Discount Rate (3.2%)	1% Increase in Discount Rate (4.2%)
District’s proportionate share of the OPEB liability:	\$2,753,495	\$2,332,979	\$1,994,980

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

	1% Decrease in Health Care Cost Trend Rate	Current Health Care Cost Trend Rate	1% Increase in Health Care Cost Trend Rate
District’s proportionate share of the OPEB liability:	\$1,942,438	\$2,332,979	\$2,845,418

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At August 31, 2018, the District reported a liability of \$2,332,979 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 OPEB liability	\$2,332,979
State’s proportionate share that is associated with the District	3,410,017
Total	\$5,742,996

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018**

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

At August 31, 2017 the employer's proportion of the collective Net OPEB Liability was 0.0053649% which was the same proportion measured as of August 31, 2016.

Changes Since the Prior Actuarial Valuation – The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB liability since the prior measurement period:

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

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

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

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

Future actuarial measurements may differ significantly from the current measurements due to such factors as the following: plan experience differing from that anticipated by the economic or

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018**

demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provisions or applicable law.

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

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

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

For the year ended August 31, 2018, the District recognized an OPEB benefit (negative expense) of \$1,141,082 and revenue of \$40,769 for support provided by the State.

At August 31, 2018, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	-	\$48,703
Changes in actuarial assumptions	-	927,187
Difference between projected and actual investment earnings	354	-
Changes in proportion and difference between the employer's contribution and the proportionate share of contributions	9	-
Contributions paid to TRS subsequent to the measurement date	40,756	-
Total	<u>\$41,119</u>	<u>\$975,890</u>

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018**

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

Year Ended August 31:	Pension Expense Amount
2018	(\$87,965)
2019	(128,721)
2020	(128,721)
2021	(128,721)
2022	(128,811)
Thereafter	(331,832)

J. HEALTH CARE COVERAGE

During the year ended August 31, 2018, employees of the District were covered by a state wide health care program known as TRS-Active Care. TRS-Active Care is administered by the Teacher Retirement System of Texas. The District contributed \$275 per month per employee to TRS, and employees, at their option, authorized payroll withholdings to fund contributions for dependents.

K. SELF-FUNDED WORKERS’ COMPENSATION

The District has joined together with other area district’s to form a self-insurance workers’ compensation risk pool (Pool.) Claims administration and processing for the Pool is provided by Claim Administrative Services, Inc. The agreement for the formation of the Pool provides that the Pool will be self sustaining through member premiums and will reinsure through commercial insurance companies for claims in excess of \$500,000 for each insured event, with an unlimited aggregate. The Pool contracts with Midwest Employers Casualty Company for reinsurance.

The District’s administrative expenses for the years ended August 31, 2018 and 2017 were \$12,399 and \$11,023, respectively. The claims administrator estimates the District’s annual loss maximum at \$38,746 for the year ended August 31, 2018. Estimated total claims liability for the years ended August 31, 2018 and 2017, included estimated claims incurred but not reported, in the amount of \$28,281 and \$26,399.

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018**

The estimated total liability for workers' compensation claims including incurred but not reported claims amounts to \$10,465 and \$9,230 for 2017 and 2016, respectively.

	2018	2017
Claims liability, beginning of year	26,399	24,096
Incurred claims:		
Provision for insured events of current year	14,434	7,557
Increase (Decrease) in provision for insured events of prior years	(3,991)	(1,520)
Total incurred claims	10,443	6,037
Payments:		
Claims expenses attributable to insured events of current year	6,163	270
Claims expenses attributable to insured events of prior years	2,398	3,464
Total payments	8,561	3,734
Total unpaid claims at the end of the year	28,281	26,399

L. LITIGATION AND CONTINGENCIES

The District participates in numerous state and Federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the ability to collect any related receivable at August 31, 2018 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

M. JOINT VENTURE - SHARED SERVICE ARRANGEMENTS

The District is a fiscal agent of a shared services arrangement with area school districts for a career and technology consortium. The District is responsible for all financial activities of the shared services arrangement, including expenditure of funds in accordance with applicable laws and regulations. The District accounts for the revenues and expenditures in this program and reports them in the financial statements. Presented below are expenditures of the shared service arrangement attributable to the participating districts:

Joaquin	6,109
Shelbyville	7,532
Tenaha	6,711
Timpson	9,864
Total	30,216

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018**

Alternative Education Program

The District participates with other school districts in an alternative education program for its students under disciplinary action. Center ISD acts as the fiscal agent and each member pays a prorated share based on enrollment.

N. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended August 31, 2018, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

O. PRIOR PERIOD ADJUSTMENT

During the fiscal year 2018, The District adopted GASB Statement No. 75 for Accounting and Reporting for Other Post-Employment Benefits (OPEB). With GASB 75, the District must assume their proportionate share of the Net OPEB Liability of the Teachers Retirement System of Texas. Adoption of GASB 75 required a prior period adjustment to report the effect of GASB 75 retroactively. The amount of the prior period adjustment is \$4,090,865. The restated beginning net position is a deficit balance of \$1,999,910.

Required Supplementary Schedules

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2018**

Data Control Codes	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance	
				With Final Budget Positive (Negative)	
	Original	Final			
REVENUES:					
5700	Local and intermediate sources	2,013,994	2,099,994	2,114,868	14,874
5800	State program revenues	5,021,006	5,271,006	5,284,749	13,743
5900	Federal program revenues	-	40,000	42,945	2,945
5020	Total revenues	<u>7,035,000</u>	<u>7,411,000</u>	<u>7,442,562</u>	<u>31,562</u>
EXPENDITURES:					
0011	Instruction	3,748,916	3,778,916	3,766,329	12,587
0012	Instructional resources and media services	61,447	11,447	5,875	5,572
0013	Curriculum and staff development	93,391	93,391	87,658	5,733
0021	Instructional leadership	105,044	112,844	111,009	1,835
0023	School leadership	501,903	508,403	504,616	3,787
0031	Guidance, counseling, and evaluation services	132,474	158,174	156,208	1,966
0032	Social work services	17,910	19,910	19,041	869
0033	Health services	55,351	55,351	53,204	2,147
0034	Student transportation	319,376	701,376	694,379	6,997
0036	Cocurricular/extracurricular activities	484,614	511,614	504,301	7,313
0041	General administration	425,522	460,522	450,701	9,821
0051	Plant maintenance and operations	830,172	787,172	772,259	14,913
0052	Security and monitoring services	22,000	23,000	21,490	1,510
0053	Data processing services	139,880	144,880	141,584	3,296
0081	Facilities acquisition and construction	-	308,000	299,870	8,130
0093	Payments to fiscal agents	24,000	22,000	21,129	871
0099	Other intergovernmental charges	73,000	67,000	66,180	820
6030	Total expenditures	<u>7,035,000</u>	<u>7,764,000</u>	<u>7,675,833</u>	<u>88,167</u>
1100	Excess (deficiency) of revenues over expenditures	-	(353,000)	(233,271)	119,729
OTHER FINANCING SOURCES (USES):					
7912	Sale of real or personal property	-	9,000	9,585	585
7915	Transfers in (sources)	-	-	-	-
8911	Transfers out (uses)	-	-	-	-
7080	Total other financing sources (uses)	-	9,000	9,585	585
1200	Net change in fund balances	-	(344,000)	(223,686)	120,314
0100	Fund balance - September 1 (beginning)	2,352,674	2,352,674	2,352,674	-
3000	Fund balance - August 31 (ending)	<u>2,352,674</u>	<u>2,008,674</u>	<u>2,128,988</u>	<u>120,314</u>

The accompanying notes are an integral part of this statement

JOAQUIN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS RETIREMENT SYSTEM
FOR THE YEAR ENDED AUGUST 31, 2018

	FY 2018 <u>Plan Year 2017</u>	FY 2017 <u>Plan Year 2016</u>	FY 2016 <u>Plan Year 2015</u>	FY 2015 <u>Plan Year 2014</u>
District's Proportion of the Net Pension Liability (Asset)	0.000036933	0.000037690	0.000045352	0.000029857
District's Proportionate share of the Net Pension Liability (Asset)	\$ 1,180,920	\$ 1,424,277	\$ 1,603,133	\$ 797,522
State's Proportionate share of the Net Pension Liability (Asset) associated with the District	<u>2,381,357</u>	<u>2,894,605</u>	<u>3,050,883</u>	<u>2,730,522</u>
TOTAL	<u>\$ 3,562,277</u>	<u>\$ 4,318,882</u>	<u>\$ 4,654,016</u>	<u>\$ 3,528,044</u>
District's Covered Payroll	\$ 4,444,025	\$ 4,388,769	\$ 4,688,907	\$ 4,726,758
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Payroll	26.57%	32.45%	34.19%	16.87%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.23%	76.23%	78.43%	83.25%

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

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

The accompanying notes are an integral part of this statement

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHERS RETIREMENT SYSTEM
FOR FISCAL YEAR 2018**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 136,795	\$ 121,032	\$ 116,903	\$ 68,903
Contribution in Relation to Contractually Required Contribution	<u>(136,795)</u>	<u>(121,032)</u>	<u>(116,903)</u>	<u>(68,903)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 4,813,798	\$ 4,444,025	\$ 4,388,769	\$ 4,688,907
Contributions as a Percentage of Covered Payroll	2.84%	2.72%	2.66%	1.47%

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

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

JOAQUIN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHERS RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2018

	FY 2018 <u>Plan Year 2017</u>
District's Proportion of the Net Liability (Asset) for Other Post Employment Benefits	0.000053649
District's Proportionate share of the Net Post Employment Benefit Liability (Asset)	\$ 2,332,979
State's Proportionate share of the Net Post Employment Benefit Liability (Asset) associated with the District	<u>3,410,017</u>
TOTAL	\$ <u>5,742,996</u>
 District's Covered Payroll	 \$ 4,444,025
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Payroll	52.50%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	0.91%

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

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

The accompanying notes are an integral part of this statement

JOAQUIN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS FOR OTHER POST EMPLOYMENT BENEFITS (OPEB)
TEACHERS RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2018

	2018
Contractually Required Contribution	\$ 40,756
Contribution in Relation to Contractually Required Contribution	(40,756)
Contribution Deficiency (Excess)	\$ -
District's Covered Payroll	\$ 4,813,798
Contributions as a Percentage of Covered Payroll	0.85%

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

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

The accompanying notes are an integral part of this statement

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JOAQUIN INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED AUGUST 31, 2018

A. Notes to Schedules for the TRS Pension

Changes of benefit terms.

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

Changes of assumptions.

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

B. Notes to Schedules for the TRS OPEB Plan

Changes in Benefit.

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

Changes in Assumptions.

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

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

Assumptions and methods used to determine the impact of the Cadillac Tax include:

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

JOAQUIN INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
YEAR ENDED AUGUST 31, 2018

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

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

Combining Schedules

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2018**

Data Control Codes	Special Revenue Funds				
	211 ESEA Title I Part A	212 ESEA Title I Part C	224 IDEA Part B Formula	225 IDEA Part B Preschool	240 School Lunch & Breakfast Program
ASSETS					
1110	Cash and temporary investments	-	-	-	-
1240	Due from other governments	-	-	-	-
1300	Inventories	-	-	-	-
1000	Total Assets	-	-	-	-
LIABILITIES					
2110	Accounts payable	-	-	-	-
2000	Total Liabilities	-	-	-	-
FUND BALANCES					
Nonspendable Fund Balance:					
3410	Inventories	-	-	-	-
Restricted Fund Balance:					
3450	Federal or State grants	-	-	-	-
Assigned Fund Balance:					
3450	Other assigned fund balance	-	-	-	-
3000	Total Fund Balances	-	-	-	-
4000	Total Liabilities, Deferred Inflows and Fund Balances	-	-	-	-

Special Revenue Funds							
242	255	270	289	331	410	461	Total
Summer Feeding Program	Title II A, Training/ Recruiting	Title VI, B, Rural Low Income	Other Federal Programs	SSA - Career & Technical Basic Grant	State Textbook Fund	Campus Activity Funds	Special Revenue Funds
65,717	-	-	-	-	-	69,520	135,237
14,453	-	-	-	-	2,046	-	16,499
15,079	-	-	-	-	-	-	15,079
95,249	-	-	-	-	2,046	69,520	166,815
7,821	-	-	-	-	2,046	-	9,867
7,821	-	-	-	-	2,046	-	9,867
15,079	-	-	-	-	-	-	15,079
72,349	-	-	-	-	-	-	72,349
-	-	-	-	-	-	69,520	69,520
87,428	-	-	-	-	-	69,520	156,948
95,249	-	-	-	-	2,046	69,520	166,815

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST, 2018**

Data Control Codes	Special Revenue Funds					
	211 ESEA Title I Part A	212 ESEA Title I Part C	224 IDEA Part B Formula	225 IDEA Part B Preschool	240 School Lunch & Breakfast Program	
REVENUES						
5700	Total local and intermediate sources	-	-	-	-	83,646
5800	State program revenues	-	-	-	-	1,958
5900	Federal program revenues	144,441	17,787	158,939	9,308	298,793
5020	Total Revenues	<u>144,441</u>	<u>17,787</u>	<u>158,939</u>	<u>9,308</u>	<u>384,397</u>
EXPENDITURES						
0011	Instruction	85,504	17,366	158,939	9,308	-
0021	Instructional leadership	2,889	421	-	-	-
0031	Guidance, counseling, & evaluation	55,568	-	-	-	-
0033	Health services	480	-	-	-	-
0035	Food service	-	-	-	-	368,252
0036	Extracurricular activities	-	-	-	-	-
0051	Facilities maintenance and operations	-	-	-	-	23,527
6030	Total Expenditures	<u>144,441</u>	<u>17,787</u>	<u>158,939</u>	<u>9,308</u>	<u>391,779</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-	(7,382)
OTHER FINANCING SOURCES (USES)						
7915	Transfers in	-	-	-	-	-
8911	Transfers out (uses)	-	-	-	-	-
7080	Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200	Net change in fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,382)</u>
0100	Fund balances, beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>94,810</u>
3000	Fund balances, ending	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>87,428</u>

Special Revenue Funds							
242	255	270	289	331	410	461	Total
Summer Feeding Program	Title II A, Training/ Recruiting	Title VI, B, Rural Low Income	Other Federal Programs	SSA - Career & Technical Basic Grant	State Textbook Fund	Campus Activity Funds	Special Revenue Funds
40	-	-	-	-	-	124,396	208,082
-	-	-	-	-	83,353	-	85,311
3,115	16,648	11,586	10,000	30,216	-	-	700,833
3,155	16,648	11,586	10,000	30,216	83,353	124,396	994,226
-	16,048	10,986	9,800	30,216	83,353	-	421,520
-	600	600	200	-	-	-	4,710
-	-	-	-	-	-	-	55,568
-	-	-	-	-	-	-	480
2,452	-	-	-	-	-	-	370,704
-	-	-	-	-	-	116,256	116,256
703	-	-	-	-	-	-	24,230
3,155	16,648	11,586	10,000	30,216	83,353	116,256	993,468
-	-	-	-	-	-	8,140	758
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	8,140	758
-	-	-	-	-	-	61,380	156,190
-	-	-	-	-	-	69,520	156,948

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Required TEA Schedules

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
AUGUST 31, 2018**

Last Ten Years Ended August 31,	1	2	3	10	20	31	32	40	50
	Tax Rates		Assessed or Appraised Valuation	Beginning Balance September 1	Current Year's Total Levy	Maintenance Collections	Debt Service Collections	Entire Year's Adjustments	Ending Balance August 31
	Maint- enance	Debt Service							
2008 & Prior	Various	Various	-	169,490		1,384	100	(2,206)	165,800
2009	1.04000	0.30110	266,656,663	27,956		151	1,419	(49)	26,337
2010	1.04000	0.51800	214,373,266	49,805		3,748	282	(57)	45,718
2011	1.04000	0.50700	198,956,367	45,161		3,294	929	(59)	40,879
2012	1.04000	0.50530	207,039,182	65,290		5,399	2,688	(58)	57,145
2013	1.04000	0.56600	181,033,577	96,350		9,337	4,558	(4,697)	77,758
2014	1.04000	0.41550	185,871,151	74,096		5,594	2,702	(1,361)	64,439
2015	1.04000	0.51970	185,600,539	98,026		9,370	5,081	(11,379)	72,196
2016	1.17000	0.42730	165,961,342	152,190		18,530	7,241	(5,896)	120,523
2017 (Current)	1.17000	0.42730	173,883,303	-	2,777,438	1,921,019	701,463	-	154,956
1000	Totals			778,364	2,777,438	1,977,826	726,463	(25,762)	825,751

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
CHILD NUTRITION FUND
FOR THE YEAR ENDED AUGUST 31, 2018**

Data Control Codes	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Positive (Negative)	
	Original	Final			
REVENUES:					
5700	Local and intermediate sources	83,000	83,000	83,646	646
5800	State program revenues	2,000	2,000	1,958	(42)
5900	Federal program revenues	280,000	289,000	298,793	9,793
5020	Total revenues	365,000	374,000	384,397	10,397
EXPENDITURES:					
0035	Food service	366,500	372,500	368,252	4,248
0051	Facilities maintenance and operations	23,500	23,500	23,527	(27)
6030	Total expenditures	390,000	396,000	391,779	4,221
1100	Excess (deficiency) of revenues over expenditures	(25,000)	(22,000)	(7,382)	14,618
OTHER FINANCING SOURCES (USES):					
7915	Transfers in	-	-	-	-
8911	Transfers out	-	-	-	-
7080	Total other financing sources (uses)	-	-	-	-
1200	Net change in fund balances	(25,000)	(22,000)	(7,382)	14,618
0100	Fund balance - September 1 (beginning)	94,810	94,810	94,810	-
3000	Fund balance - August 31 (ending)	69,810	72,810	87,428	14,618

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2018**

Data Control Codes	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Positive (Negative)	
	Original	Final			
REVENUES:					
5700	Local and intermediate sources	724,884	736,484	740,508	4,024
5800	State program revenues	200,929	199,329	199,545	216
5020	Total revenues	925,813	935,813	940,053	4,240
EXPENDITURES:					
0071	Debt service - principal on long-term debt	530,000	530,000	530,000	-
0072	Debt service - interest on long-term debt	434,013	434,013	434,013	-
0073	Debt service - bond issuance costs and fees	1,800	1,800	1,550	250
6030	Total expenditures	965,813	965,813	965,563	250
1100	Excess (deficiency) of revenues over expenditures	(40,000)	(30,000)	(25,510)	4,490
OTHER FINANCING SOURCES (USES):					
7915	Transfers in	-	-	-	-
8911	Transfers out	-	-	-	-
7080	Total other financing sources (uses)	-	-	-	-
1200	Net change in fund balances	(40,000)	(30,000)	(25,510)	4,490
0100	Fund balance - September 1 (beginning)	127,256	127,256	127,256	-
3000	Fund balance - August 31 (ending)	87,256	97,256	101,746	4,490

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FEDERAL AWARDS SECTION



Certified Public Accountants

Goff & Herrington, P.C.

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A.J. Goff, CPA
Ronnie Herrington, CPA
Daniel Raney, CPA

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

Members of the Board of Trustees of
Joaquin Independent School District
Joaquin, Texas

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 Joaquin Independent School District (District), as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 5, 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Members of the Board of Trustees

November 5, 2018

Page 2

Compliance and Other Matters

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

Purpose of this Report

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

Goff & Herrington, P.C.

GOFF & HERRINGTON, P.C.

Certified Public Accountants

November 5, 2018

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2018**

None

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF STATUS OF PRIOR FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2018**

There were no findings reported for the prior year.

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2018**

None required.

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