MANOR INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL AND COMPLIANCE REPORT

Year Ended June 30, 2018

MANOR INDEPENDENT SCHOOL DISTRICT
TABLE OF CONTENTS

CERTIFICATE OF BOARD

Manor Independent School District	Travis	227-907
Name of School District	County	Co. - Dist. No.

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and approved for the year ended June 30, 2018, at a meeting of the board of trustees of such school district on October 29, 2018.

President of the Board	Secretary of the Board

FINANCIAL SECTION

Houston Office
3737 Buffalo Speedway
Suite 1600
Houston, Texas 77098
713.621.1515 Main

whitleypenn.com

REPORT OF INDEPENDENT AUDITORS

To the Board of Trustees
Manor Independent School District
Manor, 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 Manor Independent School District (the "District") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

To the Board of Trustees
Manor Independent School District

Opinions

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

Emphasis of Matter

As discussed in Note 1 and Note 14 to the financial statements, the District adopted the provisions of Government Accounting Standards Board ("GASB") Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, as of June 30, 2018. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 through 15, and the budgetary comparison schedule, required pension information, and required other post-employment benefit information on pages 58 through 65 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. The combining and individual nonmajor fund financial statements, and required Texas Education Agency ("TEA") schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the required TEA schedules, as listed in the table of contents, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other

To the Board of Trustees
Manor Independent School District

records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, required TEA schedules, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 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 the District's internal control over financial reporting and compliance.

Whitley Penn LLP

Houston, Texas
October 29, 2018

(This page intentionally left blank.)

MANAGEMENT'S DISCUSSION AND ANALYSIS

(This page intentionally left blank.)

As management of the Manor Independent School District ("District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2018.

Financial Highlights

- The assets and deferred outflows of the District exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by $16,170,509 *(net position).* Of this amount, $31,258,896 represents *(unrestricted net position- deficit).* This deficit is mainly due to the implementation of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions* and reflecting the District's proportionate share of the post-employment benefit liability in the financials. This change does not affect the financial stability of the District nor does it change how the District conducts its financial decision-making. Rather, the District is reflecting its portion of the liability that the State of Texas manages and operates.

- The District's total net position decreased by $42,697,540, including a prior period adjustment which decreased net position by $57,340,323.

- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of $116,550,655, an increase of $8,612,104 in comparison with the prior year. The debt service fund balance increased by $5,456,773 and the capital projects fund balance increased by $6,257,050.

- During the current fiscal year, unassigned fund balance for the general fund decreased by $2,946,498, to $29,751,444, unassigned fund balance at year-end is 36 percent of general fund expenditures.

- The District's total bonded debt increased by $42,010,000 (15 percent) during the current fiscal year as the result of the net effect of the issuance of the $51,190,000 unlimited tax school building bonds, series 2017A offset by the scheduled payments on bond principal.

Overview of the Financial Statements

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

Government-wide financial statements

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

The *Statement of Net Position* presents information on all of the District's assets and deferred outflows, liabilities and deferred 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 is improving or deteriorating.

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

The *government-wide financial statements* of the District are principally supported by taxes and intergovernmental revenues *(governmental activities)*. The governmental activities of the District include Instruction, Instructional Resources and Media Services, Curriculum and Staff Development, Instructional Leadership, School Leadership, Guidance, Counseling, and Evaluation Services, Social Work Services, Health Services, Student Transportation, Food Services, Extracurricular Activities, General Administration, Facilities Maintenance and Operations, Security and Monitoring Services, Data Processing Services, Community Services, Interest on Long-term Debt, Bond Issuance Costs and Fees, Other Facility Costs, and Other Intergovernmental Charges.

Fund financial statements

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

Governmental funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains nineteen (19) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, capital projects fund and the debt service fund, all of which are considered to be major funds. Data from the other sixteen (16) governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in the financial statements. The District adopts an annual appropriated budget for its general fund, debt service fund, and child nutrition fund.

Fiduciary funds

The fiduciary funds are used to account for resources held for the benefit of students and employees. The District's *agency fund* is used to account for resources held in a custodial capacity by the District and consists of funds that are the property of students or others. The fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the District's own programs. The funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operation.

Notes to financial statements

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

Required supplementary information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. The required supplementary information relates to comparison of the original adopted budget, the final amended budget, and the actual amounts for the fiscal year. This is required supplementary information for the general fund and any major special revenue funds. The District did not have any major special revenue funds, therefore only the general fund is presented as required supplementary information. This section also includes required pension and OPEB system information.

Other information

The combining and individual fund statements and schedules and other supplementary information are presented immediately following the required supplementary information.

Government-wide Financial Analysis

Net Position

As noted earlier, net position may serve over time as a useful indicator of a District's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by $16,170,509 at the close of the most recent fiscal year.

A portion of the District's net position, $9,974,503 reflects its investment in capital assets (e.g., land, buildings and improvements, furniture and equipment, construction in progress), less any outstanding related debt used to acquire those assets. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Condensed Statement of Net Position
June 30, 2018 and 2017

	Governmental Activities		Percentage
	2018	**2017**	**Change**
Current and other assets	$ 130,598,481	$ 127,435,487	2%
Capital assets	319,500,452	277,947,962	15%
Total Assets	450,098,933	405,383,449	11%
Deferred charge on refunding	7,971,281	8,460,517	-6%
Deferred outflows relating to pension and OPEB activities	6,152,011	8,309,233	-26%
Total Deferred Outflows of Resources	14,123,292	16,769,750	-16%
Current liabilities	50,376,933	22,632,309	123%
Long term liabilities	380,158,374	396,719,135	-4%
Total Liabilities	430,535,307	419,351,444	3%
Deferred inflows relating to pension and OPEB activities	17,516,409	1,274,029	1275%
Total Deferred Inflows of Resources	17,516,409	1,274,029	1275%
Net Position			
Net investment in capital assets	9,974,503	8,435,571	18%
Restricted for:			
Federal and State Grant Programs	1,578,506	1,683,223	-6%
Debt Service	35,876,396	30,616,310	17%
Unrestricted	(31,258,896)	(39,207,378)	-20%
Total Net Position	$ 16,170,509	$ 1,527,726	958%

The prior year governmental activities and total net position balances have been restated to reflect the implementation of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (GASB 75). A large portion of the changes in total net position ($57.3 million) is the result of reductions in the benefit provisions of TRS-Care.
At the end of the current fiscal year, the District reports positive balances in the District's net position, which decreased by $42,697,540 during the current fiscal year.

Unrestricted net position for governmental activities, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, amounted to a deficit of $31.6 million at June 30, 2018. Government-wide unrestricted net position deficit decreased by $7.6 million.

Comparative Schedule of Changes in Net Position
For the Years Ended June 30, 2018 and 2017

	Governmental Activities		Percentage
	2018	2017	Change
Revenues			
Program revenues:			
Charges for services	$ 3,106,985	$ 4,116,159	-25%
Operating grants	579,406	19,143,478	-97%
General revenues:			
Property taxes	73,074,341	69,060,361	6%
State Aid - Formula Grants	25,303,015	32,465,041	-22%
Interest earnings	1,681,250	551,214	205%
Other	418,738	101,655	312%
Total Revenues	104,163,735	125,437,908	-17%
Expenses			
Instruction	36,613,259	49,813,777	-26%
Instructional resources and media services	860,311	955,781	-10%
Curriculum and staff development	1,636,667	3,085,164	-47%
Instructional leadership	2,812,409	3,878,414	-27%
School leadership	4,193,590	5,653,094	-26%
Guidance, counseling, and evaluation service	1,800,795	2,635,485	-32%
Social work services	724,148	940,983	-23%
Health services	712,109	909,365	-22%
Student transportation	3,215,444	4,379,425	-27%
Food service	5,682,606	6,144,869	-8%
Extracurricular activities	3,274,592	2,343,494	40%
General administration	2,658,629	3,848,435	-31%
Facilities, maintenance and operations	6,901,568	7,468,774	-8%
Security and monitoring services	933,145	911,194	2%
Data processing services	2,768,890	2,756,019	0%
Community services	726,359	938,153	-23%
Interest on long-term debt	13,055,431	10,832,293	21%
Bond issuance cost and fees	542,608	681,675	-20%
Other facility costs	26,819	3,467,748	-99%
Other governmental charges	381,573	361,425	6%
Total Expenses	89,520,952	112,005,567	-20%
Increase (Decrease) in Net Position	14,642,783	13,432,341	9%
Net position - as previously reported	58,868,049	46,367,525	27%
Change in accounting principles/standards*	(57,340,323)	(58,272,140)	-2%
Net position - ending	$ 16,170,509	$ 1,527,726	958%

* Implementation of GASB 75 was effective at the beginning of the 2018 fiscal year. Changes for revenues and expenses prior to the implementation have not been calculated and are not available for comparison.

Governmental activities

Changes in Net Position

The Net Position of the District decreased by $42,697,540 for the year ended June 30, 2018 after prior year's restatement. The total revenues from taxpayers, user service fees, grants and other sources for the District was $104.2 million, a $21.3 million decrease from fiscal year 2017. Total expenses for the 2018 fiscal year were $89.5 million or $22.5 million less than expenses of fiscal year 2017.

The dramatic change in total expenses as well as operating grants and contributions revenues from year to year is reflective of a negative adjustment brought about by the implementation of the new OPEB standards promulgated by the Government Accounting Standards Board (GASB) and significant changes in the benefits provided by the TRS retiree healthcare plan (TRS-Care). The reduction in plan benefits resulted in a sizable decrease in the District's Net OPEB Liability and a resulting negative OPEB expense of $11.5 million in accordance with newly implemented accounting standards. Under these standards, the District is also required to report what is essentially both negative on-behalf expenses and negative on-behalf revenues for the portion of the reduction in the OPEB liability that is the responsibility of the State, or an additional $15.2 million. See Note 11 to the financial statements for a reconciliation of functional expenses and revenues impacted by this accounting treatment.

Revenues for the District's governmental activities decreased year over year overall $22.0 million for the year ended June 30, 2018. The decrease is caused by the reduction in operating grants and contributions revenue by $18.9 million mainly due to the GASB 75 OPEB entries as discussed earlier. Property tax revenues increased by $4.0 million due to an increase in appraised property values from $4,078,101,584 in 2016 to $4,364,152,995 in 2017. State and other grant revenue decreased by $7.2 million mainly due to a significantly smaller appraised property value growth in 2018 versus 2017 when compared to the growth in 2017 versus 2016, which was due to the expiration of the original Chapter 313 agreement with Samsung in 2017. Approximately 61.2 percent of the District's revenues came from property taxes, with an additional 34.3 percent derived from state funding formulas and federal grants. Last fiscal year 55.1 percent of the District's revenues came from property taxes and 41.1 percent came from state funding formulas and federal grants.

Governmental Revenues by Type

	FY 2017	FY 2018 including Negative On-behalf Activities*	Negative On-behalf Activities	FY 2018 excluding Negative On-behalf Activities	Variance**
Program Revenues:					
Charges for services	$ 4,116,159	$ 3,106,985	$ -	$ 3,106,985	$ (1,009,174)
Operating grants and contributions	19,143,478	579,406	(15,145,232)	15,724,638	(3,418,840)
General Revenues:					
Property taxes	69,060,361	73,074,341	-	73,074,341	4,013,980
State and other grants	32,465,041	25,303,015	-	25,303,015	(7,162,026)
Other	652,869	2,099,988	-	2,099,988	1,447,119
Total Revenues	$ 125,437,908	$ 104,163,735	$ (15,145,232)	$ 119,308,967	$ (6,128,941)

*as presented in Exhibit B-1

** variance represents the difference between FY 2017 and FY 2018 revenues excluding Negative On-behalf Activities

Total governmental activities expenses are $22.5 million less than fiscal year 2017. This decrease is caused by the GASB 75 OPEB entries as discussed earlier. Over 46 percent of the District's expenses were expended for instructional activities. When combined with student and other support services such as transportation, counseling and nursing, 74 percent of the District's expenses were spent on direct student services.

Governmental Expenses by Type

	FY 2017	FY 2018 including Negative On-behalf Activities*	Negative On-behalf Activities	FY 2018 excluding Negative On-behalf Activities	Variance**
Instructional	$ 53,854,722	$ 39,110,237	$ (9,318,861)	$ 48,429,098	$ (5,425,624)
Instructional leadership	9,531,508	7,005,999	(1,740,187)	8,746,186	(785,322)
Student support services	17,353,621	15,409,694	(1,947,677)	17,357,371	3,750
General administration	3,848,435	2,658,629	(434,668)	3,093,297	(755,138)
Support services	11,135,987	10,603,603	(1,547,843)	12,151,446	1,015,459
Community services	938,153	726,359	(155,996)	882,355	(55,798)
Interest expense	11,513,968	13,598,039	-	13,598,039	2,084,071
Facilities repairs and maintenance	3,467,748	26,819	-	26,819	(3,440,929)
Intergovernmental charges	361,425	381,573	-	381,573	20,148
Total Expenses	$ 112,005,567	$ 89,520,952	$ (15,145,232)	$ 104,666,184	$ (7,339,383)

*as presented in Exhibit B-1
** variance represents the difference between FY 2017 and FY 2018 expenses excluding Negative On-behalf Activities

Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of $116,550,655, an increase of $8,612,104 in comparison with the prior year. The increase in ending governmental fund balances is primarily due to a $6.26 million increase in Capital Projects fund balance due to ongoing construction projects.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, total fund balance of the general fund was $29,760,248, most of which is unassigned. As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Total fund balance represents 36 percent of total general fund expenditures. The fund balance of the District's general fund decreased by $2,937,694 during the current fiscal year.

The debt service fund has a total fund balance of $41,234,896, all of which is restricted for the payment of debt service. The net increase in the debt service fund balance during the current year of $5,456,773 was attributable to the local tax collections and state aid of $27.75 million versus an annual debt service payment of $22.3 million.

The capital projects fund has a total fund balance of $44,036,313, all of which is restricted for capital acquisitions as authorized by the issued bonds. The net increase in the capital projects fund balance during the current year of $6,257,050 was attributable to the ongoing construction in progress, in addition the district issued tax school building bond series 2018 during the fiscal year.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget of the general fund can be briefly summarized as follows:

	Budget	
	Original	Final Amended
Total revenues	$ 73,983,872	$ 73,983,872
Total expenditures	(88,292,550)	(88,292,550)
Net change in fund balance	$ (14,308,678)	$ (14,308,678)

Budget amendments were adopted by the Board of Trustees throughout the year due to varying revenue estimates and a reallocation of district expenditures. Each budget amendment was a projection of the district's categorization of funds and authorized allocation.

Capital Assets and Long-term Liabilities

Capital assets

The District's investment in capital assets for its governmental type activities as of June 30, 2018, includes land, buildings and improvements, furniture and equipment, and construction in progress. The investment in capital assets for the current fiscal year was . The following table summarizes the investment in capital assets (net of accumulated depreciation) as of June 30, 2018 and 2017.

	2018	2017
Land	$ 17,900,974	$ 17,900,974
Buildings and improvements	215,016,985	155,921,315
Furniture and equipment	4,664,959	5,702,105
Construction in progress	81,917,534	98,423,568
Total	$ 319,500,452	$ 277,947,962

Additional information on the District's capital assets can be found in the notes to the financial statements.

Long-term liabilities

At the end of the current fiscal year, the District had $330,459,999 in bonded debt outstanding, an increase of $42,010,000 over the previous year. The District's bonds were sold with an "AAA" rating and are guaranteed through the Texas Permanent School Fund Guarantee Program or by a municipal bond insurance policy. The underlying rating of the bonds from Standard and Poor's is "AA-" and from Moody's Investors Service is "A1" for general obligation debt.

Changes in bonds payable for the year ended August 31, 2018 are as follows:

Outstanding 07/01/17	Issued	Retired	Outstanding 06/30/18
$ 288,449,999	$ 51,190,000	$ (9,180,000)	$ 330,459,999

Additional information on the District's long-term liabilities can be found in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The District's 2018 budget was based on a tax rate of $1.515, of which $1.04 is for M&O and $0.475 for I&S. The 2019 tax rates are also set at the same level.

Student enrollment for 2018-2019 is 9,470 students as of the TEA snapshot date versus 9,141 students enrolled at snapshot in 2017-2018, a growth of 329 students. Significant amounts of home construction activity continues to occur in Manor ISD boundaries, and as a result, we expected a consistent growth of our student population for the foreseeable future.

As long as new construction continues to occur in the District, we expect to see steady growth in appraised properties values in the coming years.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Business Office at Manor Independent School District, 10335 US Hwy 290E Manor, Texas.

(This page intentionally left blank.)

BASIC FINANCIAL STATEMENTS

MANOR INDEPENDENT SCHOOL DISTRICT *Exhibit A-1*

STATEMENT OF NET POSITION

June 30, 2018

Data Control Codes		Governmental Activities
	Assets	
1110	Cash and cash equivalents	$ 120,877,848
1225	Property taxes receivables, net	2,381,939
1240	Due from other governments	7,259,291
1290	Other receivables, net	8,174
1300	Inventories	62,425
1410	Prepaid items	8,804
	Capital assets not subject to depreciation:	
1510	Land	17,900,974
1580	Construction in progress	81,917,534
	Capital assets net of depreciation:	
1520	Buildings and improvements, net	215,016,985
1530	Furniture and equipment, net	4,664,959
1000	**Total Assets**	450,098,933
	Deferred Outflows of Resources	
1700	Deferred outflows - loss on refunding	7,971,281
1705	Deferred outflows - pension activities	5,692,125
1710	Deferred outflows - OPEB activities	459,886
	Total Deferred Outflows of Resources	14,123,292
	Liabilities	
2110	Accounts payable	5,164,231
2140	Interest payable	6,057,034
2150	Payroll deductions and withholdings	409,260
2160	Accrued wages payable	3,399,359
2180	Due to other governments	1,676,063
2190	Due to student groups	268,260
2300	Unearned revenue	748,714
	Noncurrent Liabilities:	
2501	Due within one year	13,183,691
2502	Due in more than one year	349,550,928
2540	Net pension liability	17,423,755
2545	Net Other Post Employment Benefits (OPEB) Obligation	32,654,012
2000	**Total Liabilities**	430,535,307
	Deferred Inflows of Resources	
2605	Deferred inflows - pension activities	3,857,174
2610	Deferred inflows - OPEB activities	13,659,235
	Total Deferred Inflows of Resources	17,516,409
	Net Position	
3200	Net investment in capital assets	9,974,503
	Restricted for:	
3820	Federal and state programs	1,578,506
3850	Debt service	35,876,396
3900	Unrestricted	(31,258,896)
3000	**Total net position**	$ 16,170,509

See Notes to the Basic Financial Statements.

MANOR INDEPENDENT SCHOOL DISTRICT *Exhibit B-1*

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2018

Data Control Codes	Functions/Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position — Primary Government: Governmental Activities
	Governmental activities:				
11	Instruction	$ 36,613,259	$ 2,015,452	$ (3,640,644)	$ (38,238,451)
12	Instructional resources and media services	860,311		(161,631)	(1,021,942)
13	Curriculum and staff development	1,636,667		446,040	(1,190,627)
21	Instructional leadership	2,812,409		216,047	(2,596,362)
23	School leadership	4,193,590		(804,425)	(4,998,015)
31	Guidance, counseling, and evaluation services	1,800,795		225,306	(1,575,489)
32	Social work services	724,148		108,454	(615,694)
33	Health services	712,109		1,213,056	500,947
34	Student transportation	3,215,444		(800,129)	(4,015,573)
35	Food service	5,682,606	943,546	4,779,696	40,636
36	Extracurricular activities	3,274,592	86,121	(144,026)	(3,332,497)
41	General administration	2,658,629		(286,993)	(2,945,622)
51	Facilities, maintenance and operations	6,901,568	61,866	(1,040,097)	(7,879,799)
52	Security and monitoring services	933,145		(39,013)	(972,158)
53	Data processing services	2,768,890		12,176	(2,756,714)
61	Community services	726,359		227,706	(498,653)
72	Interest on long-term debt	13,055,431		267,883	(12,787,548)
73	Bond issuance cost and fees	542,608			(542,608)
81	Other facility costs	26,819			(26,819)
99	Other governmental charges	381,573			(381,573)
TG	**Total governmental activities**	$ 89,520,952	$ 3,106,985	$ 579,406	$ (85,834,561)

Data Control Codes		
	General revenues:	
	Taxes:	
MT	Property taxes, levied for general purposes	45,850,063
DT	Property taxes, levied for debt service	27,224,278
SF	State-aid formula grants	25,303,015
IE	Investment earnings	1,681,250
MI	Miscellaneous	418,738
TR	**Total general revenues**	100,477,344
CN	Change in net position	14,642,783
NB	**Net position - beginning**	58,868,049
PA	Prior period adjustments	(57,340,323)
NE	**Net position - ending**	$ 16,170,509

See Notes to the Basic Financial Statements.

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2018

Data Control Codes		General Fund	Debt Service Funds	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
	Assets					
1110	Cash and cash equivalents	$ 33,889,013	$ 33,412,469	$ 51,864,923	$ 1,711,443	$ 120,877,848
	Receivables:					
1220	Delinquent property taxes receivables	4,146,640	1,235,765			5,382,405
1230	Allowance for uncollectible taxes (credit)	(2,463,235)	(537,231)			(3,000,466)
1240	Receivables from other governments	5,797,768			1,461,523	7,259,291
1260	Due from other funds	4,677,933	7,822,427		965,390	13,465,750
1290	Other receivables	8,174				8,174
1300	Inventories, at cost				62,425	62,425
1410	Prepaid items	8,804				8,804
1000	**Total Assets**	$ 46,065,097	$ 41,933,430	$ 51,864,923	$ 4,200,781	$ 144,064,231
	Liabilities, Deferred Inflows, and Fund Balance					
	Liabilities:					
2110	Accounts payable	$ 597,962	$	$ 4,282,948	$ 283,321	$ 5,164,231
2150	Payroll deduction and withholdings payable	371,793			37,467	409,260
2160	Accrued wages payable	3,187,809			211,550	3,399,359
2170	Due to other funds	8,787,817		3,545,662	1,132,271	13,465,750
2180	Payable to other governments	1,676,063				1,676,063
2190	Due to student groups				268,260	268,260
2300	Unearned revenue				748,714	748,714
2000	**Total Liabilities**	14,621,444		7,828,610	2,681,583	25,131,637
	Deferred Inflows of Resources					
2600	Deferred inflows	1,683,405	698,534			2,381,939
	Total Deferred Inflows of Resources	1,683,405	698,534			2,381,939
	Fund Balances:					
	Nonspendable:					
3430	Prepaid items	8,804				8,804
	Restricted:					
3450	Federal/State grant restrictions				1,420,201	1,420,201
3470	Capital acquisitions			44,036,313		44,036,313
3480	Debt service		41,234,896			41,234,896
3490	Local grants				158,305	158,305
3600	**Unassigned**	29,751,444			(59,308)	29,692,136
3000	**Total fund balances**	29,760,248	41,234,896	44,036,313	1,519,198	116,550,655
4000	**Total Liabilities, Deferred Inflows, and Fund Balances**	$ 46,065,097	$ 41,933,430	$ 51,864,923	$ 4,200,781	$ 144,064,231

See Notes to the Basic Financial Statements.

MANOR INDEPENDENT SCHOOL DISTRICT *Exhibit C-2*

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF NET POSITION

June 30, 2018

Data Control Codes			
	Total fund balance, governmental funds	$	116,550,655
	Amounts reported for governmental activities in the statement of net position (A-1) are different because:		
1	Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets at historical cost, net of accumulated depreciation, where applicable.		319,500,452
2	Property taxes receivable have been levied and are due this year, but are not available soon enough to pay for the current period's expenditures, these property taxes and related penalty and interest amounts (net of allowance for uncollectible accounts).		2,381,939
3	Deferred charge on refunding		7,971,281
4	Deferred outflows relating to pension activities		5,692,125
5	Deferred outflows relating to OPEB activities		459,886
	Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
6	General obligation bonds		(330,459,999)
7	Premiums on issuance		(31,073,544)
8	Accreted interest on capital appreciation bonds		(713,203)
9	Accrued compensated absences		(487,873)
10	Accrued interest payable		(6,057,034)
11	Net pension liability		(17,423,755)
12	Net OPEB liability		(32,654,012)
13	Deferred inflows relating to pension activities		(3,857,174)
14	Deferred inflows relating to OPEB activities		(13,659,235)
19	**Net position - governmental activities**	$	16,170,509

See Notes to the Basic Financial Statements.

MANOR INDEPENDENT SCHOOL DISTRICT *Exhibit C-3*

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - GOVERNMENTAL FUNDS

For the Year Ended June 30, 2018

Data Control Codes		General Fund	Debt Service Funds	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
	Revenues					
5700	Local, intermediate, and out-of-state	$ 47,741,460	$ 27,481,056	$ 1,169,180	$ 1,568,544	$ 77,960,240
5800	State program revenues	29,392,735	267,883		1,222,062	30,882,680
5900	Federal program revenues	1,680,513			9,986,479	11,666,992
5020	**Total revenues**	78,814,708	27,748,939	1,169,180	12,777,085	120,509,912
	Expenditures					
	Current:					
0011	Instruction	44,842,932		238,259	3,817,375	48,898,566
0012	Instructional resources and media services	955,593		277,147	2,294	1,235,034
0013	Curriculum and staff development	1,367,516			637,340	2,004,856
0021	Instructional leadership	3,207,094			640,185	3,847,279
0023	School leadership	6,121,624		10,862	235,975	6,368,461
0031	Guidance, counseling and evaluation services	2,222,174		262	588,999	2,811,435
0032	Social work services	746,257			225,838	972,095
0033	Health services	1,056,072		14,138		1,070,210
0034	Student transportation	4,292,831		1,094,558	4,500	5,391,889
0035	Food services				5,827,672	5,827,672
0036	Extracurricular activities	1,577,429		400,729	538,596	2,516,754
0041	General administration	3,100,678		1,298		3,101,976
0051	Facilities maintenance and operations	8,451,572		92,144		8,543,716
0052	Security and monitoring services	969,782		11,135	36,243	1,017,160
0053	Data processing services	1,811,261		2,349,846	26,465	4,187,572
0061	Community services	648,014			359,628	1,007,642
	Debt service:					
0071	Principal on long-term debt		9,180,000			9,180,000
0072	Interest on long-term debt		13,099,293			13,099,293
0073	Bond issuance costs and fees		16,738	525,870		542,608
	Capital outlay:					
0081	Facilities acquisition and construction			46,421,869		46,421,869
	Intergovernmental:					
0099	Other governmental charges	381,573				381,573
6030	**Total Expenditures**	81,752,402	22,296,031	51,438,117	12,941,110	168,427,660
1100	Excess (deficiency) of revenues over expenditures	(2,937,694)	5,452,908	(50,268,937)	(164,025)	(47,917,748)
	Other Financing Sources (Uses)					
7911	Capital-related debt issued (regular bonds)			51,190,000		51,190,000
7915	Transfers in		3,865			3,865
7916	Premium on issuance of bonds			5,339,852		5,339,852
8911	Transfers out			(3,865)		(3,865)
7080	**Total other financing sources and uses**		3,865	56,525,987		56,529,852
1200	Net change in fund balances	(2,937,694)	5,456,773	6,257,050	(164,025)	8,612,104
0100	**Fund Balance - beginning**	32,697,942	35,778,123	37,779,263	1,683,223	107,938,551
3000	**Fund Balance - ending**	$ 29,760,248	$ 41,234,896	$ 44,036,313	$ 1,519,198	$ 116,550,655

See Notes to the Basic Financial Statements.

MANOR INDEPENDENT SCHOOL DISTRICT *Exhibit C-4*

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE FOR GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2018

Data Control Codes			
	Net change in fund balances - total governmental funds (from C-3)	$	8,612,104
	Amounts reported for governmental activities in the statement of activities (B-1) are different because:		
	Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
1	Governmental funds capital outlays		49,423,798
2	Governmental funds depreciation expense		(7,871,308)
3	Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		473,750
4	Pension contributions made during the current fiscal year are reported as expenditures in the governmental funds and are reported as deferred outflows and reductions in net pension liability as opposed to expenses in the statement of activity.		2,036,010
5	OPEB contributions made during the current fiscal year are reported as expenditures in the governmental funds and are reported as deferred outflows and reductions in net pension liability as opposed to expenses in the statement of activity.		540,082
6	Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		9,180,000
	Proceeds from issuance of long-term debt is reported as an other financing source in the governmental funds. In the government-wide financial statements, proceeds are treated as an increase in long-term liabilities and amounts paid to refunding agents are treated as a decrease in long-term liabilities.		
7	Proceeds from issuance on capital-related debt (regular bonds)		(51,190,000)
8	Premium on issuance of bonds		(5,339,852)
	Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:		
9	Pension expense for the pension plan measurement year		(2,258,563)
10	OPEB negative expense for the TRS-Care plan measurement year		10,946,880
11	Increase in interest payable not recognized in fund statements		(1,013,472)
12	Decrease in long-term portion of accrued compensated absences		46,020
13	Accumulated accretion		(21,910)
14	Amortization of premium on issuance		1,568,480
15	Amortization of deferred charge on refunding		(489,236)
	Change in net position of governmental activities (see B-1)	$	14,642,783

See Notes to the Basic Financial Statements.

MANOR INDEPENDENT SCHOOL DISTRICT *Exhibit E-1*

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2018

Data Control Codes		Student Activity Agency Fund
	Assets	
1110	Cash and cash equivalents	$ 54,111
1000	**Total Assets**	$ 54,111
	Liabilities	
2190	Due to others	54,111
2000	**Total Liabilities**	$ 54,111

See Notes to the Basic Financial Statements.

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

The Manor Independent School District (the “District”) is governed by a seven-member Board of Trustees (the “Board”), which has governance responsibilities over all activities related to public elementary and secondary education within the District. Because members of the Board are elected by the public; have authority to make decisions; appoint management and significantly influence operations; and have primary accountability for fiscal matters; the District is not included in any other governmental reporting entity. There are no component units, entities for which the District is considered to be financially accountable, included within the reporting entity.

The District receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* normally are supported by taxes and intergovernmental revenues.

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting,* while the agency funds have no measurement of focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting.* Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Note 1 - Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

The fiduciary fund financial statement reflects the District's agency fund. The agency fund has no measurement focus, but utilizes the accrual basis of accounting.

Grant revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

- The *general fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

- The *capital projects fund* accounts for the proceeds from long-term debt financing and revenues and expenditures related to authorized acquisition, construction, or renovations as well as furnishing and equipping capital facilities.

- The *debt service funds* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The District reports the following nonmajor governmental funds:

- The *special revenue funds* account for resources restricted to or committed for specific purposes by a grantor, or for resources that are committed for specific purposes by the Board. Most federal and some state financial assistance is accounted for in a special revenue fund and sometimes unused balances must be returned to the grantor at the close of specified project periods.

Additionally, the District reports the following fund type:

- The *agency fund* is used to account for assets held by the District as an agent for student organizations and the tax office. The fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operation.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to students or users for goods, services, or privileges provided and 2) operating grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and investment income.

Implementation of New Standards

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

Note 1 - Summary of Significant Accounting Policies (continued)

Implementation of New Standards (continued)

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* This Statement replaces the requirements of Statement 45 and requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Statement 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements.

GASB Statement No. 85, *Omnibus 2017*. This Statement establishes accounting and financial reporting requirements for blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits).

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, investment pools, and short-term investments with original maturities of one year or less from the date of acquisition.

Investments with an original maturity greater than one year from date of purchase are stated at fair value based on quoted market prices as of year-end, except for nonparticipating interest-earning investment contracts which are reported at cost. Investments with an original maturity of less than one year are reported at amortized cost.

The District categorizes fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Property tax receivables include unpaid property taxes at year-end and are shown net of an allowance for uncollectibles. Revenues from property taxes are recognized when levied to the extent they are available. The District considers property taxes as available when collected. However, not all outstanding property taxes are expected to be collected within one year of the date of the financial statements. Property values are determined by the Travis County Appraisal District as of January 1 of each year. Prior to September 1 of each year, the District must adopt its annual budget and as soon thereafter as practicable, shall adopt a tax rate thus creating the tax levy.

Note 1 - Summary of Significant Accounting Policies (continued)

Receivables and Payables (continued)

Property taxes for the current calendar year are levied on approximately October 1 of each year and are payable by January 31 of the following year. Property tax receivables are recorded as of the date levied. Unpaid taxes become delinquent on February 1 and a tax lien on real property is created as of July 1 of each year.

Capital Assets

Capital assets, which include land, construction in progress, buildings and improvements, and furniture and equipment, are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost that equals or exceeds $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Buildings and improvements, and furniture and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Building improvements	10 to 40 years
Furniture and equipment	4 to 10 years

Compensated Absences

Compensated absences are absences for which employees will be paid. All 12-month employees may accumulate up to 30 vacation or nonduty days. Unused vacation or nonduty days shall be compensated at the employee's current daily rate at the time of termination of employment from the District. No employee shall be paid for more than 30 days of vacation or nonduty days.

A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the government and its employees is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the government and its employees are accounted for in the period in which such services are rendered or such events take place.

The compensated absences liability is reported in long-term liabilities on the statement of net position.

Note 1 - Summary of Significant Accounting Policies (continued)

Long-term Obligations

In the government-wide financial statements, long-term debt and long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Premiums and discounts are presented as a component of liabilities while deferred charges on refundings are presented as deferred outflows of resources. Both items are deferred and amortized over the life of the related debt using the straight line method. Long-term debt is reported net of the applicable premium or discount. Bond issuance costs are expensed in the year incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

The current requirements for general obligation bonds principal and interest expenditures are accounted for in the debt service fund.

Deferred Outflows/Inflows of Resources

Deferred outflows and inflows of resources are reported in the statement of financial position as described below:

A *deferred outflow of resources* is a consumption of a government's net assets (a decrease in assets in excess of any related decrease in liabilities or an increase in liabilities in excess of any related increase in assets) by the government that is applicable to a future reporting period. The District has three items that qualify for reporting in this category:

- *Deferred charge on refunding* - Reported in the government-wide statement of net position, this deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

- *Deferred outflows relating to pension activities* – Reported in the government-wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results 1) changes in actuarial assumptions; 2) differences between expected and actual actuarial experiences and 3) changes in the District's proportional share of pension liabilities. The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The remaining pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.

Note 1 - Summary of Significant Accounting Policies (continued)

Deferred Outflows/Inflows of Resources (continued)

- *Deferred outflows of resources for post-employment benefits* – Reported in the government wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of 1) differences between projected and actual earnings on pension plan investments and 2) changes in the District's proportional share of pension liabilities. The deferred outflows of resources related to post-employment benefits resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net post-employment benefit liability in the next fiscal year. The deferred outflows resulting from differences between projected and actual earnings on OPEB plan investments will be amortized over a closed five year period. The remaining deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with post-employment benefits through the post-employment benefit plan.

A *deferred inflow of resources* is an acquisition of a government's net assets (an increase in assets in excess of any related increase in liabilities or a decrease in liabilities in excess of any related decrease in assets) by the government that is applicable to a future reporting period. The District has three items that qualify for reporting in this category:

- *Deferred inflows of resources for unavailable revenues* – Reported only in the governmental funds balance sheet, unavailable revenues from property taxes arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow or resources in the period that the amounts become available.

- *Deferred inflows relating to pension activities* – Reported in the government-wide financial statement of net position, these deferred inflows result primarily from 1) differences between projected and actual earnings on pension plan investments; 2) changes in actuarial assumptions; 3) differences between expected and actual actuarial experiences and 4) changes in the District's proportional share of pension liabilities. The deferred inflows resulting from differences between projected and actual earnings on pension plan investments will be amortized over a closed five year period. The remaining pension related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.

- *Deferred inflows of resources for post-employment benefits* – Reported in the government wide financial statement of net position, these deferred inflows result primarily from 1) changes in actuarial assumptions and 2) differences between expected and actual actuarial experiences. These post-employment related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with post-employment benefits through the post-employment benefit plan.

Pensions

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

Note 1 - Summary of Significant Accounting Policies (continued)

Other Post-Employment Benefits

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

Net Position

Net Position on the Statement of Net Position includes the following:

- Net investment in capital assets - this component of net position consists of capital assets, net accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt will be included in this component of net position.

- Restricted for federal and state programs - this component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets, which are restricted by federal and state granting agencies.

- Restricted for Debt Service - this component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. The assets arise from bond issuances which have constraints placed on them by the bond covenants for the purpose of future debt service payments.

- Unrestricted net position - this component of net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

Fund Balance

The fund balance in governmental funds has been classified as follows to describe the nature and relative strength of the spending constraints:

- Restricted fund balance – amounts that can be spent only for specific purposes because of local, state or federal laws, or externally imposed conditions by grantors or creditors. The fund balances for the Child Nutrition Fund and other grant funds are classified as restricted.

- Committed fund balance – amounts constrained to specific purposes by the District itself, using its highest level of decision making authority (i.e. the Board of Trustees). To be reported as committed, amounts cannot be used for any other purposes unless the District takes the same highest level of action to remove or change the constraint. The fund balance of the campus activity fund is committed for use at the campuses per board policy.

Note 1 - Summary of Significant Accounting Policies (continued)

Fund Balance (continued)

- Assigned fund balance – amounts the District intends to use for a specific purpose. Intent can be expressed by the District or by an official or body to which the Board of Trustees delegates the authority. The Board of Trustees has retained this authority. There was no assigned fund balance during the current fiscal year.

- Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Trustees have provided otherwise in their commitment or assignment actions. In the fund financial statements, certain governmental funds report restrictions of the entire fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Since the entire fund balance is restricted for these funds, all assets are in essence restricted for their specified purpose.

When the District incurs an expense for which it may use either restricted or unrestricted resources, it uses the restricted resources first unless unrestricted resources will have to be returned because they were not used.

Data Control Codes

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

In accordance with the Resource Guide, the District has adopted and installed an accounting system which meets at least the minimum requirements prescribed by the Texas State Board of Education and approved by the State Auditor. Specifically, the District’s accounting system uses codes and the code structure presented in the Resource Guide. Mandatory codes are recorded in the order provided in the Resource Guide.

Use of Estimates

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

Note 2 - Deposits and Investments

Cash Deposits

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the Texas School Depository Act. The depository bank pledges securities which comply with state law and these securities are held for safekeeping and trust with the District's and the depository banks' agent bank. The pledged securities are approved by the Texas Education Agency and shall be 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.

At June 30, 2018, all of the District’s time and demand deposits were covered by FDIC insurance or by pledged collateral held by the District’s agent bank in the District’s name; therefore the District was in compliance with the Texas School Depository Act.

Investments

The District’s investment policy is in accordance with the Public Funds Investment Act, the Public Funds Collateral Act, and federal and state laws. The District further limits its investments to obligations of the U.S. Treasury or the State of Texas, certain U.S. Agencies, certificates of deposit, collateralized mortgage obligations, no-load money market mutual funds, certain municipal securities, qualified commercial paper, repurchase agreements, or investment pools.

The District participates in the Texas Local Government Investment Pool (“TexPool”), a public funds investment pool created by the Texas Treasury Safekeeping Trust Company (Trust Company) to provide a safe environment for the placement of local government funds in authorized short-term, fully collateralized investments, including direct obligations of, or obligations guaranteed by, the United States or State of Texas or their agencies; federally insured certificates of deposit issued by Texas banks or savings and loans; and fully collateralized direct repurchase agreements secured by United States Government agency securities and placed through a primary government securities dealer.

In accordance with GASB Statement No. 79, Certain External Investment Pools and Pool Participants, the Local Government Investment Pool does not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. These pools do not impose any liquidity fees or redemption gates.

Note 2 - Deposits and Investments (continued)

At year-end, the District's cash and investment balances and the weighted average maturity of these investments were as follows:

	Amortized Cost/ Fair Value	Percentage of Portfolio	Weighted Average Maturity (Days)	Credit Quality Rating*
Governmental Activities				
Cash and deposits	$ 1,807,275	1.49%	N/A	N/A
Certificates of deposit	244,727	0.20%	75	N/A
Investments				
Local Government Investment Pools:				
Texas CLASS	113,241,617	93.64%	50	AAAm
TexPool	5,584,229	4.62%	27	AAAm
	118,825,846			
Total Investments	119,070,573		49	
Total Governmental Activities	120,877,848			
Fiduciary Funds				
Cash and Deposits	54,111	0.04%	N/A	N/A
Total Fiduciary Funds	54,111			
Total	$ 120,931,959			

*Standard & Poor's

Due to the immediate availability of funds, the District's temporary investments at June 30, 2018 are included in cash and cash equivalents. In addition, the District's certificates of deposit are reported at fair value using Level 1 inputs.

Note 2 - Deposits and Investments (continued)

Additional policies and contractual provisions governing deposits and investments for the District are specified below:

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates may adversely affect the value of the investments. To limit the risk that changes in interest rates will adversely affect the fair value of the investments, the District monitors interest rate risk utilizing weighted average maturity (WAM) analysis. The District requires its investment portfolio to have maturities of less than one year on a WAM basis. However, specific to the District's debt service funds, maturities longer than one year are authorized within legal limits and as long as sufficient investment liquidity to timely meet debt service payment obligations is maintained. The long-term investment the District currently holds, which has no call options, is due when the debt instrument is due and the District intends to hold the investment until maturity, thereby reducing its risk of loss due to changes in the fair value of the investment.

At June 30, 2018, the District's exposure to interest risk as measured by the segmented time distribution by investment type is summarized below:

	Amortized Cost/	Investment Maturity in Years	
	Fair Value	Less than 1	1-2
Certificates of deposit	$ 244,727	$ 244,727	$ -
Local Government Investment Pools:			
Texas CLASS	113,241,617	113,241,617	-
TexPool	5,584,229	5,584,229	-
	$ 119,070,573	$ 119,070,573	$ -

Credit Risk

State law and the District's investment policy limits investments in all categories to top ratings issued by nationally recognized statistical rating organizations

Concentration of Credit Risk

For temporary investments, to limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District's policy states that the portfolio must be diversified. Concentration of Credit Risk is not applicable to investment pools since the purpose of these pools is to diversify the District's investment portfolio. For long-term investments - To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District's policy states that the portfolio must be diversified. The long-term investment the District currently holds is less than its total investments.

Note 3 - Receivables and Unearned Revenues

Receivables as of year-end for the District's individual major and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Debt Service Funds	Nonmajor Governmental Funds	Total
Property Taxes	$ 4,146,640	$ 1,235,765	$	$ 5,382,405
Due from other governments	5,797,768		1,461,523	7,259,291
Other	8,174			8,174
Gross Receivables	9,952,582	1,235,765	1,461,523	12,649,870
Less allowance for doubtful accounts	(2,463,235)	(537,231)		(3,000,466)
Net Total Receivables	$ 7,489,347	$ 698,534	$ 1,461,523	$ 9,649,404

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, District reported unearned revenues in the governmental funds in the amount of $748,714, for grant funds received prior to meeting all eligibility requirements.

Note 4 - Interfund Receivables, Payables, and Transfers

Interfund balances consist of short-term lending/borrowing arrangements that result primarily from payroll, warehouse ordering and other regularly occurring charges that are paid by the general fund and then charged back to the appropriate other fund. Additionally, some lending/borrowing may occur between two or more nonmajor governmental funds.

The composition of interfund balances as of June 30, 2018, is as follows:

	Interfund Receivable	Interfund Payable	Net
Governmental Activities			
General Fund	$ 4,677,933	$ 8,787,817	$ (4,109,884)
Debt Service Funds	7,822,427		7,822,427
Capital Projects Funds		3,545,662	(3,545,662)
Nonmajor Governmental Funds	965,390	1,132,271	(166,881)
Total Governmental Funds	$ 13,465,750	$ 13,465,750	$

Interfund transfers are defined as "flows of assets without equivalent flow of assets in return and without a requirement for repayment." The following is a summary of the District's transfers for the fiscal year ended June 30, 2018:

Transfer Out	Transfer In	Amount	Purpose
Debt Service Funds	Capital Projects Funds	$ 3,865	Transfer related to issue of Bond Series 2017A

Note 5 - Capital Assets

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

	Balance June 30, 2017	Additions	(Retirements) and Transfers	Balance June 30, 2018
Capital assets, not being depreciated:				
Land	$ 17,900,974	$	$	$ 17,900,974
Construction in progress	98,423,568	48,122,040	(64,628,074)	81,917,534
Total Capital assets, not being depreciated	116,324,542	48,122,040	(64,628,074)	99,818,508
Capital assets, being depreciated:				
Buildings and improvements	221,475,363		64,628,074	286,103,437
Furniture and equipment	21,513,147	1,301,758	(46,335)	22,768,570
Total Capital assets, being depreciated	242,988,510	1,301,758	64,581,739	308,872,007
Less accumulated depreciation for:				
Buildings and improvements	(65,554,048)	(5,532,404)		(71,086,452)
Furniture and Equipment	(15,811,042)	(2,338,904)	46,335	(18,103,611)
Total Accumulated depreciation	(81,365,090)	(7,871,308)	46,335	(89,190,063)
Governmental Capital Assets	$ 277,947,962	$ 41,552,490	$	$ 319,500,452

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

Function	Depreciation Expense
Instruction	$ 4,354,622
Instructional resources and media services	228,894
Curriculum and staff development	110,669
Instructional leadership	202,177
School leadership	102,913
Guidance, counseling and evaluation services	34,087
Social work services	18,463
Health services	22,539
Student transportation	318,700
Food Services	540,280
Extracurricular activities	1,115,156
General administration	266,917
Facilities maintenance and operations	220,089
Security and monitoring services	15,202
Data processing services	316,363
Community services	4,237
	$ 7,871,308

Note 5 - Capital Assets (continued)

Construction budgets and remaining commitments under related construction contracts as of June 30, 2018, follows:

Project	Approved Construction Budget	Construction in Progress	Remaining Commitment
Technology	$ 15,908,734	$ 1,377,243	$ 14,531,491
Athletics Improvement	7,466,952	4,649,957	2,816,995
Energy Efficient	10,728,600	10,299,419	429,181
Manor New Tech HS Renovations/ Additions	351,584	351,367	217
Assessment Based Projects	30,637,770	10,875,972	19,761,798
Manor Senior High	59,422,990	52,422,996	6,999,994
Construction Mgmt	3,584,306	1,940,580	1,643,726
	$ 128,100,936	$ 81,917,534	$ 46,183,402

Note 6 - Long-term Liabilities

The District's long-term liabilities consist of bond indebtedness and compensated absences. The current requirements for general obligation bonds principal and interest expenditures are accounted for in the debt service fund.

Changes in Long-term Liabilities

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

	Restated Balance July 1, 2017	Additions	Retirements	Balance June 30, 2018	Due Within One Year
General Obligation Bonds	$ 288,449,999	$ 51,190,000	$ (9,180,000)	$ 330,459,999	$ 12,950,000
Issuance Premium on Bonds	27,302,172	5,339,852	(1,568,480)	31,073,544	
Accreted interest on capital appreciation bonds	691,293	21,910		713,203	
Compensated absences payable	533,893	204,401	(250,421)	487,873	233,691
Total Governmental Long-term Liabilities	$ 316,977,357	$ 56,756,163	$ (10,998,901)	$ 362,734,619	$ 13,183,691

Note 6 – Long-term Liabilities (continued)

General Obligation Bonds

General obligation bonds are direct obligations and pledge the full faith and credit of the District. These are issued as current interest bonds and term bonds with various amounts of principal maturing each year.

General obligation bonds currently outstanding are as follows:

Issue	Original Issuance amount	Interest Rate (%)	Fiscal Year Maturity	Debt Outstanding
Variable Rate Unlimited Tax School Building Bonds, Series 2006	$ 18,550,000	3.3-4.85%	2034	$ 1,010,000
Unlimited Tax School Building Bonds, Series 2011	17,465,000	2.625-4%	2022	7,760,000
Unlimited Tax Refunding Bonds, Series 2012	8,779,999	2-3.5%	2030	8,369,999
Unlimited Tax Refunding Bonds, Series 2013	48,240,000	1.5-5%	2037	46,030,000
Unlimited Tax Refunding Bonds, Series 2014	43,585,000	2-5%	2035	41,210,000
Unlimited Tax School Building Bonds, Series 2014	116,095,000	2-5%	2045	104,755,000
Unlimited Tax Refunding Bonds, Series 2015	25,995,000	4-5%	2039	25,995,000
Unlimited Tax Refunding Bonds, Series 2016	18,315,000	2-5%	2034	17,685,000
Unlimited Tax School Building Bonds, Series 2017	29,955,000	2-5%	2047	26,455,000
Unlimited Tax School Building Bonds, Series 2017A	51,190,000	3-5%	2048	51,190,000
				$ 330,459,999

Debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest	Totals
2019	$ 12,950,000	$ 14,246,444	$ 27,196,444
2020	11,550,000	13,774,514	25,324,514
2021	10,345,000	13,341,625	23,686,625
2022	10,795,000	12,881,357	23,676,357
2023	10,000,000	12,404,869	22,404,869
2023-2027	52,654,999	55,575,964	108,230,963
2028-2032	64,850,000	41,549,226	106,399,226
2033-2037	78,920,000	25,581,456	104,501,456
2038-2042	44,525,000	11,207,100	55,732,100
2043-2047	33,870,000	2,284,800	36,154,800
	$ 330,459,999	$ 202,847,355	$ 533,307,354

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

Note 6 – Long-term Liabilities (continued)

Deferred Charge on Refunding

The balance of deferred charge on refunding at June 30, 2018 was $7,971,281 and is presented as a deferred outflow of resources in the Statement of Net Position:

	Balance July 1, 2017	Deferred Charge on New Issues	Retirements	Balance June 30, 2018
Deferred charge on refunding	$ 8,460,517	$ -	$ (489,236)	$ 7,971,281

Current Year Long-Term Debt Issue

On October 24, 2017, the District issued Unlimited Tax School Building Bonds, Series 2017A totaling $51,190,000. The proceeds from the sale of the Bonds will be used to pay for (i) the acquisition, construction and equipment of school buildings, and the purchase of school site and school buses, and (ii) the costs of issuance of the Bonds. Premiums on the bonds totaled $5,339,852 and interest rates range from 3 percent to 5 percent. The District paid approximately $525,987 in issuance costs.

Prior Year Defeasance of Debt

The District defeased certain general obligation debt by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the refunded debt. Accordingly, the trust account assets and the liability for the defeased debt are not included in the District's financial statements. At June 30, 2018, $33,685,000 of defeased bonds remain outstanding.

Capital Appreciation Bonds

A portion of the bonds sold in the Series 2012 bond issues were capital appreciation bonds commonly referred to as "premium compound interest bonds". The District annually records the appreciation of the bond principal for the accreted value of the bonds through maturity of the issue. The interest of these bonds series will be paid upon maturity. The following table summarizes the significant features of the individual bonds, by issue:

Series	Accreted Value	Principal	Accreted Interest	Maturity Value	Maturity Date
2012	$ 723,202	$ 9,999	$ 713,203	$ 925,000	2026

Note 7 - Revenues from Local, Intermediate, and Out-of-State Sources

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

	General Fund	Debt Service Funds	Capital Projects Fund	Nonmajor Governmental Funds	Total
Property Taxes	$ 45,234,228	$ 26,971,954	$	$	$ 72,206,182
Penalties, interest and other tax related revenue	267,577	126,832			394,409
Investment Income	547,010	382,270	750,924	1,046	1,681,250
Co-curricular student activities	1,630,297			472,322	2,102,619
Tuition and fees					
Chapter 313 Credit					
Food Sales				912,880	912,880
Other	62,348		418,256	182,296	662,900
	$ 47,741,460	$ 27,481,056	$ 1,169,180	$ 1,568,544	$ 77,960,240

Note 8 - General Fund Federal Source Revenues

For the year ended June 30, 2018, the General Funds reports the following federal revenues:

Program or Source	CFDA #	Amount
School Health and Related Service (SHARS)	N/A	$ 1,416,913
E-rate	N/A	172,740
Summer School LEP	84.369A	11,871
Indirect Costs - Department of Education	84.XXX	78,989
		$ 1,680,513

Note 9 - Operating Leases

Commitments under operating lease (non-capitalized) agreements for facilities and equipment are subject to fiscal funding clauses. As such, the agreements are cancelable and the District is therefore not obligated for minimum future rental payments as of June 30, 2018.

Rental expenditures for the year ended June 30, 2018, amounted to $393,752.

Note 10 - Defined Benefit Pension Plan

Plan Description

The District participates in a cost-sharing multi-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.

Note 10 - Defined Benefit Pension Plan (continued)

Plan Description (continued)

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 https://www.trs.texas.gov/Pages/about_archive_cafr.aspx; 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 se 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 postemployment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description in (A) above.

Contributions

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

Note 10 - Defined Benefit Pension Plan (continued)

***Contributions* (continued)**

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017. The 85th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2018 and 2019.

	Contribution Rates Plan Fiscal year	
	2017	**2018**
Member (Employee)	7.7%	7.7%
Non-employer contributing agency (State)	6.8%	6.8%
District	6.8%	6.8%

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 GAA. Contributions and pension expense for all contributors were as follows:

	Measurement Year (2017)		Fiscal Year (2018)
	Contributions Required and Made	**Pension Expense**	**TRS Contributions**
Member (Employee)	$ 4,406,225	$	$ 4,768,369
Non-employer contributing agency (State)	2,887,861	2,153,526	3,005,236
District	1,785,945	2,258,563	2,058,940

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

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

Note 10 - Defined Benefit Pension Plan (continued)

***Contributions* (continued)**

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

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

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
Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Municipal Bond Rate	N/A*
Inflation	2.5%
Salary Increases	3.5% to 9.5% including inflation
Payroll Growth Rate	2.5%
Benefit Changes during the year	none
Ad hoc post-employment benefit changes	none

*If a municipal bond rate was to be used, the rate would be 3.42% as of August 2017 (i.e. the rate closest to but not later than the Measurement date). The source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."

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

Note 10 - Defined Benefit Pension Plan (continued)

Discount Rate (continued)

Expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

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

*The expected Contributions to Returns incorporates the volatility drag resulting from the conversion between arithmetic and geometric mean returns.

Note 10 - Defined Benefit Pension Plan (continued)

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2017 Net Pension Liability.

	1% Decrease 7%	Current Discount Rate 8%	1% Increase 9%
District's proportional share of the net pension liability	$ 29,373,008	$ 17,423,755	$ 7,474,062

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

At June 30, 2018, the District reported a liability of $17,423,755 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 proportional share of the net pension liability	0.0545%
District's proportionate share of the net pension liability	$ 17,423,755
State's proportionate share of the net pension liability associated with the District	28,233,322
Total	$ 45,657,077

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

At August 31, 2017 the employer's proportion of the collective net pension liability was 0.0545%, which was a decrease from its proportion measured as of August 31, 2016 of 0.0585%.

Changes Since the Prior Actuarial Valuation:

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

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

Note 10 - Defined Benefit Pension Plan (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Inflows of Resources Related to Pension (continued)

For the year ended June 30, 2018, the District recognized pension expense of $4,412,089 as well as revenue of $2,153,526 representing pension expense incurred by the State on behalf of the District.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportional share of contributions	$ 2,974,968	$ 1,193,366
Changes in Assumptions	793,680	454,363
Differences between expected and actual experience	254,917	939,640
Difference between projected and current investment earnings	-	1,269,805
District contributions subsequent to the measurement date	1,668,560	-
Total	$ 5,692,125	$ 3,857,174

The $1,668,560 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30	Amount
2019	$ (57,094)
2020	1,055,110
2021	(142,544)
2022	(458,083)
2023	(59,331)
2024	(171,667)
	$ 166,391

Note 11 – Defined Other Post-Employment Benefit Plans

A. 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.

Note 11 – Defined Other Post-Employment Benefit Plans

B. 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 by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; on the Internet at https://www.trs.texas.gov/Pages/about_archive_cafr.aspx; or by calling (512) 542-6592.

C. Benefits Provided

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

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

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

TRS-Care Plan Premium Rates

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

*or surviving spouse

D. 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.

Note 11 – Defined Other Post-Employment Benefit Plans (continued)

D. Contributions (continued)

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

	Contribution Rates Plan Year Ending August 31, 2017	2018
Active Employee	0.65%	0.65%
Non-employer Contributing Entity (State)	1.00%	1.25%
Employers	0.55%	0.75%
Federal/Private Funding Remitted by Employers	1.00%	1.25%

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to. When employers hire a TRS retiree, they are required to pay to TRS Care, a monthly surcharge of $535 per retiree.

In addition, during the current fiscal year, $212.0 million was transferred to TRS from the State to pay for Care during the 85th First Legislative Special Session House Bill 21, Section 10. The District reported on behalf revenues and expenditures of $159,192 million relating to these transfers.

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). Contributions and pension expense for all contributors were as follows:

	Measurement Year (2017)		Fiscal Year (2018)
	Contributions Required and Made	OPEB (Negative) Expense	TRS Contributions
Active Employee	$ 371,955	$ -	$ 402,688
Non-employer Contributing Entity (State)	541,108	(15,145,232)	862,707
Federal/Private Funding Remitted by Employers	390,396	(10,946,880)	536,482

Note 11 – Defined Other Post-Employment Benefit Plans (continued)

E. Actuarial Assumptions

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

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

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

Additional Actuarial Methods and Assumptions:

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

* 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 trend rate of 4.50% over a period of 10 years.

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.

Note 11 – Defined Other Post-Employment Benefit Plans (continued)

F. 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 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.

G. Sensitivity of the Net OPEB Liability

Discount Rate – The following presents the District's proportional share of the net OPEB liability of the plan using the discount rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one- percentage point lower (2.42%) or one-percentage point higher (4.42%) than the AA/Aa rate.

	Sensitivity of the Net OPEB Liability to the Single Discount Rate Assumptions		
	1% Decrease in Discount Rate (2.42%)	Current Discount Rate (3.42%)	1% Increase in Discount Rate (4.42%)
District proportionate share	$38,539,841	$32,654,012	$27,923,133

Healthcare Cost Trend Rates – The following presents the District's proportional share of 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:

	Sensitivity of the Net OPEB Liability to the Healthcare Cost Trend Rate Assumptions		
	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District proportionate share	$27,187,728	$32,654,012	$39,826,467

Note 11 – Defined Other Post-Employment Benefit Plans (continued)

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

At June 30, 2018, the District reported a liability of $32,654,012 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective Net OPEB Liability	$	32,654,012
State's proportionate share that is associated with (employer)		45,260,096
Total	$	77,914,108

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 0.0751% 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:

There was a significant plan change adopted in 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. This change in plan benefits significantly lowered the OPEB liability and had an immediate effect on the OPEB expenses recognized by participating entities.
- The August 31, 2016 valuation had assumed that the savings related to the Medicare Part D reimbursements would phase out by 2022. This assumption was removed for the August 31, 2017 valuation. Although there is uncertainty regarding these federal subsidies, the new assumption better reflects the current substantive plan. This change was unrelated to the plan amendment, and its impact was included as an assumption change in the reconciliation of the total OPEB liability. This change significantly lowered the OPEB liability.
- The discount rate changed from 2.98 percent as of August 31, 2016 to 3.42 percent as of August 31, 2017. This change lowered the total OPEB liability.

Note 11 – Defined Other Post-Employment Benefit Plans (continued)

H. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs (continued)

Negative OPEB Expense (continued)

The significant changes to the plan benefits and assumptions noted above decreased the net OPEB liability related to TRS-Care as a whole by $33.5 billon. As a result, the District's proportional share of the net OPEB liability decreased by $25 million. Because the decrease in the liability was the result of changes to plan benefits, a majority of the decrease has been recognized immediately in the District's financial statements. As a result, the District recognized a total proportional share of negative OPEB expense of $26.1 million, a portion of this negative expense ($15.1 million) represents the State's on-behalf share of this activity offset by what the Governmental Accounting Standards Board refers to as a negative on-behalf revenue.

The following table illustrates the magnitude of the negative on-behalf activity for the State's portion of the TRS-Care benefits by individual function for both operating grants and contributions revenues and expense:

	Current Year Prior to Negative On-behalf Activities			Current Year After Negative On-behalf Activities as presented in Exhibit B-1	
	Expenses	Operating Grants and Contributions	Negative On-behalf Activities	Expenses	Operating Grants and Contributions
Instruction	$ 45,511,083	$ 5,257,180	$ (8,897,824)	$ 36,613,259	$ (3,640,644)
Instructional resources and media services	1,054,170	32,228	(193,859)	860,311	(161,631)
Curriculum and staff development	1,863,845	673,218	(227,178)	1,636,667	446,040
Instructional leadership	3,316,745	720,383	(504,336)	2,812,409	216,047
School leadership	5,429,441	431,426	(1,235,851)	4,193,590	(804,425)
Guidance, counseling, and evaluation services	2,232,434	656,945	(431,639)	1,800,795	225,306
Social work services	863,484	247,790	(139,336)	724,148	108,454
Health services	954,433	1,455,380	(242,324)	712,109	1,213,056
Student transportation	4,171,108	155,535	(955,664)	3,215,444	(800,129)
Food service	5,682,606	4,779,696	-	5,682,606	4,779,696
Extracurricular activities	3,453,306	34,688	(178,714)	3,274,592	(144,026)
General administration	3,093,297	147,675	(434,668)	2,658,629	(286,993)
Facilities, maintenance and operations	8,137,419	195,754	(1,235,851)	6,901,568	(1,040,097)
Security and monitoring services	1,022,502	50,344	(89,357)	933,145	(39,013)
Data processing services	2,991,525	234,811	(222,635)	2,768,890	12,176
Community services	882,355	383,702	(155,996)	726,359	227,706
Interest on long-term debt	13,055,431	267,883	-	13,055,431	267,883
Bond issuance cost and fees	542,608	-	-	542,608	-
Other facility costs	26,819	-	-	26,819	-
Other governmental charges	381,573	-	-	381,573	-
Totals	$ 104,666,184	$ 15,724,638	$ (15,145,232)	$ 89,520,952	$ 579,406

Note 11 – Defined Other Post-Employment Benefit Plans (continued)

Deferred Outflows and Deferred Inflows of Resources Related to OPEB

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experience	$ -	$ 681,677
Changes in actuarial assumptions	-	12,977,558
Difference between projected and actual investment earnings	4,960	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	149	
Contributions paid to TRS subsequent to the measurement date	454,777	-
Total	$ 459,886	$ 13,659,235

The $454,777 reported as deferred outflows of resources related to OPEBs resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. The net amounts of the employer's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30	OPEB Expense Amount
2019	$ (1,801,677)
2020	(1,801,677)
2021	(1,801,677)
2022	(1,801,677)
2023	(1,802,918)
Thereafter	(4,644,500)
	$ (13,654,126)

I. Medicare Part D

The Medicare Prescription Drug Improvement and Modernization Act of 2003 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. Under Medicare Part D, TRS-Care receives retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. Medicare Part D contributions made on behalf of the District are recorded as equal revenues and expenditures in the governmental fund financial statements of the District. For the years ended June 30, 2018, 2017 and 2016, the subsidy payments received by TRS-Care on behalf of the District are as follows:

Fiscal Year	Medicare Part D
2018	$ 229,386
2017	171,391
2016	231,876

Note 12 - Risk Management

Property/Liability

The District is exposed to various risks of loss related to property/liability losses for which the District carries commercial insurance. The district is covered on property insurance with a limit of $241,628,400. Insurance coverage is limited to a maximum amount of $500,000 per occurrence.

Note 13 - Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of management and the District's counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the District.

Note 14 - Prior Period Adjustment – New Accounting Pronouncement

In the current fiscal year, the District implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pension. As a result, the beginning net position of the District's governmental activities has been restated on the Statement of Activities to reflect the net OPEB liability and deferred outflow of resources relating to TRS-Care contributions made after the prior measurement date of the plan as follows:

Beginning Net Position as originally presented		$58,868,049
Restatement:		
TRS-Care Contributions made after		
August 31, 2016	308,687	
Net OPEB liability	(57,649,010)	
Total adjustment due to change in accounting principle		(57,340,323)
Restated Net Position		$ 1,527,726

Note 15 - Tax Abatement

On December 17, 2012, the Manor ISD Board of Trustees approved an Agreement with Samsung Austin Semiconductor, LLC (Samsung) for a Limitation On Appraised Value of Property for School District Maintenance and Operations Taxes pursuant to the Chapter 313 of the Texas Tax Code, i.e., the Texas Economic Development Act, as set forth in Chapter 313 of the Texas Tax Code, as amended. Samsung qualified for a tax limitation agreement under Texas Tax Code §313.024(b)(5), as a manufacturing project.

Value limitation agreements are a part of a state program, originally created in 2001 which allows school districts to limit the taxable value of an approved project for Maintenance and Operations (M&O) for a period of years specified in statute. The project(s) under the Chapter 313 agreement must be consistent with the state's goal to "encourage large scale capital investments in this state". Chapter 313 of the Tax Code grants eligibility to companies engaged in manufacturing, research and development, renewable electric energy production, clean coal projects, nuclear power generation and data centers.

Note 15 - Tax Abatement (continued)

In order to qualify for a value limitation agreement, each applicant, including Samsung has been required to meet a series of capital investment, job creation, and wage requirements specified by state law. At the time of the application's approval, the agreement was found to have done so by both the District's Board of Trustees and the Texas Comptroller's Office, which recommended approval of the project.

After approval, the applicant company must maintain a viable presence in the district for the entire period of the value limitation plus a period of years thereafter. In addition, there are specific reporting requirements, which are monitored on an annual and biennial basis in order to ensure relevant job, wage, and operational requirements are being met.

In the event that Samsung terminates this Agreement without the consent of the District, or in the event that the company or its successor-in-interest fails to comply in any material respect with the terms of this Agreement or to meet any material obligation under this Agreement, then the District shall be entitled to the recapture of all ad valorem tax revenue lost as a result of this Agreement together with the payment of penalty and interest, on that recaptured ad valorem tax revenue. Penalties on said amounts shall be calculated in accordance with the methodology set forth in Texas Tax Code § 33.01(a), or its successor statute. Interest on said amounts shall be calculated in accordance with the methodology set forth in Texas Tax Code § 33.01(c), or its successor statute. The agreement provides an administrative procedure to determine any company liability. Ultimately, enforcement of any payment obligation is through the local state district court.

As of the date of this report, the applicant company is in full compliance with all of its obligations under law and the agreement itself.

(A) Project Value 2018	(B) Project's Value Limitation Amount 2018	(C) Amount of Applicant's M&O Taxes Paid 2018	(D) Amount of Applicant's M&O Taxes Reduced 2018	(E) Company Revenue Loss Payment to School District 2018	(F) Company Supplemental Payment To School District 2018	(G) Net Benefit (Loss) to the School District 2016 (C+E+F)
$1,043,503,570	$80,000,000	$832,000	$10,020,437	$1,431,491	$800,913	$3,064,404

Note 16 – Deficit Fund Balance

As of June 30, 2018, the Campus Activity Fund had a deficit fund balance of $59,308. The deficit fund balance resulted from expenditures exceeding revenues during the current fiscal year. The deficit will be eliminated as the District transfers funds into the Campus Activity Fund.

REQUIRED SUPPLEMENTARY INFORMATION

MANOR INDEPENDENT SCHOOL DISTRICT *Exhibit G-1*

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

For the Year Ended June 30, 2018

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Revenues				
5700	Local revenues	$ 45,246,404	$ 45,246,404	$ 47,741,460	$ 2,495,056
5800	State program revenues	26,847,468	26,847,468	29,392,735	2,545,267
5900	Federal program revenues	1,890,000	1,890,000	1,680,513	(209,487)
5020	**Total revenues**	73,983,872	73,983,872	78,814,708	4,830,836
	Expenditures				
	Current:				
0011	Instruction	48,626,893	48,521,722	44,842,932	3,678,790
0012	Instructional resources and media services	1,045,476	1,048,513	955,593	92,920
0013	Curriculum and staff development	1,934,893	1,626,744	1,367,516	259,228
0021	Instructional leadership	3,802,073	3,528,978	3,207,094	321,884
0023	School leadership	6,253,783	6,388,697	6,121,624	267,073
0031	Guidance, counseling and evaluation services	2,262,806	2,411,054	2,222,174	188,880
0032	Social work services	858,274	864,274	746,257	118,017
0033	Health services	1,080,695	1,185,599	1,056,072	129,527
0034	Student transportation	4,411,967	4,411,967	4,292,831	119,136
0036	Extracurricular activities	1,437,920	1,627,304	1,577,429	49,875
0041	General administration	3,756,688	3,746,059	3,100,678	645,381
0051	Facilities maintenance and operations	8,599,303	8,592,303	8,451,572	140,731
0052	Security and monitoring services	1,160,356	1,160,670	969,782	190,888
0053	Data processing services	1,910,357	2,020,184	1,811,261	208,923
0061	Community services	736,066	743,482	648,014	95,468
	Intergovernmental:				
0095	Payments to Juvenile Justice Alt. Ed. Prgm.	15,000	15,000		15,000
0099	Payments to other governments	400,000	400,000	381,573	18,427
6030	**Total Expenditures**	88,292,550	88,292,550	81,752,402	6,540,148
1200	Net change in fund balances	(14,308,678)	(14,308,678)	(2,937,694)	11,370,984
0100	**Fund balances - beginning**	32,697,942	32,697,942	32,697,942	
3000	**Fund balances - ending**	$ 18,389,264	$ 18,389,264	$ 29,760,248	$ 11,370,984

The District adopts annual appropriations type budgets for the General Fund, Child Nutrition Program Special Revenue Fund, and the Debt Service Fund using the same method of accounting as for financial reporting, as required by law. The remaining Special Revenue Funds (primarily federal grant programs) utilize a managerial type budget approved at the fund level by the Board of Trustees upon acceptance of the grants. These grants are subject to federal, state, and locally imposed project length budgets and monitoring through submission of reimbursement reports. The General Fund Budget report is presented on Exhibit G-1, the Child Nutrition Program Special Revenue fund budget report and the Debt Service Fund budget report appear on Exhibit J-2 and J-3, respectively.

Expenditures may not legally exceed budgeted appropriations at the function or activity level. Expenditure requests which would require an increase in total budgeted appropriations must be approved by the Trustees through formal budget amendment. State law prohibits trustees from making budget appropriations in excess of funds available and estimated revenues. State law also prohibits amendment of the budget after fiscal year end. Supplemental appropriations were made during the fiscal year ended June 30, 2018. During the year ended June 30, 2018, the Board of Trustees approved budget amendments increasing expenditures as follows:

	General Fund	Child Nutrition Program	Debt Service Fund
Amendments Approved	$ -	$ -	$ 115,000

The administrative level at which responsibility for control of budgeted appropriations begins is at the organizational level within each function of operations. The finance department reviews the expenditure requests submitted by the various organizational heads (principal and department heads) throughout the year to ensure proper spending compliance. No public funds of the District shall be expended in any manner other than as provided for in the budget adopted by the Board of Trustees. The District exceeded the budget in certain functions.

The official school budget was prepared for adoption for budgeted governmental fund types by June 30, 2017. The budget was formally adopted by the Board of Trustees at a duly advertised public meeting prior to the expenditure of funds. The final amended budget is filed with the Texas Education Agency (TEA) through inclusion in the annual financial and compliance report.

MANOR INDEPENDENT SCHOOL DISTRICT **Exhibit G-3**

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Teacher Retirement System of Texas

For the Last Four Measurement Years Ended August 31

	2017	**2016**	**2015**
District's proportion of the net pension liability	0.0545%	0.0585%	0.0565%
District's proportionate share of the net pension liability	$ 17,423,755	$ 22,092,768	$ 19,972,776
State's proportionate share of the net pension liability associated with the District	28,233,322	33,022,025	30,171,032
Total	$ 45,657,077	$ 55,114,793	$ 50,143,808
District's covered payroll (for Measurement Year)	$ 57,223,710	$ 57,282,739	$ 52,822,628
District's proportionate share of the net pension liability as a percentage of its covered payroll	30.45%	38.57%	37.81%
Plan's fiduciary net position as a percentage of the total pension liability *	82.17%	78.00%	78.43%
Plan's net pension liability as a percentage of covered payroll *	75.93%	92.75%	91.94%

	2014
District's proportion of the net pension liability	0.0424%
District's proportionate share of the net pension liability	$ 11,330,541
State's proportionate share of the net pension liability associated with the District	23,732,728
Total	$ 35,063,269
District's covered payroll (for Measurement Year)	$ 48,547,788
District's proportionate share of the net pension liability as a percentage of its covered payroll	23.34%
Plan's fiduciary net position as a percentage of the total pension liability *	83.25%
Plan's net pension liability as a percentage of covered payroll *	72.89%

Notes: Ten years of data should be presented in this schedule but data is unavailable prior to 2014.
Net pension liability and related ratios will be presented prospectively as data becomes available.
The amounts presented for each Plan year which ends the preceding August 31 of the District's fiscal year.

MANOR INDEPENDENT SCHOOL DISTRICT **Exhibit G-4**

SCHEDULE OF DISTRICT CONTRIBUTIONS

Teachers Retirement System of Texas

Last Four Fiscal Years Ended June 30

	2018	2017	2016	2015
Contractually required contributions	$ 2,058,940	$ 1,695,335	$ 1,876,432	$ 1,719,011
Contributions in relation to the contractually required contributions	2,058,940	1,695,335	1,876,432	1,719,011
Contribution deficiency (excess)	$	$	$	$
District's covered payroll	$ 61,951,863	$ 54,437,245	$ 57,058,223	$ 51,812,156
Contributions as a percentage of covered payroll	3.32%	3.11%	3.29%	3.32%

Notes:

- Ten years of data should be presented in this schedule but data is unavailable prior to 2015.
- Contribution data will be presented prospectively in accordance with GASB 68.

Effective September 1, 2014, employers who did not contribute Social Security for TRS-eligible employees were required to contribute an additional 1.5% of TRS-eligible compensation which nearly doubled the District's contributions into the Plan. Because the District's proportional share of the plan is determined by its proportional share of contributions, the District recognized a corresponding increase in its share of net pension liability.

Changes of Assumptions

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

Changes of Benefit Terms

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

MANOR INDEPENDENT SCHOOL DISTRICT *Exhibit G-6*

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

Teachers Retirement System of Texas

For the Last Measurement Year Ended August 31

	2017
District's proportion of the net OPEB liability	0.0751%
District's proportionate share of the net OPEB liability	$ 32,654,012
State's proportionate share of the net OPEB liability associated with the District	45,260,096
Total	$ 77,914,108
District's covered payroll (for Measurement Year)	$ 57,223,710
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	57.1%
Plan fiduciary net position as a percentage of the total OPEB liability	0.91%
Plan's net OPEB liability as a percentage of covered payroll	132.55%

Note: Ten years of data should be presented in this schedule but data is unavailable prior to 2017
Net OPEB liability and related ratios will be presented prospectively as data becomes available.

MANOR INDEPENDENT SCHOOL DISTRICT *Exhibit G-7*
SCHEDULE OF DISTRICT'S OPEB CONTRIBUTIONS
Teachers Retirement System of Texas
For the Last Three Fiscal Years Ended June 30

	2018	2017	2016
Contractually required contributions	$ 536,486	$ 372,044	$ 374,993
Contributions in relation to the contractually required contributions	536,486	372,044	374,993
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered payroll	$ 61,951,863	$ 54,437,245	$ 57,058,223
Contributions as a percentage of covered payroll	0.87%	0.68%	0.66%

Notes:
- Ten years of data should be presented in this schedule but data is unavailable prior to 2016.
- Contribution data will be presented prospectively in accordance with GASB 75.

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:

There was a significant plan change adopted in 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. This change in plan benefits significantly lowered the OPEB liability and had an immediate effect on the OPEB expenses recognized by participating entities.

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

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

(This page intentionally left blank.)

OTHER SUPPLEMENTARY INFORMATION

MANOR INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

ALL NONMAJOR GOVERNMENTAL FUNDS

June 30, 2018

Data Control Codes		203 Child Care Development	206 ESEA Title X Part C - Education for Homeless Children	211 ESEA Title I Part A - Improving Basic Programs
	Assets			
1110	Cash and cash equivalents	$	$	$
	Receivables:			
1240	Receivables from other governments	101,783	8,329	238,449
1260	Due from other funds			
1310	Inventories, at cost			
1000	**Total Assets**	$ 101,783	$ 8,329	$ 238,449
	Liabilities and Fund Balances			
	Liabilities:			
	Current Liabilities:			
2110	Accounts payable	$ 9,809	$	$ 65,878
2150	Payroll deduction and withholdings payable	505	8	2,931
2160	Accrued wages payable	5,649	1,350	31,088
2170	Due to other funds	85,820	6,971	138,552
2190	Due to student groups			
2300	Unearned revenues			
2000	**Total Liabilities**	101,783	8,329	238,449
	Fund Balances:			
	Restricted:			
3450	Federal/State grant restrictions			
3490	Local grants			
3600	**Unassigned**			
3000	**Total fund balances**			
4000	**Total Liabilities and Fund Balances**	$ 101,783	$ 8,329	$ 238,449

224	225	240	244	255	263
IDEA - Part B Formula	**IDEA - Part B Preschool Grant**	**Child Nutrition**	**Career and Technical - Basic Grant**	**ESEA Title II, Part A - Teacher and Principal Training**	**Title III, Part A - English Language Acquisition**
$	$	$ 1,467,184	$	$	$
884,159		47,803	13,696	18,099	61,251
		62,425			
$ 884,159	$	$ 1,577,412	$ 13,696	$ 18,099	$ 61,251
$ 57,783	$	$ 19,429	$	$	$ 181
6,455		27,568			
60,978		112,485			
758,943			13,696	18,099	61,070
884,159		159,482	13,696	18,099	61,251
		1,417,930			
		1,417,930			
$ 884,159	$	$ 1,577,412	$ 13,696	$ 18,099	$ 61,251

MANOR INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

ALL NONMAJOR GOVERNMENTAL FUNDS

June 30, 2018

Data Control Codes		274 GEAR UP	289 Federally Funded Special Revenue Funds	385 State Supplemental Visually Impaired
	Assets			
1110	Cash and cash equivalents	$	$	$
	Receivables:			
1240	Receivables from other governments	70,581	13,873	3,500
1260	Due from other funds		15,473	
1310	Inventories, at cost			
1000	**Total Assets**	$ 70,581	$ 29,346	$ 3,500
	Liabilities and Fund Balance			
	Liabilities:			
	Current Liabilities:			
2110	Accounts payable	$ 24,961	$ 884	$
2150	Payroll deduction and withholdings payable			
2160	Accrued wages payable			
2170	Due to other funds	45,620		3,500
2190	Due to student groups			
2300	Unearned revenues		28,462	
2000	**Total Liabilities**	70,581	29,346	3,500
	Fund Balances:			
	Restricted:			
3450	Federal/State grant restrictions			
3490	Local grants			
3600	**Unassigned**			
3000	**Total fund balances**			
4000	**Total Liabilities and Fund Balances**	$ 70,581	$ 29,346	$ 3,500

397	410	429	461	499	
Advanced Placement Initiatives	**Instructional Materials Allotment**	**State Special Revenue Fund**	**Campus Activity Funds**	**Local Grants**	**Total Nonmajor Governmental Funds**
$	$	$	$ 244,259	$	$ 1,711,443
					1,461,523
	668,872	8,766		272,279	965,390
					62,425
$	$ 668,872	$ 8,766	$ 244,259	$ 272,279	$ 4,200,781
$	$ 28,900	$	$ 35,307	$ 40,189	$ 283,321
					37,467
					211,550
					1,132,271
			268,260		268,260
	639,972	6,495		73,785	748,714
	668,872	6,495	303,567	113,974	2,681,583
		2,271			1,420,201
				158,305	158,305
			(59,308)		(59,308)
		2,271	(59,308)	158,305	1,519,198
$	$ 668,872	$ 8,766	$ 244,259	$ 272,279	$ 4,200,781

MANOR INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - ALL NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2018

Data Control Codes		203 Child Care Development	206 ESEA Title X Part C - Education for Homeless Children	211 ESEA Title I Part A - Improving Basic Programs
	Revenues			
5700	Local, intermediate, and out-of-state	$	$	$
5800	State program revenues			
5900	Federal program revenues	385,069	35,531	1,884,234
5020	**Total revenues**	385,069	35,531	1,884,234
	Expenditures			
	Current:			
0011	Instruction	299,821	5,022	870,949
0012	Instruction resources and media services			
0013	Curriculum and instructional staff development	31,405		266,476
0021	Instructional leadership	38,170		231,766
0023	School leadership	10,624		59,730
0031	Guidance, counseling and evaluation services			
0032	Social work services		24,353	197,533
0034	Student transportation			
0035	Food service			
0036	Extracurricular activities			
0052	Security and monitoring services			
0053	Data processing services			
0061	Community services	5,049	6,156	257,780
6030	**Total Expenditures**	385,069	35,531	1,884,234
1200	Net change in fund balances			
0100	**Fund balance - beginning**			
3000	**Fund balance - ending**	$	$	$

224	**225**	**240**	**244**	**255**	**263**
IDEA - Part B Formula	**IDEA - Part B Preschool Grant**	**Child Nutrition**	**Career and Technical - Basic Grant**	**ESEA Title II, Part A - Teacher and Principal Training**	**Title III, Part A - English Language Acquisition**
$	$	$ 943,546	$	$	$
		31,148			
1,609,406	12,310	4,748,548	101,684	221,809	313,171
1,609,406	12,310	5,723,242	101,684	221,809	313,171
991,224	12,310		77,172		83,430
73,148			24,512	72,953	75,662
23,560				9,092	145,924
				139,764	5,815
521,474					
		5,827,672			
					2,340
1,609,406	12,310	5,827,672	101,684	221,809	313,171
		(104,430)			
		1,522,360			
$	$	$ 1,417,930	$	$	$

MANOR INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - ALL NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2018

Data Control Codes		274 GEAR UP	289 Federally Funded Special Revenue Funds	385 State Supplemental Visually Impaired
	Revenues			
5700	Local, intermediate, and out-of-state	$	$	$
5800	State program revenues			3,500
5900	Federal program revenues	458,883	215,834	
5020	**Total revenues**	458,883	215,834	3,500
	Expenditures			
	Current:			
0011	Instruction	194,881	177,635	3,500
0012	Instruction resources and media services			
0013	Curriculum and instructional staff development	3,898	100	
0021	Instructional leadership	151,964	38,099	
0023	School leadership			
0031	Guidance, counseling and evaluation services	3,085		
0032	Social work services			
0034	Student transportation			
0035	Food service			
0036	Extracurricular activities			
0052	Security and monitoring services			
0053	Data processing services	26,465		
0061	Community services	78,590		
6030	**Total Expenditures**	458,883	215,834	3,500
1200	Net change in fund balances			
0100	**Fund balance - beginning**			
3000	**Fund balance - ending**	$	$	$

397 Advanced Placement Initiatives	410 Instructional Materials Allotment	429 State Special Revenue Fund	461 Campus Activity Funds	499 Local Grants	Total Nonmajor Governmental Funds
$	$ 189	$	$ 472,322	$ 152,487	$ 1,568,544
12,540	811,854	363,020			1,222,062
					9,986,479
12,540	812,043	363,020	472,322	152,487	12,777,085
9,120	812,043	252,275	2	27,991	3,817,375
570				1,724	2,294
570		43,609		45,007	637,340
		1,609		1	640,185
1,995				18,047	235,975
285		64,155			588,999
				3,952	225,838
				4,500	4,500
					5,827,672
			531,628	6,968	538,596
				36,243	36,243
					26,465
				9,713	359,628
12,540	812,043	361,648	531,630	154,146	12,941,110
		1,372	(59,308)	(1,659)	(164,025)
		899		159,964	1,683,223
$	$	$ 2,271	$ (59,308)	$ 158,305	$ 1,519,198

(This page intentionally left blank.)

REQUIRED TEA SCHEDULES

MANOR INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DELINQUENT TAXES RECEIVABLE

For the Year Ended June 30, 2018

	1	2	3	10
Last Ten Fiscal Years	Tax Rates Maintenance	Debt Service	Net Assessed/Appraised Value For School Tax Purposes	Beginning Balance 7/1/2017
2009 and prior	Various	Various	Various	$ 1,054,328
2010	1.040000	0.475000	3,532,856,720	73,504
2011	1.040000	0.475000	3,143,297,300	51,241
2012	1.040000	0.475000	3,200,551,815	67,154
2013	1.040000	0.475000	3,250,287,925	125,409
2014	1.040000	0.475000	3,151,131,023	114,536
2015	1.040000	0.475000	4,186,459,208	138,235
2016	1.040000	0.475000	3,902,520,528	251,436
2017	1.040000	0.475000	4,670,138,746	630,484
2018	1.040000	0.475000	4,893,258,086	
1000 Totals				$ 2,506,327

Exhibit J-1

20 Current Year's Total Levy	31 Maintenance Total Collections	32 Debt Service Total Collections	40 Entire Year's Adjustments	50 Ending Balance 6/30/2018
$	$ 18,491	$ 4,000	$ (694)	$ 1,031,143
	2,770	1,265	(247)	69,222
	5,574	2,546	3,080	46,201
	11,109	5,074	11,356	62,327
	42,998	19,639	52,305	115,077
	51,316	23,438	59,690	99,472
	67,592	30,872	73,778	113,549
	15,101	6,897	(62,032)	167,406
	178,417	81,489	(107,996)	262,582
74,132,860	44,840,860	26,818,353	(1,776,318)	697,329
$ 74,132,860	$ 45,234,228	$ 26,993,573	$ (1,747,078)	2,664,308
	Penalties and interest receivable on taxes			2,718,097
	Total taxes receivable per Exhibit C-1			$ 5,382,405

MANOR INDEPENDENT SCHOOL DISTRICT *Exhibit J-2*

BUDGETARY COMPARISON SCHEDULE

CHILD NUTRITION PROGRAM

For the Year Ended June 30, 2018

Data Control Codes		Child Nutrition Fund — Budgeted Amounts — Original	Final	Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Revenues				
5700	Local revenues	$ 943,800	$ 943,800	$ 943,546	$ (254)
5800	State program revenues	44,454	44,454	31,148	(13,306)
5900	Federal program revenues	4,580,000	4,580,000	4,748,548	168,548
5020	**Total revenues**	5,568,254	5,568,254	5,723,242	154,988
	Expenditures				
	Current:				
0035	Food services	6,754,595	6,754,595	5,827,672	926,923
6030	**Total Expenditures**	6,754,595	6,754,595	5,827,672	926,923
1200	Net change in fund balances	(1,186,341)	(1,186,341)	(104,430)	1,081,911
0100	**Fund balances - beginning**	1,522,360	1,522,360	1,522,360	
3000	**Fund balances - ending**	$ 336,019	$ 336,019	$ 1,417,930	$ 1,081,911

MANOR INDEPENDENT SCHOOL DISTRICT *Exhibit J-3*

BUDGETARY COMPARISON SCHEDULE

DEBT SERVICE FUND

For the Year Ended June 30, 2018

		Debt Service			
		Budgeted Amounts			
Data Control Codes		**Original**	**Final**	**Actual Amounts, Budgetary Basis**	**Variance with Final Budget - Positive (Negative)**
	Revenues				
5700	Local revenues	$ 26,344,817	$ 26,344,817	$ 27,481,056	$ 1,136,239
5800	State program revenues	284,071	284,071	267,883	(16,188)
5020	**Total revenues**	26,628,888	26,628,888	27,748,939	1,120,051
	Expenditures				
	Debt Service:				
0071	Principal on long-term debt	22,183,308	9,180,000	9,180,000	
0072	Interest on long-term debt		13,099,293	13,099,293	
0073	Bond issuance costs and fees		19,015	16,738	2,277
6030	**Total Expenditures**	22,183,308	22,298,308	22,296,031	2,277
1100	Excess (deficiency) of revenues over expenditures	4,445,580	4,330,580	5,452,908	1,122,328
	Other Financing Sources (Uses)				
7915	Operating transfers in			3,865	3,865
7080	**Total other financing sources and uses**			3,865	3,865
0100	Net change in fund balances	4,445,580	4,330,580	5,456,773	1,126,193
1300	**Fund balances - beginning**	35,778,123	35,778,123	35,778,123	
3000	**Fund balances - ending**	$ 40,223,703	$ 40,108,703	$ 41,234,896	$ 1,126,193

(This page intentionally left blank.)

FEDERAL AWARDS SECTION

(This page intentionally left blank.)

whitleypenn

Houston Office
3737 Buffalo Speedway
Suite 1600
Houston, Texas 77098
713.621.1515 Main

whitleypenn.com

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

To the Board of Trustees
Manor Independent School District
Manor, 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 Manor Independent School District (the "District"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise District's basic financial statements, and have issued our report thereon dated October 29, 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.

To the Board of Trustees
Manor Independent School District

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.

Whitley Penn LLP

Houston, Texas
October 29, 2018

whitleypenn

Houston Office
3737 Buffalo Speedway
Suite 1600
Houston, Texas 77098
713.621.1515 Main

whitleypenn.com

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

To the Board of Trustees
Manor Independent School District
Manor, Texas

Report on Compliance for Each Major Federal Program

We have audited Manor Independent School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2018. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

To the Board of Trustees
Manor Independent School District

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

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

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

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

Whitley Penn LLP

Houston, Texas
October 29, 2018

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	None reported

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance with major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	None

Identification of major programs

Name of Federal Program or Cluster	CFDA Numbers
Child Nutrition Cluster:	
School Breakfast Program	10.553
National School Lunch Program	10.555
Prekindergarten Partnership Planning	93.575
Dollar Threshold Considered Between Type A and Type B Federal Programs	$750,000
Auditee qualified as low-risk auditee?	No

II. Financial Statement Findings

None noted

III. Federal Awards Findings and Questioned Costs

None noted

MANOR INDEPENDENT SCHOOL DISTRICT *Exhibit K-1*

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2018

(2A) Pass Through Entity Identifying Number	(1) Federal Grantor/ Pass-Through Grantor/ Program Title	District Fund Number	(2) Federal CFDA Number	(3) Federal Expenditures
	U.S. Department of Education			
	Passed Through Texas Education Agency:			
	Title I Part A:			
18610101227907	*Title I Part A - Improving Basic Programs*	211	84.010A	$ 1,471,750
18610123227907	*Title I 1003 - School Improvement*	211	84.010A	89,890
17610112227907000	*Title I 1003(A) - Priority and Focus School*	211	84.010A	311,579
186101207110013	*2017-2019 School Redesign Grant, Pilot Cycle*	211	84.010A	49,522
	Total Title I Part A			1,922,741
	Special Education Cluster:			
176600012279076000	*IDEA-B Formula*	224	84.027A	82,103
186600012279076000	*IDEA-B Formula*	224	84.027A	1,552,478
186610012279076000	*IDEA-B Preschool*	225	84.173A	12,310
	Total Special Education Cluster			1,646,891
18420006227907	*Carl D. Perkins Basic Formula*	244	84.048A	74,186
184200547110012	*2017-2018 Perkins Career Center*	244	84.048A	27,498
173922017110015	*2016-2018 Industry Cluster Perkins*	289	84.048	60,998
175110017110003	*Gaining Early Awareness and Readiness for Undergraduate Programs*	274	84.334S	24,345
185110017110003	*Gaining Early Awareness and Readiness for Undergraduate Programs*	274	84.334S	322,160
17671001227907	*Title III, Part A - Limited English Proficiency (LEP)*	263	84.365A	53,263
18671001227907	*Title III, Part A - English Language Acquisition and Language Enhancement*	263	84.365A	264,403
17694501227907	*ESEA, Title II, Part A - Teacher and Principal Training and Recruiting*	255	84.367A	48,036
18694501227907	*ESEA, Title II, Part A - Supporting Effective Instruction*	255	84.367A	176,766
69551702	*Summer School LEP*	199	84.369A	11,871
	Total Passed Through Texas Education Agency			4,633,158
	Passed Through Education Service Center Region X:			
17-057	*ESEA, Title X, Part C - Education for the Homeless Children and Youth*	206	84.196A	35,531
	Total Passed Through Education Service Center Region X			35,531
	Passed Through University of Texas at Austin:			
P334A170079	*Gaining Early Awareness and Readiness for Undergraduate Programs*	274	84.334	112,378
	Total Passed Through University of Texas at Austin			112,378
	Total U.S. Department of Education			4,781,067

(2A) Pass Through Entity Identifying Number	(1) Federal Grantor/ Pass-Through Grantor/ Program Title	District Fund Number	(2) Federal CFDA Number	(3) Federal Expenditures
	U.S. Department of Health and Human Services			
	Passed Through Texas Education Agency:			
173921017110017	*Prekindergarten Partnership Planning*	203	93.575	390,069
	Total Passed Through Texas Education Agency			390,069
	Total U.S. Department of Health and Human Services			390,069
	U.S. Department of Labor			
	Passed Through Texas Education Agency:			
173918017110015	*2016-2018 Industry Cluster TWC - Adult*	289	17.258	95,978
173920017110015	*2016-2018 Industry Cluster TWC Dislocated*	289	17.278	61,677
	Total Passed Through Texas Education Agency			157,655
	Total U.S. Department of Labor			157,655
	U.S. Department of Agriculture			
	Child Nutrition Cluster:			
	Passed Through Texas Department of Agriculture:			
	Non Cash Assistance (Commodities):			
CE-227907	*National School Lunch Program*	240	10.555	$ 286,249
	Total Passed Through Texas Department of Agriculture:			286,249
	Passed Through Texas Department of Education:			
	Cash Assistance:			
71401801	*School Breakfast Program*	240	10.553	1,197,894
71301801	*National School Lunch Program*	240	10.555	3,264,405
	Total Passed Through Texas Department of Education:			4,462,299
	Total Child Nutrition Cluster			4,748,548
	Total Department of Agriculture			4,748,548
	Total Expenditures of Federal Awards			$ 10,077,339

Note 1 - Basis of Accounting

The District accounts for all awards under federal programs in the General and Certain Special Revenue Funds in accordance with the Texas Education Agency's *Financial Accountability System Resource Guide*. These programs are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for these funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the liability is incurred, if measurable, except for certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited to reimbursement. Pass-through entity identifying numbers are presented where available.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as unearned revenues until earned. Generally, unused balances are returned to the grantor at the close of specified project periods. The District has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 2 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of the District under programs of the federal government for the year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

Note 3 - Reconciliation to Basic Financial Statements

The following is a reconciliation of expenditures of federal awards program per Exhibit K-1 and expenditures reported on Exhibit C-3:

Total Expenditures of Federal Awards - Exhibit K-1	$ 10,077,339
SHARS	1,416,913
E-rate	172,740
Total Federal Revenue - Exhibit C-3	$ 11,666,992

Note 4 - General Fund Expenditures

Federal Awards reported in the general fund are summarized as follows:

SHARS	$ 1,416,913
E-rate	172,740
Medicaid Administrative Claiming Program	
Summer School LEP	11,871
Indirect Costs:	
Title I Part A - Improving Basic Programs	38,507
IDEA Part B - Formula	25,175
2016-2018 Industry Cluster Perkins	1,030
Title III, Part A - English Language Acquisition and Language Enhancement	4,495
ESEA, Title II, Part A - Supporting Effective Instruction	2,993
PreKindergarten Partnership Planning	5,000
2016-2018 Industry Cluster TWC - Adult	1,789
	$ 1,680,513

Federal regulations, Title 2 U.S. Code of Federal Regulations Section 200.511 states, "The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee must prepare a summary schedule of prior audit findings." The summary schedule of prior audit findings must report the status of the following:

- All audit findings included in the prior audit's schedule of findings and questioned costs and
- All audit findings reported in the prior audit's summary schedule of prior audit findings except audit findings listed as corrected.

The Summary Schedule of Prior Audit Findings for the year ended June 30, 2018 has been prepared to address these requirements.

Financial Statement Findings

Material Weakness

Finding 2017-001 – Year-End Close Out Procedures

Condition: During the course of the audit, we noted that year- end close out procedures had not been performed to reconcile trial balance accounts to financial records. This is a repeat from Finding 2016-001.

Status: We noted improvement on this area.

Compliance and Other Matters

Finding 2017-002 – Supporting Documentation for Attendance Changes

Condition: During the course of the audit, we requested an attendance change report for one regular attendance day and selected a total of 25 attendance changes that moved a student to a funded category. Our sample covered a total of three campuses. In seven (7) instances, the supporting documentation lacked the staff-prepared form explaining the student's absence, in seven (7) separate instances the supporting documentation lacked the staff-prepared attendance roster for the selected student attendance, and in one (1) separate instance the supporting documentation was unable to support the attendance change to a funded category.

Status: No similar instances noted during the current year audit.

Finding 2017-003 – State Mandated Program Spending Requirement

Condition: The District did not expend the required percentage of the Foundation School Allotment for State Compensatory Education by $1,383,674 or 35% as required by the Texas Education Agency.

Status: No similar instances noted during the current year audit.

Federal Awards Findings and Questioned Costs

Finding 2017-004 – Child Nutrition Cluster – Equipment Management (CFDA 10.553 and 10.555)

Condition: The District has not taken take a physical inventory of property acquired under this federal award in the last two years. This is a repeat from Finding 2016-005.

Status: This Finding was resolved.

Federal regulations, Title 2 U.S. Code of Federal Regulations §200.511 states, "At the completion of the audit, the auditee must prepare, in a document separate from the auditor's findings described in §200.516 Audit findings, a corrective action plan to address each audit finding included in the current year auditor's reports."

The Corrective Action Plan for the year ended June 30, 2018 has been prepared to address these requirements.

I. Corrective Action Plan

Not applicable

DO NOT BIND IN REPORT

Schedule L-1 – Required Responses to Selected School FIRST Indicators

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	$ 713,203
SF11	Net Pension Assets (1920) at fiscal year-end.	$ 0
SF12	Net Pension Liabilities (2540) at fiscal year-end.	$ 17,423,755
SF13	Pension Expense (6147) at fiscal year-end.	$