

**MANOR INDEPENDENT
SCHOOL DISTRICT**

**ANNUAL FINANCIAL AND
COMPLIANCE REPORT**

Year Ended June 30, 2019



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MANOR INDEPENDENT SCHOOL DISTRICT

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CERTIFICATE OF BOARD

Manor Independent School District

Name of School District

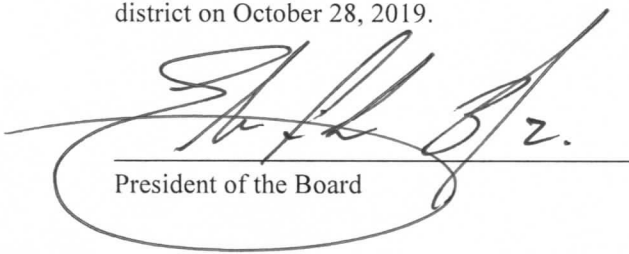
Travis

County


227-907

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, 2019, at a meeting of the board of trustees of such school district on October 28, 2019.



President of the Board



Secretary of the Board



FINANCIAL SECTION



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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 through 12, and the budgetary comparison schedule, required pension information, and required other post-employment benefit information on pages 56 through 63 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 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.

To the Board of Trustees
Manor Independent School District

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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.

A handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, flowing style.

Houston, Texas
October 28, 2019



MANOR INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2019.

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 \$18,291,109 (*net position*). Of this amount, \$34,307,178 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 increased by \$2,120,600.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$88,822,183, a decrease of \$27,728,472 in comparison with the prior year. The debt service fund balance increased by \$2,082,741 and the capital projects fund balance decreased by \$29,481,197.
- During the current fiscal year, unassigned fund balance for the general fund decreased by \$786,478, to \$28,964,966, unassigned fund balance at year-end is 33 percent of general fund expenditures.
- The District's total bonded debt decreased by \$12,950,000 (4 percent) during the current fiscal year as the result of 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.

MANOR INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

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.

MANOR INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

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 \$18,291,109 at the close of the most recent fiscal year.

A portion of the District's net position, \$12,398,081 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.

MANOR INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Condensed Statement of Net Position
June 30, 2019 and 2018

	Governmental Activities		Percentage Change
	2019	2018	
Current and other assets	\$ 100,127,338	\$ 130,598,481	-23%
Capital assets	338,326,037	319,500,452	6%
Total Assets	438,453,375	450,098,933	-3%
Deferred charge on refunding	7,482,045	7,971,281	-6%
Deferred outflows relating to pension and OPEB activities	21,562,506	6,152,011	250%
Total Deferred Outflows of Resources	29,044,551	14,123,292	106%
Current liabilities	14,130,192	17,722,921	-20%
Long term liabilities	420,244,920	412,812,386	2%
Total Liabilities	434,375,112	430,535,307	1%
Deferred inflows relating to pension and OPEB activities	14,831,705	17,516,409	-15%
Total Deferred Inflows of Resources	14,831,705	17,516,409	-15%
Net Position			
Net investment in capital assets	12,398,081	9,974,503	24%
Restricted for:			
Federal and State Grant Programs	1,780,395	1,578,506	13%
Debt Service	38,419,811	35,876,396	7%
Unrestricted	(34,307,178)	(31,258,896)	10%
Total Net Position	\$ 18,291,109	\$ 16,170,509	13%

At the end of the current fiscal year, the District reports positive balances in the total net position, which increased by \$2,120,600 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 \$33.99 million at June 30, 2019, a decrease in the deficit of \$2.7 million from the prior year.

MANOR INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Comparative Schedule of Changes in Net Position
For the Years Ended June 30, 2019 and 2018

	<u>Governmental Activities</u>		<u>Percentage Change</u>
	<u>2019</u>	<u>2018</u>	
Revenues			
Program revenues:			
Charges for services	\$ 3,215,444	\$ 3,106,985	3%
Operating grants	15,215,405	579,406	2526%
General revenues:			
Property taxes	79,986,524	73,074,341	9%
State Aid - Formula Grants	25,483,432	25,303,015	1%
Grants and contributions not restricted	6,707,442	-	100%
Interest earnings	2,296,802	1,681,250	37%
Other	1,188,080	418,738	184%
Total Revenues	<u>134,093,129</u>	<u>104,163,735</u>	29%
Expenses			
Instruction	60,313,256	36,613,259	65%
Instructional resources and media services	1,334,180	860,311	55%
Curriculum and staff development	2,522,662	1,636,667	54%
Instructional leadership	4,652,810	2,812,409	65%
School leadership	7,282,979	4,193,590	74%
Guidance, counseling, and evaluation services:	2,873,990	1,800,795	60%
Social work services	1,015,050	724,148	40%
Health services	1,226,161	712,109	72%
Student transportation	5,763,635	3,215,444	79%
Food service	6,942,464	5,682,606	22%
Extracurricular activities	5,016,830	3,274,592	53%
General administration	3,815,363	2,658,629	44%
Facilities, maintenance and operations	10,314,439	6,901,568	49%
Security and monitoring services	1,268,210	933,145	36%
Data processing services	3,348,882	2,768,890	21%
Community services	1,044,780	726,359	44%
Interest on long-term debt	12,823,494	13,055,431	-2%
Bond issuance cost and fees	20,655	542,608	-96%
Other facility costs	-	26,819	-100%
Other governmental charges	392,689	381,573	3%
Total Expenses	<u>131,972,529</u>	<u>89,520,952</u>	47%
Increase (Decrease) in Net Position	2,120,600	14,642,783	-86%
Net position - as previously reported	16,170,509	58,868,049	-73%
Change in accounting principles/standards*	-	(57,340,323)	-100%
Net position - ending	<u>\$ 18,291,109</u>	<u>\$ 16,170,509</u>	13%

* Implementation of GASB 75 was effective at the beginning of the 2018 fiscal year resulting in a negative OPEB on behalf expense and corresponding revenue of approximately \$15.1 million.

MANOR INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Governmental activities

Changes in Net Position

The Net Position of the District increased by \$2,120,600 for the year ended June 30, 2019. The total revenues from taxpayers, user service fees, grants and other sources for the District was \$125.5 million, a \$29.96 million increase from fiscal year 2018. Total expenses for the 2019 fiscal year were \$131.9 **Error! Not a valid link.**million or \$42.4 million more than expenses of fiscal year 2018.

Revenues for the District's governmental activities increased year over year overall \$10.0 million for the year ended June 30, 2019. Property tax revenues increased by \$6.9 million due to an increase in appraised property values from \$4,364,152,995 in 2017 to \$4,895,991,089 in 2018. State and other grant revenue decreased by (\$0.2) million mainly due to smaller appraised property value growth in 2019 versus 2018 when compared to the growth in 2018 versus 2017. Approximately 60 percent of the District's revenues came from property taxes, with an additional 23 percent derived from state funding formulas and federal grants. Last fiscal year 61.2 percent of the District's revenues came from property taxes and 34.3 percent came from state funding formulas and federal grants.

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 \$88,822,183, a decrease of \$27,728,472 in comparison with the prior year. The decrease in ending governmental fund balances is primarily due to a \$29.48 million decrease 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 \$28,966,254, 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 33 percent of total general fund expenditures. The fund balance of the District's general fund decreased by \$793,994 during the current fiscal year.

The debt service fund has a total fund balance of \$43,317,637, 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 \$2,082,741 was attributable to the local tax collections and state aid of \$29.3 million versus an annual debt service payment of \$27.2 million.

The capital projects fund has a total fund balance of \$14,555,116, all of which is restricted for capital acquisitions as authorized by the issued bonds. The net decrease in the capital projects fund balance during the current year of \$29,481,197 was attributable to the ongoing construction in progress.

MANOR INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

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	
	<u>Original</u>	<u>Final Amended</u>
Total revenues	\$ 83,918,472	\$ 84,197,442
Total expenditures	(89,376,496)	(89,855,194)
Net change in fund balance	<u>\$ (5,458,024)</u>	<u>\$ (5,657,752)</u>

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, 2019, includes land, buildings and improvements, furniture and equipment, and construction in progress. The following table summarizes the investment in capital assets (net of accumulated depreciation) as of June 30, 2019 and 2018.

	<u>2019</u>	<u>2018</u>
Land	\$ 17,900,974	\$ 17,900,974
Buildings and improvements	278,153,614	215,016,985
Furniture and equipment	2,701,938	4,664,959
Leased assets under capital leases	1,207,625	-
Construction in progress	38,361,886	81,917,534
Total	<u>\$ 338,326,037</u>	<u>\$ 319,500,452</u>

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 \$317,509,999 in bonded debt outstanding, a decrease of \$12,950,000 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, 2019 are as follows:

<u>Outstanding 07/01/18</u>	<u>Issued</u>	<u>Retired</u>	<u>Outstanding 06/30/19</u>
\$ 330,459,999	\$ -	\$ (12,950,000)	\$ 317,509,999

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

MANOR INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Economic Factors and Next Year's Budgets and Rates

The District's 2019 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 2020 tax rates are set at a total of \$1.47, of which \$.97 is for M&O and \$.50 is for I&S.

Student enrollment for 2019-2020 is 9,595 students as of the TEA snapshot date versus 9,463 students enrolled at snapshot in 2018-2019, a growth of 132 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.

BASIC FINANCIAL STATEMENTS

MANOR INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2019

Exhibit A-1

<u>Data Control Codes</u>	<u>Governmental Activities</u>
Assets	
1110 Cash and cash equivalents	\$ 86,838,794
1225 Property taxes receivables, net	2,922,668
1240 Due from other governments	5,316,745
1290 Other receivables, net	1,374
1300 Inventories	46,469
1410 Prepaid items	1,288
Capital assets not subject to depreciation:	
1510 Land	17,900,974
1580 Construction in progress	38,361,886
Capital assets net of depreciation:	
1520 Buildings and improvements, net	278,153,614
1530 Furniture and equipment, net	2,701,938
1550 Capital lease assets, net	1,207,625
1910 Long-term investments	5,000,000
1000 Total Assets	<u>438,453,375</u>
Deferred Outflows of Resources	
1700 Deferred outflows - loss on refunding	7,482,045
1705 Deferred outflows - pension activities	17,764,811
1710 Deferred outflows - OPEB activities	3,797,695
Total Deferred Outflows of Resources	<u>29,044,551</u>
Liabilities	
2110 Accounts payable	2,471,451
2140 Interest payable	5,747,705
2150 Payroll deductions and withholdings	902,259
2160 Accrued wages payable	4,012,010
2180 Due to other governments	869,176
2300 Unearned revenue	127,591
Noncurrent Liabilities:	
2501 Due within one year	11,942,725
2502 Due in more than one year	337,271,584
2540 Net pension liability	32,953,005
2545 Net Other Post Employment Benefits (OPEB) Obligation	38,077,606
2000 Total Liabilities	<u>434,375,112</u>
Deferred Inflows of Resources	
2605 Deferred inflows - pension activities	2,790,648
2610 Deferred inflows - OPEB activities	12,041,057
Total Deferred Inflows of Resources	<u>14,831,705</u>
Net Position	
3200 Net investment in capital assets	12,398,081
Restricted for:	
3820 Federal and state programs	1,780,395
3850 Debt service	38,419,811
3900 Unrestricted	(34,307,178)
3000 Total net position	<u>\$ 18,291,109</u>

MANOR INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

Exhibit B-1

Data Control Codes	Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Operating Grants and Contributions	Primary Governmental Activities
	Governmental activities:				
11	Instruction	\$ 60,313,256	\$ 2,015,452	\$ 3,658,342	\$ (54,639,462)
12	Instructional resources and media services	1,334,180	-	13,994	(1,320,186)
13	Curriculum and staff development	2,522,662	-	936,450	(1,586,212)
21	Instructional leadership	4,652,810	-	913,434	(3,739,376)
23	School leadership	7,282,979	-	110,545	(7,172,434)
31	Guidance, counseling, and evaluation services	2,873,990	-	431,921	(2,442,069)
32	Social work services	1,015,050	-	190,600	(824,450)
33	Health services	1,226,161	-	2,590,108	1,363,947
34	Student transportation	5,763,635	-	1,507	(5,762,128)
35	Food service	6,942,464	1,052,005	5,100,429	(790,030)
36	Extracurricular activities	5,016,830	86,121	7,767	(4,922,942)
41	General administration	3,815,363	-	359,510	(3,455,853)
51	Facilities, maintenance and operations	10,314,439	61,866	-	(10,252,573)
52	Security and monitoring services	1,268,210	-	-	(1,268,210)
53	Data processing services	3,348,882	-	202,812	(3,146,070)
61	Community services	1,044,780	-	418,232	(626,548)
72	Interest on long-term debt	12,823,494	-	279,754	(12,543,740)
73	Bond issuance cost and fees	20,655	-	-	(20,655)
99	Other governmental charges	392,689	-	-	(392,689)
TG	Total governmental activities	<u>\$ 131,972,529</u>	<u>\$ 3,215,444</u>	<u>\$ 15,215,405</u>	<u>\$ (113,541,680)</u>

Data Control Codes		
	General revenues:	
	Taxes:	
MT	Property taxes, levied for general purposes	51,476,342
DT	Property taxes, levied for debt service	28,510,182
SF	State-aid formula grants	25,483,432
GC	Grants and contributions not restricted	6,707,442
IE	Investment earnings	2,296,802
MI	Miscellaneous	1,188,080
TR	Total general revenues	<u>115,662,280</u>
CN	Change in net position	2,120,600
NB	Net position - beginning	<u>16,170,509</u>
NE	Net position - ending	<u>\$ 18,291,109</u>

MANOR INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
 June 30, 2019

Exhibit C-1
Page 1 of 2

Data Control Codes		General Fund	Debt Service Funds	Capital Projects Fund
Assets				
1110	Cash and cash equivalents	\$ 30,074,419	\$ 15,216	\$ 269,140
1120	Investments	-	40,750,101	15,725,399
Receivables:				
1220	Delinquent property taxes receivables	4,684,892	1,488,402	-
1230	Allowance for uncollectible taxes (credit)	(2,612,102)	(638,524)	-
1240	Receivables from other governments	3,755,841	-	-
1260	Due from other funds	153	52,321	-
1290	Other receivables	1,374	-	-
1300	Inventories, at cost	-	-	-
1410	Prepaid items	1,288	-	-
1910	Long-term investments	2,500,000	2,500,000	-
1000	Total Assets	\$ 38,405,865	\$ 44,167,516	\$ 15,994,539
Liabilities, Deferred Inflows, and Fund Balance				
Liabilities:				
2110	Accounts payable	\$ 539,661	\$ -	\$ 1,439,270
2150	Payroll deduction and withholdings payable	878,664	-	-
2160	Accrued wages payable	3,774,992	-	-
2170	Due to other funds	1,304,329	-	153
2180	Payable to other governments	869,176	-	-
2300	Unearned revenue	-	-	-
2000	Total Liabilities	7,366,822	-	1,439,423
Deferred Inflows of Resources				
2600	Deferred inflows	2,072,789	849,879	-
	Total Deferred Inflows of Resources	2,072,789	849,879	-
Fund Balances:				
Nonspendable:				
3430	Prepaid items	1,288	-	-
Restricted:				
3450	Federal/State grant restrictions	-	-	-
3470	Capital acquisitions	-	-	14,555,116
3480	Debt service	-	43,317,637	-
3490	Local grants	-	-	-
3600	Unassigned	28,964,966	-	-
3000	Total fund balances	28,966,254	43,317,637	14,555,116
4000	Total Liabilities, Deferred Inflows, and Fund Balances	\$ 38,405,865	\$ 44,167,516	\$ 15,994,539

MANOR INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
 June 30, 2019

Exhibit C-1
 Page 2 of 2

<u>Data Control Codes</u>		<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
1110	Cash and cash equivalents	\$ 4,519	\$ 30,363,294
1120	Investments	-	56,475,500
Receivables:			
1220	Delinquent property taxes receivables	-	6,173,294
1230	Allowance for uncollectible taxes (credit)	-	(3,250,626)
1240	Receivables from other governments	1,560,904	5,316,745
1260	Due from other funds	2,297,076	2,349,550
1290	Other receivables	-	1,374
1300	Inventories, at cost	46,469	46,469
1410	Prepaid items	-	1,288
1910	Long-term investments	-	5,000,000
1000	Total Assets	<u>\$ 3,908,968</u>	<u>\$ 102,476,888</u>
Liabilities, Deferred Inflows, and Fund Balance			
Liabilities:			
2110	Accounts payable	\$ 492,753	\$ 2,471,684
2150	Payroll deduction and withholdings payable	23,362	902,026
2160	Accrued wages payable	237,018	4,012,010
2170	Due to other funds	1,045,068	2,349,550
2180	Payable to other governments	-	869,176
2300	Unearned revenue	127,591	127,591
2000	Total Liabilities	<u>1,925,792</u>	<u>10,732,037</u>
Deferred Inflows of Resources			
2600	Deferred inflows		2,922,668
Total Deferred Inflows of Resources		<u>-</u>	<u>2,922,668</u>
Fund Balances:			
Nonspendable:			
3430	Prepaid items	-	1,288
Restricted:			
3450	Federal/State grant restrictions	1,622,090	1,622,090
3470	Capital acquisitions	-	14,555,116
3480	Debt service	-	43,317,637
3490	Local grants	158,305	158,305
3600	Unassigned	202,781	29,167,747
3000	Total fund balances	<u>1,983,176</u>	<u>88,822,183</u>
4000	Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 3,908,968</u>	<u>\$ 102,476,888</u>



MANOR INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
STATEMENT OF NET POSITION
June 30, 2019

Exhibit C-2

<u>Data Control Codes</u>		
	Total fund balance, governmental funds	\$ 88,822,183
	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.	338,326,037
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).	2,922,668
3	Deferred charge on refunding	7,482,045
4	Deferred outflows relating to pension activities	17,764,811
5	Deferred outflows relating to OPEB activities	3,797,695
	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	(317,509,999)
7	Premiums on issuance	(29,448,095)
8	Capital leases payable	(1,007,023)
9	Accreted interest on capital appreciation bonds	(735,797)
10	Accrued compensated absences	(513,395)
11	Accrued interest payable	(5,747,705)
12	Net pension liability	(32,953,005)
13	Net OPEB liability	(38,077,606)
14	Deferred inflows relating to pension activities	(2,790,648)
15	Deferred inflows relating to OPEB activities	(12,041,057)
19	Net position - governmental activities	<u><u>\$ 18,291,109</u></u>

MANOR INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

Exhibit C-3
Page 1 of 2

Data Control Codes		General Fund	Debt Service Funds	Capital Projects Fund
Revenues				
5700	Local, intermediate, and out-of-state	\$ 54,557,205	\$ 29,019,967	\$ 654,493
5800	State program revenues	29,197,334	279,754	-
5900	Federal program revenues	2,979,987	-	-
5020	Total revenues	<u>86,734,526</u>	<u>29,299,721</u>	<u>654,493</u>
Expenditures				
Current:				
0011	Instruction	46,742,049	-	11,176
0012	Instructional resources and media services	880,444	-	167,390
0013	Curriculum and staff development	1,372,568	-	-
0021	Instructional leadership	3,407,980	-	-
0023	School leadership	6,509,883	-	4,843
0031	Guidance, counseling and evaluation services	2,215,063	-	-
0032	Social work services	751,549	-	-
0033	Health services	1,119,868	-	-
0034	Student transportation	5,017,101	-	224,435
0035	Food services	-	-	7,216
0036	Extracurricular activities	2,398,159	-	66,978
0041	General administration	3,337,940	-	52
0051	Facilities maintenance and operations	9,715,448	-	12,567
0052	Security and monitoring services	1,238,007	-	-
0053	Data processing services	2,088,390	-	1,161,836
0061	Community services	593,696	-	-
Debt service:				
0071	Principal on long-term debt	-	12,950,000	200,602
0072	Interest on long-term debt	-	14,246,442	-
0073	Bond issuance costs and fees	-	20,538	117
Capital outlay:				
0081	Facilities acquisition and construction	-	-	29,486,103
Intergovernmental:				
0099	Other governmental charges	392,689	-	-
6030	Total Expenditures	<u>87,780,834</u>	<u>27,216,980</u>	<u>31,343,315</u>
1100	Excess (deficiency) of revenues over expenditures	<u>(1,046,308)</u>	<u>2,082,741</u>	<u>(30,688,822)</u>
Other Financing Sources (Uses)				
7913	Proceeds from capital lease	-	-	1,207,625
7915	Transfers in	252,314	-	-
8911	Transfers out	-	-	-
7080	Total other financing sources and uses	<u>252,314</u>	<u>-</u>	<u>1,207,625</u>
1200	Net change in fund balances	(793,994)	2,082,741	(29,481,197)
0100	Fund Balance - beginning	<u>29,760,248</u>	<u>41,234,896</u>	<u>44,036,313</u>
3000	Fund Balance - ending	<u>\$ 28,966,254</u>	<u>\$ 43,317,637</u>	<u>\$ 14,555,116</u>

MANOR INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

Exhibit C-3
Page 2 of 2

Data Control Codes		Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
5700	Local, intermediate, and out-of-state	\$ 2,089,946	\$ 86,321,611
5800	State program revenues	1,179,232	30,656,320
5900	Federal program revenues	10,600,942	13,580,929
5020	Total revenues	<u>13,870,120</u>	<u>130,558,860</u>
Expenditures			
Current:			
0011	Instruction	3,601,053	50,354,278
0012	Instructional resources and media services	13,994	1,061,828
0013	Curriculum and staff development	935,141	2,307,709
0021	Instructional leadership	786,309	4,194,289
0023	School leadership	108,812	6,623,538
0031	Guidance, counseling and evaluation services	392,572	2,607,635
0032	Social work services	190,600	942,149
0033	Health services	471	1,120,339
0034	Student transportation	1,507	5,243,043
0035	Food services	5,950,545	5,957,761
0036	Extracurricular activities	608,129	3,073,266
0041	General administration	58,600	3,396,592
0051	Facilities maintenance and operations	-	9,728,015
0052	Security and monitoring services	-	1,238,007
0053	Data processing services	90,183	3,340,409
0061	Community services	415,912	1,009,608
Debt service:			
0071	Principal on long-term debt	-	13,150,602
0072	Interest on long-term debt	-	14,246,442
0073	Bond issuance costs and fees	-	20,655
Capital outlay:			
0081	Facilities acquisition and construction	-	29,486,103
Intergovernmental:			
0099	Other governmental charges	-	392,689
6030	Total Expenditures	<u>13,153,828</u>	<u>159,494,957</u>
1100	Excess (deficiency) of revenues over expenditures	<u>716,292</u>	<u>(28,936,097)</u>
Other Financing Sources (Uses)			
7914	Proceeds from loan	-	1,207,625
7915	Transfers in	-	252,314
8911	Transfers out	(252,314)	(252,314)
7080	Total other financing sources and uses	<u>(252,314)</u>	<u>1,207,625</u>
1200	Net change in fund balances	463,978	(27,728,472)
0100	Fund Balance - beginning	<u>1,519,198</u>	<u>116,550,655</u>
3000	Fund Balance - ending	<u>\$ 1,983,176</u>	<u>\$ 88,822,183</u>

MANOR INDEPENDENT SCHOOL DISTRICT
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, 2019

Exhibit C-4

<u>Data Control Codes</u>		
	Net change in fund balances - total governmental funds (from C-3)	\$ (27,728,472)
	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	30,445,266
2	Governmental funds depreciation expense	(11,619,681)
3	Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	540,729
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.	2,184,804
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.	565,376
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.	13,150,602
	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 lease	(1,207,625)
	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:	
8	Pension expense for the pension plan measurement year	(4,574,842)
9	OPEB expense for the TRS-Care plan measurement year	(1,032,983)
10	Decrease in interest payable not recognized in fund statements	309,329
11	Increase in long-term portion of accrued compensated absences	(25,522)
12	Accumulated accretion	(22,594)
13	Amortization of premium on issuance	1,625,449
14	Amortization of deferred charge on refunding	(489,236)
	Change in net position of governmental activities (see B-1)	<u>\$ 2,120,600</u>

MANOR INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2019

Exhibit E-1

<u>Data Control Codes</u>		<u>Student Activity Agency Fund</u>
	Assets	
1110	Cash and cash equivalents	\$ 76,474
1000	Total Assets	<u>\$ 76,474</u>
	Liabilities	
2190	Due to others	\$ 76,474
2000	Total Liabilities	<u>\$ 76,474</u>

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.

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.

Note 1 - Summary of Significant Accounting Policies (continued)

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

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. 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.

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.

Note 1 - Summary of Significant Accounting Policies (continued)

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.

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:

<u>Assets</u>	<u>Years</u>
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.

Note 1 - Summary of Significant Accounting Policies (continued)

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.

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 the District's proportional share of pension liabilities, 2) changes in actuarial assumptions; and 3) differences between expected and actual actuarial experiences. 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) changes in the District’s proportional share of post-employment liabilities; 2) changes in actuarial assumptions; 3) differences between expected and actual actuarial experiences and 4) differences between projected and actual earnings on post-employment plan investments. 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) changes in the District’s proportional share of pension liabilities; 2) changes in actuarial assumptions; 3) differences between expected and actual actuarial experiences and 4) differences between projected and actual earnings on pension plan investments. 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 1) changes in actuarial assumptions and 3) 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:

- Nonspendable fund balance – Represents amounts that are not in spendable form, such as prepaids, or are required to be maintained intact.
- 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, 2019, 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:

	<u>Amortized Cost/ Fair Value</u>	<u>Percentage of Portfolio</u>	<u>Weighted Average Maturity (Days)</u>	<u>Credit Quality Rating*</u>
Governmental Activities				
Cash and deposits	\$ 1,376,618	1.50%	N/A	N/A
Certificates of deposit	<u>5,053,940</u>	5.50%	228	N/A
Investments				
Local Government Investment Pools:				
Texas CLASS	85,340,600	92.85%	51	AAAm
TexPool	<u>67,636</u>	0.07%	36	AAAm
	<u>85,408,236</u>			
Total Investments	<u>90,462,176</u>		61	
Total Governmental Activities	<u>91,838,794</u>			
Fiduciary Funds				
Cash and Deposits	<u>76,474</u>	0.08%	N/A	N/A
Total Fiduciary Funds	<u>76,474</u>			
Total	<u>\$ 91,915,268</u>			

*Standard & Poor's

Due to the immediate availability of funds, the District's temporary investments at June 30, 2019 are included in cash and cash equivalents. In addition, the District's certificates of deposit are reported at fair value using Level 1 inputs.

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.

Note 2 - Deposits and Investments (continued)

At June 30, 2019, the District's exposure to interest risk as measured by the segmented time distribution by investment type is summarized below:

	Amortized Cost/ Fair Value	Investment Maturity in Years	
		Less than 1	1-2
Certificates of deposit	\$ 5,053,940	\$ 5,053,940	\$ -
Local Government Investment Pools:			
Texas CLASS	85,340,600	85,340,600	-
TexPool	67,636	67,636	-
	<u>\$ 90,462,176</u>	<u>\$ 90,462,176</u>	<u>\$ -</u>

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	\$ 4,684,892	\$ 1,488,402	\$ -	\$ 6,173,294
Due from other governments	3,755,841	-	1,560,904	5,316,745
Other	1,374	-	-	1,374
Gross Receivables	8,442,107	1,488,402	1,560,904	11,491,413
Less allowance for doubtful accounts	(2,612,102)	(638,524)	-	(3,250,626)
Net Total Receivables	<u>\$ 5,830,005</u>	<u>\$ 849,878</u>	<u>\$ 1,560,904</u>	<u>\$ 8,240,787</u>

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 \$127,591, 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, 2019, is as follows:

	Payable Fund		
	General Fund	Capital Projects Fund	Nonmajor Governmental Fund
Receivable Fund			
Governmental Activities			
General Fund	\$ -	\$ 153	\$ -
Debt Service Funds	52,321	-	-
Nonmajor Governmental Funds	1,252,008	-	1,045,068
Total Governmental Funds	\$ 1,304,329	\$ 153	\$ 1,045,068

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, 2019:

Transfer Out	Transfer In	Amount	Purpose
Nonmajor Governmental Funds	General Fund	\$ 252,314	Transfer related to Emergency Impact Aid grant

Note 5 - Capital Assets

Capital asset activity for the year ended June 30, 2019, was as follows:

	Balance June 30, 2018	Additions	(Retirements) and Transfers	Balance June 30, 2019
Capital assets, not being depreciated:				
Land	\$ 17,900,974	\$ -	\$ -	\$ 17,900,974
Construction in progress	81,917,534	28,923,261	(72,478,909)	38,361,886
Total Capital assets, not being depreciated	99,818,508	28,923,261	(72,478,909)	56,262,860
Capital assets, being depreciated:				
Buildings and improvements	286,103,437	-	72,478,909	358,582,346
Furniture and equipment	22,768,570	314,380	-	23,082,950
Lease equipment under capital leases	-	1,207,625	-	1,207,625
Total Capital assets, being depreciated	308,872,007	1,522,005	72,478,909	382,872,921
Less accumulated depreciation for:				
Buildings and improvements	(71,086,452)	(9,342,280)	-	(80,428,732)
Furniture and Equipment	(18,103,611)	(2,277,401)	-	(20,381,012)
Total Accumulated depreciation	(89,190,063)	(11,619,681)	-	(100,809,744)
Governmental Capital Assets	\$ 319,500,452	\$ 18,825,585	\$ -	\$ 338,326,037

Note 5 - Capital Assets (continued)

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

<u>Function</u>	<u>Depreciation Expense</u>
Instruction	\$ 6,795,129
Instructional resources and media services	360,746
Curriculum and staff development	117,953
Instructional leadership	215,483
School leadership	176,441
Guidance, counseling and evaluation services	70,355
Social work services	20,901
Health services	30,822
Student transportation	444,528
Food Services	813,703
Extracurricular activities	1,813,564
General administration	283,771
Facilities maintenance and operations	221,683
Security and monitoring services	16,203
Data processing services	236,893
Community services	1,506
	<u>\$ 11,619,681</u>

Construction budgets and remaining commitments under related construction contracts as of June 30, 2019, follows:

<u>Project</u>	<u>Approved Construction Budget</u>	<u>Construction in Progress</u>	<u>Remaining Commitment</u>
Technology	\$ 15,908,734	\$ 1,683,343	\$ 14,225,391
Athletics Improvement	7,466,952	7,411,960	54,992
Manor New Tech HS Renovations/ Additions	351,584	360,232	(8,648)
Assessment Based Projects	3,551,770	3,027,016	524,754
Field House	5,000,000	3,652,289	1,347,711
Manor New Tech HS Renovations/ Additions	13,900,000	14,170,741	(270,741)
Ag Barn	1,700,000	1,589,458	110,542
CTE Renovation	3,750,000	3,736,911	13,089
Managed security	715,000	710,138	4,862
Satellite bus lot	17,000	16,180	820
Manor High School F-wing portables	2,004,000	2,003,618	382
	<u>\$ 54,365,040</u>	<u>\$ 38,361,886</u>	<u>\$ 16,003,154</u>

Note 6 - Long-term Liabilities

The District's long-term liabilities consist of bond indebtedness, capital leases, 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, 2019, was as follows:

	Balance July 1, 2018	Additions	Retirements	Balance June 30, 2019	Due Within One Year
General Obligation Bonds	\$ 330,459,999	\$ -	\$ (12,950,000)	\$ 317,509,999	\$ 11,550,000
Issuance Premium on Bonds	31,073,544	-	(1,625,449)	29,448,095	-
Accreted interest on capital appreciation bonds	713,203	22,594	-	735,797	-
Capital leases	-	1,207,625	(200,602)	1,007,023	146,809
Compensated absences payable	487,873	296,217	(270,695)	513,395	245,916
Total Governmental Long-term Liabilities	\$ 362,734,619	\$ 1,526,436	\$ (15,046,746)	\$ 349,214,309	\$ 11,942,725

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	\$ 515,000
Unlimited Tax School Building Bonds, Series 2011	17,465,000	2.625-4%	2022	5,930,000
Unlimited Tax Refunding Bonds, Series 2012	8,779,999	2-3.5%	2030	8,314,999
Unlimited Tax Refunding Bonds, Series 2013	48,240,000	1.5-5%	2037	42,985,000
Unlimited Tax Refunding Bonds, Series 2014	43,585,000	2-5%	2035	40,015,000
Unlimited Tax School Building Bonds, Series 2014	116,095,000	2-5%	2045	103,280,000
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	17,490,000
Unlimited Tax School Building Bonds, Series 2017	29,955,000	2-5%	2047	25,940,000
Unlimited Tax School Building Bonds, Series 2017A	51,190,000	3-5%	2048	47,045,000
				<u>\$ 317,509,999</u>

Note 6 - Long-term Liabilities (continued)

Debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest	Totals
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
2024	9,715,000	11,927,214	21,642,214
2025-2029	54,924,999	53,053,698	107,978,697
2030-2034	67,275,000	38,713,041	105,988,041
2035-2039	72,910,000	22,040,094	94,950,094
2040-2044	48,755,000	9,231,500	57,986,500
2045-2048	21,240,000	1,233,000	22,473,000
	<u>\$ 317,509,999</u>	<u>\$ 188,600,912</u>	<u>\$ 506,110,911</u>

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, 2019.

Deferred Charge on Refunding

The balance of deferred charge on refunding at June 30, 2019 is presented as a deferred outflow of resources in the Statement of Net Position as follows:

	Balance July 1, 2018	Deferred Charge on New Issues	Retirements	Balance June 30, 2019
Deferred charge on refunding	\$ 7,971,281	\$ -	\$ (489,236)	\$ 7,482,045

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, 2019, \$33,065,000 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	\$ 745,796	\$ 9,999	\$ 735,797	\$ 925,000	2026

Note 6 - Long-term Liabilities (continued)

Capital Lease Obligations

During the year ended June 30, 2019, the District executed one (1) lease agreement classified as capital lease. The District acquired marquees, football scoring systems, and an indoor video system. The amount capitalized as equipment was \$1,207,625. The current year principal amount of the lease was \$200,602. The lease agreement qualifies as capital lease for accounting purposes and, therefore, has been recorded at the present value of their future minimum lease payments as of the inception date of the capital lease. Future minimum lease payments are as follows:

Year Ending August 31,	Principal	Interest	Total Requirements
2020	\$ 146,809	\$ 53,793	\$ 200,602
2021	154,525	46,077	200,602
2022	162,905	37,697	200,602
2023	171,607	28,995	200,602
2024	180,774	19,828	200,602
2026	190,403	10,200	200,603
Total minimum lease payments	<u>\$ 1,007,023</u>	<u>\$ 196,590</u>	<u>\$ 1,203,613</u>

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	\$ 50,736,148	\$ 28,182,433	\$ -	\$ -	\$ 78,918,581
Penalties, interest and other tax related revenue	350,809	176,405	-	-	527,214
Investment Income	981,180	661,129	654,493	-	2,296,802
Co-curricular student activities	2,211,236	-	-	862,451	3,073,687
Food Sales	-	-	-	1,030,456	1,030,456
Other	277,832	-	-	197,039	474,871
	<u>\$ 54,557,205</u>	<u>\$ 29,019,967</u>	<u>\$ 654,493</u>	<u>\$ 2,089,946</u>	<u>\$ 86,321,611</u>

Note 8 - General Fund Federal Source Revenues

For the year ended June 30, 2019, the General Funds reports the following federal revenues:

<u>Program or Source</u>	<u>CFDA #</u>	<u>Amount</u>
School Health and Related Service (SHARS)	N/A	\$ 2,589,637
E-rate	N/A	112,627
Summer School LEP	84.369A	12,516
Indirect Costs - Department of Education	84.XXX	265,207
		<u>\$ 2,979,987</u>

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, 2019.

Rental expenditures for the year ended June 30, 2019, amounted to \$446,381.

Note 10 - Defined Benefit Pension Plan

A. 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.

A. 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.

B. 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.

Note 10 - Defined Benefit Pension Plan (continued)

C. 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.

D. Contributions

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 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	
	2018	2019
Member (Employee)	7.7%	7.7%
Non-employer contributing agency (State)	6.8%	6.8%
District	6.8%	6.8%

Note 10 - Defined Benefit Pension Plan (continued)

D. Contributions (continued)

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:

	<u>Measurement Year (2018)</u>		<u>Fiscal Year (2019)</u>
	<u>Contributions Required and Made</u>	<u>Pension Expense</u>	<u>TRS Contributions</u>
Member (Employee)	\$ 4,615,336	\$ -	\$ 4,844,229
Non-employer contributing agency (State)	2,788,597	4,512,359	2,946,863
District	2,016,814	4,574,842	2,182,736

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

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

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

- When employing a retiree of 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.

Note 10 - Defined Benefit Pension Plan (continued)

E. Actuarial Assumptions

A change was made in the measurement date of the total pension liability for the current fiscal year. The actuarial valuation was performed as of August 31, 2017. Update procedures were used to roll forward the total pension liability to August 31, 2018. This is the first year using roll forward procedures.

The total pension liability in the August 31, 2017 actuarial valuation rolled forward to August 31, 2018 was determined using the following actuarial assumptions:

Valuation Date	August 31, 2017 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Discount Rate	6.907%
Long-term expected Investment Rate of Return	7.25%
Municipal Bond Rate	3.69%*
Last year ending August 31, in projection period (100 years)	2116
Inflation	2.3%
Salary Increases	3.5% to 9.5% including inflation
Ad hoc post-employment benefit changes	none

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 three year period ending August 31, 2017 and adopted in July 2018.

F. Discount Rate

A single discount rate of 6.907 percent was used to measure the total pension liability. The single discount rate was based on the expected rate of return on pension plan investments of 7.25 percent and a municipal bond rate of 3.69 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date.

Note 10 - Defined Benefit Pension Plan (continued)

F. Discount Rate (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best- estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2018 are summarized below:

Asset Class	Target Allocation	Real Return Geometric Basis	Long Term Expected Portfolio Real Rate of Return*
Global Equity			
U.S.	18%	5.70%	1.04%
Non-U.S. Developed	13%	6.90%	0.90%
Emerging Markets	9%	8.95%	0.80%
Directional Hedge Funds	4%	3.53%	0.14%
Private Equity	13%	10.18%	1.32%
Stable Value			
U.S. Treasuries	11%	1.11%	0.12%
Absolute Return	0%	0.00%	0.00%
Stable Value Hedge Funds	4%	3.09%	0.12%
Cash	1%	-0.30%	0.00%
Real Return			
Global Inflation Linked Bonds	3%	0.70%	0.02%
Real Assets	14%	5.21%	0.73%
Energy and Natural Resources	5%	7.48%	0.37%
Commodities	0%	0.00%	0.00%
Risk Parity			
Risk Parity	5%	3.70%	0.18%
Inflation Expectation			2.30%
Alpha			-0.79%
Total	<u>100%</u>		<u>7.25%</u>

*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)

G. Discount Rate Sensitivity Analysis

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

	1% Decrease	Current Discount Rate	1% Increase
	<u>5.907%</u>	<u>6.907%</u>	<u>7.907%</u>
District's proportional share of the net pension liability	\$ 49,733,987	\$ 32,953,005	\$ 19,367,805

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

At June 30, 2019, the District reported a liability of \$32,953,005 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	0.0599%
District's proportionate share of the net pension liability	\$ 32,953,005
State's proportionate share of the net pension liability associated with the District	<u>45,591,662</u>
Total	<u>\$ 78,544,667</u>

The net pension liability was measured as of August 31, 2018 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, 2017 through August 31, 2018.

At August 31, 2018 the employer's proportion of the collective net pension liability was 0.0599%, which was an increase from its proportion measured as of August 31, 2017 of 0.0545%.

Note 10 - Defined Benefit Pension Plan (continued)

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

Changes Since the Prior Actuarial Valuation:

Changes of Assumptions

Assumptions, methods, and plan changes which are specific to the Pension Trust Fund were updated from the prior year's report. The net pension liability increased significantly since the prior measurement date due to a change in the following actuarial assumptions:

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

Changes in Benefit Terms

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

Other Information

Effective September 1, 2014, employers who did not contribute to 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.

Note 10 - Defined Benefit Pension Plan (continued)

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

For the year ended June 30, 2019, the District recognized pension expense of \$9,087,201 as well as revenue of \$4,512,359 representing pension expense incurred by the State on behalf of the District.

At June 30, 2019, 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	\$ 3,841,713	\$ 985,565
Changes in Assumptions	11,881,146	371,285
Differences between expected and actual experience	205,402	808,537
Difference between projected and current investment earnings	-	625,260
District contributions subsequent to the measurement date	1,836,550	-
Total	<u>\$ 17,764,811</u>	<u>\$ 2,790,647</u>

The \$1,836,550 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
2020	\$ 3,423,904
2021	2,108,093
2022	1,766,460
2023	2,256,051
2024	2,095,897
2025	1,487,209
	<u>\$ 13,137,614</u>

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_cafir.aspx; or by calling (512) 542-6592.

C. Benefits Provided

The 85th Legislature, Regular Session, passed the following statutory changes in House Bill 3976 which became effective on September 1, 2017:

Created a high-deductible health plan that provides a zero cost for generic prescriptions for certain preventive drugs and provides a zero premium for disability retirees who retired as a disability retiree on or before January 1, 2017 and are not eligible to enroll in Medicare

- Created a single Medicare Advantage plan and Medicare prescription drug plan for all Medicare eligible participants
- Allowed the System to provide other, appropriate health benefit plans to address the needs of enrollees eligible for Medicare.
- Allowed eligible retirees and their eligible dependents to enroll in TRS-Care when the retiree reaches 65 years of age, rather than waiting for the next enrollment period.
- Eliminated free coverage under TRS-Care, except for certain disability retirees enrolled during Plan Years 2018 through 2021, requiring members to contribute \$200 per month toward their health insurance premiums

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.

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
Member (Employee)	0.65%	0.65%
Non-employer contributing agency (State)	1.00%	1.25%
District	0.55%	0.75%
Federal/Private Funding Remitted by Employers	1.00%	1.25%

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

D. Contributions (continued)

To alleviate a funding shortfall for the 2018-2019 biennium, Senate Bill 1, 85th Legislature, Regular Session provided a one-time supplemental contribution in the amount of \$182.6 million and also provided the following increases in contributions for fiscal years 2018-19:

- Increased the State contribution rate by 0.25 percent of active employee payroll to 1.25 percent.
- Increased the employer contribution rate by 0.20 percent of active employee payroll to 0.75 percent

House Bill 3976 made the 0.25 percent increase in the State contribution a permanent and ongoing increase of state funding to the program. The 85th Texas Legislature, House Bill 30 provided an additional \$212 million in one-time, supplemental funding for the FY2018-19 biennium to continue to support the program. One-time supplemental contributions during fiscal 2018 totaled \$394.6 million.

The premium rates for health insurance in the following table are based on the years of service of the retiree. The following schedule shows the monthly rates for an average retiree with 20 to 29 years of service for the standard plan with Medicare Part A and Part B. The new premium rates for retirees with Medicare Part A and Part B became effective January 1, 2018 and are reflected in the following table.

TRS-Care Plan Premium Rates
Effective January 1, 2018-December 31, 2018

	Medicare	Non-Medicare
Retiree or Surviving Spouse	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree or surviving spouse and children	468	408
Retiree and Family	1,020	999

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 (2018)		Fiscal Year (2019)
	Contributions Required and Made	OPEB Expense	TRS Contributions
Member (Employee)	\$ 389,607	\$ -	\$ 409,179
Non-employer contributing agency (State)	706,488	1,862,626	739,844
District	526,089	1,032,982	568,234

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

E. Actuarial Assumptions

A change was made in the measurement date of the total OPEB liability (TOL) for this fiscal year. The actuarial valuation was performed as of August 31, 2017. Update procedures were used to roll forward the total OPEB liability to August 31, 2018. This is the first year using the roll forward procedures.

The actuarial valuation of TRS-Care is similar to the actuarial valuations performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including rates of retirement, termination, and disability, and most of the economic assumptions, including general inflation, salary increases, and general payroll growth, used in this OPEB valuation were identical to those used in the respective TRS pension valuation. Since the assumptions were based upon a recent actuarial experience study performed and they were reasonable for this OPEB valuation, they were employed in this report.

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

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

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2017 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Discount Rate*	3.69%
Aging Factors	Based on plan specific experience
	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Expenses	
Payroll Growth Rate	2.50%
Projected Salary Increases**	3.05% to 9.05%**
Healthcare Trend Rates***	4.50% to 12.00%***
	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65
Election Rates	
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.

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

E. Actuarial Assumptions (continued)

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

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

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

F. Discount Rate

A single discount rate of 3.69% was used to measure the total OPEB liability. There was a change of .27 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 (2.69%) or one-percentage point higher (4.69%) than the AA/Aa rate.

Sensitivity of the Net OPEB Liability to the Single Discount Rate Assumptions			
	1% Decrease in Discount Rate (2.69%)	Current Discount Rate (3.69%)	1% Increase in Discount Rate (4.69%)
District proportionate share	\$ 45,325,433	\$ 38,077,606	\$ 32,344,107

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	\$ 31,624,072	\$ 38,077,606	\$ 46,577,049

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, 2019, the District reported a liability of \$38,077,606 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	\$ 38,077,606
State's proportionate share that is associated with (employer)	<u>51,207,637</u>
Total	<u>\$ 89,285,243</u>

The Net OPEB Liability was measured as of August 31, 2018 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The 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, 2017 thru August 31, 2018.

At August 31, 2018 the employer’s proportion of the collective Net OPEB Liability was 0.0763% compared to 0.0751% as of August 31, 2016.

Changes since the Prior Actuarial Valuation

Changes of Assumptions

The following assumptions, methods and plan changes which are specific to TRS-Care were updated from the prior year’s report:

- The total OPEB liability as of August 31, 2018 was developed using the roll forward method of the August 31, 2017 valuation.
- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the TOL.
- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the TOL.
- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the TOL.
- The discount rate changed from 3.42 percent as of August 31, 2017 to 3.69 percent, as of August 31, 2018. This change lowered the total OPEB liability \$2.3 billion.

Changes in Benefit Terms

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.

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)

The 85th Legislature, Regular Session, passed the following statutory changes in House Bill 3976 which became effective on September 1, 2017:

- Created a high-deductible health plan that provides a zero cost for generic prescriptions for certain preventive drugs and provides a zero premium for disability retirees who retired as a disability retiree on or before January 1, 2017 and are not eligible to enroll in Medicare
- Created a single Medicare Advantage plan and Medicare prescription drug plan for all Medicare-eligible participants
- Allowed the System to provide other, appropriate health benefit plans to address the needs of enrollees eligible for Medicare.
- Allowed eligible retirees and their eligible dependents to enroll in TRS-Care when the retiree reaches 65 years of age, rather than waiting for the next enrollment period
- Eliminated free coverage under TRS-Care, except for certain disability retirees enrolled during Plan Years 2018 through 2021, requiring members to contribute \$200 per month toward their health insurance premiums

OPEB Expense

For the fiscal year ended June 30, 2019, the District recognized OPEB expense of \$2,895,608 as well as revenue of \$1,862,626 representing OPEB expense incurred by the State on behalf of the District.

Deferred Outflows and Deferred Inflows of Resources Related to OPEB

At June 30, 2019, the District reported its proportionate share of the TRS’s deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	\$ 640,680	\$ -
Changes in actuarial assumptions	635,412	11,440,136
Differences between expected and actual actuarial experience	2,020,637	600,921
Difference between projected and actual investment earnings	6,659	-
Contributions paid to TRS subsequent to the measurement date	494,307	-
Total	\$ 3,797,695	\$ 12,041,057

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)

The \$494,307 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:

<u>Year ended June 30</u>	<u>OPEB Expense Amount</u>
2020	\$ (1,418,942)
2021	(1,418,942)
2022	(1,418,942)
2023	(1,420,201)
2024	(1,420,921)
Thereafter	<u>(1,639,721)</u>
	<u>\$ (8,737,669)</u>

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, 2019, 2018 and 2017, the subsidy payments received by TRS-Care on behalf of the District are as follows:

<u>Fiscal Year</u>	<u>Medicare Part D</u>
2019	\$ 191,913
2018	229,386
2017	171,391

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 - 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.

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 2019	(B) Project’s Value Limitation Amount 2019	(C) Amount of Applicant’s M&O Taxes Paid 2019	(D) Amount of Applicant’s M&O Taxes Reduced 2019	(E) Company Revenue Loss Payment to School District 2019	(F) Company Supplemental Payment To School District 2019	(G) Net Benefit (Loss) to the School District 2019 (C+E+F)
\$1,326,362,181	\$80,000,000	\$832,000	\$10,020,437	\$1,431,491	\$800,913	\$3,064,404

REQUIRED SUPPLEMENTARY INFORMATION

MANOR INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2019

Exhibit G-1

Data Control Codes		Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
		Original	Final		
Revenues					
5700	Local revenues	\$ 53,714,500	\$ 53,993,200	\$ 54,557,205	\$ 564,005
5800	State program revenues	28,444,242	28,444,242	29,197,334	753,092
5900	Federal program revenues	1,760,000	1,760,000	2,979,987	1,219,987
5020	Total revenues	<u>83,918,742</u>	<u>84,197,442</u>	<u>86,734,526</u>	<u>2,537,084</u>
Expenditures					
Current:					
0011	Instruction	48,379,892	46,785,923	46,742,049	43,874
0012	Instructional resources and media services	1,104,167	1,059,059	880,444	178,615
0013	Curriculum and staff development	1,490,808	1,429,095	1,372,568	56,527
0021	Instructional leadership	3,756,705	3,655,727	3,407,980	247,747
0023	School leadership	6,385,698	6,570,066	6,509,883	60,183
0031	Guidance, counseling and evaluation services	2,351,977	2,338,854	2,215,063	123,791
0032	Social work services	812,324	849,772	751,549	98,223
0033	Health services	1,182,085	1,212,684	1,119,868	92,816
0034	Student transportation	4,923,168	5,423,168	5,017,101	406,067
0036	Extracurricular activities	2,086,990	2,626,239	2,398,159	228,080
0041	General administration	3,234,512	3,506,855	3,337,940	168,915
0051	Facilities maintenance and operations	9,194,276	9,770,123	9,715,448	54,675
0052	Security and monitoring services	1,332,660	1,342,554	1,238,007	104,547
0053	Data processing services	1,976,487	2,165,122	2,088,390	76,732
0061	Community services	709,747	664,953	593,696	71,257
Intergovernmental:					
0095	Payments to Juvenile Justice Alt. Ed. Prgm.	5,000	5,000	-	5,000
0099	Payments to other governments	450,000	450,000	392,689	57,311
6030	Total Expenditures	<u>89,376,496</u>	<u>89,855,194</u>	<u>87,780,834</u>	<u>2,074,360</u>
Other Financing Sources (Uses)					
7915	Transfers in	-	-	252,314	252,314
7080	Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>252,314</u>	<u>252,314</u>
Special Item					
	Proceeds from sale capital assets	-	-	-	-
1200	Net change in fund balances	(5,457,754)	(5,657,752)	(793,994)	4,863,758
0100	Fund balances - beginning	<u>29,760,248</u>	<u>29,760,248</u>	<u>29,760,248</u>	<u>-</u>
3000	Fund balances - ending	<u>\$ 24,302,494</u>	<u>\$ 24,102,496</u>	<u>\$ 28,966,254</u>	<u>\$ 4,863,758</u>

MANOR INDEPENDENT SCHOOL DISTRICT

Exhibit G-2

NOTES TO BUDGETARY SCHEDULE

For the Year Ended June 30, 2019

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, 2019. During the year ended June 30, 2019, the Board of Trustees approved budget amendments increasing expenditures as follows:

	<u>General Fund</u>	<u>Child Nutrition Program</u>	<u>Debt Service Fund</u>
Amendments Approved	\$ 478,698	\$ -	\$ -

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, 2018. 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
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
Teacher Retirement System of Texas
For the Last Five Measurement Years Ended June 30

Exhibit G-3

	<u>2018</u>	<u>2017</u>	<u>2016</u>
District's proportion of the net pension liability	0.0599%	0.0545%	0.0585%
District's proportionate share of the net pension liability	\$ 32,953,005	\$ 17,423,755	\$ 22,092,768
State's proportionate share of the net pension liability associated with the District	<u>45,591,662</u>	<u>28,233,322</u>	<u>33,022,025</u>
Total	<u>\$ 78,544,667</u>	<u>\$ 45,657,077</u>	<u>\$ 55,114,793</u>
District's covered payroll (for Measurement Year)	\$ 59,939,410	\$ 57,223,710	\$ 57,282,739
District's proportionate share of the net pension liability as a percentage of its covered payroll	54.98%	30.45%	38.57%
Plan's fiduciary net position as a percentage of the total pension liability *	73.74%	82.17%	78.00%
Plan's net pension liability as a percentage of covered payroll *	126.11%	75.93%	92.75%
	<u>2015</u>	<u>2014</u>	
District's proportion of the net pension liability	0.0565%	0.0424%	
District's proportionate share of the net pension liability	\$ 19,972,776	\$ 11,330,541	
State's proportionate share of the net pension liability associated with the District	<u>30,171,032</u>	<u>23,732,728</u>	
Total	<u>\$ 50,143,808</u>	<u>\$ 35,063,269</u>	
District's covered payroll (for Measurement Year)	\$ 52,822,628	\$ 48,547,788	
District's proportionate share of the net pension liability as a percentage of its covered payroll	37.81%	23.34%	
Plan's fiduciary net position as a percentage of the total pension liability *	78.43%	83.25%	
Plan's net pension liability as a percentage of covered payroll *	91.94%	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
SCHEDULE OF DISTRICT'S CONTRIBUTIONS
Teacher Retirement System of Texas
For the Last Five Fiscal Years Ended June 30

Exhibit G-4

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contributions	\$ 2,182,736	\$ 2,058,940	\$ 1,695,335	\$ 1,876,432
Contributions in relation to the contractually required contributions	<u>2,182,736</u>	<u>2,058,940</u>	<u>1,695,335</u>	<u>1,876,432</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 62,950,545	\$ 61,951,863	\$ 54,437,245	\$ 57,058,223
Contributions as a percentage of covered payroll	3.47%	3.32%	3.11%	3.29%
	<u>2015</u>			
Contractually required contributions	\$ 1,719,011			
Contributions in relation to the contractually required contributions	<u>1,719,011</u>			
Contribution deficiency (excess)	<u>\$ -</u>			
District's covered payroll	\$ 51,812,156			
Contributions as a percentage of covered payroll	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

Assumptions, methods, and plan changes which are specific to the Pension Trust Fund were updated from the prior year's report. The net pension liability increased significantly since the prior measurement date due to a change in the following actuarial assumptions:

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

Changes in Benefit Terms

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

Other Information

Effective September 1, 2014, employers who did not contribute to 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.

MANOR INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY
Teacher Retirement System of Texas
For the Last Two Measurement Years Ended June 30

Exhibit G-6

	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability	0.0763%	0.0751%
District's proportionate share of the net OPEB liability	\$ 38,077,606	\$ 32,654,012
State's proportionate share of the net OPEB liability associated with the District	<u>51,207,637</u>	<u>45,260,096</u>
Total	<u>\$ 89,285,243</u>	<u>\$ 77,914,108</u>
District's covered payroll (for Measurement Year)	\$ 59,939,410	\$ 57,223,710
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	63.5%	57.1%
Plan fiduciary net position as a percentage of the total OPEB liability	1.57%	0.91%
Plan's net OPEB liability as a percentage of covered payroll	146.64%	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
SCHEDULE OF DISTRICT'S OPEB CONTRIBUTIONS
Teacher Retirement System of Texas
For the Last Four Fiscal Years Ended June 30

Exhibit G-7

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contributions	\$ 568,234	\$ 536,486	\$ 372,044	\$ 374,993
Contributions in relation to the contractually required contributions	<u>568,234</u>	<u>536,486</u>	<u>372,044</u>	<u>374,993</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 62,950,545	\$ 61,951,863	\$ 54,437,245	\$ 51,812,156
Contributions as a percentage of covered payroll	0.90%	0.87%	0.68%	0.72%

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

Changes of Assumptions

The following assumptions, methods and plan changes which are specific to TRS-Care were updated from the prior year's report:

- The total OPEB liability as of August 31, 2018 was developed using the roll forward method of the August 31, 2017 valuation.
- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the TOL.
- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the TOL.
- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the TOL.
- The discount rate changed from 3.42 percent as of August 31, 2017 to 3.69 percent, as of August 31, 2018. This change lowered the total OPEB liability \$2.3 billion.

Changes in Benefit Terms

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 85th Legislature, Regular Session, passed the following statutory changes in House Bill 3976 which became effective on September 1, 2017:

- Created a high-deductible health plan that provides a zero cost for generic prescriptions for certain preventive drugs and provides a zero premium for disability retirees who retired as a disability retiree on or before January 1, 2017 and are not eligible to enroll in Medicare
- Created a single Medicare Advantage plan and Medicare prescription drug plan for all Medicare-eligible participants
- Allowed the System to provide other, appropriate health benefit plans to address the needs of enrollees eligible for Medicare.
- Allowed eligible retirees and their eligible dependents to enroll in TRS-Care when the retiree reaches 65 years of age, rather than waiting for the next enrollment period
- Eliminated free coverage under TRS-Care, except for certain disability retirees enrolled during Plan Years 2018 through 2021



OTHER SUPPLEMENTARY INFORMATION

MANOR INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
June 30, 2019

Exhibit H-1
Page 1 of 5

Data Control Codes	203	206	211	224
	Child Care Development	ESEA Title X Part C - Education for Homeless Children	ESEA Title I Part A - Improving Basic Programs	IDEA - Part B Formula
Assets				
1110	Cash and cash equivalents	\$	\$	\$
Receivables:				
1240	Receivables from other governments		9,671	811,647
1260	Due from other funds			369,550
1310	Inventories, at cost			
1000	Total Assets	\$	\$ 9,671	\$ 811,647
Liabilities and Fund Balances				
Liabilities:				
Current Liabilities:				
2110	Accounts payable	\$	\$ 1,272	\$ 367,326
	Payroll deduction and withholdings payable		148	8,586
2150	payable		1,940	5,327
2160	Accrued wages payable		5,779	86,108
2170	Due to other funds		532	349,627
2300	Unearned revenues			361,343
2000	Total Liabilities		9,671	811,647
Fund Balances:				
Restricted:				
3450	Federal/State grant restrictions			
3490	Local grants			
3600	Unassigned			
3000	Total fund balances			
4000	Total Liabilities and Fund Balances	\$	\$ 9,671	\$ 811,647

MANOR INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
June 30, 2019

Exhibit H-1
Page 2 of 5

Data Control Codes	225	240	244	255
	IDEA - Part B Preschool Grant	Child Nutrition	Career and Technical - Basic Grant	ESEA Title II, Part A - Teacher and Principal Training
Assets				
1110	Cash and cash equivalents	\$ 720	\$	\$
Receivables:				
1240	Receivables from other governments	65,445	28,944	58,211
1260	Due from other funds	1,765,252		
1310	Inventories, at cost	46,469		
1000	Total Assets	\$ 1,877,886	\$ 28,944	\$ 58,211
Liabilities and Fund Balance				
Liabilities:				
Current Liabilities:				
2110	Accounts payable	\$ 22,229	\$ 9,958	\$ 1,023
	Payroll deduction and withholdings payable	3,736		1,386
2150				
2160	Accrued wages payable	148,970		
2170	Due to other funds	83,132	18,986	55,802
2300	Unearned revenues			
2000	Total Liabilities	258,067	28,944	58,211
Fund Balances:				
Restricted:				
3450	Federal/State grant restrictions	1,619,819		
3490	Local grants			
3600	Unassigned			
3000	Total fund balances	1,619,819		
4000	Total Liabilities and Fund Balances	\$ 1,877,886	\$ 28,944	\$ 58,211

MANOR INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
June 30, 2019

Exhibit H-1
Page 3 of 5

Data Control Codes		263	274	289	385
	Title III, Part A - English Language Acquisition	GEAR UP	Federally Funded Special Revenue Funds	State Supplemental Visually Impaired	
Assets					
1110	Cash and cash equivalents	\$	\$	\$ 889	\$
Receivables:					
1240	Receivables from other governments	80,460	87,500		3,598
1260	Due from other funds				
1310	Inventories, at cost				
1000	Total Assets	\$ 80,460	\$ 87,500	\$ 889	\$ 3,598
Liabilities and Fund Balance					
Liabilities:					
Current Liabilities:					
2110	Accounts payable	\$ 950	\$ 662	\$	\$
	Payroll deduction and withholdings				
2150	payable	1,514	1,994		
2160	Accrued wages payable				
2170	Due to other funds	77,996	84,844	889	3,598
2300	Unearned revenues				
2000	Total Liabilities	80,460	87,500	889	3,598
Fund Balances:					
Restricted:					
3450	Federal/State grant restrictions				
3490	Local grants				
3600	Unassigned				
3000	Total fund balances				
4000	Total Liabilities and Fund Balances	\$ 80,460	\$ 87,500	\$ 889	\$ 3,598

MANOR INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
June 30, 2019

Exhibit H-1
Page 4 of 5

	397	410	429	461
	<u>Advanced Placement Initiatives</u>	<u>Instructional Materials Allotment</u>	<u>State Special Revenue Fund</u>	<u>Campus Activity Funds</u>
Assets				
Cash and cash equivalents	\$	\$	\$ 2,910	\$
Receivables:				
Receivables from other governments		45,878		
Due from other funds			6,032	240,226
Inventories, at cost				
Total Assets	<u>\$</u>	<u>\$ 45,878</u>	<u>\$ 8,942</u>	<u>\$ 240,226</u>
Liabilities and Fund Balance				
Liabilities:				
Current Liabilities:				
Accounts payable	\$	\$ 42,806	\$	\$ 37,445
Payroll deduction and withholdings payable			671	
Accrued wages payable				
Due to other funds		3,072		
Unearned revenues			6,000	
Total Liabilities		<u>45,878</u>	<u>6,671</u>	<u>37,445</u>
Fund Balances:				
Restricted:				
Federal/State grant restrictions			2,271	
Local grants				
Unassigned				202,781
Total fund balances			<u>2,271</u>	<u>202,781</u>
Total Liabilities and Fund Balances	<u>\$</u>	<u>\$ 45,878</u>	<u>\$ 8,942</u>	<u>\$ 240,226</u>

MANOR INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
June 30, 2019

499

Data Control Codes	Local Grants	Total Nonmajor Governmental Funds
Assets		
1110 Cash and cash equivalents	\$	\$ 4,519
Receivables:		
1240 Receivables from other governments		1,560,904
1260 Due from other funds	285,566	2,297,076
1310 Inventories, at cost		46,469
1000 Total Assets	\$ 285,566	\$ 3,908,968
Liabilities and Fund Balance		
Liabilities:		
Current Liabilities:		
2110 Accounts payable	\$ 6,202	492,753
2150 Payroll deduction and withholdings payable		23,362
2160 Accrued wages payable		237,018
2170 Due to other funds		1,045,068
2300 Unearned revenues	121,059	127,591
2000 Total Liabilities	127,261	\$ 1,925,792
Fund Balances:		
Restricted:		
3450 Federal/State grant restrictions		1,622,090
3490 Local grants	158,305	158,305
3600 Unassigned		202,781
3000 Total fund balances	158,305	\$ 1,983,176
4000 Total Liabilities and Fund Balances	\$ 285,566	\$ 3,908,968

MANOR INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - ALL NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

Exhibit H-2
Page 1 of 5

Data Control Codes	203	206	211	224
	Child Care Development	ESEA Title X Part C - Education for Homeless Children	ESEA Title I Part A - Improving Basic Programs	IDEA - Part B Formula
Revenues				
5700	Local, intermediate, and out-of-state	\$	\$	\$
5800	State program revenues			
5900	Federal program revenues	54,231	34,182	2,663,265
5020	Total revenues	<u>54,231</u>	<u>34,182</u>	<u>2,663,265</u>
Expenditures				
Current:				
0011	Instruction	36,675		1,167,189
0012	Instruction resources and media services			785,614
0013	Curriculum and instructional staff development	16,424		13,010
0021	Instructional leadership	385	175	469,455
0023	School leadership	747		305,114
0031	Guidance, counseling and evaluation services			84,564
0032	Social work services		29,778	22,746
0033	Health services		471	293,786
0034	Student transportation			160,218
0035	Food service			1,507
0036	Extracurricular activities			
0041	General administration			
0053	Data processing services			
0061	Community services		3,758	394,486
6030	Total Expenditures	<u>54,231</u>	<u>34,182</u>	<u>2,663,265</u>
1100	Excess (deficiency) of revenues over expenditures			<u>1,384,514</u>
Other Financing Uses				
8911	Transfers out			
7080	Total other financing sources and uses			
1200	Net change in fund balances			
0100	Fund balance - beginning			
3000	Fund balance - ending	<u>\$</u>	<u>\$</u>	<u>\$</u>

MANOR INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - ALL NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

Exhibit H-2
Page 2 of 5

	225	240	244	255
	IDEA - Part B Preschool Grant	Child Nutrition	Career and Technical - Basic Grant	ESEA Title II, Part A - Teacher and Principal Training
Revenues				
Local, intermediate, and out-of-state	\$	\$ 1,052,005	\$	\$
State program revenues		29,356		
Federal program revenues	77	5,071,073	129,473	91,475
Total revenues	<u>77</u>	<u>6,152,434</u>	<u>129,473</u>	<u>91,475</u>
Expenditures				
Current:				
Instruction	77		123,174	
Instruction resources and media services				
Curriculum and instructional staff development			6,299	81,785
Instructional leadership				939
School leadership				8,751
Guidance, counseling and evaluation services				
Social work services				
Health services				
Student transportation				
Food service		5,950,545		
Extracurricular activities				
General administration				
Data processing services				
Community services				
Total Expenditures	<u>77</u>	<u>5,950,545</u>	<u>129,473</u>	<u>91,475</u>
Excess (deficiency) of revenues over expenditures		<u>201,889</u>		
Other Financing Uses				
Transfers out				
Total other financing sources and uses				
Net change in fund balances		201,889		
Fund balance - beginning		<u>1,417,930</u>		
Fund balance - ending	<u>\$</u>	<u>\$ 1,619,819</u>	<u>\$</u>	<u>\$</u>

MANOR INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - ALL NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

Exhibit H-1
Page 3 of 5

	263	274	289	385
	<u>Title III, Part A - English Language Acquisition</u>	<u>GEAR UP</u>	<u>Federally Funded Special Revenue Funds</u>	<u>State Supplemental Visually Impaired</u>
Revenues				
Local, intermediate, and out-of-state	\$	\$	\$	\$
State program revenues				3,598
Federal program revenues	324,698	410,636	345,277	
Total revenues	<u>324,698</u>	<u>410,636</u>	<u>345,277</u>	<u>3,598</u>
Expenditures				
Current:				
Instruction	67,614	72,867	92,963	3,598
Instruction resources and media services				
Curriculum and instructional staff development	23,957	2,131		
Instructional leadership	227,577	206,893		
School leadership	3,600	2,821		
Guidance, counseling and evaluation services		64,040		
Social work services				
Health services				
Student transportation				
Food service				
Extracurricular activities				
General administration		58,106		
Data processing services		3		
Community services	1,950	3,775		
Total Expenditures	<u>324,698</u>	<u>410,636</u>	<u>92,963</u>	<u>3,598</u>
Excess (deficiency) of revenues over expenditures			<u>252,314</u>	
Other Financing Uses				
Transfers out			(252,314)	
Total other financing sources and uses			<u>(252,314)</u>	
Net change in fund balances				
Fund balance - beginning				
Fund balance - ending	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

MANOR INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - ALL NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

Exhibit H-1
Page 4 of 5

	410	429	461
	<u>Instructional Materials Allotment</u>	<u>State Special Revenue Fund</u>	<u>Campus Activity Funds</u>
Revenues			
Local, intermediate, and out-of-state	\$ 108	\$	\$ 862,451
State program revenues	1,123,283	22,995	
Federal program revenues	92,041		
Total revenues	<u>1,215,432</u>	<u>22,995</u>	<u>862,451</u>
Expenditures			
Current:			
Instruction	1,125,252	6,495	
Instruction resources and media services			
Curriculum and instructional staff development		4,500	
Instructional leadership			
School leadership			
Guidance, counseling and evaluation services		12,000	
Social work services			
Health services			
Student transportation			
Food service			
Extracurricular activities			600,362
General administration			
Data processing services	90,180		
Community services			
Total Expenditures	<u>1,215,432</u>	<u>22,995</u>	<u>600,362</u>
Excess (deficiency) of revenues over expenditures			<u>262,089</u>
Other Financing Uses			
Transfers out			
Total other financing sources and uses			
Net change in fund balances			262,089
Fund balance - beginning		<u>2,271</u>	<u>(59,308)</u>
Fund balance - ending	<u>\$</u>	<u>\$ 2,271</u>	<u>\$ 202,781</u>

MANOR INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - ALL NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

Exhibit H-1
Page 5 of 5

499

Data Control Codes		Local Grants	Total Nonmajor Governmental Funds
Revenues			
5700	Local, intermediate, and out-of-state	\$ 175,382	\$ 2,089,946
5800	State program revenues		1,179,232
5900	Federal program revenues		10,600,942
5020	Total revenues	<u>175,382</u>	<u>13,870,120</u>
Expenditures			
Current:			
0011	Instruction	119,535	3,601,053
0012	Instruction resources and media services	984	13,994
0013	Curriculum and instructional staff development	25,476	935,141
0021	Instructional leadership	250	786,309
0023	School leadership	8,329	108,812
0031	Guidance, counseling and evaluation services		392,572
0032	Social work services	604	190,600
0033	Health services		471
0034	Student transportation		1,507
0035	Food service		5,950,545
0036	Extracurricular activities	7,767	608,129
0041	General administration	494	58,600
0053	Data processing services		90,183
0061	Community services	11,943	415,912
6030	Total Expenditures	<u>175,382</u>	<u>13,153,828</u>
1100	Excess (deficiency) of revenues over expenditures		<u>716,292</u>
Other Financing Uses			
8911	Transfers out		(252,314)
7080	Total other financing sources and uses		<u>(252,314)</u>
1200	Net change in fund balances		463,978
0100	Fund balance - beginning	<u>158,305</u>	<u>1,519,198</u>
3000	Fund balance - ending	<u>\$ 158,305</u>	<u>\$ 1,983,176</u>



REQUIRED TEA SCHEDULES

MANOR INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
For the Year Ended June 30, 2019

Exhibit J-1
Page 1 of 2

Last Ten Fiscal Years	Tax Rates		Net Assessed/Appraised Value For School Tax Purposes	Beginning Balance 7/1/2018
	1 Maintenance	2 Debt Service		
2010 and prior	Various	Various	Various	\$ 1,100,365
2011	1.040000	0.475000	3,143,297,300	46,201
2012	1.040000	0.475000	3,200,551,815	62,327
2013	1.040000	0.475000	3,250,287,925	115,077
2014	1.040000	0.475000	3,151,131,023	99,472
2015	1.040000	0.475000	4,186,459,208	113,549
2016	1.040000	0.475000	3,902,520,528	167,406
2017	1.040000	0.475000	4,670,138,746	262,582
2018	1.040000	0.475000	4,893,258,086	697,329
2019	1.040000	0.475000	4,895,991,089	-
1000 Totals				<u>\$ 2,664,308</u>

MANOR INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
For the Year Ended June 30, 2019

Exhibit J-1
Page 2 of 2

<u>Last Ten Fiscal Years</u>	<u>20</u> <u>Current Year's Total Levy</u>	<u>31</u> <u>Maintenance Total Collections</u>	<u>32</u> <u>Debt Service Total Collections</u>	<u>40</u> <u>Entire Year's Adjustments</u>	<u>50</u> <u>Ending Balance 6/30/2019</u>
2010 and prior	\$ -	\$ 12,387	\$ 2,679	\$ (1,311)	\$ 1,083,988
2011	-	1,998	913	73	43,363
2012	-	2,979	1,360	73	58,061
2013	-	16,238	7,416	7,373	98,796
2014	-	61,063	27,889	103,696	114,216
2015	-	66,240	30,254	101,985	119,040
2016	-	37,053	16,923	37,247	150,677
2017	-	48,683	22,235	(12,308)	179,356
2018	-	174,887	79,876	(157,417)	285,149
2019	<u>74,174,265</u>	<u>48,855,266</u>	<u>22,313,704</u>	<u>(1,933,045)</u>	<u>1,072,250</u>
1000 Totals	<u>\$ 74,174,265</u>	<u>\$ 49,276,794</u>	<u>\$ 22,503,249</u>	<u>\$ (1,853,634)</u>	<u>3,204,896</u>
					<u>2,968,398</u>
					<u>\$ 6,173,294</u>

MANOR INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
CHILD NUTRITION PROGRAM
For the Year Ended June 30, 2019

Exhibit J-2

		<u>Child Nutrition Fund</u>			
		<u>Budgeted Amounts</u>			
<u>Data Control Codes</u>		<u>Original</u>	<u>Final</u>	<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues					
5700	Local revenues	\$ 900,000	\$ 900,000	\$ 1,052,005	\$ 152,005
5800	State program revenues	31,000	31,000	29,356	(1,644)
5900	Federal program revenues	4,847,429	4,847,429	5,071,073	223,644
5020	Total revenues	<u>5,778,429</u>	<u>5,778,429</u>	<u>6,152,434</u>	<u>374,005</u>
Expenditures					
Current:					
0035	Food services	5,778,429	5,778,429	5,950,545	(172,116)
6030	Total Expenditures	<u>5,778,429</u>	<u>5,778,429</u>	<u>5,950,545</u>	<u>(172,116)</u>
1200	Net change in fund balances	-	-	201,889	201,889
0100	Fund balances - beginning	1,417,930	1,417,930	1,417,930	-
3000	Fund balances - ending	<u>\$ 1,417,930</u>	<u>\$ 1,417,930</u>	<u>\$ 1,619,819</u>	<u>\$ 201,889</u>

MANOR INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
For the Year Ended June 30, 2019

Exhibit J-3

Data Control Codes		Debt Service			
		Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
		Original	Final		
	Revenues				
5700	Local revenues	\$ 29,326,500	\$ 29,326,500	\$ 29,019,967	\$ (306,533)
5800	State program revenues	251,000	251,000	279,754	28,754
5020	Total revenues	<u>29,577,500</u>	<u>29,577,500</u>	<u>29,299,721</u>	<u>(277,779)</u>
	Expenditures				
	Debt Service:				
0071	Principal on long-term debt	27,246,443	27,246,443	12,950,000	14,296,443
0072	Interest on long-term debt	-	-	14,246,442	(14,246,442)
0073	Bond issuance costs and fees	-	-	20,538	(20,538)
6030	Total Expenditures	<u>27,246,443</u>	<u>27,246,443</u>	<u>27,216,980</u>	<u>29,463</u>
1100	Excess (deficiency) of revenues over expenditures	<u>2,331,057</u>	<u>2,331,057</u>	<u>2,082,741</u>	<u>(248,316)</u>
0100	Net change in fund balances	2,331,057	2,331,057	2,082,741	(248,316)
1300	Fund balances - beginning	<u>41,234,896</u>	<u>41,234,896</u>	<u>41,234,896</u>	<u>-</u>
3000	Fund balances - ending	<u>\$ 43,565,953</u>	<u>\$ 43,565,953</u>	<u>\$ 43,317,637</u>	<u>\$ (248,316)</u>



FEDERAL AWARDS SECTION



**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, 2019, and the related notes to the financial statements, which collectively comprise District’s basic financial statements, and have issued our report thereon dated October 28, 2019.

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.

A handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, professional style.

Houston, Texas
October 28, 2019

**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, 2019. 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.

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, 2019.

To the Board of Trustees
Manor Independent School District

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.



Houston, Texas
October 28, 2019

MANOR INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2019

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
<i>Special Education Cluster (IDEA)</i>	
IDEA-B Formula	84.027A
IDEA-B Preschool	84.173A
<i>Title I, Part A</i>	84.010A
<i>Title III, Part A</i>	84.365A
<i>Emergency Impact Aid</i>	84.938C
Dollar Threshold Considered Between Type A and Type B Federal Programs	\$750,000
Auditee qualified as low-risk auditee?	No

MANOR INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended June 30, 2019

II. Financial Statement Findings

None noted

III. Federal Awards Findings and Questioned Costs

None noted

MANOR INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2019

Exhibit K-1
Page 1 of 2

(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:				
19610101227907	<i>Title I Part A - Improving Basic Programs</i>	211	84.010A	\$ 1,319,170
186101207110013	<i>2017-2019 School Redesign Grant, Pilot Cycle</i>	211	84.010A	<u>1,109,735</u>
Total Title I Part A				<u>2,428,905</u>
<u>Special Education Cluster:</u>				
186600012279076000	<i>IDEA-B Formula</i>	224	84.027A	15,813
196600012279076000	<i>IDEA-B Formula</i>	224	84.027A	1,368,701
196610012279076000	<i>IDEA-B Preschool</i>	225	84.173A	<u>77</u>
Total Special Education Cluster				<u>1,384,591</u>
19420006227907	<i>Carl D. Perkins Basic Formula</i>	244	84.048A	43,016
184200547110012	<i>2017-2018 Perkins Career Center</i>	244	84.048A	86,457
51271901	<i>Temporary Emergency Impact Aid for Displaced Students</i>	289	84.938C	252,314
195110017110003	<i>Gaining Early Awareness and Readiness for Undergraduate Programs</i>	274	84.334S	143,495
17671001227907	<i>Title III, Part A - Limited English Proficiency (LEP)</i>	263	84.365A	
19671001227907	<i>Title III, Part A - English Language Acquisition and Language Enhancement</i>	263	84.365A	324,698
17694501227907	<i>ESEA, Title II, Part A - Teacher and Principal Training and Recruiting</i>	255	84.367A	
19694501227907	<i>ESEA, Title II, Part A - Supporting Effective Instruction</i>	255	84.367A	91,475
69551702	<i>Summer School LEP</i>	199	84.369A	
19680101227907	<i>Title IV, Part A, Subpart 1</i>	289	84.424A	92,963
176107337110019	<i>2018-2020 School Transformation Fund - Implementation</i>	211	84.377	184,656
196101427110014	<i>2018-2020 School Transformation Fund - Implementation</i>	211	84.377	<u>49,704</u>
Total Passed Through Texas Education Agency				<u>5,082,274</u>
Passed Through Education Service Center Region X:				
194600057110047	<i>ESEA, Title X, Part C - Education for the Homeless Children and Youth</i>	206	84.196A	<u>34,182</u>
Total Passed Through Education Service Center Region X				<u>34,182</u>
Passed Through University of Texas at Austin:				
P334A170079	<i>Gaining Early Awareness and Readiness for Undergraduate Programs</i>	274	84.334	<u>291,652</u>
Total Passed Through University of Texas at Austin				<u>291,652</u>
Total U.S. Department of Education				<u>5,408,108</u>

MANOR INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2019

Exhibit K-1
Page 2 of 2

(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	<i>Pre-kindergarten Partnership Planning</i>	203	93.575	\$ 54,231
	Total Passed Through Texas Education Agency			<u>54,231</u>
	Total U.S. Department of Health and Human Services			<u>54,231</u>
	U.S. Department of Agriculture			
	<u>Child Nutrition Cluster:</u>			
	Passed Through Texas Department of Agriculture:			
	Non Cash Assistance (Commodities):			
CE-227907	<i>National School Lunch Program</i>	240	10.555	301,458
	Total Passed Through Texas Department of Agriculture:			<u>301,458</u>
	Passed Through Texas Department of Education:			
	Cash Assistance:			
71401901	<i>School Breakfast Program</i>	240	10.553	1,328,245
71301901	<i>National School Lunch Program</i>	240	10.555	3,441,370
	Total Passed Through Texas Department of Education:			<u>4,769,615</u>
	Total Child Nutrition Cluster			<u>5,071,073</u>
	Total Department of Agriculture			<u>5,071,073</u>
	Total Expenditures of Federal Awards			<u>\$ 10,533,412</u>

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, 2019. 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	\$ 10,533,412
SHARS	2,589,637
E-rate	112,627
Other Federal Revenues in the General Fund	<u>277,723</u>
Total Federal Revenue - Exhibit C-3	<u><u>\$ 13,513,399</u></u>

Note 4 - General Fund Expenditures

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

Federal Awards Reported in the General Fund

SHARS	\$ 2,589,637
E-rate	112,627
Summer School LEP	12,516
Indirect Costs:	
Title I Part A - Improving Basic Programs	140,515
ESEA, Title X, Part C - Education for the Homeless Children and Youth	1,919
IDEA Part B - Formula	60,441
2016-2018 Industry Cluster Perkins	4,420
Title III, Part A - English Language Acquisition and Language Enhancement	34,196
ESEA, Title II, Part A - Supporting Effective Instruction	9,830
PreKindergarten Partnership Planning	2,938
Gaining Early Awareness and Readiness for Undergraduate Programs	10,948
	<u>\$ 2,979,987</u>

MANOR INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (continued)
For the Year Ended June 30, 2019

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, 2019 has been prepared to address these requirements.

I. Prior Year Findings

None Reported

MANOR INDEPENDENT SCHOOL DISTRICT

CORRECTIVE ACTION PLAN

For the Year Ended June 30, 2019

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, 2019 has been prepared to address these requirements.

I. Corrective Action Plan

Not applicable