

MILES INDEPENDENT SCHOOL DISTRICT
Annual Financial Report
Year Ended August 31, 2018

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CERTIFICATE OF THE BOARD

MILES INDEPENDENT SCHOOL DISTRICT
Name of School District

RUNNELS
County

200-902
County -
District
Number

We, the undersigned, certify that the attached annual financial report of the above-named School District was reviewed and

X approved ___ disapproved for the year ended August 31, 2018, at a meeting of the Board of Trustees of such School District
(Check One)

on the 10th day of December, 2018

Signature of Board Secretary

Signature of Board President

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

FINANCIAL SECTION



A Limited Liability Partnership

Michael E. Oliphant, CPA
Wayne Barr, CPA
Cathryn A. Pitcock, CPA

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American Institute of CPAs
Texas Society of CPAs

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Miles Independent School District
P.O. Box 308
Miles, TX 76861-0308

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 the Miles Independent School District as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk 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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Miles Independent School District as of August 31, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note I, I. to the financial statements, in 2018 the District adopted new accounting guidance prescribed by GASB Statement No. 75 for its other postemployment benefit (OPEB) plan - a multiple-employer, cost-sharing defined other postemployment benefit (OPEB) plan that has a special funding situation. Because GASB Statement No. 75 implements new measurement criteria and reporting provisions, significant information has been added to the government-wide statements. Exhibit A-1 discloses the District's net OPEB liability and some deferred resource outflows and deferred resource inflows related to the District's OPEB plan. Exhibit B-1 discloses the adjustment to the District's beginning net position. Our opinion is not modified with respect to the matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and net pension liability and contributions information and net OPEB liability and contributions information for the Teacher Retirement System of Texas on pages 4 through 8, 42, and 43 through 46, respectively, 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 Miles Independent School District's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2018, on our consideration of the Miles Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Miles Independent School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Miles Independent School District's internal control over financial reporting and compliance.

Eckert & Company, LLP

October 23, 2018



Clint Askins
Superintendent

Jamie Rouse
HS Principal

Curt McKneely
Elem Principal

Board Members

Mark Sklenarik
Board President

Zane Crouch
Vice President

Kipp Rathmell
Secretary

William Eschberger III

Carol Granzin

Danelle Schwertner

Paul Schwertner

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Miles Independent School District's financial performance provides an overview of the District's financial activities for the year ended August 31, 2018. It should be read in conjunction with the District's basic financial statements and independent auditor's report.

Financial Highlights

The District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the end of the current year by \$949,277 (net position). This amount includes a deficit balance of unrestricted net position of \$1,671,338.

The District's total net position decreased by \$2,389,236 or 72%. This amount consists of a \$631,823 increase attributable to current year operations and a \$3,021,059 decrease attributable to prior period adjustments described in Note IV., K. to the financial statements. The District's statement of activities shows total revenues of \$4,653,704 and total expenses of \$4,021,881.

The total fund balance of the General Fund is \$1,160,004 which is an increase of \$334,582 or 41% compared to the prior year.

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 consist of government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains 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/deferred outflows of resources and liabilities/deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the current 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 years.

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Overview of the Financial Statements - Continued

The governmental activities of the District include all activities related to public elementary and secondary education within the jurisdiction of the District.

The District has no component units.

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 current year.

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.

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 and the Debt Service Fund, both of which are considered to be major funds. Data from other governmental funds are combined into a single, aggregated presentation.

The District adopts an annual appropriated budget for its General Fund, Food Service Special Revenue Fund, and Debt Service Fund. A budgetary comparison statement has been provided for each of these funds to demonstrate compliance with the budget for each fund.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

Notes to the 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Government-Wide Financial Analysis

Net Position - A summary of the District's net position is presented below:

NET POSITION

	Governmental Activities	
	August 31,	
	2018	2017
Current and Other Assets	\$ 1,679,110	\$ 1,415,841
Capital Assets	10,077,419	10,542,081
Total Assets	\$ 11,756,529	\$ 11,957,922
Deferred Outflows of Resources	\$ 378,061	\$ 389,669
Long-Term Liabilities Outstanding	\$ 10,124,295	\$ 8,639,176
Other Liabilities	232,446	329,449
Total Liabilities	\$ 10,356,741	\$ 8,968,625
Deferred Inflows of Resources	\$ 828,572	\$ 40,453
Net Position		
Net Investment in Capital Assets	\$ 2,354,070	\$ 2,601,744
Restricted	266,545	247,389
Unrestricted (Deficit)	(1,671,338)	489,380
Total Net Position	\$ 949,277	\$ 3,338,513

A large portion of the District's net position (\$2,354,070) reflects the District's investment in capital assets, less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide public elementary and secondary education within the jurisdiction of the District; 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. An additional portion of the District's net position (\$266,545) represents resources that are subject to external restrictions on how they may be used. The remaining deficit balance of unrestricted net position is \$1,671,338.

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Government-Wide Financial Analysis - Continued

Governmental Activities - Governmental activities increased the District's net position by \$631,823 and by \$31,911 for the fiscal years ended August 31, 2018 and 2017, respectively. Key elements of these increases are as follows:

CHANGES IN NET POSITION

	Governmental Activities	
	Year Ended August 31,	
	2018	2017
Revenues		
Program Revenues		
Charges for Services	\$ 121,231	\$ 119,843
Operating Grants and Contributions*	(279,259)	475,163
General Revenues		
Maintenance and Operations Taxes	969,795	906,080
Debt Service Taxes	290,187	260,566
State Aid - Formula Grants	3,528,783	3,228,707
Investment Earnings	9,756	8,054
Other	13,211	515,716
	<u>\$ 4,653,704</u>	<u>\$ 5,514,129</u>
Expenses		
Instruction and Instructional-Related Services	\$ 1,970,588	\$ 2,856,536
Instructional and School Leadership	223,674	292,754
Support Services - Student (Pupil)	671,696	861,858
Administrative Support Services	199,639	277,250
Support Services - Nonstudent Based	612,321	787,285
Debt Service	297,209	303,060
Intergovernmental Charges	46,754	103,475
	<u>4,021,881</u>	<u>\$ 5,482,218</u>
Change in Net Position	\$ 631,823	\$ 31,911
Net Position - Beginning	3,338,513	3,289,325
Prior Period Adjustments	(3,021,059)	17,277
Net Position - Ending	<u>\$ 949,277</u>	<u>\$ 3,338,513</u>

*See Note IV., J.

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Financial Analysis of the District's Funds

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. The unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the current year.

The District's governmental funds reported combined ending fund balances of \$1,433,779, an increase of \$350,899 or 32% in comparison with the prior year. These fund balances are reported in various governmental funds as follows:

General Fund \$1,160,004. Of this balance \$216,270 is committed for future construction and equipment purchases.

Debt Service Fund \$273,775. This balance is restricted for payment of long-term debt principal and interest.

General Fund Budget

The original budget for the General Fund was \$4,471,954, and the final amended budget was \$4,499,954 which represents a \$28,000 increase in appropriations. Variances between the original budget and the final amended budget are reflected in Exhibit E-1 in the required supplementary information section of the audit report.

The District has adopted a budget for the General Fund in the amount of \$4,695,470 for the fiscal year 2019, which is an increase of \$195,516 from the fiscal year 2018.

Capital Assets and Debt

Capital Assets - Financial statement footnote III., D. discloses the District's capital asset activity for the year ended August 31, 2018.

Long-Term Debt - Financial statement footnote III., G. discloses the District's debt activity for the year ended August 31, 2018.

Requests for Information

The financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Clint Askins, Superintendent, Miles Independent School District, P.O. Box 308, Miles, TX 76861-0308.

Basic Financial Statements

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

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 1,287,944
1220 Property Taxes - Delinquent	33,489
1230 Allowance for Uncollectible Taxes	(8,511)
1240 Due from Other Governments	362,317
1250 Accrued Interest	608
1290 Other Receivables, Net	638
1410 Prepayments	2,625
Capital Assets:	
1510 Land	42,340
1520 Buildings, Net	9,776,511
1530 Furniture and Equipment, Net	258,568
1000 Total Assets	11,756,529
DEFERRED OUTFLOWS OF RESOURCES	
1701 Deferred Loss on Refunding	10,807
1705 Deferred Outflow Related to TRS Pension	343,740
1706 Deferred Outflow Related to TRS OPEB	23,514
1700 Total Deferred Outflows of Resources	378,061
LIABILITIES	
2110 Accounts Payable	21,747
2140 Interest Payable	12,093
2160 Accrued Wages Payable	170,956
2200 Accrued Expenses	27,650
Noncurrent Liabilities:	
2501 Due Within One Year	215,000
2502 Due in More Than One Year	7,519,156
2540 Net Pension Liability (District's Share)	648,016
2545 Net OPEB Liability (District's Share)	1,742,123
2000 Total Liabilities	10,356,741
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS Pension	99,839
2606 Deferred Inflow Related to TRS OPEB	728,733
2600 Total Deferred Inflows of Resources	828,572
NET POSITION	
3200 Net Investment in Capital Assets	2,354,070
3850 Restricted for Debt Service	266,545
3900 Unrestricted	(1,671,338)
3000 Total Net Position	\$ 949,277

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

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

EXHIBIT B-1

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

Primary Government:

GOVERNMENTAL ACTIVITIES:

11 Instruction	\$ 1,921,884	\$ 17,772	\$ (196,652)	\$ (2,100,764)
12 Instructional Resources and Media Services	46,601	-	(10,062)	(56,663)
13 Curriculum and Instructional Staff Development	2,103	-	1,483	(620)
21 Instructional Leadership	81,892	-	(12,511)	(94,403)
23 School Leadership	141,782	-	(29,774)	(171,556)
31 Guidance, Counseling, and Evaluation Services	70,250	-	13,585	(56,665)
33 Health Services	23,065	-	11,769	(11,296)
34 Student (Pupil) Transportation	74,332	-	(12,672)	(87,004)
35 Food Services	198,652	77,380	82,423	(38,849)
36 Extracurricular Activities	305,397	22,479	(31,744)	(314,662)
41 General Administration	199,639	-	(27,087)	(226,726)
51 Facilities Maintenance and Operations	429,929	3,600	(33,373)	(459,702)
52 Security and Monitoring Services	8,726	-	-	(8,726)
53 Data Processing Services	173,666	-	(34,644)	(208,310)
72 Debt Service - Interest on Long-Term Debt	293,059	-	-	(293,059)
73 Debt Service - Bond Issuance Cost and Fees	4,150	-	-	(4,150)
93 Payments Related to Shared Services Arrangements	19,633	-	-	(19,633)
99 Other Intergovernmental Charges	27,121	-	-	(27,121)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 4,021,881	\$ 121,231	\$ (279,259)	\$ (4,179,909)

Data
Control
Codes

General Revenues:

Taxes:

MT	Property Taxes, Levied for General Purposes	969,795
DT	Property Taxes, Levied for Debt Service	290,187
SF	State Aid - Formula Grants	3,528,783
IE	Investment Earnings	9,756
MI	Miscellaneous Local and Intermediate Revenue	13,211
TR	Total General Revenues	4,811,732
CN	Change in Net Position	631,823
NB	Net Position - Beginning	3,338,513
PA	Prior Period Adjustment	(3,021,059)
NE	Net Position--Ending	\$ 949,277

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

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

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 1,036,531	\$ 250,995	\$ 418	\$ 1,287,944
1220 Property Taxes - Delinquent	26,969	6,520	-	33,489
1230 Allowance for Uncollectible Taxes	(6,854)	(1,657)	-	(8,511)
1240 Due from Other Governments	326,930	22,729	12,658	362,317
1250 Accrued Interest	557	51	-	608
1260 Due from Other Funds	1,000	-	2,419	3,419
1290 Other Receivables	-	-	638	638
1410 Prepayments	2,625	-	-	2,625
1000 Total Assets	<u>\$ 1,387,758</u>	<u>\$ 278,638</u>	<u>\$ 16,133</u>	<u>\$ 1,682,529</u>
LIABILITIES				
2110 Accounts Payable	\$ 21,722	\$ -	\$ 25	\$ 21,747
2160 Accrued Wages Payable	156,865	-	14,091	170,956
2170 Due to Other Funds	2,419	-	1,000	3,419
2200 Accrued Expenditures	26,633	-	1,017	27,650
2000 Total Liabilities	<u>207,639</u>	<u>-</u>	<u>16,133</u>	<u>223,772</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	20,115	4,863	-	24,978
2600 Total Deferred Inflows of Resources	<u>20,115</u>	<u>4,863</u>	<u>-</u>	<u>24,978</u>
FUND BALANCES				
Restricted Fund Balance:				
3480 Retirement of Long-Term Debt	-	273,775	-	273,775
Committed Fund Balance:				
3530 Capital Expenditures for Equipment	216,270	-	-	216,270
3600 Unassigned Fund Balance	943,734	-	-	943,734
3000 Total Fund Balances	<u>1,160,004</u>	<u>273,775</u>	<u>-</u>	<u>1,433,779</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 1,387,758</u>	<u>\$ 278,638</u>	<u>\$ 16,133</u>	<u>\$ 1,682,529</u>

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

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

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$	1,433,779
1 Capital assets net of accumulated depreciation used in governmental activities are not reported in governmental funds.		10,077,419
2 Deferred loss on refunding is not reported in governmental funds.		10,807
3 Deferred outflows of resources related to pensions are not reported in governmental funds.		343,740
4 Deferred outflows of resources related to other postemployment benefits are not reported in governmental funds.		23,514
5 Accrued interest payable on long-term debt is not reported in governmental funds.		(12,093)
6 Long-term debt, including unamortized premiums, is not reported in governmental funds.		(7,734,156)
7 Recognition of the District's proportionate share of the net pension liability is not reported in governmental funds.		(648,016)
8 Recognition of the District's proportionate share of the net other postemployment benefit liability is not reported in governmental funds.		(1,742,123)
9 Deferred inflows of resources related to pensions are not reported in governmental funds.		(99,839)
10 Deferred inflows of resources related to other postemployment benefits are not reported in governmental funds.		(728,733)
11 Property taxes unavailable to pay for current period expenditures are deferred in governmental funds.		24,978
19 Net Position of Governmental Activities	\$	949,277

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

MILES INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 1,025,700	\$ 292,090	\$ 77,385	\$ 1,395,175
5800 State Program Revenues	3,505,605	240,855	11,613	3,758,073
5900 Federal Program Revenues	17,343	-	308,349	325,692
5020 Total Revenues	<u>4,548,648</u>	<u>532,945</u>	<u>397,347</u>	<u>5,478,940</u>
EXPENDITURES:				
Current:				
0011 Instruction	2,258,311	-	188,530	2,446,841
0012 Instructional Resources and Media Services	57,429	-	-	57,429
0013 Curriculum and Instructional Staff Development	620	-	1,483	2,103
0021 Instructional Leadership	93,270	-	-	93,270
0023 School Leadership	187,800	-	-	187,800
0031 Guidance, Counseling, and Evaluation Services	69,409	-	26,680	96,089
0033 Health Services	32,682	-	-	32,682
0034 Student (Pupil) Transportation	110,397	-	-	110,397
0035 Food Services	9,321	-	225,983	235,304
0036 Extracurricular Activities	359,595	-	-	359,595
0041 General Administration	247,306	-	-	247,306
0051 Facilities Maintenance and Operations	483,525	-	-	483,525
0052 Security and Monitoring Services	8,726	-	-	8,726
0053 Data Processing Services	212,818	-	-	212,818
Debt Service:				
0071 Principal on Long-Term Debt	-	210,000	-	210,000
0072 Interest on Long-Term Debt	-	300,415	-	300,415
0073 Bond Issuance Cost and Fees	-	4,150	-	4,150
Capital Outlay:				
0081 Facilities Acquisition and Construction	26,580	-	-	26,580
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	19,633	-	-	19,633
0099 Other Intergovernmental Charges	27,121	-	-	27,121
6030 Total Expenditures	<u>4,204,543</u>	<u>514,565</u>	<u>442,676</u>	<u>5,161,784</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>344,105</u>	<u>18,380</u>	<u>(45,329)</u>	<u>317,156</u>
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	45,329	45,329
8911 Transfers Out (Use)	(45,329)	-	-	(45,329)
7080 Total Other Financing Sources (Uses)	<u>(45,329)</u>	<u>-</u>	<u>45,329</u>	<u>-</u>
1200 Net Change in Fund Balances	298,776	18,380	-	317,156
0100 Fund Balance - September 1 (Beginning)	825,422	257,458	-	1,082,880
1300 Increase (Decrease) in Fund Balance	35,806	(2,063)	-	33,743
3000 Fund Balance - August 31 (Ending)	<u>\$ 1,160,004</u>	<u>\$ 273,775</u>	<u>\$ -</u>	<u>\$ 1,433,779</u>

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

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

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$	317,156
Capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements.		79,757
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources.		(544,419)
Long-term debt principal payments are expenditures in governmental funds but are shown as reductions in long-term debt in the government-wide financial statements.		210,000
Interest is accrued on outstanding long-term debt in the government-wide financial statements but is reported as an expenditure in governmental funds when due.		368
Deferral on refunding associated with bonds payable is reported net of amortization on the government-wide financial statements.		(1,673)
Amortization of bond premium is not recorded in the governmental funds but is shown as a reduction in long-term debt in the government-wide financial statements.		8,661
Changes in the net pension liability and related deferred inflows and outflows are recognized in the government-wide financial statements but are not reported in governmental funds.		(54,492)
Changes in the net other postemployment benefit liability and related deferred inflows and outflows are recognized in the government-wide financial statements but are not reported in governmental funds.		607,460
Revenues from property taxes are deferred in governmental funds until they are considered available to finance current expenditures. In the government-wide financial statements, revenues are recognized when assessed, net of an allowance for uncollectible taxes.		9,005
Change in Net Position of Governmental Activities	\$	631,823

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

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

	Agency Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 27,867
Total Assets	<u>\$ 27,867</u>
LIABILITIES	
Due to Student Groups	\$ 27,867
Total Liabilities	<u>\$ 27,867</u>

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

MILES INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Miles Independent School District is a public educational agency operating under the applicable laws and regulations of the State of Texas. The District prepares its basic financial statements in conformity with accounting principles generally accepted in the United States of America applicable to state and local governments. Additionally, the District complies with the requirements of the Texas Education Agency's *Financial Accountability System Resource Guide* (the *Resource Guide*) and the requirements of contracts and grants of agencies from which it receives funds.

A. Reporting Entity

The District is governed by the Board of Trustees, a seven-member group, which is elected by the public and has governance responsibilities, including fiscal accountability, over all activities related to public elementary and secondary education within the jurisdiction of the Miles Independent School District (the primary government). There are no component units included within the reporting entity.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities include programs supported primarily by taxes, State foundation funds, grants, and other intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges for services - payments from parties that purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment of the District and (2) grants and contributions - payments from organizations outside the District that are restricted to meeting the operational or capital requirements of a particular function or segment of the District. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

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. All remaining governmental funds are aggregated and reported as other funds.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recognized when they are earned and become measurable, and expenses are recognized when they become measurable and 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 revenues 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. With this measurement focus, only current assets, current liabilities, and fund balances are included in the balance sheet. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days

MILES INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued

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.

Property taxes, revenues received from the state, and interest associated with the current fiscal period are 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 government.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received they are recorded as unearned revenue until related and authorized expenditures have been made.

The government reports the following major governmental funds:

The General Fund is the government'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 Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Additionally, the government reports the following fund type:

Agency Funds account for the activities of funds which are the property of student groups.

D. Interfund Receivables and Payables

Activity between individual funds may result in amounts owed between funds which are classified as Due To and From Other Funds. Other than amounts due to or from fiduciary funds these balances are eliminated in the statement of net position.

E. Receivables and Payables

Receivables are stated at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year.

F. Capital Assets

Capital assets are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$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.

MILES INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

F. Capital Assets - Continued

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.

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

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	10-40
Vehicles	5-10
Furniture and Equipment	5-10

G. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, 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.

H. Pensions

In accordance with accounting guidance prescribed by GASB Statement No. 68, 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.

I. Other Postemployment Benefits (OPEB)

In accordance with new accounting guidance prescribed by GASB Statement No. 75, 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 postemployment 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.

J. Compensated Absences

The District's policy does not permit employees to accumulate unused vacation and sick leave to be paid to the employees upon separation from service.

MILES INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

K. Net Position on the Statement of Net Position

Net position on the statement of net position includes the following:

Net Investment in Capital Assets - This component of net position represents the difference between capital assets net of accumulated depreciation and the outstanding balance of debt, excluding any unspent debt proceeds, which is directly attributable to the acquisition, construction, or improvement of those assets.

Restricted for Debt Service - This component of net position represents the difference between assets and liabilities of the Debt Service Fund that consists of assets with constraints placed on their use by creditors.

Unrestricted - This is the difference between assets/deferred outflows of resources and liabilities/deferred inflows of resources that is not reported as Net Investment in Capital Assets or Restricted for Debt Service.

L. Fund Balances

In the fund financial statements, governmental funds report the following classifications of fund balance:

Restricted - Amounts that can be spent only for specific purposes because usage restraints have been imposed by external sources such as creditors (through a debt covenant), grantors, contributors, or laws or regulations of other governments.

Committed - Amounts that can be used only for specific purposes determined by a formal action of the Board of Trustees, the District's highest level of decision-making authority. Commitments may be modified or rescinded only through formal action by the Board of Trustees.

Unassigned - Amounts that have not been assigned to other funds or restricted, committed, or assigned to a specific purpose within the General Fund.

The details of the fund balances are included in the governmental funds balance sheet.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are 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 has provided otherwise in its commitment or assignment actions.

M. Property Tax Revenues

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

The District recognizes as tax revenues those taxes that are measurable and available. Measurable means the amount can be determined, and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as available if they are collected within the current period.

MILES INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

M. Property Tax Revenues - Continued

Taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectibles are based upon historical experience. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

N. Interfund Transfers

Permanent relocations of resources between funds of the reporting entity are classified as interfund transfers. For purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budget

Formal budgetary accounting is employed for all required governmental fund types and is presented on the modified accrual basis of accounting consistent with generally accepted accounting principles.

The official school budget is prepared for adoption for required governmental fund types prior to August 20 of the preceding fiscal year for the subsequent fiscal year beginning September 1. The budget is formally adopted by the Board of Trustees at a public meeting held at least ten days after public notice has been given.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, the Debt Service Fund, and the Food Service Special Revenue Fund. The remaining Special Revenue Funds adopt project-length budgets which do not correspond to the District's fiscal year. Each annual budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles. The budget was amended throughout the year by the Board of Trustees. Such amendments are before the fact and are reflected in the official minutes of the Board.

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

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

MILES INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2018

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

A. Deposits and Investments - Continued

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy.

Custodial Credit Risk - Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits and investments in certificates of deposit may not be returned to it. The District's policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments, other than the following: The State of Texas requires that a financial institution secure deposits and investments made by state and local governments by pledging securities in excess of the highest cash balance of the government. The District is not exposed to custodial credit risk for its deposits since they are covered by depository insurance and pledged securities held by a third party in the District's name.

Concentration of Credit Risk: The investment policy of the District contains no limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent five percent or more of the total entity investments represent a concentration risk. The District is not exposed to this risk as described in the preceding paragraph.

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

Interest Rate Risk: Not applicable

Foreign Currency Risk: Not applicable

B. Due from Other Governments

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

	State Entitlements	Federal Grants	Other	Total
General Fund	\$ 317,541	\$ 0	\$ 9,389	\$ 326,930
Special Revenue Funds	0	12,658	0	12,658
Debt Service Fund	21,394	0	1,335	22,729
Totals	\$ 338,935	\$ 12,658	\$ 10,724	\$ 362,317

MILES INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2018

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

C. Interfund Balances and Transfers

1. The following is a summary of amounts due from and due to other funds:

	<u>Due From</u>	<u>Due To</u>	<u>Purpose</u>
General Fund			
Nonmajor Governmental Funds	\$ 1,000	\$ 2,419	Current Operations
Nonmajor Governmental Funds			
General Fund	<u>2,419</u>	<u>1,000</u>	Current Operations
Totals	<u>\$ 3,419</u>	<u>\$ 3,419</u>	

All amounts due are expected to be repaid within one year.

2. Interfund transfers consist of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Nonmajor Governmental Funds	<u>\$ 45,329</u>	Subsidize Food Services

D. Capital Assets

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

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclassifications</u>	<u>Ending Balance</u>
Capital Assets					
Land	\$ 42,340	\$ 0	\$ 0	\$ 0	\$ 42,340
Buildings and Improvements	14,414,436	26,580	0	0	14,441,016
Furniture and Equipment	<u>1,084,928</u>	<u>53,177</u>	<u>0</u>	<u>0</u>	<u>1,138,105</u>
Total Capital Assets	<u>\$ 15,541,704</u>	<u>\$ 79,757</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 15,621,461</u>
Less Accumulated Depreciation					
Buildings and Improvements	\$ (4,181,642)	\$ (482,863)	\$ 0	\$ 0	\$ (4,664,505)
Furniture and Equipment	<u>(817,981)</u>	<u>(61,556)</u>	<u>0</u>	<u>0</u>	<u>(879,537)</u>
Total Accumulated Depreciation	<u>\$ (4,999,623)</u>	<u>\$ (544,419)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (5,544,042)</u>
Governmental Activities Capital Assets, Net	<u>\$ 10,542,081</u>	<u>\$ (464,662)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 10,077,419</u>

MILES INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2018

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

D. Capital Assets - Continued

Depreciation expense was charged to governmental activities functions as follows:

Instruction	\$ 339,683
Instructional Resources and Media Services	8,350
Instructional Leadership	14,237
School Leadership	27,940
Guidance, Counseling, and Evaluation Services	14,194
Health Services	5,002
Student (Pupil) Transportation	9,634
Food Services	17,664
Extracurricular Activities	26,739
General Administration	28,271
Facilities Maintenance and Operations	26,405
Data Processing Services	<u>26,300</u>
Total	<u>\$ 544,419</u>

E. Deferred Outflows and Inflows of Resources

A deferred outflow of resources is a consumption of a government's net position (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.

A deferred inflow of resources is an acquisition of a government's net position (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.

Deferred outflows and inflows of resources are reported as described below:

Deferred Outflows (Statement of Net Position)

Deferred loss on bond refunding, which is amortized over the life of the refunding bonds.

District's proportionate share of Teacher Retirement System of Texas (TRS) pension plan deferred outflows as detailed in financial statement footnote IV., A.

District's proportionate share of Teacher Retirement System of Texas (TRS) OPEB plan deferred outflows as detailed in financial statement footnote IV., B.

MILES INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2018

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

E. Deferred Outflows and Inflows of Resources - Continued

Deferred Inflows (Statement of Net Position)

District's proportionate share of Teacher Retirement System of Texas (TRS) pension plan deferred inflows as detailed in financial statement footnote IV., A.

District's proportionate share of Teacher Retirement System of Texas (TRS) OPEB plan deferred inflows as detailed in financial statement footnote IV., B.

Deferred Inflows (Balance Sheet - Governmental Funds)

Unavailable revenue - property taxes.

F. Commitments Under Noncapitalized Leases

Commitments under operating lease agreements for equipment provide for minimum future rental payments as of August 31, 2018, as follows:

<u>Year Ending</u> <u>August 31,</u>	
2019	\$ 30,379
2020	29,870
2021	12,630
2022	3,256
2023	<u>3,256</u>
Total Minimum Rentals	<u>\$ 79,391</u>

Rental expenditures during the year ended August 31, 2018, were \$28,410.

G. Long-Term Debt

The following is a summary of changes in long-term debt for the year ended August 31, 2018:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
General Obligation Bonds - Series 2010	\$ 715,000	\$ 0	\$ 210,000	\$ 505,000	\$ 215,000
General Obligation Bonds - Series 2015	7,000,000	0	0	7,000,000	0
Bond Premium - Series 2015	<u>237,817</u>	<u>0</u>	<u>8,661</u>	<u>229,156</u>	<u>0</u>
Totals	<u>\$ 7,952,817</u>	<u>\$ 0</u>	<u>\$ 218,661</u>	<u>\$ 7,734,156</u>	<u>\$ 215,000</u>

MILES INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2018

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

G. Long-Term Debt - Continued

The District's outstanding bond issues are as follows:

Miles Independent School District Unlimited Tax Refunding Bonds, Series 2010. Issued to currently refund \$1,135,000 of Unlimited Tax School Building Bonds, Series 2000. The bonds consisted of \$1,125,000 of current interest bonds and \$10,000 of premium capital appreciation bonds. Due in variable installments through February 15, 2025, with interest rates of 1.45% to 3.7%.	\$ 505,000
Miles Independent School District Unlimited Tax School Building Bonds Series 2015. Issued for acquiring, constructing, and equipping school buildings in the original amount of \$7,000,000. Due in variable installments through February 15, 2045, with interest rates of 3.25% to 5%.	<u>7,000,000</u>
Total Bonds Payable	<u><u>\$ 7,505,000</u></u>

The combined annual debt service requirements are as follows:

Year Ending August 31,	General Obligation Bonds		Total
	Principal	Interest	
2019	\$ 215,000	\$ 291,330	\$ 506,330
2020	220,000	281,855	501,855
2021	225,000	272,046	497,046
2022	230,000	261,976	491,976
2023	240,000	251,533	491,533
2024-2028	1,115,000	1,112,538	2,227,538
2029-2033	1,200,000	920,225	2,120,225
2034-2038	1,460,000	670,600	2,130,600
2039-2043	1,780,000	347,600	2,127,600
2044-2045	820,000	33,200	853,200
Totals	\$ 7,505,000	\$ 4,442,903	\$ 11,947,903

H. Outstanding Encumbrances

There were no outstanding encumbrances that were provided for in the subsequent year's budget.

MILES INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2018

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

I. Revenues from Local and Intermediate Sources

Local and intermediate source revenues consists of the following:

	General Fund	Special Revenue Funds	Debt Service Fund	Total
Property Taxes	\$ 973,507	\$ 0	\$ 290,496	\$ 1,264,003
Other Local Sources	29,714	5	1,594	31,313
Cocurricular, Enterprising Services, or Activities	22,479	77,380	0	99,859
Totals	<u>\$ 1,025,700</u>	<u>\$ 77,385</u>	<u>\$ 292,090</u>	<u>\$ 1,395,175</u>

IV. OTHER INFORMATION

A. Defined Benefit Pension Plan

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

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

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

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

MILES INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2018

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

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:

Contribution Rates		
	<u>2017</u>	<u>2018</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
District's 2018 Employer Contributions		\$ 66,356
District's 2018 Member Contributions		219,303
District's 2017 NECE On-Behalf Contributions		124,565

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

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

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

MILES INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2018

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

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

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

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

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.0%
Long-Term Expected Investment Rate of Return	8.0%
Inflation	2.5%
Salary Increases Including Inflation	3.5% to 9.5%
Payroll Growth Rate	2.5%
Benefit Changes During the Year	None
Ad hoc Postemployment Benefit Changes	None

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

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

MILES INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2018

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2017, are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Real Return Geometric Basis</u>	<u>Long-Term Expected Portfolio Real Rate of Return*</u>
Global Equity			
U.S.	18.0%	4.6%	1.0%
Non-U.S. Developed	13.0%	5.1%	0.8%
Emerging Markets	9.0%	5.9%	0.7%
Directional Hedge Funds	4.0%	3.2%	0.1%
Private Equity	13.0%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11.0%	0.7%	0.1%
Absolute Return	0.0%	1.8%	0.0%
Hedge Funds (Stable Value)	4.0%	3.0%	0.1%
Cash	1.0%	-0.2%	0.0%
Real Return			
Global Inflation Linked Bonds	3.0%	0.9%	0.0%
Real Assets	16.0%	5.1%	1.1%
Energy and Natural Resources	3.0%	6.6%	0.2%
Commodities	0.0%	1.2%	0.0%
Risk Parity			
Risk Parity	5.0%	6.7%	0.3%
Inflation Expectations			2.2%
Alpha			<u>1.0%</u>
Totals	<u>100.0%</u>		<u>8.7%</u>

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

MILES INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2018

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

Discount Rate Sensitivity Analysis - The following schedule shows the impact of the net pension liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2017 net pension liability:

	1% Decrease in Discount Rate (7%)	Discount Rate (8%)	1% Increase in Discount Rate (9%)
District's Proportionate Share of the Net Pension Liability	\$ 1,092,427	\$ 648,016	\$ 277,972

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At August 31, 2018, the Miles Independent School District reported a net pension liability of \$648,016 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's Proportionate Share of the Collective Net Pension Liability	\$ 648,016
State's Proportionate Share that is Associated with the District	1,633,083
Total	\$ 2,281,099

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

At August 31, 2017, the employer's proportion of the collective net pension liability was 0.0020266573% which was an increase of 0.0002103% from its proportion measured as of August 31, 2016.

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

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

For the year ended August 31, 2018, the Miles Independent School District recognized pension expense of \$124,565 and revenue of \$124,565 for support provided by the State in the government-wide statement of activities.

MILES INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2018

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Actuarial Experience	\$ 9,481	\$ 34,947
Changes in Actuarial Assumptions	29,518	16,898
Net Difference Between Projected and Actual Investment Earnings	-	47,226
Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions	238,385	768
Contributions Paid to TRS Subsequent to the Measurement Date	66,356	-
Totals	\$ 343,740	\$ 99,839

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

Year Ending August 31,	Pension Expense Amount
2019	\$ 34,597
2020	75,962
2021	31,422
2022	17,217
2023	10,806
Thereafter	7,541

B. Defined Other Postemployment Benefit Plans

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

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

MILES INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2018

IV. OTHER INFORMATION - Continued

B. Defined Other Postemployment Benefit Plans - Continued

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

<u>Net OPEB Liability</u>	<u>Total</u>
Total OPEB Liability	\$ 43,885,784,621
Less: Plan Fiduciary Net Position	<u>(399,535,986)</u>
Net OPEB Liability	<u>\$ 43,486,248,635</u>
Net Position as a Percentage of Total OPEB Liability	0.91%

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

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

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

TRS-Care Plan Premium Rates
Effective September 1, 2016 - December 31, 2017

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

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

MILES INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2018

IV. OTHER INFORMATION - Continued

B. Defined Other Postemployment Benefit Plans - Continued

Texas Insurance Code, Section 1575.202 establishes the state’s contribution rate which is 1% of the employee’s salary. Section 1575.203 establishes the active employee’s rate which is 0.65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% 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	
	<u>2017</u>	<u>2018</u>
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.00%	1.25%
Employers	0.55%	0.75%
Federal/Private Funding Remitted by Employers	1.00%	1.25%
District's 2018 Employer Contributions		\$ 23,242
District's 2018 Member Contributions		18,512
District's 2017 NECE On-Behalf Contributions		(750,014)

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$15.6 million in fiscal year 2017. House Bill 21 was passed in special session and provided a supplemental appropriation in the amount of \$212 million in fiscal year 2018. The District's proportionate share of the \$212 million received during the District's 2018 fiscal year is reported in the fund level financial statements as an on-behalf contribution as required by GASB 85 and GASB 24.

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

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

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

MILES INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2018

IV. OTHER INFORMATION - Continued

B. Defined Other Postemployment Benefit Plans - Continued

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

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

Additional Actuarial Methods and Assumptions:

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

Discount Rate - A single discount rate of 3.42% was used to measure the total OPEB liability. There was a change of 0.44% in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. The source of the municipal bond rate was fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of August 31, 2017.

MILES INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2018

IV. OTHER INFORMATION - Continued

B. Defined Other Postemployment Benefit Plans - Continued

Sensitivity of the Net OPEB Liability

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

	1% Decrease in Discount Rate (2.42%)	Discount Rate (3.42%)	1% Increase in Discount Rate (4.42%)
District's Proportionate Share of the Net OPEB Liability	\$ 2,056,137	\$ 1,742,123	\$ 1,489,726

Healthcare Cost Trend Rates Sensitivity Analysis - The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1% lower or 1% higher than the assumed healthcare cost trend rate:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's Proportionate Share of the Net OPEB Liability	\$ 1,450,491	\$ 1,742,123	\$ 2,124,780

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs - At August 31, 2018, the Miles Independent School District reported a liability of \$1,742,123 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	\$ 1,742,123
State's Proportionate Share that is Associated with the District	2,241,347
Total	\$ 3,983,470

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

At August 31, 2017, the employer's proportion of the collective net OPEB liability was 0.0040061464% which was the same proportion measured as of August 31, 2016.

MILES INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2018

IV. OTHER INFORMATION - Continued

B. Defined Other Postemployment Benefit Plans - Continued

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

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

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

- 2018 thresholds of \$850/\$2,292 were indexed annually by 2.5%.
- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

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

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

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

For the year ended August 31, 2018, the Miles Independent School District recognized OPEB expense of \$(750,014) and revenue of \$(750,014) for support provided by the State.

MILES INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2018

IV. OTHER INFORMATION - Continued

B. Defined Other Postemployment Benefit Plans - Continued

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Actuarial Experience	\$ -	\$ 36,368
Changes in Actuarial Assumptions	-	692,365
Net Difference Between Projected and Actual Investment Earnings	265	-
Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions	7	-
Contributions Paid to TRS Subsequent to the Measurement Date	23,242	-
Totals	\$ 23,514	\$ 728,733

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

Year Ending August 31,	OPEB Expense Amount
2019	\$ (96,121)
2020	(96,121)
2021	(96,121)
2022	(96,121)
2023	(96,187)
Thereafter	(247,790)

C. Health Care Coverage

The District participates in TRS-Active Care sponsored by the Teacher Retirement System of Texas. TRS-Active Care (the Plan) provides health care coverage to employees (and their dependents) of participating public education entities. Optional life and long-term care insurance are also provided to active members and retirees. Authority for the Plan can be found in the Texas Insurance Code, Title 8, Subtitle H, Chapter 1579 and in the Texas Administrative Code, Title 34, Part 3, Chapter 41. The Plan began operations on September 1, 2002. This is a premium-based plan. Payments are made on a monthly basis for all covered employees.

D. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters, for which the District participated in a public entity risk pool. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding coverage for each of the past three fiscal years.

MILES INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2018

IV. OTHER INFORMATION - Continued

E. Property and Liability Programs

During the year ended August 31, 2018, the District participated in the TASB Risk Management Fund's (the Fund's) Property and Liability Programs.

The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for the Property and Liability Programs. The terms and limits of the stop-loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended, August 31, 2018, the Fund anticipates that the District has no additional liability beyond the contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2017, are available on the TASB Risk Management Fund website.

F. Unemployment Compensation Coverage

During the year ended August 31, 2018, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop-loss coverage for the Unemployment Compensation pool. For the year ended August 31, 2018, the Fund anticipates that the District has no additional liability beyond the contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2017, are available on the TASB Risk Management Fund website.

G. Workers' Compensation Insurance

The District is partially uninsured with respect to workers' compensation insurance. The District participates in a shared risk pool, the "West Texas Educational Insurance Association," administered by Claims Administrative Services, Inc. Individual claims that exceed the loss fund maximum, stated at \$29,147 at August 31, 2018, are paid by the Association through a reinsurance program. The District is responsible for all claims up to the loss fund maximum. Cumulative unpaid claims (including "incurred but not reported" claims) the District is responsible for paying totaled \$23,430 at August 31, 2018. Contributions to this pool for the current year were \$12,880.

MILES INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2018

IV. OTHER INFORMATION - Continued

G. Workers' Compensation Insurance - Continued

Changes in the balances of claims liabilities are as follows:

	Year Ended August 31,	
	2018	2017
Unpaid Claims - Beginning	\$ 19,022	\$ 20,324
Incurred Claims	6,927	29,147
Claim Payments	(2,784)	(28,817)
Prior Period Adjustment	265	(1,632)
Unpaid Claims - Ending	\$ 23,430	\$ 19,022

H. Contingencies

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

I. Shared Services Arrangements

The District participates in a shared services arrangement for alternative education with nine other school districts. The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has joint ownership interest in any fixed assets purchased by the fiscal agent nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The Wall Independent School District is the fiscal agent manager and is responsible for all financial activities of the shared services arrangement. The District expended \$19,633 to the shared services arrangement during the current year.

J. Negative Operating Grants and Contributions - Statement of Activities

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

During the year under audit, the NECE expense related to GASB 75 was negative due to changes in benefits within the TRS-Care plan. The accrual for the proportionate share of that expense was a negative on-behalf revenue and negative on-behalf expense. This resulted in negative revenue for operating grants and contributions on the statement of activities. According to guidance provided directly from GASB, this is the correct reporting.

MILES INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2018

IV. OTHER INFORMATION - Continued

J. Negative Operating Grants and Contributions - Statement of Activities - Continued

Following are the effects on the statement of activities related to GASB 75 as a result of the negative on-behalf accruals recorded:

	<u>Operating Grants and Contributions</u>	<u>Negative On-Behalf Accruals</u>	<u>Operating Grants and Contributions (Excluding On-Behalf Accruals)</u>
11 Instruction	\$ (196,652)	\$ 468,557	\$ 271,905
12 Instructional Resources and Media Services	(10,062)	12,240	2,178
13 Curriculum and Instructional Staff Development	1,483	0	1,483
21 Instructional Leadership	(12,511)	15,218	2,707
23 School Leadership	(29,774)	36,218	6,444
31 Guidance, Counseling, and Evaluation Services	13,585	15,930	29,515
33 Health Services	11,769	6,780	18,549
34 Student (Pupil) Transportation	(12,672)	15,413	2,741
35 Food Services	82,423	25,358	107,781
36 Extracurricular Activities	(31,744)	38,611	6,867
41 General Administration	(27,087)	32,948	5,861
51 Facilities Maintenance and Operations	(33,373)	40,598	7,225
53 Data Processing Services	<u>(34,644)</u>	<u>42,143</u>	<u>7,499</u>
Totals	<u>\$ (279,259)</u>	<u>\$ 750,014</u>	<u>\$ 470,755</u>

K. Adjustments to Net Position/Fund Balances

During fiscal year 2018, the District adopted GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefit Other Than Pensions." With GASB 75, the District must assume its proportionate share of the net OPEB liability of the Teacher Retirement System of Texas. Adoption of GASB 75 required a prior period adjustment to report the effect of GASB 75 retroactively. The amount of the prior period adjustment is a decrease in net position of \$3,054,802.

MILES INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2018

IV. OTHER INFORMATION - Continued

K. Adjustments to Net Position/Fund Balances - Continued

The financial statements reflect the following prior period adjustments:

	<u>Net Position Exhibit B-1</u>	<u>Fund Balances Exhibit C-3</u>
General Fund		
Foundation Adjustment	\$ 24,805	\$ 24,805
Shared Services Arrangements Refunds	8,166	8,166
Workers' Compensation Liability Adjustment	(265)	(265)
Miscellaneous Adjustments	<u>3,100</u>	<u>3,100</u>
Total General Fund	\$ 35,806	\$ 35,806
Debt Service Fund		
EDA and IFA Revenue Allotment Adjustment	(2,063)	(2,063)
GASB 75 as Noted Above	<u>(3,054,802)</u>	<u>0</u>
Totals	<u><u>\$ (3,021,059)</u></u>	<u><u>\$ 33,743</u></u>

L. Subsequent Events

The District's management has evaluated subsequent events through October 23, 2018, the date which the financial statements were available for issue.

Required Supplementary Information

MILES INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 1,078,154	\$ 1,078,154	\$ 1,025,700	\$ (52,454)
5800	State Program Revenues	3,380,393	3,380,393	3,505,605	125,212
5900	Federal Program Revenues	13,410	13,410	17,343	3,933
5020	Total Revenues	4,471,957	4,471,957	4,548,648	76,691
EXPENDITURES:					
Current:					
0011	Instruction	2,388,032	2,315,357	2,258,311	57,046
0012	Instructional Resources and Media Services	56,831	57,831	57,429	402
0013	Curriculum and Instructional Staff Development	3,600	2,600	620	1,980
0021	Instructional Leadership	94,464	95,110	93,270	1,840
0023	School Leadership	190,644	190,644	187,800	2,844
0031	Guidance, Counseling, and Evaluation Services	71,843	72,843	69,409	3,434
0033	Health Services	36,945	35,445	32,682	2,763
0034	Student (Pupil) Transportation	165,747	165,747	110,397	55,350
0035	Food Services	8,674	10,174	9,321	853
0036	Extracurricular Activities	322,408	382,603	359,595	23,008
0041	General Administration	267,735	267,735	247,306	20,429
0051	Facilities Maintenance and Operations	513,951	525,561	483,525	42,036
0052	Security and Monitoring Services	11,500	11,500	8,726	2,774
0053	Data Processing Services	196,830	216,080	212,818	3,262
Capital Outlay:					
0081	Facilities Acquisition and Construction	39,250	45,224	26,580	18,644
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	22,000	22,000	19,633	2,367
0099	Other Intergovernmental Charges	26,500	28,500	27,121	1,379
6030	Total Expenditures	4,416,954	4,444,954	4,204,543	240,411
1100	Excess of Revenues Over Expenditures	55,003	27,003	344,105	317,102
OTHER FINANCING SOURCES (USES):					
8911	Transfers Out (Use)	(55,000)	(55,000)	(45,329)	9,671
1200	Net Change in Fund Balances	3	(27,997)	298,776	326,773
0100	Fund Balance - September 1 (Beginning)	825,422	825,422	825,422	-
1300	Increase (Decrease) in Fund Balance	-	-	35,806	35,806
3000	Fund Balance - August 31 (Ending)	\$ 825,425	\$ 797,425	\$ 1,160,004	\$ 362,579

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

	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
District's Proportion of the Net Pension Liability (Asset)	0.002026657%	0.001816317%	0.00197111%	0.0008062%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 648,016	\$ 686,359	\$ 696,758	\$ 215,347
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	1,633,083	1,978,834	1,921,081	1,692,022
Total	<u>\$ 2,281,099</u>	<u>\$ 2,665,193</u>	<u>\$ 2,617,839</u>	<u>\$ 1,907,369</u>
District's Covered Payroll	\$ 2,771,386	\$ 2,700,256	\$ 2,666,161	\$ 2,632,961
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	23.38%	25.42%	26.13%	8.18%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.17%	78.00%	78.43%	83.25%

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

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

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

	2018	2017	2016	2015
Contractually Required Contribution	\$ 66,356	\$ 66,422	\$ 57,709	\$ 58,366
Contribution in Relation to the Contractually Required Contribution	(66,356)	(66,422)	(57,709)	(58,366)
Contribution Deficiency (Excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-
District's Covered Payroll	\$ 2,848,087	\$ 2,771,386	\$ 2,700,256	\$ 2,666,191
Contributions as a Percentage of Covered Payroll	2.33%	2.40%	2.14%	2.19%

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

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

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

	FY 2018 Plan Year 2017
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.004006146%
District's Proportionate Share of Net Postemployment Benefit Liability (Asset)	\$ 1,742,123
State's Proportionate Share of the Net Postemployment Benefit Liability (Asset) Associated with the District	2,241,347
Total	\$ 3,983,470
District's Covered Payroll	\$ 2,771,386
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	62.86%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.91%

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

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

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

	2018
Contractually Required Contribution	\$ 23,242
Contribution in Relation to the Contractually Required Contribution	(23,242)
	\$ -0-
Contribution Deficiency (Excess)	-0-
District's Covered Payroll	\$ 2,848,087
Contributions as a Percentage of Covered Payroll	0.82%

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

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

MILES INDEPENDENT SCHOOL DISTRICT
Notes to the Required Supplementary Information
August 31, 2018

Note A - Net Pension Liability

Changes of Benefit Terms

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

Changes of Assumptions

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

Note B - Net OPEB Liability

Changes of Benefit Terms

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

Changes of Assumptions

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

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

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

- 2018 thresholds of \$850/\$2,292 were indexed annually by 2.5%.
- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

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

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

Other Supplementary Information

MILES INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED AUGUST 31, 2018

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2009 and prior years	Various	Various	\$ Various
2010	1.170000	0.068608	60,909,205
2011	1.170000	0.065100	62,630,318
2012	1.170000	0.076864	63,761,146
2013	1.170000	0.066438	67,247,156
2014	1.170000	0.066440	67,482,223
2015	1.170000	0.061046	76,529,709
2016	1.170000	0.366631	73,908,469
2017	1.170000	0.336780	77,424,511
2018 (School year under audit)	1.170000	0.350000	82,953,064
1000 TOTALS			

(10) Beginning Balance 9/1/2017	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2018
\$ 5,570	\$ -	\$ -	\$ -	\$ (3,078)	\$ 2,492
1,316	-	-	-	(146)	1,170
802	-	-	-	(146)	656
1,120	-	279	18	(18)	805
931	-	300	17	(166)	448
1,155	-	619	35	(24)	477
1,233	-	410	21	(24)	778
4,503	-	897	281	(29)	3,296
10,589	-	5,529	1,592	(11)	3,457
-	1,260,887	955,397	285,983	403	19,910
<u>\$ 27,219</u>	<u>\$ 1,260,887</u>	<u>\$ 963,431</u>	<u>\$ 287,947</u>	<u>\$ (3,239)</u>	<u>\$ 33,489</u>

MILES INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 91,005	\$ 91,005	\$ 77,385	\$ (13,620)
5800 State Program Revenues	1,300	1,300	1,282	(18)
5900 Federal Program Revenues	98,400	98,400	101,987	3,587
5020 Total Revenues	<u>190,705</u>	<u>190,705</u>	<u>180,654</u>	<u>(10,051)</u>
EXPENDITURES:				
0035 Food Services	245,105	245,105	225,983	19,122
0051 Facilities Maintenance and Operations	600	600	-	600
6030 Total Expenditures	<u>245,705</u>	<u>245,705</u>	<u>225,983</u>	<u>19,722</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(55,000)	(55,000)	(45,329)	9,671
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	<u>55,000</u>	<u>55,000</u>	<u>45,329</u>	<u>(9,671)</u>
1200 Net Change in Fund Balances	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

MILES INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - DEBT SERVICE FUND
 FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 298,733	\$ 298,733	\$ 292,090	\$ (6,643)
5800	State Program Revenues	218,187	218,187	240,855	22,668
5020	Total Revenues	516,920	516,920	532,945	16,025
EXPENDITURES:					
Debt Service:					
0071	Principal on Long-Term Debt	210,000	210,000	210,000	-
0072	Interest on Long-Term Debt	300,415	300,415	300,415	-
0073	Bond Issuance Cost and Fees	6,505	6,505	4,150	2,355
6030	Total Expenditures	516,920	516,920	514,565	2,355
1200	Net Change in Fund Balances	-	-	18,380	18,380
0100	Fund Balance - September 1 (Beginning)	257,458	257,458	257,458	-
1300	Increase (Decrease) in Fund Balance	-	-	(2,063)	(2,063)
3000	Fund Balance - August 31 (Ending)	\$ 257,458	\$ 257,458	\$ 273,775	\$ 16,317

COMPLIANCE AND INTERNAL CONTROLS SECTION



A Limited Liability Partnership

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

Board of Trustees
Miles Independent School District
P.O. Box 308
Miles, TX 76861-0308

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 the Miles Independent School District as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 23, 2018.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District'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 the audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Miles Independent School District's financial statements are free of 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eckert & Company, LLP

October 23, 2018

MILES INDEPENDENT SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended August 31, 2018

A. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued

Unmodified

Internal Control Over Financial Reporting

Material weaknesses identified?

 Yes X No

Significant deficiencies identified that are not considered to be material weaknesses?

 Yes X None Reported

Noncompliance material to financial statements noted?

 Yes X No

B. Findings - Financial Statements Audit

None

C. Findings - State Compliance

None

SCHOOLS FIRST QUESTIONNAIRE

MILES INDEPENDENT SCHOOL DISTRICT

Fiscal Year 2018

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	0
SF11	Net Pension Assets (1920) at fiscal year-end.	0
SF12	Net Pension Liabilities (2540) at fiscal year-end.	648016
SF13	Pension Expense (6147) at fiscal year-end.	0