

North East Independent School District  
San Antonio, Texas

Comprehensive Annual Financial Report

Year Ended June 30, 2018



Report Issued by the  
Department of  
Finance and Accounting

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# North East Independent School District Comprehensive Annual Financial Report



## **Finance and Accounting Team:**

Daniel Villarreal, CPA, RTSBA, Associate Superintendent for Business Services/  
Chief Financial Officer

Brian Moy, Executive Director of Finance and Accounting

Mary Alex, CPA, Senior Director of Grants Administration and Financial Control

Jeff Coats, Senior Director of Accounting and Payroll

Steve Tovar, Senior Director of Risk Management, Employee Benefits, and Health Services

Susie Lackorn, Director of Budgets and Financial Analysis

Dee Troy, CPA, RTSBA, Senior Financial Analyst for Campus Support  
and Human Resources

Vanessa Terrazas, Senior Financial Analyst for Instruction

Nancy Bomer, Senior Financial Analyst for Business Services and Operations

Shanna Toborg, RTSBA, District Treasurer

Janie Villarreal, Senior Accounting Manager

Emma Jackson, CPP, Payroll Manager

Chana Floyd, Accounting Manager

## **Internal Audit:**

Anthony J. Mitchell, CPA, Director of Internal Audit

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# **North East Independent School District**

8961 TESORO DRIVE, SAN ANTONIO, TEXAS 78217

November 12, 2018

Mrs. Shannon Grona, Board President,  
Members of the Board of Trustees, and  
Patrons of the North East Independent School District

Dear Mrs. Grona, Board of Trustees, and Patrons:

Management hereby submits the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2018. The North East Independent School District's (the District) Finance and Accounting Department prepared the CAFR in accordance with generally accepted accounting principles (GAAP). The CAFR is management's report of financial operations to the Board of Trustees (the Board), taxpayers, grantor agencies, employees, the Texas Education Agency, and other interested parties.

The financial statements in this report provide an overview of the District's operations and financial position as a whole and of its individual funds. Responsibility for the accuracy and completeness of the financial statements and fairness of the presentation, including all disclosures, rests with the District. We believe the data, as presented, is accurate in all material respects.

The Texas Education Agency (TEA) requires all school districts to publish, within 150 days of the close of each fiscal year, a complete set of financial statements presented in conformity with GAAP and audited in accordance with generally accepted auditing standards (GAAS) by a firm of licensed certified public accountants.

Management's Discussion and Analysis (MD&A) is a required narrative introduction, overview, and analysis of the basic financial statements and should be read in conjunction with this letter of transmittal. The District's MD&A can be found immediately following the report of the independent auditors.

## **DISTRICT PROFILE**

The District provides a full range of educational services appropriate to grade levels Pre-K through 12. These include regular and enriched academic education, special education for students with disabilities, gifted and talented classes and many individualized programs, such as specialized instruction for at-risk students and those with limited English proficiency. These basic programs are supplemented by a wide variety of offerings in career and technology, fine arts, and athletics.

The District encompasses approximately 140 square miles in north and northeast Bexar County. Founded in 1949, the District has operated as an independent school district since 1955. The District is one of the largest districts in the State of Texas with a projected enrollment of approximately 65,000 students for the 2018-2019 school year. The District is an urban-suburban community, lying within the boundaries of San Antonio and encompassing several smaller municipalities. All campuses are fully accredited by the TEA. The District tailors its instructional programs to enrich and expand student learning and exposes students to the tenets of responsible citizenship. District leaders believe this philosophy is instrumental in keeping the completion rate high (95%) and prepares students for college, career, or military endeavors. The Board constitutes the governing body elected from seven single-member districts and sets the tone for instruction and service to students and patrons with its mission statement and goals.

### **Internal and Budgetary Controls**

The District has established a comprehensive internal control framework designed both to protect the District's assets from loss, theft or misuse and to compile sufficiently reliable information for the preparation of the District's financial statements in conformity with GAAP. Internal controls are designed to provide management with reasonable, but not absolute, assurance assets are safeguarded against loss from unauthorized use or disposition and those transactions are executed in accordance with management's authorization and recorded properly. The concept of reasonable assurance recognizes the cost of a control should not exceed the benefits likely to be derived, and the evaluation of costs and benefits requires estimates and judgments by management.

As a recipient of federal, state and local grants, the District is also responsible for an adequate internal control structure that ensures compliance with applicable laws and regulations related to the grants. All funded grants are subject to testing as part of the District's Single Audit as mandated by the Single Audit Act Amendments of 1996 and Title 2 United States Code of Federal regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). The results of the District's Single Audit for the fiscal year ended June 30, 2018, provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations. The report may be viewed in the Federal Awards section of the CAFR.

Budgetary controls are established in accordance with TEA regulations and District policy for all managers with line-item responsibility. TEA regulations set the level of budgetary control at the functional expenditure level. The Board authorized the administration, through resolution, to provide budgetary transfers when there is no impact on the fund balance. These transfers are approved by the Board in a subsequent budget amendment. The Board must approve all budget amendments impacting fund balance of the General, Debt Service, and National School Breakfast and Lunch Program Funds. The District utilizes a line-item budget of proposed expenditures and the means of financing them. The emphasis of the budget process is to identify the activities requiring resources and to rank those activities according to the needs of the entire District. Administrators have the responsibility to develop and manage their own program budgets once approved. Budget amendments are presented to the Board for approval throughout the fiscal year.

## **Summary of Achievements**

The District's achievements continue to be heralded in local, state and national publications. The success of the District is evidenced in its students' high standardized test scores, Advanced Placement Program participation and abundant scholarships and awards presented to the District's students. The District enjoys a well-deserved reputation for academic and financial excellence, and continues to receive numerous accolades for the performance of its students. Most recently, the District has been recognized for the following:

- The District received a rating of Superior on the Schools Financial Integrity Rating System of Texas (FIRST). This is the 16<sup>th</sup> year in a row the District has earned the State's highest financial accountability rating.
- The District's administrative costs as a percent of instructional costs for 2016-2017 was 5.5 percent. This was the lowest of all districts in Bexar County and places the District in the top four percent of all Texas school districts.
- In 2017-2018, the District had 15 National Merit Finalists, 15 National Merit Semifinalists, 63 Commended Scholars, and 73 National Hispanic Scholars.
- Eighty-seven percent of the District's 2018 graduates planned to attend a two-year, four-year, trade, technical, or business school/institution. They received \$94.2 million in scholarship offers.
- In 2018, the District graduated 995 Summa Cum Laude students (100+ average).

## **ECONOMIC CONDITION AND OUTLOOK**

### **Property Tax and State Education Funding**

School districts in Texas are funded through two main sources of revenue: local property taxes and state aid that is based on the number of students in attendance in the District, the type of instructional services provided, and the school district's property wealth and tax collection efforts.

Additional property tax revenue can be generated by increasing the property tax rate or by an increase in valuation of property within the district. Since 2007-2008, the District has levied a property tax rate for maintenance and operations (M&O) of \$1.04 per hundred dollars of taxable property value – the maximum rate that a school district can levy without prior approval by district voters. Property values within the District are projected to increase by approximately \$2.1 billion, or 5.4 percent, for the 2018-2019 fiscal year. The increase is expected to generate an additional \$19.0 million of M&O property tax revenue. However, any local property value increase reduces state funding the following year. For example, the 2017-2018 property value increase of \$2.1 billion will cause a reduction in state funding for 2018-2019 of at least \$19.6 million.

The District was able to lower its Interest & Sinking (I&S) tax rate for 2018-2019 one-half cent, due to the increase in valuation and as a result of actively managing the District's debt portfolio. This is the fourth consecutive year the District lowered its tax rate. In total, the tax rate was reduced 8 cents over the past four years.

Since 2007, the State legislature has significantly reduced education funding in Texas. The decrease in funding occurred by first lowering the rate that school districts can assess for property taxes and, then altering the funding formulas used to allocate funding for education. The most noteworthy change was in 2011 when the Legislature cut funding statewide by more than \$5 billion.

In 2015, the Legislature altered funding formulas again. The basic per-student allotment was increased two percent, which increased formula aid by \$10.5 million. However, this was almost entirely offset by a decrease in local property tax revenue from a state mandated increase in the homestead exemption.

Hundreds of Texas school districts and charter schools filed lawsuits alleging the funding system created by the Texas Legislature in 2011 was unconstitutional. The lawsuits were consolidated by the 250th District Court of Travis County and the trial commenced in October 2012. In August 2014, District Court Judge John Dietz of Austin ruled that the State's educational funding system is unconstitutional, as it (a) is inadequate to support a "general diffusion of knowledge;" (b) is inefficient as all students are not afforded substantially equal access to education funds, and (c) effectively creates a State-wide property tax. The State appealed the case to the Texas Supreme Court. In May 2016, the Texas Supreme Court ruled in favor of the State on all counts. Despite affirming the constitutionality of the system, the Court acknowledged the system is flawed and called for action by the Legislature. In its opinion, the Court noted, "Our Byzantine school funding 'system' is undeniably imperfect, with immense room for improvement. But it satisfies minimum constitutional requirement... We hope lawmakers will seize this urgent challenge and upend an ossified regime ill-suited for 21st century Texas." Unfortunately, the 2017 Legislative Session passed with no significant improvements to education funding for the District.

### **Local & State Economy**

The local economy continues to be strong. The unemployment rate dipped slightly from 4.7 percent in August 2017 to 3.5 percent in August 2018, the lowest in the metropolitan area in more than twenty-five years. Per capita income has risen each of the past six years and is now nearly 42 percent higher than ten years ago. Construction activity is well above pre-recession levels.

The State of Texas economy generated 2.3 percent more in sales tax revenue for the State in their fiscal year 2018 than in fiscal year 2017. Oil and natural gas production taxes increased 60.9 percent and 45.9 percent, respectively. The unemployment rate for the State dropped below 4.0 percent for the first time since 2000.

### **Long-Term Financial Planning**

As one of the largest school districts in Texas, and with an evolving student population, the District must plan ahead. Student enrollment and demographics drives the District's planning process along with management's commitment to providing the best education possible to our students. The District's strategic planning is an ongoing process led by the Superintendent and Executive Staff. The planning process begins with statistical analysis of the results of state mandated standardized testing and leads to the development of campus plans and educational programs to achieve the District's goals. This planning process identifies the educational needs of the District to drive the campus plans and the proper allocation of all District resources.

It is the responsibility of the Finance and Accounting Department to oversee the financial planning, tracking and accounting for the finances of the District in serving the community and its students. The Superintendent's Office and Executive Staff oversee and coordinate all the elements involved in the strategic and financial planning process for the District on a long-term basis each fiscal year.

The long-term financial plan for the District calls for the General Fund to maintain a year-end fund balance at or near 2.5 months of operations, if possible. However, there are many factors outside of the District's control that influence the District's ability to achieve this, primarily the uncertainty of any Legislative action to improve State funding for education.

## **AWARDS AND ACKNOWLEDGMENTS**

### **Certificate of Achievement for Excellence in Financial Reporting**

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its Comprehensive Annual Financial Report for the year ended June 30, 2017.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report whose contents conform to program standards. Such reports must satisfy both GAAP and applicable legal requirements.

This award is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we will once again submit it to the GFOA for consideration.

### **Acknowledgments**

The preparation of this report on a timely basis involves the entire staff of the Finance and Accounting Department, including the Offices of Accounting and Payroll, Budget and Financial Analysis, Grant Administration and Financial Control, and Employee Benefits and Risk Management. We also want to express our appreciation to the bookkeepers and administrative assistants for their contributions to the process. We are grateful for everyone's assistance in making this system work smoothly and efficiently.

We thank our independent auditor ABIP, P.C., whose professional competence and leadership assisted us in developing this award-winning report.

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Brian Gottardy, Ed.D., Superintendent of Schools

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Daniel Villarreal, CPA, RTSBA, Associate Superintendent for Business Services/ Chief Financial Officer



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**North East Independent  
School District, Texas**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2017**

*Christopher P. Morill*

Executive Director/CEO

North East Independent School District  
List of Elected Officials and Administrators

**Board of Trustees**

Name	Title
Mrs. Shannon Grona	President
Mr. Tony Jaso	Vice President
Mrs. Sandy Hughey	Secretary
Mr. Joseph Trevino	Member
Mr. Jim Wheat	Member
Mrs. Terri Williams	Member
Mrs. Sandy Winkley	Member

**Administrators**

Name	Title
Brian Gottardy, Ed.D.	Superintendent of Schools
Ronald D. Clary	Associate Superintendent of Operations
Donna Newman, Ed.D.	Associate Superintendent of Instruction and Campus Administration
Daniel Villarreal, CPA	Associate Superintendent of Business Services/ Chief Financial Officer
Sean Maika, Ed.D.	Assistant Superintendent of Instruction and Campus Administration

North East Independent School District

Certificate of Board

North East Independent School District

Name of Local Education Agency

Bexar

County

015-910

County-District Number

We, the undersigned, certify that the attached auditors' report of the above-named school district was reviewed and (check one) [ ☒ ] approved [ ☐ ] disapproved for the year ended June 30, 2018, at a meeting of the Board of School Trustees of such school district on the 12<sup>th</sup> day of November, 2018.

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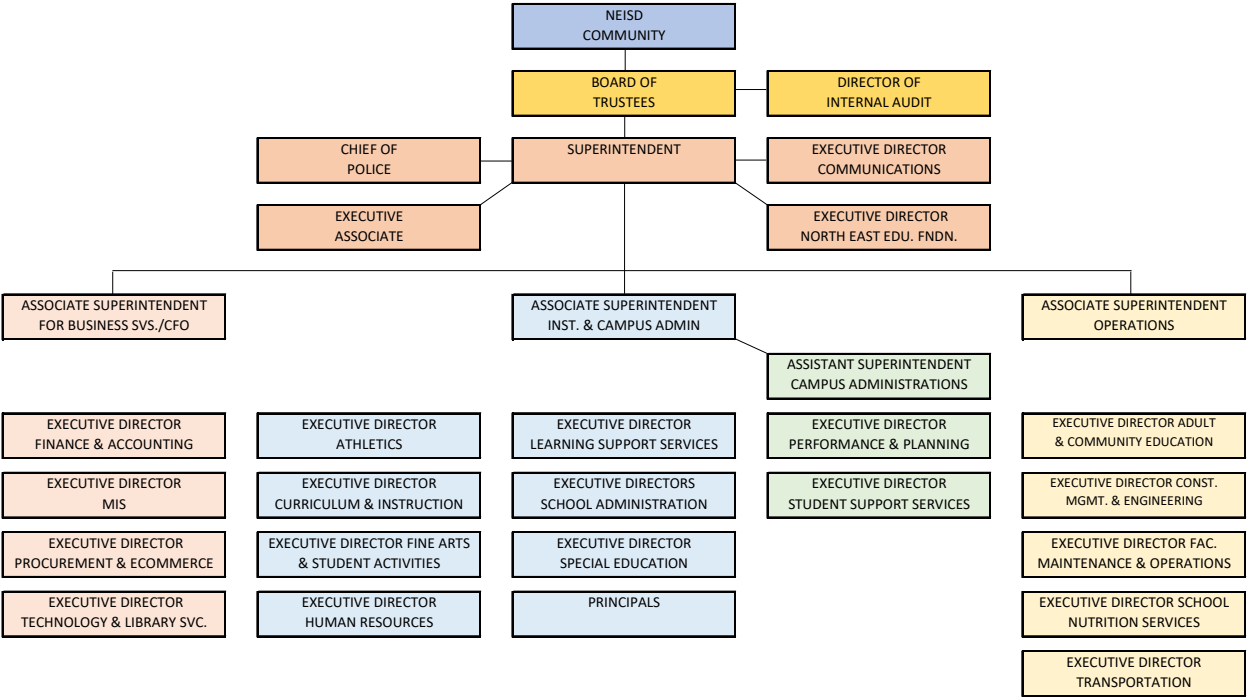
Signature of Board Secretary

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Signature of Board President



North East Independent School District  
Organization Chart



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## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
North East Independent School District  
San Antonio, Texas

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of North East Independent School District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents. We did not audit the financial statements of the discretely presented component unit.

### ***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 did not audit the financial statements of the North East Education Foundation, a nonmajor discretely presented component unit, which represents 100% of the assets, net position and revenues of the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for North East Education Foundation, is based solely on the report of other auditors. 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. The financial statements of the discretely presented component unit were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinions***

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of North East Independent School District as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America and the respective budgetary comparison for the General Fund.

### ***Emphasis of Matter***

#### ***Change in Accounting Principle***

As described in Note 1. E. to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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; Schedule of the District's Proportionate Share of the Net Pension and OPEB Liability - Teacher Retirement System of Texas; and Schedules of District Contributions - Teacher Retirement System of Texas, as listed in the table of contents, 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 North East Independent School District's basic financial statements. The introductory section, combining and individual non-major fund financial statements, schedules required by the Texas Education Agency, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2018, on our consideration of North East 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering North East Independent School District's internal control over financial reporting and compliance.

ABIP, PC

San Antonio, Texas  
November 12, 2018

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# North East Independent School District

## Management's Discussion & Analysis

Year Ended June 30, 2018  
(Unaudited)

In this section of the CAFR, the District discusses and analyzes its financial performance for the year ended June 30, 2018. Please read this section in conjunction with the transmittal letter, the independent auditors' report, and the District's basic financial statements.

In the current fiscal year, the District implemented the requirements of Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB). The implementation of this statement required a restatement of prior period net position related to the District's estimated proportionate share of the state's estimated future costs under the Teacher Retirement System of Texas (TRS) retiree healthcare program, TRS-Care. The restatement increased long-term liabilities and decreased net position by \$373.3 million. This follows the implementation in 2014-2015 of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, which lowered net position by \$86.4 million to record the District's estimated proportionate share of the state's estimated future costs under the of TRS pension program.

The effects of these two prior period restatements, and the significant annual adjustments the Statements require, result in Government-Wide financial statements that do not allow stakeholders to properly assess the educational programs and operating results of the District. Therefore, this Management Discussion & Analysis will distinguish between the District's operational activities and the effects of these GASB accounting pronouncements related to pensions and OPEB.

### FINANCIAL HIGHLIGHTS

- Government-wide net position totaled (\$102.3) million at June 30, 2018, compared to \$157.5 million at June 30, 2017. The change in net position from District operations was \$35.2 million. That was offset by the prior period restatement of (\$373.2) million and \$78.2 million of current year adjustments related to pension and postemployment benefit reporting requirements. The restatement is discussed in more detail in the government-wide financial analysis later in this section of the CAFR.
- The District's total assets increased \$90.6 million from the previous year. Cash and investments increased \$48.2 million. Capital assets increased \$54.4 million as the District continues its capital improvement program approved by voters in 2015.
- Total liabilities related to District operations increased \$52.0 million due to debt issuances related to the 2015 bond program and increased \$185.7 million due to the restatement of net position and current year adjustments related to pension and postemployment benefit reporting requirements.
- The General Fund ended the year with a fund balance of \$122.8 million, which is \$0.3 million less than the previous year-end. The fund balance amount available for operations is equal to approximately 2.9 months of operations.

North East Independent School District

Management's Discussion & Analysis

Year Ended June 30, 2018  
(Unaudited)

- During fiscal year 2018, the District issued \$41.6 million variable rate bond and 45.0 million in fixed rate bonds to refund outstanding commercial paper. The total outstanding balance of the commercial paper program at June 30, 2018 was \$96.0 million.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The two major categories of statements are the government-wide statements and the fund financial statements.

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a private business enterprise.

The fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements indicate how services were financed for the short term and identify the resources that remain for future spending. The fund financial statements reflect the flow of current financial resources and supply the basis for tax levies and the appropriations budget. The fund financial statements for proprietary activities reflect how the District's goods or services were charged to District departments or to external customers and how the sales revenues covered the expenses of the goods or services. The fiduciary statements provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the District.

The notes to the financial statements provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for Nonmajor Governmental Funds provide additional information about the District's individual funds. The Federal Awards Section contains data used by monitoring or regulatory agencies to determine the District's compliance with the terms of grant awards.



North East Independent School District

Management's Discussion & Analysis

Year Ended June 30, 2018  
(Unaudited)

***The Statement of Net Position and the Statement of Activities***

The primary purpose of the government-wide financial statements (the Statement of Net Position and the Statement of Activities) is to show positive or negative changes in the District's financial condition as a result of this fiscal year's activities. The Statement of Net Position includes all District assets and liabilities at the end of the year while the Statement of Activities includes all revenues and expenses generated by the District's operations for the fiscal year. These statements reflect private sector accounting practices based on full accrual reporting for revenues and expenses.

The District's revenues are divided as follows: (1) program revenues provided by outside parties who share the costs of some programs, such as tuition from students outside the District or U.S. Department of Education grants to assist low-income children or those with disabilities; and (2) general revenues provided by local taxpayers or the Texas Education Agency's (TEA) State foundation program. All District assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

The District's net position (the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position is one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, one should also consider non-financial factors, such as changes in the District's average daily attendance, changes in its property tax base, the condition of the District's facilities, as well as the District's academic rating.

The District's growth in prior years, along with the age and condition of several facilities, has necessitated the renovation of existing facilities and construction of additional facilities. The need for additional or improved facilities is continually reassessed to ensure that our students are best served. The growth is evidenced by the increases in capital assets.

# North East Independent School District

## Management's Discussion & Analysis

Year Ended June 30, 2018  
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In the Statement of Net Position and the Statement of Activities, the District's operations are categorized into two types of activities:

- **Governmental activities:** Most of the District's basic services are reported here, including instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.
- **Business-type activities:** Revenue-generating activities are reported here. The North East Aquatics and Tennis Fund is a business activity that charges its customers a fee to use the facilities at the Josh Davis Natatorium and adjacent tennis facilities. Uniform Rental is also a business activity that charges participants for uniform rental in various fine arts programs. The Preschool Program for Children with Disabilities Fund provides daycare services for children with disabilities and for children of District employees. The final business-type activity is the community education program, which offers courses to the general public for a fee in addition to operating an after-school care program for children.
- **Component unit:** The North East Education Foundation (Foundation) was established in 1986 as a Section 501(c)(3) organization for the purpose of raising money from individuals and other entities in the community for the direct benefit of District teachers and students. Beginning July 1, 2017, District employees began to direct and administer the day-to-day operations of the Foundation. As such, the Foundation is included in the Statement of Net Position and the Statement of Activities as a discretely presented component unit.

### ***Fund Financial Statements***

The fund financial statements provide detailed information about the most significant funds, not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the U. S. Department of Education's No Child Left Behind Act. The District's administration establishes many other funds to help it control and manage funding for particular purposes (like campus activities). The District's two types of funds – governmental and proprietary – use different accounting approaches:

**Governmental Funds:** Most of the District's basic services are reported in governmental funds. These funds use modified accrual accounting, which measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash, and reports balances available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. Reconciliation schedules following each of the fund financial statements describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds.

# North East Independent School District

## Management's Discussion & Analysis

Year Ended June 30, 2018  
(Unaudited)

**Proprietary Funds:** These funds report activities where the District charges users (whether outside customers or other units of the District) for services. Proprietary funds use the same full accrual accounting methods employed in the Statement of Net Position and the Statement of Activities. The District has two types of proprietary funds: enterprise funds and internal service funds. Enterprise funds are reported as business-type activities in the government-wide statements.

The District's enterprise funds provide goods and services to external parties and include:

- Uniform Rental
- Community Education
- Preschool Program for Children with Disabilities
- North East Aquatics and Tennis

Internal service funds provide supplies and services for the District's other funds and include:

- Document Management & Printing Services
- Health Insurance
- Data Processing Center
- Network Technology Services
- Dental Insurance
- Rolling Owner Controlled Insurance Program
- Workers' Compensation Insurance
- Unemployment Compensation Insurance
- Police Services

### ***Reporting the District's Fiduciary Responsibilities***

The District is the trustee, or fiduciary, for money raised by student activity programs, employee groups, and donations for specific purposes where both the principal and earnings may be expended. All of the District's fiduciary activities, Student Activity Funds, Central Office Fund, and the Private Purpose Trust Fund for Scholarships, are reported in a separate Statement of Fiduciary Net Position. These resources are excluded from the District's other financial statements since the District cannot use these assets to finance its operations. The District's only fiduciary responsibility is to ensure that the assets reported in these funds are used for their intended purposes.

North East Independent School District

Management's Discussion & Analysis

Year Ended June 30, 2018  
(Unaudited)

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

This analysis focuses on Government-Wide Net Position (Table I). Government-wide net position totaled (\$102.3) million at June 30, 2018, compared to \$157.5 million at June 30, 2017. The change in net position from District operations was \$35.3 million. That was offset by the prior period restatement of (\$373.2) million and \$78.2 million of current year adjustments related to pension and postemployment benefit reporting requirements.

Current assets increased \$36.2 million, with a \$48.2 million increase in cash and cash equivalents offset by a \$13.7 million reduction in receivables from other governments.

Debt payable to bond holders, including bonds, unamortized premiums on bonds, and commercial paper, represents the majority of the District's long term liabilities. The remaining amount is comprised of amounts owed for actuarially determined liabilities related to the District's self-funded insurance liabilities and its net pension and OPEB liabilities. Exclusive of the net pension and OPEB liabilities, long term liabilities increased \$46.4 million. The balance of bonds outstanding increased \$20.9 million and the balance of outstanding commercial paper outstanding increased \$35.0 million. This was offset by a reduction in unamortized issuance premiums of \$9.3 million. The increase in bonded debt and commercial paper is directly related to the ongoing capital projects of the 2015 bond program.

The prior period restatement of net position created a net OPEB liability of \$373.2 million, in addition to the \$146.4 million net pension liability at June 30, 2017. Current year adjustments to net pension and OPEB reduced the liability balances by \$187.5 million.

Other liabilities increased \$5.7 million, with the largest increase in accounts payable related to ongoing capital projects.

Overall, the District's investment in capital assets to meet its infrastructure needs represents 76.8 percent of the total assets. The District capitalized \$15.0 million of completed construction projects and capitalized another \$124.9 million of capital expenditures during the fiscal year, with the majority of that amount being capitalized as construction in progress.

The District's net investment in capital assets increased \$40.3 million as the growth in capital assets was offset by a greater amount of accumulated depreciation/amortization on those assets and the increase in bonded debt and commercial paper. Restricted net position increased \$8.3 million, primarily due to the increase in funds restricted for future debt service payments.

North East Independent School District

Management's Discussion & Analysis

Year Ended June 30, 2018

(Unaudited)

**Table I**  
**NET POSITION**  
**(In Thousands)**

**Governmental Activities Net Position Exclusive of Adjustment for Pension & OPEB**

	<b>2018</b>	<b>2017</b>	<b>Change</b>	<b>Percent Change</b>
Current and Other Assets	\$ 438,527.2	\$ 402,099.5	\$ 36,427.7	9.1 %
Capital Assets	1,449,900.9	1,395,685.6	54,215.3	3.9 %
Total Assets	1,888,428.1	1,797,785.1	90,643.0	5.0 %
Deferred Outflows	37,821.5	41,156.4	(3,334.9)	(8.1) %
Other Liabilities	124,650.7	119,036.9	5,613.8	4.7 %
Long Term Liabilities	1,511,911.5	1,465,503.3	46,408.2	3.2 %
Total Liabilities	1,636,562.2	1,584,540.2	52,022.0	3.3 %
Net Position:				
Net Investment in Capital Assets	49,160.3	9,008.1	40,152.2	445.7 %
Restricted	138,404.1	130,075.5	8,328.6	6.4 %
Unrestricted	102,123.0	115,317.7	(13,194.7)	(11.4) %
Governmental Net Position Exclusive of Adjustments for Pension & OPEB	\$ 289,687.4	\$ 254,401.3	\$ 35,286.1	13.9 %

**Governmental Activities Net Position Related to Pension & OPEB**

	<b>2018</b>	<b>2017</b>	<b>Change</b>	<b>Percent Change</b>
Deferred Outflows	\$ 50,346.3	\$ 57,920.9	\$ (7,574.6)	(13.1) %
Long Term Liabilities	332,107.6	146,438.9	185,668.7	126.8 %
Deferred Inflows	117,274.2	15,489.9	101,784.3	657.1 %
Net Position:				
Unrestricted	(399,035.5)	(104,007.9)	(295,027.6)	283.7 %
Governmental Net Position Related to Pension & OPEB	\$ (399,035.5)	\$ (104,007.9)	\$ (295,027.6)	283.7 %

**Total Governmental Activities Net Position:**

Net Investment in Capital Assets	\$ 49,160.3	\$ 9,008.1	\$ 40,152.2	445.7 %
Restricted	138,404.1	130,075.5	8,328.6	6.4 %
Unrestricted	(296,912.5)	11,309.8	(308,222.3)	(2725.3) %
Governmental Net Position	\$ (109,348.1)	\$ 150,393.4	\$ (259,741.5)	(172.7) %

North East Independent School District

Management's Discussion & Analysis

Year Ended June 30, 2018  
(Unaudited)

**Table I (continued)**  
**NET POSITION**  
**(In Thousands)**

<b>Business-Type Activities</b>	<b>2018</b>	<b>2017</b>	<b>Change</b>	<b>Percent Change</b>
Current and Other Assets	\$ 1,897.1	\$ 2,102.0	\$ (204.9)	(9.7) %
Capital Assets	5,578.1	5,386.9	191.2	3.5 %
Total Assets	7,475.2	7,488.9	(13.7)	(0.2) %
Other Liabilities	442.0	354.8	87.2	24.6 %
Total Liabilities	442.0	354.8	87.2	24.6 %
Net Position:				
Net Investment in Capital Assets	5,578.1	5,386.9	191.2	3.5 %
Unrestricted	1,455.1	1,747.1	(292.0)	(16.7) %
Governmental Net Position	\$ 7,033.2	\$ 7,134.0	\$ (100.8)	(1.4) %

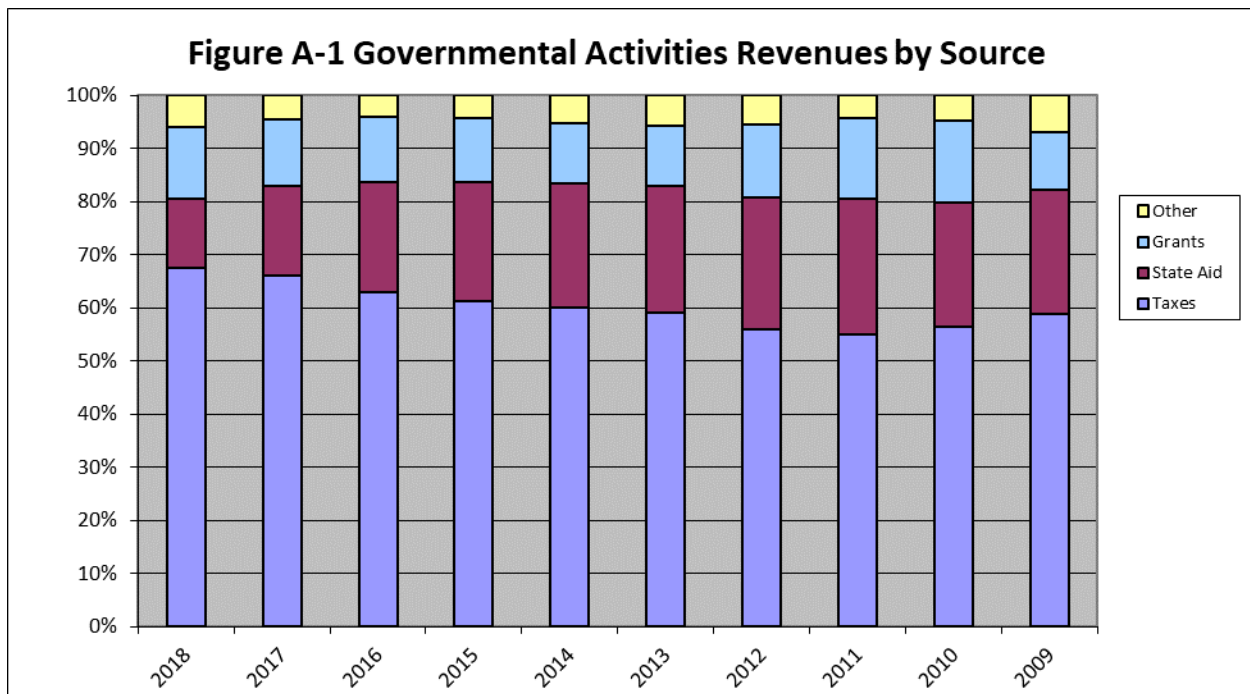
<b>Government-Wide Totals</b>	<b>2018</b>	<b>2017</b>	<b>Change</b>	<b>Percent Change</b>
Current and Other Assets	\$ 440,424.3	\$ 404,201.5	\$ 36,222.8	9.0 %
Capital Assets	1,455,479.0	1,401,072.5	54,406.5	3.9 %
Total Assets	1,895,903.3	1,805,274.0	90,629.3	5.0 %
Deferred Outflows	88,167.8	99,077.3	(10,909.5)	(11.0) %
Other Liabilities	125,092.7	119,391.7	5,701.0	4.8 %
Long Term Liabilities	1,844,019.1	1,611,942.2	232,076.9	14.4 %
Total Liabilities	1,969,111.8	1,731,333.9	237,777.9	13.7 %
Deferred Inflows	117,274.2	15,489.9	101,784.3	657.1 %
Net Position:				
Net Investment in Capital Assets	54,738.4	14,395.0	40,343.4	280.3 %
Restricted	138,404.1	130,075.5	8,328.6	6.4 %
Unrestricted	(295,457.4)	13,056.9	(308,514.3)	(2362.8) %
Governmental Net Position	\$ (102,314.9)	\$ 157,527.4	\$ (259,842.3)	(165.0) %

Year Ended June 30, 2018  
(Unaudited)

### GOVERNMENTAL ACTIVITIES FINANCIAL ANALYSIS

Changes in Governmental Activities Net Position are presented in Table II on the following pages. Exclusive of adjustments for pension and OPEB, the District's Governmental Activities revenues were \$760.3 million, an increase of \$13.2 million from the prior year. The District's two main sources of revenue are local property taxes and formula aid from the State. These two sources comprise approximately 80.6 percent of government-wide revenue as shown in Figure A-1 below.

Property tax revenue increased \$18.7 million as a result of a 5.5 percent increase in the value of the property tax base, offset by a reduction in the I&S tax rate of 0.5 cents. State formula aid decreased \$25.5 million. State formula aid decreases proportionately with any increase in property values in the prior year. Other revenues increased \$10.7 million as the result of an insurance settlement.



The expenses for governmental activities totaled \$725.0 million, a decrease of \$6.9 million over the prior year. This small reduction of 0.9 percent is a result of cost-saving measures implemented during the year.

The adjustments made for pension and OPEB for the requirements of GASB Statements 65 and 68 during the year resulted in negative revenue of \$123.5 million and negative expenses of \$201.7 million.

North East Independent School District

Management's Discussion & Analysis

Year Ended June 30, 2018

(Unaudited)

**Table II**  
**CHANGES IN GOVERNMENTAL ACTIVITIES NET POSITION**  
**(In Thousands)**

**Change in Gov't Activities Net Position Exclusive of Adjustments for Pensions & OPEB**

	<b>Total 2018</b>	<b>Total 2017</b>	<b>Change In Amount</b>	<b>Percent Change</b>
Program Revenues:				
Charges for Services	\$ 21,770.5	\$ 22,778.1	\$ (1,007.6)	(4.4) %
Operating Grants and Contributions	82,020.6	78,240.7	3,779.9	4.8 %
General Revenues:				
Property Taxes General	512,940.5	494,264.0	18,676.5	3.8 %
State Aid	99,617.9	125,126.1	(25,508.2)	(20.4) %
Grants & Contributions not Restricted	20,061.6	15,945.3	4,116.3	25.8 %
Investment Earnings	5,096.7	2,618.6	2,478.1	94.6 %
Miscellaneous	18,830.3	8,151.2	10,679.1	131.0 %
Total Revenues	<u>760,338.1</u>	<u>747,124.0</u>	<u>13,214.1</u>	<u>1.8 %</u>
Expenses:				
Instruction, Media and Curriculum	421,415.6	423,815.7	(2,400.1)	(0.6) %
Instructional and School Leadership	45,674.6	46,381.1	(706.5)	(1.5) %
Student Support	113,075.9	113,911.2	(835.3)	(0.7) %
General Administration	13,418.0	13,131.4	286.6	2.2 %
Plant Maintenance, Security and				
Data Processing	82,356.6	86,282.7	(3,926.1)	(4.6) %
Community Services	437.6	542.0	(104.4)	(19.3) %
Debt Services	45,914.0	45,272.1	641.9	1.4 %
Intergovernmental Charges	2,754.6	2,653.1	101.5	3.8 %
Total Expenses	<u>725,046.9</u>	<u>731,989.3</u>	<u>(6,942.4)</u>	<u>(0.9) %</u>
Increase or (Decrease) in Net Position Before Transfers	35,291.2	15,134.7	20,156.5	133.2 %
Transfers	(5.0)	966.8	(971.8)	(100.5) %
Change in Net Position	<u>35,286.2</u>	<u>16,101.5</u>	<u>19,184.7</u>	<u>119.1 %</u>
Beginning Net Position	<u>254,401.3</u>	<u>238,299.8</u>	<u>16,101.5</u>	<u>6.8 %</u>
Ending Net Position	<u>\$ 289,687.5</u>	<u>\$ 254,401.3</u>	<u>\$ 35,286.2</u>	<u>13.9 %</u>



North East Independent School District

Management's Discussion & Analysis

Year Ended June 30, 2018  
(Unaudited)

**Table II (continued)**  
**CHANGES IN GOVERNMENTAL ACTIVITIES NET POSITION**  
**(In Thousands)**

**Change in Governmental Activities Net Position Related to Pensions & OPEB**

Program Revenues:

Operating Grants and Contributions	\$ (123,480.4)	\$ 3,240.6	\$ (126,721.0)	(3910.4) %
Total Revenues	(123,480.4)	3,240.6	(126,721.0)	(3910.4) %

Expenses:

Instruction, Media and Curriculum	(136,544.8)	8,954.5	(145,499.3)	(1624.9) %
Instructional and School Leadership	(15,897.6)	1,331.7	(17,229.3)	(1293.8) %
Student Support	(27,251.1)	1,669.9	(28,921.0)	(1731.9) %
General Administration	(4,858.7)	399.5	(5,258.2)	(1316.2) %
Plant Maintenance, Security and				
Data Processing	(14,384.6)	860.3	(15,244.9)	(1772.0) %
Community Services	(2,794.1)	100.8	(2,894.9)	(2871.9) %
Total Expenses	(201,730.9)	13,316.7	(215,047.6)	(1614.9) %

Change in Net Position	78,250.5	(10,076.1)	88,326.6	876.6 %
Restatement of Beginning Net Position	(373,278.2)	-	(373,278.2)	100.0 %
Beginning Net Position	(104,007.9)	(93,931.8)	(10,076.1)	10.7 %
Ending Net Position	\$ (399,035.6)	\$ (104,007.9)	\$ (295,027.7)	283.7 %

**Total Change in Governmental Activities  
Net Position**

	<b>Total 2018</b>	<b>Total 2017</b>	<b>Change in Amount</b>	<b>Percent Change</b>
Program Revenues	\$ (19,689.3)	\$ 104,259.4	\$ (123,948.7)	(118.9) %
General Revenues	656,547.0	646,105.2	10,441.8	1.6 %
Total Expenses	523,316.0	745,306.0	(221,990.0)	(29.8) %
Transfers	(5.0)	966.8	(971.8)	(100.5) %
Change in Net Position	113,536.7	(640,079.8)	753,616.5	(117.7) %
Restatement of Beginning Net Position	(373,278.2)	-	(373,278.2)	(100.0) %
Beginning Net Position	150,393.4	144,368.0	6,025.4	4.2 %
Ending Net Position	\$ (109,348.1)	\$ (495,711.8)	\$ 386,363.7	(77.9) %

North East Independent School District

Management's Discussion & Analysis

Year Ended June 30, 2018  
(Unaudited)

**BUSINESS-TYPE ACTIVITIES FINANCIAL ANALYSIS**

Net position attributable to business-type activities decreased \$0.1 million, or 1.4 percent (Table III).

**Table III**  
**CHANGES IN BUSINESS ACTIVITIES NET POSITION**  
**(In Thousands)**

	<b>Total 2018</b>	<b>Total 2017</b>	<b>Change in Amount</b>	<b>Percent Change</b>
Program Revenues:				
Charges for Services				
Uniform Rentals	\$ 75.5	\$ 69.1	\$ 6.4	9.3 %
Community Education	9,180.0	9,071.2	108.8	1.2 %
Preschool Program for Children with Disabilities	670.1	539.8	130.3	24.1 %
North East Aquatics & Tennis	1,008.1	1,007.7	0.4	0.0 %
Total Program Revenues	10,933.7	10,687.8	245.9	2.3 %
Expenses:				
Uniform Rentals	129.6	69.0	60.6	87.8 %
Community Education	9,252.3	9,033.6	218.7	2.4 %
Preschool Program for Children with Disabilities	629.4	597.0	32.4	5.4 %
North East Aquatics & Tennis	1,023.2	921.9	101.3	11.0 %
Total Expenses	11,034.5	10,621.5	413.0	3.9 %
Increase or (Decrease) in Net Position Before Transfers	(100.8)	66.3	(167.1)	(252.0) %
Transfers	0.0	(966.8)	966.8	(100.0) %
Change in Net Position	(100.8)	(900.5)	799.7	88.8 %
Beginning Net Position	7,134.0	8,034.5	(900.5)	(11.2) %
Ending Net Position	\$ 7,033.2	\$ 7,134.0	\$ (100.8)	(1.4) %

North East Independent School District

Management's Discussion & Analysis

Year Ended June 30, 2018

(Unaudited)

**FUND FINANCIAL ANALYSIS**

As the District completed the fiscal year, the Governmental Funds reported a combined fund balance of \$291.7 million, which is \$23.0 million more than last year's total of \$268.7 million. The Debt Service Fund had an increase of \$9.4 million in fund balance due to \$10.5 million of property taxes collected during the current fiscal year for debt payments that didn't occur until the beginning of the subsequent fiscal year and a \$1.9 million transfer of funds from the General Fund to set aside principal payments for the Qualified School Construction Bonds. These bonds are not due until 2027, but the District is proactively setting aside amounts assigned to pay the principal when the principal becomes payable. The increase in the Debt Service Fund was offset by a decrease in fund balance in the Capital Projects Fund of \$4.0 million, related to the construction of school facilities and related equipment. The capital projects of the 2015 bond program have short-term financing through a tax-exempt commercial paper program. The commercial paper is not issued until funds are needed to pay invoices; however, at June 30, 2018, accounts payable and expenditures were increased \$6.3 million for invoices that were accrued to the current fiscal year. The commercial paper issued to pay those invoices was not issued until those invoices were actually received in July and August of the subsequent fiscal year.

The General Fund had a decrease in fund balance of less than \$0.1 million. In total, revenue decreased by \$3.3 million as reductions in state revenue was partially offset by increased property tax revenue due to property value growth. Expenditures were less than the prior year by \$2.7 million as the District implemented several cost-saving measures.

The Board of Trustees adopts the budgets of the General, Debt Service, and National School Breakfast and Lunch Program funds. Over the course of the year, the Board revised the District's budget six times. These budget amendments are categorized into three classifications: (1) increase to the fund balance; (2) decrease to the fund balance; and (3) no change to the fund balance. The amendment process allowed the District to adjust its budget as circumstances and needs changed during the year.

The net effect of the budget amendments during the year was to decrease estimated revenue by \$17.7 million and decrease appropriations by approximately \$1.8 million. The decrease in estimated revenue was due to the Board of Trustees adopting a lower M&O tax rate than was assumed during budget preparations.

Actual expenditures were less than the final budget in the General Fund by \$17.4 million, or 3.2 percent, mainly attributable to budgeted salaries for positions that were vacant for all or part of the year. Actual expenditures were less than the final budget in the National School Breakfast and Lunch Program Fund by \$1.4 million, or 4.1 percent, attributable to budgeted salaries for positions that were vacant for all or part of the year and various purchase orders not being filled prior to year-end. Actual expenditures in the Debt Service fund were less than the final budget by \$0.3 million, or 0.2 percent.

# North East Independent School District

## Management's Discussion & Analysis

Year Ended June 30, 2018

(Unaudited)

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

As of June 30, 2018, the District had \$1.46 billion, net of accumulated depreciation/amortization, invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, maintenance, and construction in progress. This represents a net increase of \$54.4 million from fiscal year 2016-2017. See Footnote IV E for more detailed analysis of the year's capital asset activity.

This year's government-wide capital asset major additions included (at historical cost):

Land	\$	8,406,129
Buildings and Improvements		20,729,888
Furniture and Equipment		8,022,744
Construction in Progress		87,727,596
		<hr/>
	\$	124,886,357
		<hr/>

At year-end, the District had \$1.51 billion in outstanding bonds, commercial paper, capital leases and unamortized issuance premiums. Texas school districts do not have a specified debt limit; however, in order to qualify for the Permanent School Fund (PSF) guarantee, a district must demonstrate to the Texas Attorney General, prior to issuance, the ability to pay all new and outstanding debt with an I&S rate less than \$0.50. At only \$0.325, the District has capacity and flexibility in its tax rate to actively manage its debt obligations. The District's general obligation bonds have received the highest rating possible from the Moody's Investment Service, Inc. and Fitch Ratings, Inc. ("Aaa" & "AAA", respectively) because of the PSF guarantee of the District's debt. The District's underlying ratings for general obligation bonds are "Aa1" by Moody's and "AA+," which are the second highest ratings possible from each agency. The District's commercial paper is rated as "P-1" by Moody's and "F1+" by Fitch. These are the highest short-term ratings possible.

Other obligations include accrued vacation pay, sick leave, workers compensation accrued liability, a net other post-employment benefit (OPEB) benefit, as well as TRS net pension and net OPEB liabilities. Detailed information about the District's long-term liabilities is presented in the Notes to the Financial Statements (Footnote IV M).

### NEXT YEAR'S BUDGETS AND RATES

The District still faces significant uncertainty regarding its revenue despite the strong property value growth. In May 2016, the Texas Supreme Court ruled in favor of the state on all counts of the five year school funding lawsuit, overturning the lower court's findings that the school funding system in Texas was unconstitutional. Despite affirming the constitutionality of the system, the Texas Supreme Court acknowledged the system is flawed and called for action by the Legislature.

# North East Independent School District

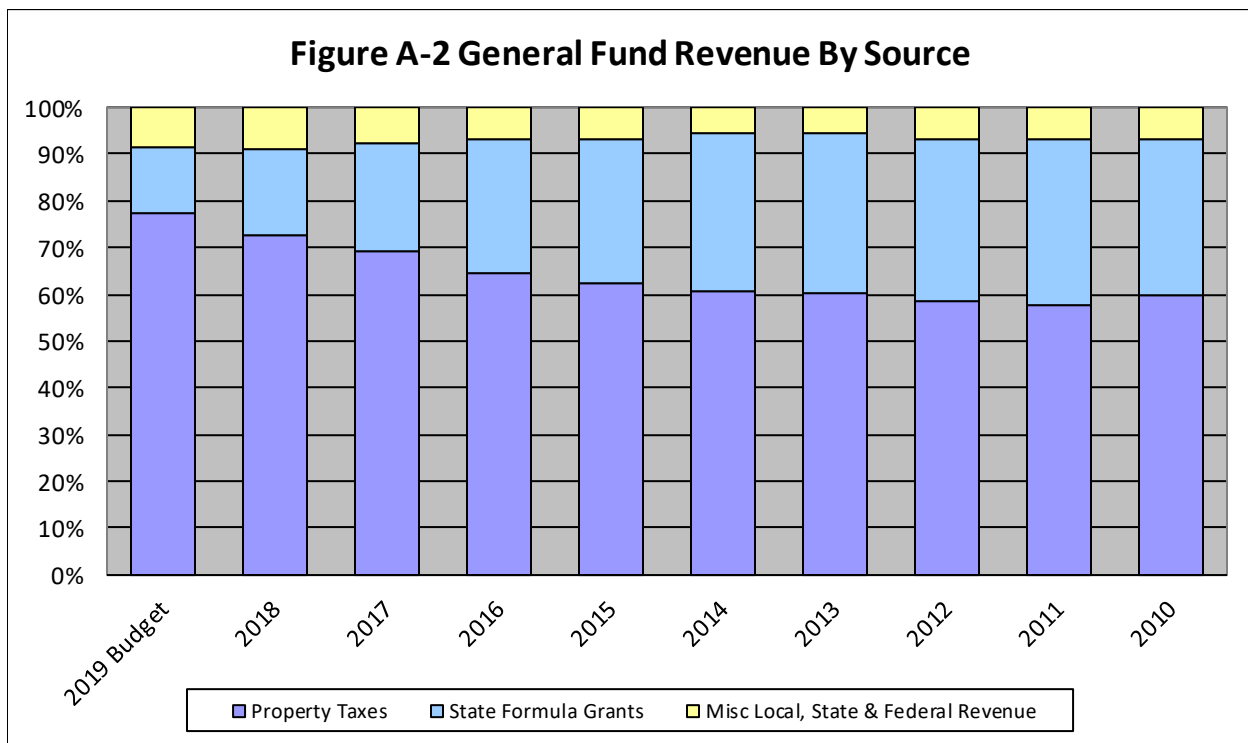
## Management's Discussion & Analysis

Year Ended June 30, 2018  
(Unaudited)

At \$1.04 per hundred dollars of assessed valuation, the District's 2018-2019 maintenance and operations (M&O) tax rate is at the State's maximum rate without voter approval. Any additional M&O tax rate exceeding \$1.04 will require voter approval up to a maximum ceiling of \$1.17.

The District is considered a property wealthy school district under Chapter 41 of the Texas Education Code. Under these provisions, the District's State aid will be reduced to offset a portion of any tax revenue from an M&O tax rate above \$1.06 per hundred dollars of valuation to help fund property poor school districts. This restriction further limits the District's ability to increase revenue from increases in property tax revenue.

The future local share of the financial needs of the District will depend upon the willingness of its taxpayers to increase the local tax rate if additional funding is required to meet the educational needs of the District's students. Figure A-2, below, illustrates the projected (2018-2019) and historical (2017-2018 and prior) sources of the District's operating revenue.



The I&S tax rate for the 2018-2019 fiscal year lowered to \$0.32 per hundred dollars of assessed valuation. The tax rate was determined by calculating the rate required to meet debt service obligations given the assessed value of real, business and personal property within the District's boundaries and reflects the changes in debt service requirements associated with bonds issued to build and improve the District's infrastructure.

North East Independent School District

Management's Discussion & Analysis

Year Ended June 30, 2018  
(Unaudited)

For fiscal year 2018-2019, the Board of Trustees adopted a General Fund budget that reflected a deficit of \$23.4 million, 4.2 percent of operations. The District estimates that the actual deficit for fiscal year 2018-2019 will be less than \$1.0 million. The difference between the deficit in the adopted budget and the forecasted deficit is due to (a) higher certified property values than anticipated; (b) higher enrollment than expected; (c) conservative estimates of staffing levels; and (d) continued active management of the budget throughout the year, including continuation of the cost-saving measures implemented in 2017-2018.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a year-end picture of the District's finances. If you have questions about this report or need additional financial information, contact the Associate Superintendent for Business Services/Chief Financial Officer, Daniel Villarreal, CPA, RTSBA, North East Independent School District, 8961 Tesoro Drive, San Antonio, Texas, 78217.

## Basic Financial Statements

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NORTH EAST INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2018

EXHIBIT A-1

Data Control Codes				
	1	2	3	4
	Primary Government			Component Unit
	Governmental	Business		Nonmajor
	Activities	Type	Total	NE Education
		Activities		Foundation
<b>ASSETS</b>				
1110 Cash and Cash Equivalents	\$ 250,228,703	\$ 1,245,854	\$ 251,474,557	\$ 867,723
1120 Investments	135,114,960	-	135,114,960	228,714
1220 Property Taxes Receivable (Delinquent)	24,910,527	-	24,910,527	-
1230 Allowance for Uncollectible Taxes	(1,976,488)	-	(1,976,488)	-
1240 Due from Other Governments	24,076,862	-	24,076,862	-
1250 Accrued Interest	899,252	-	899,252	-
1260 Internal Balances	(536,709)	536,709	-	-
1267 Due from Fiduciary Funds	13,786	-	13,786	-
1290 Other Receivables, net	523,164	114,533	637,697	14,966
1300 Inventories	4,815,546	-	4,815,546	-
Capital Assets:				
1510 Land	112,863,215	961,852	113,825,067	-
1520 Buildings, Net	1,199,867,233	4,402,141	1,204,269,374	-
1530 Furniture and Equipment, Net	27,479,824	214,151	27,693,975	-
1580 Construction in Progress	109,690,673	-	109,690,673	-
1990 Other Assets	457,567	-	457,567	3,989
1000 Total Assets	1,888,428,115	7,475,240	1,895,903,355	1,115,392
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
1701 Deferred Charge for Refunding	37,821,518	-	37,821,518	-
1705 Deferred Outflow Related to TRS Pension	47,648,448	-	47,648,448	-
1706 Deferred Outflow Related to TRS OPEB	2,697,821	-	2,697,821	-
1700 Total Deferred Outflows of Resources	88,167,787	-	88,167,787	-
<b>LIABILITIES</b>				
2110 Accounts Payable	26,038,674	42,300	26,080,974	-
2140 Interest Payable	23,214,140	-	23,214,140	-
2150 Payroll Deductions & Withholdings	5,318,566	-	5,318,566	-
2160 Accrued Wages Payable	58,809,968	180,310	58,990,278	-
2180 Due to Other Governments	26,293	43	26,336	-
2190 Due to Student Groups	3,930	22,060	25,990	-
2200 Accrued Expenses	9,610,047	10,000	9,620,047	-
2300 Unearned Revenue	1,629,098	187,327	1,816,425	40,550
Noncurrent Liabilities:				
2501 Due Within One Year	150,796,761	-	150,796,761	-
2502 Due in More Than One Year	1,361,114,692	-	1,361,114,692	-
2540 Net Pension Liability (District's Share)	119,437,926	-	119,437,926	-
2545 Net OPEB Liability (District's Share)	212,669,715	-	212,669,715	-
2000 Total Liabilities	1,968,669,810	442,040	1,969,111,850	40,550
<b>DEFERRED INFLOWS OF RESOURCES</b>				
2605 Deferred Inflow Related to TRS Pension	28,314,052	-	28,314,052	-
2606 Deferred Inflow Related to TRS OPEB	88,960,144	-	88,960,144	-
2600 Total Deferred Inflows of Resources	117,274,196	-	117,274,196	-
<b>NET POSITION</b>				
3200 Net Investment in Capital Assets	49,160,344	5,578,144	54,738,488	-
3820 Restricted for Federal and State Programs	12,980,240	-	12,980,240	-
3850 Restricted for Debt Service	125,223,902	-	125,223,902	-
3880 Restricted for Scholarships - Nonexpendable	200,000	-	200,000	-
3885 Restricted for Scholarships - Expendable	38,752	-	38,752	-
3890 Restricted for Other Purposes	-	-	-	1,074,842
3900 Unrestricted	(296,951,342)	1,455,056	(295,496,286)	-
3000 Total Net Position	\$ (109,348,104)	\$ 7,033,200	\$ (102,314,904)	\$ 1,074,842

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

NORTH EAST INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018

Data Control Codes	1	Program Revenues	
		3	4
		Charges for Services	Operating Grants and Contributions
Expenses			
<b>Primary Government:</b>			
GOVERNMENTAL ACTIVITIES:			
11 Instruction	\$ 261,489,393	\$ 3,814,299	\$ (36,391,919)
12 Instructional Resources and Media Services	10,020,881	-	(1,527,742)
13 Curriculum and Staff Development	13,360,477	592,471	2,552,017
21 Instructional Leadership	4,877,721	-	(870,645)
23 School Leadership	24,899,231	646,332	(6,446,948)
31 Guidance, Counseling and Evaluation Services	14,048,265	-	(1,605,101)
32 Social Work Services	2,825,232	-	1,324,470
33 Health Services	5,213,509	-	(1,297,717)
34 Student Transportation	15,695,198	-	(3,157,725)
35 Food Services	29,636,992	12,341,495	19,816,551
36 Extracurricular Activities	18,405,586	1,921,658	(717,989)
41 General Administration	8,559,283	-	(3,146,343)
51 Facilities Maintenance and Operations	50,547,656	456,610	(6,227,202)
52 Security and Monitoring Services	3,395,544	-	(1,044,674)
53 Data Processing Services	14,028,833	-	(1,261,876)
61 Community Services	(2,356,534)	1,997,666	(1,456,974)
72 Debt Service - Interest on Long Term Debt	44,832,347	-	-
73 Debt Service - Bond Issuance Cost and Fees	1,081,760	-	-
93 Instructional Shared Services Arrangements	36,301	-	-
95 Juvenile Justice Alternative Ed. Prg.	210,568	-	-
99 Property Tax Appraisal Services	2,507,784	-	-
[TG] Total Governmental Activities:	523,316,027	21,770,531	(41,459,817)
BUSINESS-TYPE ACTIVITIES:			
01 Uniform Rental	129,651	75,540	-
02 Community Education	9,252,312	9,179,971	-
03 Preschool Program	629,411	670,149	-
04 NE Aquatics and Tennis	1,023,165	1,008,054	-
[TB] Total Business-Type Activities:	11,034,539	10,933,714	-
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 534,350,566	\$ 32,704,245	\$ (41,459,817)
<b>Component Unit:</b>			
1C North East Education Foundation	393,971	-	547,939
[TC] TOTAL COMPONENT UNITS:	\$ 393,971	\$ -	\$ 547,939

Data	General Revenues:
Control	Taxes:
Codes	
MT	Property Taxes, Levied for General Purposes
DT	Property Taxes, Levied for Debt Service
SF	State Aid - Formula Grants
GC	Grants and Contributions not Restricted
IE	Investment Earnings
MI	Miscellaneous Local and Intermediate Revenue
FR	Transfers In (Out)
TR	Total General Revenues & Transfers
CN	Change in Net Position
NB	Net Position - Beginning
PA	Restatement of Beginning Net Position
NE	Net Position--Ending

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

Net (Expense) Revenue and Changes in Net Position			
6	7	8	9
Primary Government			Component Unit
Governmental Activities	Business Type Activities	Total	NE Education Foundation
\$ (294,067,013)	\$ -	\$ (294,067,013)	\$ -
(11,548,623)	-	(11,548,623)	-
(10,215,989)	-	(10,215,989)	-
(5,748,366)	-	(5,748,366)	-
(30,699,847)	-	(30,699,847)	-
(15,653,366)	-	(15,653,366)	-
(1,500,762)	-	(1,500,762)	-
(6,511,226)	-	(6,511,226)	-
(18,852,923)	-	(18,852,923)	-
2,521,054	-	2,521,054	-
(17,201,917)	-	(17,201,917)	-
(11,705,626)	-	(11,705,626)	-
(56,318,248)	-	(56,318,248)	-
(4,440,218)	-	(4,440,218)	-
(15,290,709)	-	(15,290,709)	-
2,897,226	-	2,897,226	-
(44,832,347)	-	(44,832,347)	-
(1,081,760)	-	(1,081,760)	-
(36,301)	-	(36,301)	-
(210,568)	-	(210,568)	-
(2,507,784)	-	(2,507,784)	-
(543,005,313)	-	(543,005,313)	-
-	(54,111)	(54,111)	-
-	(72,341)	(72,341)	-
-	40,738	40,738	-
-	(15,111)	(15,111)	-
-	(100,825)	(100,825)	-
(543,005,313)	(100,825)	(543,106,138)	-
-	-	-	153,968
-	-	-	153,968
390,815,343	-	390,815,343	-
122,125,146	-	122,125,146	-
99,617,895	-	99,617,895	-
20,061,615	-	20,061,615	-
5,096,736	-	5,096,736	10,304
18,830,335	-	18,830,335	-
(5,000)	-	(5,000)	-
656,542,070	-	656,542,070	10,304
113,536,757	(100,825)	113,435,932	164,272
150,393,388	7,134,025	157,527,413	910,570
(373,278,249)	-	(373,278,249)	-
\$ (109,348,104)	\$ 7,033,200	\$ (102,314,904)	\$ 1,074,842

NORTH EAST INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2018

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ 49,922,925	\$ 125,318,715	\$ 22,207,446
1120 Investments	118,938,607	1,561,968	-
1220 Property Taxes - Delinquent	18,923,940	5,986,587	-
1230 Allowance for Uncollectible Taxes (Credit)	(1,497,932)	(478,556)	-
1240 Receivables from Other Governments	14,257,658	-	-
1250 Accrued Interest	761,233	16,904	-
1260 Due from Other Funds	3,145,943	5,311,952	727,116
1290 Other Receivables	461,764	-	-
1300 Inventories	2,545,558	-	-
1000 Total Assets	<u>\$ 207,459,696</u>	<u>\$ 137,717,570</u>	<u>\$ 22,934,562</u>
<b>LIABILITIES</b>			
2110 Accounts Payable	\$ 3,782,621	\$ -	\$ 20,695,874
2150 Payroll Deductions and Withholdings Payable	5,318,566	-	-
2160 Accrued Wages Payable	54,317,707	-	123
2170 Due to Other Funds	12,627,169	17	237,971
2180 Due to Other Governments	19,149	7,140	-
2190 Due to Student Groups	3,930	-	-
2200 Accrued Expenditures	-	-	4,702,942
2300 Unearned Revenues	129,025	-	-
2000 Total Liabilities	<u>76,198,167</u>	<u>7,157</u>	<u>25,636,910</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
2601 Unavailable Revenue - Property Taxes	8,488,282	2,711,820	-
2600 Total Deferred Inflows of Resources	<u>8,488,282</u>	<u>2,711,820</u>	<u>-</u>
<b>FUND BALANCES</b>			
Nonspendable Fund Balance:			
3410 Inventories	2,545,558	-	-
3425 Endowment Principal - Scholarships	-	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3480 Retirement of Long-Term Debt	-	122,512,082	-
3490 Scholarships	-	-	-
Committed Fund Balance:			
3545 Other Committed Fund Balance	-	-	-
Assigned Fund Balance:			
3590 Other Assigned Fund Balance	-	12,486,511	-
3600 Unassigned Fund Balance	120,227,689	-	(2,702,348)
3000 Total Fund Balances	<u>122,773,247</u>	<u>134,998,593</u>	<u>(2,702,348)</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 207,459,696</u>	<u>\$ 137,717,570</u>	<u>\$ 22,934,562</u>

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

		Total	
Other		Governmental	
Funds		Funds	
\$	27,456,371	\$	224,905,457
	4,887,974		125,388,549
	-		24,910,527
	-		(1,976,488)
	9,818,866		24,076,524
	33,505		811,642
	5,772,897		14,957,908
	16,949		478,713
	1,870,831		4,416,389
\$	49,857,393	\$	417,969,221
\$	497,022	\$	24,975,517
	-		5,318,566
	3,336,706		57,654,536
	7,877,127		20,742,284
	4		26,293
	-		3,930
	-		4,702,942
	1,500,074		1,629,099
	13,210,933		115,053,167
	-		11,200,102
	-		11,200,102
	1,870,831		4,416,389
	200,000		200,000
	11,109,409		11,109,409
	-		122,512,082
	38,752		38,752
	19,473,004		19,473,004
	3,954,464		16,440,975
	-		117,525,341
	36,646,460		291,715,952
\$	49,857,393	\$	417,969,221

NORTH EAST INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
JUNE 30, 2018

EXHIBIT C-2

<b>Total Fund Balances - Governmental Funds</b>	<b>\$ 291,715,952</b>
1 The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.	38,974,797
2 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$2,121,584,684 and the accumulated depreciation was (\$732,268,186). In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to decrease net position. Note: Beginning Balances related to TRS are NOT included in this amount.	(57,660,112)
3 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2018 capital outlays and debt principal payments is to increase net position.	73,919,899
4 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68. At the beginning of the year, the net position related to TRS was a Deferred Resource Outflow in the amount of \$57,920,926, a Deferred Resource Inflow in the amount of \$15,489,933 and a net pension liability in the amount of \$146,438,896. The impact of this on Net Position is (\$104,007,903). Changes from the current year reporting of the TRS plan resulted in a decrease in net position in the amount of (\$3,904,373). The combination of the beginning of the year amounts and the changes during the year resulted in a difference between the ending fund balance and the ending net position in the amount of (\$100,103,530) .	(100,103,530)
5 The District implemented GASB 75 reporting requirements for the OPEB benefit plan through TRS. Since this is the first year of implementation, a prior period adjustment had to be made in the amount of (\$373,412,972). The District's share of the TRS plan resulted in a net OPEB liability of \$212,669,715, a deferred outflow of \$2,697,821 and a deferred inflow of \$88,960,144. This resulted in a difference between the ending fund balance and the ending net position of (\$298,932,038).	(298,932,038)
6 The 2018 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(68,463,175)
7 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.	11,200,103
<b>19 Net Position of Governmental Activities</b>	<b>\$ (109,348,104)</b>

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

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NORTH EAST INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 396,041,322	\$ 122,761,703	\$ 621,247
5800 State Program Revenues	124,783,772	3,504,087	195,772
5900 Federal Program Revenues	13,701,268	1,834,561	2,762,656
5020 Total Revenues	<u>534,526,362</u>	<u>128,100,351</u>	<u>3,579,675</u>
EXPENDITURES:			
Current:			
0011 Instruction	327,752,063	-	587,461
0012 Instructional Resources and Media Services	8,829,918	-	-
0013 Curriculum and Instructional Staff Development	14,391,481	-	-
0021 Instructional Leadership	7,262,274	-	-
0023 School Leadership	35,686,008	-	18,837
0031 Guidance, Counseling and Evaluation Services	19,431,968	-	-
0032 Social Work Services	2,558,290	-	-
0033 Health Services	7,568,538	-	29,062
0034 Student Transportation	18,431,842	-	3,709,720
0035 Food Services	30,222	-	-
0036 Extracurricular Activities	11,617,033	-	107,603
0041 General Administration	13,784,890	-	-
0051 Facilities Maintenance and Operations	54,448,346	-	2,011,560
0052 Security and Monitoring Services	4,892,673	-	-
0053 Data Processing Services	4,561,534	-	6,934,016
0061 Community Services	199,864	-	-
Debt Service:			
0071 Principal on Long Term Debt	-	65,715,000	-
0072 Interest on Long Term Debt	-	54,566,656	-
0073 Bond Issuance Cost and Fees	-	1,081,760	-
Capital Outlay:			
0081 Facilities Acquisition and Construction	179,269	-	118,973,878
Intergovernmental:			
0093 Instructional Shared Service Arrangement	36,301	-	-
0095 Juvenile Justice Alternative Ed. Prg.	210,568	-	-
0099 Property Tax Appraisal Services	2,507,784	-	-
6030 Total Expenditures	<u>534,380,866</u>	<u>121,363,416</u>	<u>132,372,137</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>145,496</u>	<u>6,736,935</u>	<u>(128,792,462)</u>
OTHER FINANCING SOURCES (USES):			
7901 Refunding Bonds Issued	-	86,595,000	-
7911 Capital Related Debt Issued (Regular Bonds)	-	-	125,000,000
7912 Sale of Real and Personal Property	117,294	-	-
7915 Transfers In	1,354,338	1,850,000	16,937
7916 Premium or Discount on Issuance of Bonds	-	4,192,100	-
8911 Transfers Out (Use)	(1,908,325)	-	(245,000)
8940 Payment to Bond Refunding Escrow Agent (Use)	-	(90,000,000)	-
7080 Total Other Financing Sources (Uses)	<u>(436,693)</u>	<u>2,637,100</u>	<u>124,771,937</u>
1200 Net Change in Fund Balances	<u>(291,197)</u>	<u>9,374,035</u>	<u>(4,020,525)</u>
0100 Fund Balance - July 1 (Beginning)	<u>123,064,444</u>	<u>125,624,558</u>	<u>1,318,177</u>
3000 Fund Balance - June 30 (Ending)	<u>\$ 122,773,247</u>	<u>\$ 134,998,593</u>	<u>\$ (2,702,348)</u>

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



	Other Funds	Total Governmental Funds
\$	38,591,651	\$ 558,015,923
	6,608,416	135,092,047
	48,166,578	66,465,063
	93,366,645	759,573,033
	25,349,874	353,689,398
	554,709	9,384,627
	4,913,114	19,304,595
	582,342	7,844,616
	779,671	36,484,516
	1,921,293	21,353,261
	2,168,665	4,726,955
	72,045	7,669,645
	121,780	22,263,342
	32,860,541	32,890,763
	3,084,726	14,809,362
	137,111	13,922,001
	2,508,750	58,968,656
	22,561	4,915,234
	-	11,495,550
	251,654	451,518
	-	65,715,000
	-	54,566,656
	-	1,081,760
	49,385	119,202,532
	-	36,301
	-	210,568
	-	2,507,784
	75,378,221	863,494,640
	17,988,424	(103,921,607)
	-	86,595,000
	-	125,000,000
	610	117,904
	-	3,221,275
	-	4,192,100
	(39,338)	(2,192,663)
	-	(90,000,000)
	(38,728)	126,933,616
	17,949,696	23,012,009
	18,696,764	268,703,943
\$	36,646,460	\$ 291,715,952

NORTH EAST 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 JUNE 30, 2018

EXHIBIT C-4

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$ 23,012,009
The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase net position.	6,369,290
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2018 capital outlays and debt principal payments is to increase net position.	73,919,899
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(68,463,175)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.	448,150
Current year changes due to GASB 68 increased revenues in the amount of \$5,021,057 but also decreased expenditures in the amount of (\$8,925,430). The net effect on the change in the ending net position was an increase in the amount of (\$3,904,373).	3,904,373
The implementation of GASB 75 to report the District's share of the TRS OPEB plan resulted in current year changes to revenue of \$118,459,378 and the change in expenses totaled (\$192,805,589). The change in net position attributable to the implementation of GASB 75 increased ending net position.	74,346,211
<b>Change in Net Position of Governmental Activities</b>	<u><u>\$ 113,536,757</u></u>

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

NORTH EAST INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 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	\$ 408,075,863	\$ 398,882,863	\$ 396,041,322	\$ (2,841,541)
5800	State Program Revenues	134,369,703	123,606,707	124,783,772	1,177,065
5900	Federal Program Revenues	8,745,081	11,045,081	13,701,268	2,656,187
5020	Total Revenues	551,190,647	533,534,651	534,526,362	991,711
	EXPENDITURES:				
	Current:				
0011	Instruction	338,328,621	337,764,040	327,752,063	10,011,977
0012	Instructional Resources and Media Services	9,078,319	9,056,208	8,829,918	226,290
0013	Curriculum and Instructional Staff Development	15,501,476	14,717,285	14,391,481	325,804
0021	Instructional Leadership	8,033,738	7,467,058	7,262,274	204,784
0023	School Leadership	36,507,966	36,644,919	35,686,008	958,911
0031	Guidance, Counseling and Evaluation Services	20,623,349	20,184,483	19,431,968	752,515
0032	Social Work Services	2,737,020	2,664,835	2,558,290	106,545
0033	Health Services	7,939,978	7,738,874	7,568,538	170,336
0034	Student Transportation	18,001,681	19,178,511	18,431,842	746,669
0035	Food Services	72,997	37,115	30,222	6,893
0036	Extracurricular Activities	12,064,011	11,697,799	11,617,033	80,766
0041	General Administration	14,175,667	14,319,934	13,784,890	535,044
0051	Facilities Maintenance and Operations	57,014,573	56,797,199	54,448,346	2,348,853
0052	Security and Monitoring Services	4,935,672	5,096,119	4,892,673	203,446
0053	Data Processing Services	4,580,924	4,660,811	4,561,534	99,277
0061	Community Services	374,103	302,985	199,864	103,121
	Capital Outlay:				
0081	Facilities Acquisition and Construction	-	253,674	179,269	74,405
	Intergovernmental:				
0093	Instructional Shared Service Arrangement	400,000	400,000	36,301	363,699
0095	Juvenile Justice Alternative Ed. Prg.	399,707	274,707	210,568	64,139
0099	Property Tax Appraisal Services	2,839,415	2,564,415	2,507,784	56,631
6030	Total Expenditures	553,609,217	551,820,971	534,380,866	17,440,105
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,418,570)	(18,286,320)	145,496	18,431,816
	OTHER FINANCING SOURCES (USES):				
7912	Sale of Real and Personal Property	-	-	117,294	117,294
7915	Transfers In	1,211,599	1,211,599	1,354,338	142,739
8911	Transfers Out (Use)	(2,250,000)	(1,958,325)	(1,908,325)	50,000
7080	Total Other Financing Sources (Uses)	(1,038,401)	(746,726)	(436,693)	310,033
1200	Net Change in Fund Balances	(3,456,971)	(19,033,046)	(291,197)	18,741,849
0100	Fund Balance - July 1 (Beginning)	123,064,444	123,064,444	123,064,444	-
3000	Fund Balance - June 30 (Ending)	\$ 119,607,473	\$ 104,031,398	\$ 122,773,247	\$ 18,741,849

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

NORTH EAST INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2018

EXHIBIT D-1

	Business-Type Activities -	Governmental Activities -
	Total Enterprise Funds	Total Internal Service Funds
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 1,245,854	\$ 25,323,246
Investments	-	9,726,411
Due from Other Governments	-	338
Accrued Interest	-	87,610
Due from Other Funds	746,768	5,674,006
Other Receivables	114,533	44,451
Inventories	-	399,157
Total Current Assets	<u>2,107,155</u>	<u>41,255,219</u>
Noncurrent Assets:		
Capital Assets:		
Land	961,852	1,100
Buildings and Improvements	6,734,025	483,379
Depreciation on Buildings	(2,331,884)	(421,545)
Furniture and Equipment	507,222	17,385,955
Depreciation on Furniture and Equipment	(293,071)	(12,194,073)
Total Noncurrent Assets	<u>5,578,144</u>	<u>5,254,816</u>
Total Assets	<u>7,685,299</u>	<u>46,510,035</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	42,300	1,063,157
Workers' Compensation Payable - Current	-	441,259
Capital Leases Payable - Current	-	10,139
Accrued Wages Payable	180,310	269,365
Due to Other Funds	210,059	412,553
Due to Other Governments	43	-
Due to Student Groups	22,060	-
Accrued Expenses	10,000	4,907,105
Unearned Revenues	187,327	-
Total Current Liabilities	<u>652,099</u>	<u>7,103,578</u>
Noncurrent Liabilities:		
Capital Leases Payable - Due in More than One Year	-	26,233
Workers Compensation - Due in More than One Year	-	405,427
Total Noncurrent Liabilities	<u>-</u>	<u>431,660</u>
Total Liabilities	<u>652,099</u>	<u>7,535,238</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	5,578,144	5,254,816
Unrestricted Net Position	1,455,056	33,719,981
Total Net Position	<u>\$ 7,033,200</u>	<u>\$ 38,974,797</u>

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

NORTH EAST INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018

	Business-Type Activities -	Governmental Activities -
	Total Enterprise Funds	Total Internal Service Funds
OPERATING REVENUES:		
Local and Intermediate Sources	\$ 10,478,277	\$ 87,628,819
State Program Revenues	455,437	802,939
Federal Revenues	-	703,541
Total Operating Revenues	<u>10,933,714</u>	<u>89,135,299</u>
OPERATING EXPENSES:		
Payroll Costs	8,285,665	12,349,467
Professional and Contracted Services	1,125,647	4,121,658
Supplies and Materials	609,474	1,765,607
Other Operating Costs	681,167	62,140,761
Depreciation Expense	329,194	1,589,742
Total Operating Expenses	<u>11,031,147</u>	<u>81,967,235</u>
Operating Income (Loss)	<u>(97,433)</u>	<u>7,168,064</u>
NONOPERATING REVENUES (EXPENSES):		
Earnings from Temporary Deposits & Investments	-	293,439
(Loss) on Sale of Real and Personal Property	(3,392)	(58,580)
Non-operating Expenses	-	(21)
Total Nonoperating Revenues (Expenses)	<u>(3,392)</u>	<u>234,838</u>
Income (Loss) Before Transfers	(100,825)	7,402,902
Transfers In	-	36,388
Transfers Out	-	(1,070,000)
Change in Net Position	(100,825)	6,369,290
Total Net Position - July 1 (Beginning)	<u>7,134,025</u>	<u>32,605,507</u>
Total Net Position - June 30 (Ending)	<u><u>\$ 7,033,200</u></u>	<u><u>\$ 38,974,797</u></u>

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

NORTH EAST INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018

EXHIBIT D-3 (Cont'd)

	Business-Type Activities	Governmental Activities -
	Total Enterprise Funds	Total Internal Service Funds
<u>Cash Flows from Operating Activities:</u>		
Cash Received from User Charges	\$ 10,551,373	\$ 88,318,332
Cash Received from Assessments - Other Funds	(526,122)	(4,642,333)
Cash Payments to Employees for Services	(7,705,154)	(11,286,066)
Cash Payments for Insurance Claims	-	(61,171,570)
Cash Payments for Suppliers	(2,482,160)	(7,148,122)
Cash Payments for Other Operating Expenses	-	(541,456)
Net Cash Provided by (Used for) Operating Activities	(162,063)	3,528,785
<u>Cash Flows from Non-Capital Financing Activities:</u>		
Nonoperating Transfers Out	-	(1,070,000)
Nonoperating Transfers In	-	36,388
Net Cash Used for Non-Capital Financing Activities	-	(1,033,612)
<u>Cash Flows from Capital &amp; Related Financing Activities:</u>		
Acquisition of Capital Assets	(523,859)	(544,140)
<u>Cash Flows from Investing Activities:</u>		
Purchase of Investment Securities	-	(6,545,000)
Proceeds from Sale & Maturities of Securities	-	4,496,924
Interest and Dividends on Investments	-	292,231
Net Cash Provided by (Used for) Investing Activities	-	(1,755,845)
Net Increase (Decrease) in Cash and Cash Equivalents	(685,922)	195,188
Cash and Cash Equivalents at Beginning of Year	1,931,776	25,128,058
Cash and Cash Equivalents at End of Year	<u>\$ 1,245,854</u>	<u>\$ 25,323,246</u>

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

NORTH EAST INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018

EXHIBIT D-3

	Business-Type Activities	Governmental Activities -
	Total Enterprise Funds	Total Internal Service Funds
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>		
<u>Provided by (Used for) Operating Activities:</u>		
Operating Income (Loss):	\$ (97,433)	\$ 7,168,064
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used For) Operating Activities:		
Depreciation	329,194	1,589,742
Effect of Increases and Decreases in Current Assets and Liabilities:		
Decrease (increase) in Receivables	(38,938)	(14,031)
Decrease (increase) in Inventories	-	(58,234)
Decrease (increase) in Due From Other Funds	(511,652)	(4,561,527)
Increase (decrease) in Accounts Payable	(116,675)	(492,325)
Increase (decrease) in Accrued Wages Payable	125,074	260,458
Increase (decrease) in Due to Other Funds	69,574	(296,864)
Increase (decrease) in Due to Other Governments	(20)	(153,048)
Increase (decrease) in Unearned Revenues	78,979	204,292
Increase (decrease) in Accrued Expenses	(2,300)	26,261
Increase (decrease) Workers Compensation Payable	-	(144,003)
Increase (decrease) in Due to Student Groups	2,134	-
Net Cash Provided by (Used for) Operating Activities	<u>\$ (162,063)</u>	<u>\$ 3,528,785</u>
<u>Noncash Investing, Capital and Financing Activities:</u>		
Increase in Fair Value of Investments	-	2,775

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

NORTH EAST INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2018

	Private Purpose Trust Fund	Agency Funds
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 214,467	\$ 2,585,522
Total Assets	<u>214,467</u>	<u><u>\$ 2,585,522</u></u>
<b>LIABILITIES</b>		
Accounts Payable	1,500	\$ 76,429
Due to Other Funds	-	13,786
Due to Student Groups	-	2,495,307
Total Liabilities	<u>1,500</u>	<u><u>\$ 2,585,522</u></u>
<b>NET POSITION</b>		
Unrestricted Net Position	<u>212,967</u>	
Total Net Position	<u><u>\$ 212,967</u></u>	

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



NORTH EAST INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018

	Private Purpose Trust Fund
<hr/>	
ADDITIONS:	
Local and Intermediate Sources	\$ 36,667
Transfers In	5,000
Total Additions	<u>41,667</u>
DEDUCTIONS:	
Other Operating Costs	<u>50,500</u>
Total Deductions	<u>50,500</u>
Change in Net Position	(8,833)
 Total Net Position - July 1 (Beginning)	 <u>221,800</u>
 Total Net Position - June 30 (Ending)	 <u><u>\$ 212,967</u></u>

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

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# North East Independent School District

## Notes to the Financial Statements

Year Ended June 30, 2018

### **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

North East Independent School District (the District) is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the Board) elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in **GASB Statement No. 56**, and it complies with the requirements of the appropriate version of Texas Education Agency's **Financial Accountability System Resource Guide** (FASRG) and the requirements of contracts and grants of agencies from which it receives funds.

#### **A. REPORTING ENTITY**

The Board has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public, has the authority to make decisions, appoint administrators and managers, significantly influence operations, and has primary accountability for fiscal matters. As such, the District is not included in any other governmental "reporting entity" as defined by **GASB Statement No. 14, The Financial Reporting Entity**. The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities. The discretely presented component unit, the North East Educational Foundation, Inc. (the Foundation), is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the District.

The Foundation was created in 1986 to expand educational opportunities for students of the District. The Foundation raises funds to underwrite projects and programs that enhance the educational experience. It is governed by a 36-member Board of Directors that is independent from the District and is a legally separate 501(c)(3) entity.

Beginning July 1, 2017, District employees began to direct and administer the day-to-day operations of the Foundation. As such, the Foundation is included in the Statement of Net Position and the Statement of Activities as a discretely presented component unit. The Foundation recognized \$287,248 in in-kind revenue and expense in its financial statements that was eliminated for its inclusion in the District's financial statements. A copy of the Foundation's financial statements can be obtained by emailing the Foundation at [foundation@neisd.net](mailto:foundation@neisd.net).

#### **B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the District's nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, state foundation funds, grants and other intergovernmental revenues. *Business-type activities* include operations funded mainly by fees and charges to third parties.

# North East Independent School District

## Notes to the Financial Statements

Year Ended June 30, 2018

### **B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)**

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. Direct costs are identifiable with a specific function. Program revenues of the District include charges for services and operating grants and contributions. Charges for services consist of charges to customers or applicants that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include tuition paid by students not residing in the District, school lunch charges, etc. Operating grants and contributions include amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If revenue is not a program revenue, it is a general revenue used to support all of the District's functions. Taxes are considered general revenues.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

The fund financial statements report the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are nonoperating.

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

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

North East Independent School District

Notes to the Financial Statements

Year Ended June 30, 2018

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (continued)**

Governmental fund financial statements use 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 on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant fund revenues 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 deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

Permanent funds report resources that are restricted to the extent that only earnings and not principal may be used for purposes that support the District or its students.

The Proprietary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Statement of Net Position. The total net position is segregated into net investment in capital assets, restricted net position, and unrestricted net position.

Agency Funds utilize the accrual basis of accounting but do not have a measurement focus as they report only assets and liabilities.

North East Independent School District

Notes to the Financial Statements

Year Ended June 30, 2018

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (continued)**

The District's accounts are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which are comprised of each fund's assets, liabilities, equity, revenues, and expenditures or expenses. The District reports the following major governmental funds:

**General Fund** – The General Fund is used to account for financial resources used for general operations. It is the basic fund of the school system and covers all activities for which a special fund has not been established. Any fund balances are considered resources available for current operations. All general tax revenues and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund.

**Debt Service Fund** – This fund is used to account for the payment of principal and interest on long-term general obligation debt of the District. Local property taxes are the main source of revenue for this fund.

**Capital Projects Fund** – The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.

Additionally, the District reports the following fund type(s):

Governmental Funds:

**Special Revenue Funds** – These funds are used to account for resources restricted to, or committed for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a special revenue fund. Generally, unused balances are returned to the grantor at the close of specified project periods.

**Permanent Fund** – This fund is used to account for donations received to fund scholarships for the District's students. The principal received is invested and the earnings are used to provide scholarships.

North East Independent School District

Notes to the Financial Statements

Year Ended June 30, 2018

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (continued)**

Proprietary Funds:

**Enterprise Funds** – These funds are used to account for operations financed and operated in a manner similar to private business enterprises, where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The District's non-major Enterprise Funds are:

Uniform Rentals  
Community Education  
Preschool Program for Children with Disabilities  
North East Aquatics and Tennis

**Internal Service Funds** – These funds are conceived to be self-supporting. Revenues are earned mainly from sales of services to the schools and operating departments of the District. The District's Internal Service Funds are:

Document Management & Printing Services  
Health Insurance  
Data Processing Center  
Network Technology Services  
Dental Insurance  
Rolling Owner Controlled Insurance Program  
Workers' Compensation Insurance  
Unemployment Compensation Insurance  
Police Services

Fiduciary Funds:

**Private-Purpose Trust Funds** – The District utilized these funds to report resources held in trust for others where the principal and interest benefit the District or its students where the principal and earnings may be used.

Scholarships

**Agency Funds** – The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency Funds are:

Student Activity  
Central Office

North East Independent School District

Notes to the Financial Statements

Year Ended June 30, 2018

**D. OTHER ACCOUNTING POLICIES**

1. Cash and cash equivalents include cash and highly liquid investments such as certificates of deposits, money market funds, local government investment pools, Treasury bills, and commercial paper that have a maturity from time of purchase of three months or less. (See Note IV A for more details.)
2. Inventories of supplies on the balance sheet are carried at cost, which is determined principally by the average cost method, while inventories of food commodities are recorded at fair values supplied by the United States Department of Agriculture (USDA). Inventories are considered expenditures or expenses as they are consumed. Supplies are used for almost all functions of activity, while food commodities are used only in the food service program. Although commodities are received at no cost, their fair value is supplied by the USDA and recorded as inventory and deferred revenue when received. When requisitioned, inventory and deferred revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount.
3. In the government-wide financial statements and for proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest rate method. Bonds payable are reported net of the applicable unamortized bond premium or discount.

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

4. The District's policies provide for accumulation of vacation time for certain hourly employees provided it is taken prior to the calendar year-end. The accumulated vacation payable at June 30, 2018 and 2017 was \$886,067 and \$961,597, respectively.

The policies also provide for accumulation of State personal and sick leave, which includes salary-related payments, that are payable upon resignation for employees having served the District for ten consecutive years and who are eligible to receive benefits under the Texas Teacher Retirement System. (See Note IV G for more details.)



North East Independent School District

Notes to the Financial Statements

Year Ended June 30, 2018

**D. OTHER ACCOUNTING POLICIES (continued)**

5. Capital assets, which include land, buildings, furniture and equipment, and intangible assets, are reported in the applicable columns in the government-wide financial statements. Capital assets are defined by the District 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 acquisition value at the date of donation. (See Note IV E for more details.)

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

Intangible assets consist of internally generated software and commercially available software that required modification prior to being put into service by the District. Intangible assets are reported in the furniture and equipment category in the financial statements and footnotes. Amortization is reported along with depreciation expense in the financial statements and in the footnotes.

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

<u>Asset Category</u>	<u>Years</u>
Buildings and Improvements	10-30
Furniture and Equipment	3-10
Software	3-10

6. Bond proceeds not spent are restricted for purposes approved by the voters in the District's bond election and include the following: construction, technology improvements, bus purchases and library improvements.

7. The District is self-funded in four areas:

Health Insurance  
Dental Insurance  
Workers' Compensation Insurance  
Unemployment Compensation Insurance

North East Independent School District

Notes to the Financial Statements

Year Ended June 30, 2018

**D. OTHER ACCOUNTING POLICIES (continued)**

8. In the fund financial statements, governmental funds report fund balance as nonspendable if the amounts cannot be spent because they are either not in spendable form or are legally or contractually required to remain intact. Restrictions of fund balance are for amounts that are restricted to specific purposes by an external entity (creditors, grantors, governmental regulations) or the restriction is imposed by law through constitutional provision or enabling legislation. Commitments of fund balance represent amounts that can only be used for specific purposes pursuant to constraints imposed by the District's Board. Assignments of fund balance are amounts set aside by the District's Superintendent or his designee with the intent they be used for specific purposes.

Fund balance amounts that are restricted, committed, or assigned are considered to have been spent when an expenditure is incurred for the purpose for which the fund balance was restricted, committed or assigned. If an expenditure is incurred that meets the criteria in more than one fund balance category, then the District considers that the fund balance is relieved in the following order: restricted, committed, assigned and then unassigned.

Commitments of fund balance may only be established (and modified or rescinded) by a resolution of the Board. The commitment may only be relieved by incurring expenditures for that purpose or by resolution of the Board. Assignments of fund balance are established (and modified or rescinded) by the Superintendent or his designee and may only be relieved by incurring expenditures for that purpose or as authorized by the Superintendent.

9. When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first unless unrestricted assets will have to be returned because they were not used.
10. The Data Control Codes refer to the account code structure prescribed by the Texas Education Agency (TEA) in the FASRG. TEA requires school districts to display these codes in the financial statements in order to insure accuracy in building a State wide database for policy development and funding plans.
11. Investments are valued at fair value.
12. School districts are required to report all expenses by function, except certain indirect expenses. General administration and data processing service functions (data control codes 41 and 53, respectively) include expenses that are indirect expenses of other functions. These indirect expenses are not allocated to other functions.

North East Independent School District

Notes to the Financial Statements

Year Ended June 30, 2018

**D. OTHER ACCOUNTING POLICIES (continued)**

13. 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 of the system are reported at fair value.
14. The fiduciary net position of the Teacher Retirement System of Texas TRS Care Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net other post-employment benefit (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.
15. In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has several items that qualify for reporting in this category. One is the deferred charge on refunding prior debt issuances reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

16. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

North East Independent School District

Notes to the Financial Statements

Year Ended June 30, 2018

**E. CHANGE IN ACCOUNTING POLICY**

During fiscal year 2018, the District changed accounting policies related to reporting on net OPEB liability, deferred outflows of resources, and deferred inflows of resources in a statement of net financial position by adopting GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." Accordingly, the effect of the accounting change is reported on the statement of net position, and the statement of activities for the current year.

**F. NEGATIVE OPERATING GRANTS AND CONTRIBUTIONS – STATEMENT OF ACTIVITIES**

Expense activity is required to be recorded by districts participating in cost sharing pension and OPEB plans with a special funding situation where non-employer contributing entities (NECE) also contribute to the plans. The TRS retirement plan and TRS Care OPEB plans are both cost sharing plans with special funding situations. Therefore, the District is required to record on-behalf expense and on-behalf revenues to record the contributions made by the State of Texas to the TRS pension and TRS Care plans as a NECE. The expenses and revenues are recorded in equal amounts in the Statement of Activities as part of the adjustments to record the net pension and OPEB liabilities in accordance with GASB Statements 68 and 75.

During the year under audit, the NECE expense (and revenue) were negative due to additional funding by the State of Texas after the beginning net OPEB liability was determined and changes in the benefits offered within the TRS Care plans. The accrual for the District's proportionate share of that expense and revenue was a negative adjustment to the Statement of Activities. This resulted in negative revenue for Operating Grants and Contributions on the Statement of Activities in accordance with guidance provided by GASB.

North East Independent School District

Notes to the Financial Statements

Year Ended June 30, 2018

**F. NEGATIVE OPERATING GRANTS AND CONTRIBUTIONS – STATEMENT OF ACTIVITIES  
(continued)**

The table below summarized the effects on the Statement of Activities as a result of the negative on-behalf adjustment.

Function	Operating Grants & Contributions	Negative On-Behalf Accruals	Operating Grants and Contributions Excluding On-Behalf Accruals
Instruction	\$ (36,391,919)	\$ (69,572,092)	\$ 33,180,173
Instructional Resources & Media Services	(1,527,742)	(1,803,619)	275,877
Curriculum & Instructional Staff Development	2,552,017	(2,659,906)	5,211,923
Instructional Leadership	(870,645)	(1,696,525)	825,880
School Leadership	(6,446,948)	(7,648,265)	1,201,317
Guidance, Counseling & Evaluation Services	(1,605,101)	(4,007,981)	2,402,880
Social Work Services	1,324,470	(684,174)	2,008,644
Health Services	(1,297,717)	(1,594,608)	296,891
Student Transportation	(3,157,725)	(3,829,133)	671,408
Food Services	19,816,551	(1,670,828)	21,487,379
Extracurricular Activities	(717,989)	(916,313)	198,324
General Administration	(3,146,343)	(3,701,171)	554,828
Facilities Maintenance & Operations	(6,227,202)	(8,187,832)	1,960,630
Security & Monitoring Services	(1,044,674)	(1,232,132)	187,458
Data Processing Services	(1,261,876)	(1,473,381)	211,505
Community Services	(1,456,974)	(1,853,933)	396,959
	<u>\$ (41,459,817)</u>	<u>\$ (112,531,893)</u>	<u>\$ 71,072,076</u>

North East Independent School District

Notes to the Financial Statements

Year Ended June 30, 2018

**H. DEFICIT NET POSITION/DEFICIT FUND BALANCE**

At June 30, 2018, the District has a deficit net position in the Government-Wide Statement of Net Position. This deficit is due to the restatement of beginning net position to recognize the net OPEB liability related to TRS Care totaling \$373,278,249 in accordance with GASB Statement 75.

At June 30, 2018, the Capital Projects fund has a deficit fund balance of \$2,702,348. This fund records all of the District's capital projects including those funded by bond proceeds. The deficit fund balance is due to the timing of issuance of commercial paper to fund projects and the accrual of various invoices for various construction projects. The District converted commercial paper to bonded debt subsequent to year end thereby eliminating the deficit.

At June 30, 2018, the Preschool Program for Children With Disabilities (PPCD) has a deficit net position of \$155,453. This fund is an enterprise fund providing daycare services to children with disabilities and also to the children of employees in an inclusive environment. The program is jointly supported by a grant in a different fund and also by charges for services in the PPCD fund. A plan to change fee structure was adopted in fiscal year 2018 and the fund's net position improved by \$40,738 this year. The fund is expected to return to a positive net position within three years.

**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUNDS BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION**

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the Governmental Fund Balance Sheet and the net position for governmental activities as reported in the government-wide Statement of Net Position. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds. The details of capital assets and long-term debt, excluding internal service fund activity, at the beginning of the year are on the following page:

North East Independent School District

Notes to the Financial Statements

Year Ended June 30, 2018

**A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUNDS  
BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION  
(continued)**

<b>Capital Assets at the Beginning of the Year</b>	<b>Historic Cost</b>	<b>Accumulated Depreciation/ Amortization</b>	<b>Net Value at the Beginning of the Year</b>	<b>Change in Net Position</b>
Land	\$ 104,457,086	\$ -	\$ 104,457,086	
Buildings and Improvements	1,914,834,247	687,774,176	1,227,060,071	
Furniture and Equipment	65,373,121	44,494,010	20,879,111	
Construction in Progress	36,920,230	-	36,920,230	
Capital Assets Total	<u>\$ 2,121,584,684</u>	<u>\$ 732,268,186</u>	<u>\$ 1,389,316,498</u>	\$ 1,389,316,498

<b>Accrued Liabilities at the Beginning of the Year</b>	<b>Payable at the Beginning of the Year</b>	
Bonds Payable	\$ 1,459,330,139	
Interest Payable	22,850,495	
Vacation Payable	961,597	
Compensated Absences	5,136,000	
OPEB Net Obligation/(Benefit)	(145,263)	
Deferred Charge for Loss on Refunding Debt Issuance	(41,156,358)	
Change in Net Position	<u>\$ 1,446,976,610</u>	<u>(1,446,976,610)</u>
Net Adjustment to Net Position		<u>\$ (57,660,112)</u>

North East Independent School District

Notes to the Financial Statements

Year Ended June 30, 2018

**B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**

Exhibit C-4 provides a reconciliation between the net changes in fund balance as shown on the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the changes in net position of governmental activities as reported on the government-wide Statement of Activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net position balance and the change in net position. The details of this adjustment, excluding internal service fund activity, are as follows:

<b>Changes in Capital Assets</b>	<b>Amount</b>	<b>Adjustments to Changes in Net Position</b>	<b>Adjustments to Net Position</b>
Land	\$ 8,405,029	\$	
Buildings and Improvements	20,221,077	14,957,153	
Furniture and Equipment	7,474,810		
Construction in Progress	87,727,596	(14,957,153)	
Total Capital Outlay	<u>\$ 123,828,512</u>	<u>\$ -</u>	\$ 123,828,512
Loss on Sale of Furniture and Equipment	<u>(35,706)</u>		(35,706)
<b>Debt Payments</b>			
Bond Principal	\$ 69,120,000		
Commercial Paper Issuance	(125,000,000)		
Change in Bond Interest Payable	(363,645)		
Amortization of Premiums and Loss on Refunding	5,905,854		
Change in Vacation Payable, Compensated Absences Payable, & OPEB Liability	464,884		
Total Debt Payments	<u>\$ (49,872,907)</u>	<u>-</u>	<u>(49,872,907)</u>
Total Adjustment to Net Position		<u>\$ -</u>	<u>\$ 73,919,899</u>



North East Independent School District

Notes to the Financial Statements

Year Ended June 30, 2018

**III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. BUDGETARY DATA**

The official budget was prepared for adoption for the General Fund, Debt Service Fund, and the National Breakfast and Lunch Program Fund, which is included within the Nonmajor Governmental Funds. The budget is prepared using the modified accrual basis of accounting. The following procedures are used in establishing the budgetary data reflected in the basic financial statements:

1. Prior to June 20, the District prepares a budget for the next fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is called for the purpose of adopting the proposed budget. Public notice of the meeting must be given no fewer than ten days prior and no more than 30 days prior to the actual meeting.
3. Prior to July 1, the budget is legally enacted through passage of a resolution by the Board.

Once a budget is adopted, it can be amended at the fund level by approval of a majority of the members of the Board. The Board has authorized the administration through resolution to provide budgetary control at the functional expenditure level. Funds may be transferred between functions without Board approval when there is no effect to the overall fund balance. The cumulative effect of such transfers is approved by the Board in a subsequent budget amendment. Budget amendments are included on the Board agenda periodically throughout the fiscal year. Each amendment must have Board approval. All amendments are reflected in the official minutes of the Board and are made prior to fiscal year-end as required by law.

Each budget is controlled by the budget manager at the revenue and expenditure function/object level. The budget should not be exceeded at the function level which is the line-item level shown in the basic financial statements. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year-end even if they have related encumbrances. Encumbrances are commitments to purchase goods or services that were not fully executed at year-end. Encumbrance accounting is utilized to ensure effective budgetary control and accountability. While encumbrances lapse at year end, valid outstanding encumbrances (those whose terms will be completed in the next year) are re-appropriated by a budget amendment approved by the Board and become part of the subsequent year's budget.

North East Independent School District

Notes to the Financial Statements

Year Ended June 30, 2018

**A. BUDGETARY DATA (continued)**

	<b>Original Budget Appropriation</b>	<b>Increase (Decrease)</b>	<b>Amended Budget Appropriation</b>
General Fund	\$ 553,609,217	\$ (1,788,246)	\$ 551,820,971
National Breakfast and Lunch Program Fund	39,320,532	(4,623,844)	34,696,688
Debt Service Fund	121,645,390	-	121,645,390
	<u>\$ 714,575,139</u>	<u>\$ (6,412,090)</u>	<u>\$ 708,163,049</u>

A reconciliation of fund balances for both appropriated budget and non-appropriated budget Nonmajor Governmental Funds at June 30, 2018 is as follows:

	<b>Fund Balance</b>
Appropriated Budget Fund	
National Breakfast and Lunch Program Fund	\$ 12,068,618
Non-appropriated Budget Funds	<u>24,577,843</u>
All Nonmajor Governmental Funds	<u>\$ 36,646,461</u>

**IV. DETAILED NOTES ON ALL FUNDS**

**A. DEPOSITS AND INVESTMENTS**

The District's funds are required to be deposited under the terms of a depository contract or invested under the terms of the Public Funds Investment Act (PFIA). The depository bank places for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

North East Independent School District

Notes to the Financial Statements

Year Ended June 30, 2018

**A. DEPOSITS AND INVESTMENTS (continued)**

Deposits and investments at June 30, 2018 are as follows:

		<b>Totals</b>
Cash in Bank or on hand - Primary Government	\$ 2,583,655	
Cash Equivalents		
Money Market accounts:		
LOGIC	33,819,693	
TexPool Prime	121,956,350	
LoneStar	8,187,731	
TexPool	24,025,891	
Texas Class-MBIA	30,950,620	
Commercial Paper Maturing Within 90 Days of Fiscal Year End	<u>29,950,617</u>	
Total Cash and Cash Equivalents		\$ 251,474,557
Investments		<u>135,114,960</u>
Total Deposits and Investments - Primary Government		<u>\$ 386,589,517</u>

The District utilizes imprest accounts where funds are automatically transferred from a cash management account whenever checks are presented. The cash account balance will occasionally reflect a negative balance as a result of the complexity and timing of various banking transactions.

**Deposits**

At June 30, 2018, the carrying amount of the District's deposits was \$2,583,655. The District's cash deposits at June 30, 2018 were fully covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name. The balance at the District's depository was \$673,004.

# North East Independent School District

## Notes to the Financial Statements

Year Ended June 30, 2018

### **A. DEPOSITS AND INVESTMENTS (continued)**

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

1. Depository: Wells Fargo Bank, N.A.; Austin, Texas
2. The highest combined balances of cash, savings, and time deposit accounts amounted to \$10,202,759 and occurred during March 2018.
3. The District's balances were collateralized for all amounts on deposit above the \$250,000 FDIC insurance.

### **Investments**

The District is required by the Public Funds Investment Act, Chapter 2256, Texas Government Code (PFIA), to adopt and implement an investment policy. That policy must address the following areas: safety of principal and liquidity, portfolio diversification, allowable investments, acceptable risk levels, expected rates of return, maximum allowable stated maturity of portfolio investments, maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, investment staff quality and capabilities, and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in obligations of the U.S. Treasury, certain U.S. agencies and the State of Texas, certificates of deposit, certain municipal securities, and money market guaranteed investment contracts. The PFIA also requires the District to have independent auditors perform test procedures related to investment practices as provided by the PFIA. The District is in substantial compliance with the requirements of the PFIA and with local policies.

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

The District's investments in investment pools, which are exempt from regulation by the Securities and Exchange Commission, have as one of their objectives the maintenance of a stable net asset value of \$1.00. The book value of the position in the pools is the same as the number of the shares in each pool; the fair value of a share should approximately equal the book value of a share.

North East Independent School District

Notes to the Financial Statements

Year Ended June 30, 2018

**A. DEPOSITS AND INVESTMENTS (continued)**

**Investments (continued)**

*Credit Risk.* In accordance with state law and the District's investment policy, investments in mutual funds and investment pools must be rated at least AAA or have an equivalent rating, commercial paper must be rated at least A-1 by Standard & Poors (S&P), P-1 by Moody's Investment Services, or have an equivalent rating, and obligations of states, agencies, counties, and cities must be rated at least A or its equivalent. As of June 30, 2018, the District's investments in investment pools met or exceeded the ratings criteria and were rated AAA by S&P.

S&P has rated the long-term sovereign credit rating on the United States of America AA+. As a result, the long-term issuer credit ratings and related issue ratings on select government-related entities are also rated AA+. S&P affirmed the short-term issue ratings for these entities at A-1+. These entities are still rated Aaa and AAA by Moody's and Fitch rating agencies. S&P had formerly issued a credit rating of AAA for the United States of America and on the related governmental entities. Although the credit ratings were lowered on government-related issues held by the District, they remain compliant with the District's investment policy.

*Concentration of Credit Risk.* The District places no limit on the amount the District may invest in any one issuer, rather investments are governed by the objectives of preservation and safety of principal, liquidity, and yield. In addition, the investment portfolio is diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting from over-concentration of assets in a specific class of investments, specific maturity, or specific issuer. There are no individual investments or investment types that exceed five percent of the District's total portfolio.

*Interest Rate Risk.* In accordance with State law and the District's investment policies, the District does not purchase any investments with maturities greater than five (5) years unless the investment's maturity is matched to cash flow needs of long-term liabilities.

The investment maturities in the following table reflect the maturity date of the investments in each category. Some investments are callable (redeemable) by the issuer on specified dates prior to the stated maturity date. The District uses its investments in the investment pools to further mitigate interest rate risk.

# North East Independent School District

## Notes to the Financial Statements

Year Ended June 30, 2018

### A. DEPOSITS AND INVESTMENTS (continued)

The District's investments at June 30, 2018 are shown in the table below:

Investment Type	Fair Value	Investment Maturities in Years			
		Less than 1	1 to 2	2 to 4	5+
U.S. Agencies	\$ 46,956,368	\$ 32,109,868	\$ 14,846,500	\$ -	\$ -
Municipal Bonds/Notes	76,141,828	52,498,421	12,498,286	9,407,980	1,737,141
Commercial Paper	41,967,381	41,967,381	-	-	-
Investment Pools	218,940,285	218,940,285	-	-	-
<b>Total Fair Value</b>	<b>\$ 384,005,862</b>	<b>\$ 345,515,955</b>	<b>\$ 27,344,786</b>	<b>\$ 9,407,980</b>	<b>\$ 1,737,141</b>

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. All of the District's investments are categorized as Level 2 investments and are valued using prices quoted in a matrix based pricing software.

### B. PROPERTY TAXES

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1<sup>st</sup> for all real and business personal 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<sup>st</sup> of the year following the year in which imposed. On January 1<sup>st</sup> of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. The delinquency and lien provisions do not apply to certain taxpayers that elect and follow a split-payment option and to qualified taxpayers over 65 years old or disabled that elect and follow a 4-payment option.

### C. DELINQUENT TAXES RECEIVABLE

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

North East Independent School District

Notes to the Financial Statements

Year Ended June 30, 2018

**D. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

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

<b>Receivable Fund</b>	<b>Payable Fund</b>	<b>Amount</b>
General Fund	Nonmajor Governmental Funds	\$ 2,613,077
General Fund	Capital Projects Funds	86,438
General Fund	Enterprise Funds	21,401
General Fund	Internal Service Funds	412,376
General Fund	Fiduciary Funds	12,634
General Fund	Debt Service Fund	17
Debt Service Fund	General Fund	5,311,952
Capital Projects Funds	General Fund	727,007
Capital Projects Funds	Internal Service Funds	109
Nonmajor Governmental Funds	General Fund	443,235
Nonmajor Governmental Funds	Nonmajor Governmental Funds	5,259,131
Nonmajor Governmental Funds	Enterprise Funds	70,531
Internal Service Funds	General Fund	5,518,975
Internal Service Funds	Capital Projects Funds	151,533
Internal Service Funds	Nonmajor Governmental Funds	2,219
Internal Service Funds	Enterprise Funds	59
Internal Service Funds	Internal Service Funds	68
Internal Service Funds	Fiduciary Fund	1,152
Enterprise Funds	General Fund	626,000
Enterprise Funds	Nonmajor Governmental Funds	2,700
Enterprise Funds	Enterprise Funds	118,068
Total		<u>\$ 21,378,682</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. These amounts will all be collected within the subsequent year.

North East Independent School District

Notes to the Financial Statements

Year Ended June 30, 2018

**D. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (continued)**

Interfund transfers are defined as “flow of assets without equivalent flows of assets in return and without requirement of repayment.” Interfund transfers for the year ending June 30, 2018 were as follows:

Transfers In	Transfers Out				Total
	General Fund	Nonmajor Governmental	Internal Service	Capital Projects	
General Fund	\$ -	\$ 39,338	\$ 1,070,000	\$ 245,000	\$ 1,354,338
Capital Projects	16,937	-	-	-	16,937
Permanent Trust	5,000	-	-	-	5,000
Internal Service	36,388	-	-	-	36,388
Debt Service	1,850,000	-	-	-	1,850,000
Total Transfers	\$ 1,908,325	\$ 39,338	\$ 1,070,000	\$ 245,000	\$ 3,262,663

Transfers are used to (1) move revenues/expenditures from the fund that statute or budget requires them to collect the revenues/expenditures to the fund that statute or budget requires to expend them; (2) move funds to the debt service fund as a voluntary accumulation of resources for principal payments that are not payable from tax revenues for the 2010 Qualified School Construction Bonds, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.



North East Independent School District

Notes to the Financial Statements

Year Ended June 30, 2018

**E. CAPITAL ASSET ACTIVITY**

Capital asset activity for the District's governmental activities, including internal service funds, for the year ended June 30, 2018, was as follows:

	Beginning Balance	Additions	Completed Capital Projects	Disposals	Ending Balance
<b>Nondepreciable Capital Assets</b>					
Land	\$ 104,457,086	\$ 8,406,129	\$ -	\$ -	\$ 112,863,215
Construction in Progress	36,920,230	87,727,596	(14,957,153)	-	109,690,673
Subtotal Nondepreciable Assets	<u>141,377,316</u>	<u>96,133,725</u>	<u>(14,957,153)</u>	<u>-</u>	<u>222,553,888</u>
<b>Depreciable/Amortizable Capital Assets</b>					
Buildings and Improvements	1,915,317,626	20,221,080	14,957,153	-	1,950,495,859
Furniture and Equipment	<u>84,192,337</u>	<u>8,007,692</u>	<u>-</u>	<u>(6,740,999)</u>	<u>85,459,030</u>
Subtotal Depreciable/ Amortizable Assets	<u>1,999,509,963</u>	<u>28,228,772</u>	<u>14,957,153</u>	<u>(6,740,999)</u>	<u>2,035,954,889</u>
Totals at Historical Cost	<u>2,140,887,279</u>	<u>124,362,497</u>	<u>-</u>	<u>(6,740,999)</u>	<u>2,258,508,777</u>
<b>Less Accumulated Depreciation/Amortization for:</b>					
Buildings and Improvements	(688,192,653)	(62,435,973)	-	-	(750,628,626)
Furniture and Equipment	<u>(57,008,972)</u>	<u>(7,616,946)</u>	<u>-</u>	<u>6,646,714</u>	<u>(57,979,204)</u>
Total Accumulated Depreciation/Amortization	<u>(745,201,625)</u>	<u>(70,052,919)</u>	<u>-</u>	<u>6,646,714</u>	<u>(808,607,830)</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,395,685,654</u>	<u>\$ 54,309,578</u>	<u>\$ -</u>	<u>\$ (94,285)</u>	<u>\$ 1,449,900,947</u>

North East Independent School District

Notes to the Financial Statements

Year Ended June 30, 2018

**E. CAPITAL ASSET ACTIVITY (continued)**

Capital asset activity for the District's business-type activities for the year ended June 30, 2018, was as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Completed Capital Projects</b>	<b>Disposals</b>	<b>Ending Balance</b>
<b>Nondepreciable Capital Assets</b>					
Land	\$ 961,852	\$ -	\$ -	\$ -	\$ 961,852
Construction in Progress	299,986	-	(299,986)	-	-
Subtotal Nondepreciable Assets	<u>1,261,838</u>	<u>-</u>	<u>(299,986)</u>	<u>-</u>	<u>961,852</u>
<b>Depreciable Capital Assets</b>					
Buildings and Improvements	5,925,231	508,808	299,986	-	6,734,025
Furniture and Equipment	589,357	15,052	-	(97,187)	507,222
Subtotal Depreciable Assets	<u>6,514,588</u>	<u>523,860</u>	<u>299,986</u>	<u>(97,187)</u>	<u>7,241,247</u>
Totals at Historical Cost	<u>7,776,426</u>	<u>523,860</u>	<u>-</u>	<u>(97,187)</u>	<u>8,203,099</u>
<b>Less Accumulated Depreciation for:</b>					
Buildings and Improvements	(2,099,265)	(232,619)	-	-	(2,331,884)
Furniture and Equipment	<u>(290,290)</u>	<u>(96,575)</u>	<u>-</u>	<u>93,794</u>	<u>(293,071)</u>
Total Accumulated Depreciation	<u>(2,389,555)</u>	<u>(329,194)</u>	<u>-</u>	<u>93,794</u>	<u>(2,624,955)</u>
Business - Type Activities					
Capital Assets, Net	<u>\$ 5,386,871</u>	<u>\$ 194,666</u>	<u>\$ -</u>	<u>\$ (3,393)</u>	<u>\$ 5,578,144</u>

North East Independent School District

Notes to the Financial Statements

Year Ended June 30, 2018

**E. CAPITAL ASSET ACTIVITY (continued)**

Depreciation and amortization expense, excluding internal service funds, was charged to governmental functions as follows:

	<b>Amounts</b>
Instruction	\$ 40,339,098
Instructional Resources and Media Services	3,624,257
Curriculum Development and Instructional Staff Development	5,559
Instructional Leadership	7,324
School Leadership	1,917,706
Guidance, Counseling and Evaluation Services	554,057
Health Services	372,278
Student (Pupil) Transportation	2,597,593
Food Services	3,910,713
Cocurricular/Extracurricular Activities	7,387,429
General Administration	48,663
Plant Maintenance and Operations	5,923,641
Security and Monitoring Service	77,433
Data Processing Services	1,638,026
Community Services	59,400
Total Governmental Funds	<u>68,463,177</u>
Depreciation/Amortization on capital assets held by the District's Internal Service Funds is charged to the various functions based on their usage of the assets	<u>1,589,742</u>
Total Depreciation/Amortization Expense - Governmental Activities	<u>\$ 70,052,919</u>
Total Depreciation/Amortization Expense - Business - Type Activities	<u>\$ 329,194</u>

North East Independent School District

Notes to the Financial Statements

Year Ended June 30, 2018

**F. BONDS AND NOTES PAYABLE**

Bonded indebtedness of the District is reflected in the Statement of Net Position. Current requirements for principal and interest expenditures are accounted for in the Debt Service Fund.

A summary of changes in bonds and notes ("bonds") payable for the year ended June 30, 2018 is as follows:

<b>Description</b>	<b>Original Balance</b>	<b>Interest Rates</b>
Unlimited Tax Refunding Bonds - Series 2007	\$ 236,820,000	4.50-5.25%
Unlimited Tax School Building Bonds - Series 2007A	11,370,000	3.80-4.39%
Limited Tax Maintenance Notes - Series 2010	37,545,000	5.24%
Unlimited Tax School Building and Refunding Bonds - Series 2012	140,345,000	2.00 - 5.00%
Unlimited Tax School Building Bonds - Series 2013	55,885,000	2.00-5.00%
Unlimited Tax Refunding Bonds - Series 2014	31,090,000	3.00-5.00%
Unlimited Tax Refunding Bonds - Series 2014A	99,960,000	2.00-5.00%
Variable Rate Unlimited Tax School Building Bonds Series 2014	69,145,000	2.00%
Variable Rate Unlimited Tax School Building Bonds Series 2013A(2014 Remarketing)	64,895,000	2.00%
Unlimited Tax Refunding Bonds - Series 2014B	66,760,000	1.00-5.00%
Unlimited Tax Refunding Bonds - Series 2015	342,255,000	2.00-5.00%
Unlimited Tax Refunding Bonds - Series 2015A	51,495,000	4.00-5.00%
Unlimited Tax Refunding Bonds - Series 2016	36,485,000	2.00 - 5.00%
Variable Rate Unlimited Tax School Building Bonds - Series 2013B (2016 Remarketing)	58,095,000	1.42%
Unlimited Tax Refunding Bonds - Series 2017	41,640,000	3.00 - 5.00%
Variable Rate Unlimited Tax Refunding Bonds Series 2017	44,955,000	2.38%
	<u><u>\$ 1,388,740,000</u></u>	

North East Independent School District

Notes to the Financial Statements

Year Ended June 30, 2018

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Payments</b>	<b>Refunded/ Remarketed</b>	<b>Ending Balance</b>
\$	236,820,000	\$ -	\$ -	\$ -	\$ 236,820,000
	11,370,000	-	11,370,000	-	-
	37,545,000	-	-	-	37,545,000
	140,345,000	-	14,920,000	-	125,425,000
	55,885,000	-	1,060,000	-	54,825,000
	31,090,000	-	2,215,000	-	28,875,000
	99,960,000	-	8,075,000	-	91,885,000
	69,145,000	-	1,185,000	-	67,960,000
	64,895,000	-	1,310,000	-	63,585,000
	66,760,000	-	-	-	66,760,000
	342,255,000	-	2,990,000	-	339,265,000
	51,495,000	-	-	-	51,495,000
	36,485,000	-	11,640,000	-	24,845,000
	58,095,000		10,950,000	-	47,145,000
	-	41,640,000	-	-	41,640,000
	-	44,955,000	-	-	44,955,000
\$	1,302,145,000	\$ 86,595,000	\$ 65,715,000	\$ -	\$ 1,323,025,000

North East Independent School District

Notes to the Financial Statements

Year Ended June 30, 2018

**F. BONDS AND NOTES PAYABLE (continued)**

The general obligation bonds mature as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 53,655,000	\$ 55,875,226	\$ 109,530,226
2020	57,585,000	56,819,875	114,404,875
2021	36,805,000	55,892,955	92,697,955
2022	55,325,000	54,981,177	110,306,177
2023	55,520,000	54,383,504	109,903,504
2024-2028	365,705,000	230,696,874	596,401,874
2029-2033	318,275,000	19,153,148	337,428,148
2034-2038	249,385,000	68,888,450	318,273,450
2039-2043	95,080,000	26,278,725	121,358,725
2044-2048	35,690,000	4,962,750	40,652,750
	<u>\$ 1,323,025,000</u>	<u>\$ 627,932,684</u>	<u>\$ 1,950,957,684</u>

There are a number of limitations and restrictions contained in the general obligation bond indenture. The District is in compliance with all significant limitations and restrictions as of June 30, 2018.

The District's Bonds and Commercial paper are guaranteed by the Texas Permanent School Fund (PSF). This guarantee covers the entire maturity of bonds and commercial paper and ensures that the District's bonded debt is issued with a rating equivalent to AAA. This rating lowers the interest rates that the debt must be paid.

North East Independent School District

Notes to the Financial Statements

Year Ended June 30, 2018

**F. BONDS AND NOTES PAYABLE (continued)**

The District refunded \$90,000,000 in Commercial Paper by issuing two series of bonded debt. The Unlimited Tax Refunding Bonds, Series 2017 converted \$45,000,000 in commercial paper by issuing \$41,640,000 in bonds paying interest from 3 percent to 5 percent. The remaining commercial paper was converted by issuing \$44,955,000 in variable rate debt in the Variable Rate Unlimited Tax Refunding Bonds, Series 2017 paying 2.38 percent interest.

In November 2015, voters approved the issuance of \$499,950,000 in Unlimited Tax School Building Bonds. The bonds will be used to fund various construction and technology projects across the District. The District has \$409,950,000 in authorized but unissued debt at June 30, 2018.

**Commercial Paper and Related Revolving Credit Agreement**

In March 2016, the Board authorized the issuance of up to \$100 million in tax-exempt commercial paper notes to provide interim financing of 2015 Bond Program projects. As a part of the commercial paper program, the District has a revolving credit agreement with JP Morgan Chase, NA. The agreement, which provides \$107,397,460 million in liquidity support for the notes, is effective through May 2019. The commercial paper has been classified as long-term in accordance with the terms of the approved order and the credit agreement. The District had \$96,000,000 in outstanding commercial paper at year-end.

Subsequent to year end, the District issued \$87,985,000 in serial bonds paying from 3.5 percent to five percent interest. The Unlimited Tax Refunding Bonds, Series 2018 converted \$95,000,000 in commercial paper outstanding to long-term debt.

North East Independent School District

Notes to the Financial Statements

Year Ended June 30, 2018

**G. ACCUMULATED STATE PERSONAL AND SICK LEAVE BENEFITS**

Upon separation from the District, employees with ten consecutive years of service in the District and eligible to receive benefits under the Teacher Retirement System of Texas shall be entitled to a lump sum cash payment for any unused accrued State leave or local leave earned in the District. The District implemented this as an incentive to retain employees. Employees receive reimbursement equivalent to one-half the daily rate of pay at the time of their separation from the District up to a maximum of \$40 per day for up to 80 days, and one-fourth the daily rate of pay to a maximum of \$20 per day for days in excess of 80 for days earned through June 30, 2005. For days earned after June 30, 2005, employees will receive reimbursement equivalent to one half the daily rate of pay at the time of their separation from the District up to a maximum of \$75 per day up to 80 days and one fourth the daily rate of pay up to a maximum of \$65 per day for days in excess of 80.

The general fund has primarily funded the accumulated state personal and sick leave benefits accrued by District employees. A summary of changes in the accumulated State personal and sick leave liability follows:

	<b>Amounts</b>
Balance July 1, 2017	\$ 5,136,000
Additions - New Entrants and Salary Increments	452,397
Deductions - Payments to Participants	(529,447)
Balance June 30, 2018	<u>\$ 5,058,950</u>
 Current Portion	 <u>\$ 690,363</u>

No liability for accumulated sick leave is recorded in the governmental funds unless the employee has met the requirements and the amounts are due. No such liability existed as of June 30, 2018.



# North East Independent School District

## Notes to the Financial Statements

Year Ended June 30, 2018

### **H. DEFINED BENEFIT PENSION PLAN**

#### **Plan Description**

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

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

#### **Pension Plan Fiduciary Net Position**

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

#### **Benefits Provided**

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

North East Independent School District

Notes to the Financial Statements

Year Ended June 30, 2018

**H. 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 percent of the member's annual compensation and a state contribution rate of not less than 6 percent and not more than 10 percent 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 as established by the Texas Legislature. The contribution rates for plan years 2017 and 2016 are as follows:

<b>Plan Year Contribution Rates</b>	<b>2017</b>	<b>2016</b>
Members (Employees)	7.7%	7.2%
Employers (Districts)	6.8%	6.8%
Non-Employer Contributing Entity (State of Texas)	6.8%	6.8%

Contributions shown below are for the plan year which runs from September 1<sup>st</sup> through August 31<sup>st</sup> and are shown for the year of the measurement date.

<b>Plan Year Contributions</b>	<b>2017</b>	<b>2016</b>
District Employees	\$ 32,670,670	\$ 29,956,540
District	\$ 12,242,457	\$ 12,312,563
State of Texas	\$ 21,627,440	\$ 21,220,917

# North East Independent School District

## Notes to the Financial Statements

Year Ended June 30, 2018

### **H. DEFINED BENEFIT PENSION PLAN (continued)**

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

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

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

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

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

# North East Independent School District

## Notes to the Financial Statements

Year Ended June 30, 2018

### H. DEFINED BENEFIT PENSION PLAN (continued)

#### Actuarial Assumptions

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

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term Expected Investment Rate of Return*	8.00%
Inflation	2.50%
Salary Increases Including Inflation	3.50% to 9.50%
Last Year in the projection period (100 years)	2116
Benefit Changes During the Year	None
Ad Hoc Post Employment Benefit Changes	None

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

#### Discount Rate

The discount rate used to measure the total pension liability was 8.0 percent. 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 nonemployer 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 percent. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2017 are summarized on the next page:

North East Independent School District

Notes to the Financial Statements

Year Ended June 30, 2018

**H. DEFINED BENEFIT PENSION PLAN (continued)**

<b>Asset Class</b>	<b>Target Allocation</b>		<b>Real Return Geometric Basis</b>		<b>Long-Term Expected Portfolio Real Rate of Return*</b>	
<b>Global Equity</b>						
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	
<b>Stable Value</b>						
U.S. Treasuries	11.0		0.7		0.1	
Absolute Return	0.0		1.8		0.0	
Stable Value Hedge Funds	4.0		3.0		0.1	
Cash	1.0		-0.2		0.0	
<b>Real Return</b>						
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	
<b>Risk Parity</b>						
Risk Parity	5.0		6.7		0.3	
Inflation Expectations					2.2	
Alpha	0.0		0.0		1.0	
<b>Total</b>	<b>100.0</b>	<b>%</b>	<b>51.6</b>	<b>%</b>	<b>8.7</b>	<b>%</b>

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

North East Independent School District

Notes to the Financial Statements

Year Ended June 30, 2018

**H. 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 percent less than and 1 percent greater than the discount rate that was used (8 percent) in measuring the District's 2017 Net Pension Liability.

1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
\$201,348,745	\$119,437,926	\$51,233,875

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

At June 30, 2018, the District reported a liability of \$146,438,896 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:

<b>Pension Liability</b>	<b>Totals</b>
District's proportionate share of the collective net pension liability	\$ 119,437,926
State's proportionate share associated with the District	211,441,821
<b>Total</b>	<u><u>\$ 330,879,747</u></u>

The net pension liability was measured as of August 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District'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 0.003735398685 percent which was a decrease of 0.00013982820 percent 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.

North East Independent School District

Notes to the Financial Statements

Year Ended June 30, 2018

**H. DEFINED BENEFIT PENSION PLAN (continued)**

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

For the year ended June 30, 2018, the District recognized pension expense of \$16,127,941 and revenue of \$21,627,440 for support provided by the State.

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual economic experience	\$ 1,747,431	\$ 6,441,130
Changes in actuarial assumptions	5,440,587	3,114,609
Difference between projected and actual investment earnings	-	8,704,376
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	22,663,290	10,053,937
Contributions paid to TRS subsequent to the measurement date	17,797,140	-
<b>Total</b>	<u><u>\$ 47,648,448</u></u>	<u><u>\$ 28,314,052</u></u>

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

<b>Measurement Period Ending August 31,</b>	<b>Pension Expense</b>
2018	\$ (53,360)
2019	7,570,673
2020	(639,121)
2021	(3,013,020)
2022	(1,666,231)
Thereafter	(667,684)
	<u><u>\$ 1,531,257</u></u>

North East Independent School District

Notes to the Financial Statements

Year Ended June 30, 2018

**I. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS**

**Plan Description**

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

Detail information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; by calling (512) 542-6592; or on the Internet at the following address:

<http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>.

**Benefits Provided**

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

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



North East Independent School District

Notes to the Financial Statements

Year Ended June 30, 2018

**I. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (continued)**

**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.

The contribution rates for active employees, employers, the State and other contributors are set in the state's statutes as established by the Texas Legislature. The following tables show contribution rates and amounts contributed to the TRS-Care plan by type of contributor for each plan year.

<b>Contribution Rates</b>	<b>2018</b>	<b>2017</b>
Active Members	0.65 %	0.65 %
District	0.75 %	0.55 %
Non-Employer Contributing Entity (State of Texas)	1.25 %	1.00 %
Federal/Private Funding Remitted by Employers	1.25 %	1.00 %

<b>Contribution Amounts</b>	<b>2017</b>
Active Members	\$ 2,759,339
District	\$ 2,542,579
Non-Employer Contributing Entity (State of Texas)	\$ 4,020,536

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to when they hire a TRS retiree. The monthly surcharge is \$535 per TRS retiree employed by the District.

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

North East Independent School District

Notes to the Financial Statements

Year Ended June 30, 2018

**I. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (continued)**

**Actuarial Assumptions**

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

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

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

**Additional Actuarial Methods and Assumptions:**

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.50%
Single Discount Rate	3.42%
Aging Factors	Based on Plan Specific Experience
Expenses	Third Party Administration costs included in age adjusted claims cost
Payroll Growth Rate	2.50%
Projected Salary Increases	3.50% to 9.50%
Healthcare Trend Rates	4.50% to 12.00%
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65.
Ad Hoc Post Employment Benefit Changes	None

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

North East Independent School District

Notes to the Financial Statements

Year Ended June 30, 2018

**I. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (continued)**

**Discount Rate**

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

**Discount Rate Sensitivity Analysis**

The following schedule shows the impact of the net OPEB Liability if the discount rate used was 1 percent less than and 1 percent greater than the discount rate that was used in measuring the net OPEB Liability.

1% Decrease in Discount Rate (2.42%)	Discount Rate (3.42%)	1% Increase in Discount Rate (4.42%)
\$251,003,060	\$212,669,715	\$181,858,349

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

The following table lists the amounts 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 as of June 30, 2018. This liability reflects a reduction for state OPEB support provided to the District.

<b>TRS Net OPEB Liability</b>	<b>Totals</b>
District's proportionate share of the collective net OPEB liability	\$ 212,669,715
State's proportionate share associated with the District	336,290,948
<b>Total</b>	<u><u>\$ 548,960,663</u></u>

North East Independent School District

Notes to the Financial Statements

Year Ended June 30, 2018

**I. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (continued)**

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 District's proportion of the net OPEB liability was based on the District'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 District's proportion of the collective net OPEB liability was 0.004890504977 percent which was the same proportion measured as of August 31, 2016.

**Changes Since the Prior Actuarial Valuation**

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

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

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

For the year ended June 30, 2018, the District recognized OPEB expense of (\$112,531,893) and revenue of \$4,020,536 for support provided by the State.

North East Independent School District

Notes to the Financial Statements

Year Ended June 30, 2018

**I. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (continued)**

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual economic experience	\$ -	\$ 4,439,642
Changes in actuarial assumptions	-	84,520,502
Difference between projected and actual investment earnings	32,305	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	982	-
Contributions paid to TRS subsequent to the measurement date	2,664,534	-
<b>Total</b>	<u>\$ 2,697,821</u>	<u>\$ 88,960,144</u>

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

<b>Measurement Period Ending August 31,</b>	<b>Pension Expense</b>
2018	\$ (11,734,002)
2019	(11,734,002)
2020	(11,734,002)
2021	(11,734,002)
2022	(11,742,078)
Thereafter	(30,248,771)
	<u>\$ (88,926,857)</u>

North East Independent School District

Notes to the Financial Statements

Year Ended June 30, 2018

**J. OTHER POST EMPLOYMENT BENEFITS (OPEB)**

The District also offers medical, dental, and life insurance coverage to certain retirees who have continued their coverage with the District's insurance plans since their retirement. The option to continue coverage is no longer offered; thereby, participation in the plan is limited to those employees who retired prior to August 31, 2004.

**Plan Description**

The plan is a single employer plan offering continued medical coverage under the District's medical insurance for retirees and their dependents with the retiree paying both the employee and District contributions. If Medicare coverage is available, the District's third party administrator, Blue Cross/Blue Shield of Texas, will coordinate coverage with Medicare acting as the primary insurer. The plan does not issue a separate set of financial statements.

**Annual OPEB Cost**

The District's annual OPEB cost and net OPEB obligation for the past three fiscal years are as follows:

	<b>June 30, 2018</b>	<b>June 30, 2017</b>	<b>June 30, 2016</b>
Annual Required Contribution (ARC)	\$ 274,483	\$ 264,201	\$ 225,168
Interest on Prior Year Net OPEB (Benefit)/Obligation	(5,811)	(2,905)	22,298
Adjustment to the ARC	5,551	2,775	(21,302)
Annual OPEB Cost	274,223	264,071	226,164
Retiree Claims Paid	(586,527)	(336,705)	(479,207)
Increase/(Decrease) in Net OPEB Obligation	<u>\$ (312,304)</u>	<u>\$ (72,634)</u>	<u>\$ (253,043)</u>
Net OPEB (Benefit)/Obligation at June 30	<u>\$ (637,981)</u>	<u>\$ (325,677)</u>	<u>\$ (253,043)</u>
Percentage of ARC Contributed	<u>213.9%</u>	<u>127.5%</u>	<u>211.9%</u>

North East Independent School District

Notes to the Financial Statements

Year Ended June 30, 2018

**J. OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)**

The funded status of the plan for the past three fiscal years is as follows:

	June 30, 2018	June 30, 2017	June 30, 2016
<b>Schedule of Funding Progress</b>			
Actuarial Accrued Liability	\$ 7,183,080	\$ 6,913,899	\$ 3,699,438
Actuarial Value of Plan Assets (AVPA)	-	-	-
Funded Ratio (AVPA/AAL)	0%	0%	0%
Unfunded Actuarial Accrued Liability	<u>\$ 7,183,080</u>	<u>\$ 6,913,899</u>	<u>\$ 3,699,438</u>

Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include mortality, the healthcare cost trend, and insurance benefits offered in the future. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, shown above, presents information that will show whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (as understood by the District and its plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the District and plan members at that time. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2017 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions used include a 4.0 percent rate compounded annually for an unfunded plan, claims costs for future years equal the costs for the current year adjusted for assumed healthcare cost trends beginning at a rate of 10.0 percent for fiscal year 2017, an inflation rate of 4.0 percent annually, and a 3.0 percent increase in claims per year per member. A closed amortization period of 30 years was used to compute the District's Annual Required Contribution. Since the plan is closed to new members, there is no annual covered payroll costs associated with the plan. Contributions to fund the net OPEB obligation are made by the Health Insurance Fund.

# North East Independent School District

## Notes to the Financial Statements

Year Ended June 30, 2018

### K. RISK MANAGEMENT

The District is exposed to various risks or torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. During fiscal year 2018, the District purchased insurance coverage for property, general liability, fleet liability, errors and omissions, crime, various cyber liability and network insurance coverage, extortion, equipment breakdown coverage, storage tank liability, and police professional liability. Internal Service Funds purchased self-funded unemployment compensation insurance, employee health stop-loss coverage, and workers' compensation excess coverage. There has been no significant reduction in insurance coverage from the prior year by major category of risk. The District reached a property insurance settlement for a major hail damage claim on May 1, 2018 based on an agreed gross claim settlement figure of \$23,717,292, less the applicable deductible of \$300,000, resulting in a net damage recovery of \$23,417,292. There were two instances that reached the stop-loss coverage under the District's health insurance coverage.

Detailed information on the major categories of risk is as follows:

#### Employee Health Coverage

The District's major medical program offers three plan options, which are self-funded through an Internal Service Fund. Under the three plan options, the District carries \$550,000 specific stop-loss (SSL) coverage, aggregate stop-loss coverage of 125 percent, and the plans have an unlimited maximum lifetime SSL benefit. Accrued expenses in the Health Insurance Fund are based on actuarial estimates of the amounts necessary to pay prior and current period claims and to establish a reserve for catastrophic losses. A liability claim is established if information indicates it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss is reasonably estimable.

A reconciliation of changes in the aggregate liabilities for major medical claims for the prior and current fiscal period is presented below:

	Beginning of Fiscal Year Liability	Claims and Changes in Estimates	Claim Payments	End of Fiscal Year Liability
<b>2016-17</b>	\$ 4,185,000	\$ 60,899,010	\$ (60,687,718)	\$ 4,396,292
<b>2017-18</b>	\$ 4,396,292	\$ 60,108,723	\$ (59,904,431)	\$ 4,600,584



North East Independent School District

Notes to the Financial Statements

Year Ended June 30, 2018

**K. RISK MANAGEMENT (continued)**

**Employee Dental Program**

The District offers two dental plans which are self-funded through an Internal Service Fund. It is a voluntary program funded solely by employee contributions. Cost containment features include waiting periods to deter adverse selection into the plan, maximum annual benefit of \$750 and \$1,750 and deductibles/coinsurance. The District and third-party administrator determine projected claim costs and administrative fees. A liability for a claim is established if information indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss is reasonably estimable. A reconciliation of changes in the aggregate liabilities for the dental program for the prior and current fiscal period is below:

	<b>Beginning of Fiscal Year Liability</b>	<b>Claims and Changes in Estimates</b>	<b>Claim Payments</b>	<b>End of Fiscal Year Liability</b>
<b>2016-17</b>	\$ 299,000	\$ 3,342,825	\$ (3,361,564)	\$ 280,261
<b>2017-18</b>	\$ 280,261	\$ 3,280,761	\$ (3,254,501)	\$ 306,521

**Workers' Compensation**

The District's workers' compensation program is self-funded through an Internal Service Fund. The District carries excess coverage of \$400,000 specific stop-loss and aggregate stop-loss of \$5,000,000. Amounts payable to the Workers' Compensation Fund are based on actuarial estimates of the amounts necessary to pay prior and current period claims and to establish a reserve for catastrophic losses. A liability for a claim is established if information indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss is reasonably estimable.

A reconciliation of changes in the aggregate liabilities for workers' compensation claims for the prior and current fiscal period is presented below:

	<b>Beginning of Fiscal Year Liability</b>	<b>Claims and Changes in Estimates</b>	<b>Claim Payments</b>	<b>End of Fiscal Year Liability</b>
<b>2016-17</b>	\$ 1,044,146	\$ 1,614,929	\$ (1,668,386)	\$ 990,689
<b>2017-18</b>	\$ 990,689	\$ 1,383,761	\$ (1,527,764)	\$ 846,686

The current portion of workers' compensation claims is \$400,000.

North East Independent School District

Notes to the Financial Statements

Year Ended June 30, 2018

**L. CAPITAL LEASE PAYABLE**

The District leases electronic equipment from outside vendors. The assets and related debt are recorded in the Document Management and Printing Services internal service fund. The amortization of the leased assets is included as a component of depreciation expense. As of June 30, 2018, the District had future minimum lease payments under capital leases as follows:

<b>Year Ending June 30,</b>	<b>Amounts</b>
2019	\$ 10,160
2020	10,160
2021	10,160
2022	5,925
Future Minimum Lease Payments	36,405
Less Interest	(33)
Present Value of Future Minimum Lease Payments	<u>\$ 36,372</u>

**M. CHANGES IN LONG-TERM LIABILITIES**

Activity for long-term liabilities for the year ended June 30, 2018, was as follows:

<b>Governmental Activities:</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b>Bonds and Notes Payables:</b>					
General Obligation Bonds	\$ 1,302,145,000	\$ 86,595,000	\$ 65,715,000	\$ 1,323,025,000	\$ 53,655,000
Commercial Paper	61,000,000	125,000,000	90,000,000	96,000,000	96,000,000
Issuance Premiums Amortization	96,185,139	4,192,100	13,432,794	86,944,445	-
Total Bonds and Notes Payable	<u>1,459,330,139</u>	<u>215,787,100</u>	<u>169,147,794</u>	<u>1,505,969,445</u>	<u>149,655,000</u>
<b>Other Liabilities:</b>					
Workers' Compensation					
Accrued Claims Liability	990,689	1,383,761	1,527,764	846,686	441,259
Capital Lease Liability	46,511	-	10,139	36,372	10,139
Compensated Absences	5,136,000	452,397	529,447	5,058,950	690,363
Total Other Liabilities	<u>6,173,200</u>	<u>1,836,158</u>	<u>2,067,350</u>	<u>5,942,008</u>	<u>1,141,761</u>
TRS Net Pension Liability	146,438,896	18,127,386	45,128,356	119,437,926	-
TRS Net OPEB Liability	-	375,493,630	162,823,915	212,669,715	-
	<u>146,438,896</u>	<u>393,621,016</u>	<u>207,952,271</u>	<u>332,107,641</u>	<u>-</u>
<b>Total Governmental Activities</b>					
Long-term Liabilities	<u>\$ 1,611,942,235</u>	<u>\$ 611,244,274</u>	<u>\$ 379,167,415</u>	<u>\$ 1,844,019,094</u>	<u>\$ 150,796,761</u>

North East Independent School District

Notes to the Financial Statements

Year Ended June 30, 2018

**M. CHANGES IN LONG-TERM LIABILITIES (continued)**

The liability for compensated absences is liquidated primarily by the general fund and proprietary funds. The liabilities for TRS Pension and TRS OPEB are liquidated by all funds based on the proportionate share of covered payroll.

**N. UNEARNED REVENUE**

Unearned revenue in the District's governmental funds at June 30, 2018 consisted of the following:

	General Fund	Nonmajor Governmental Funds	Total
National Breakfast and Lunch Program	\$ -	\$ 586,675	\$ 586,675
Other Federal Grants	-	25,141	25,141
Advanced Placement Initiatives	-	67,186	67,186
State Textbook	-	704,106	704,106
Misc State Grants	-	5,633	5,633
Coalition of Essential Schools	-	1,070	1,070
Misc Local	-	24,984	24,984
Asia Society	-	46,449	46,449
Rackspace	-	38,830	38,830
Other	129,025	-	129,025
Total	\$ 129,025	\$ 1,500,074	\$ 1,629,099

The District's proprietary funds reported unearned revenue as of June 30, 2018 as follows:

	Enterprise Funds
Community Education	\$ 177,837
PPCD	8,550
NEAT	940
Total	\$ 187,327

North East Independent School District

Notes to the Financial Statements

Year Ended June 30, 2018

**O. 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 federal and state governments as of June 30, 2018 are presented below. All federal grants shown below are passed through the TEA and are reported as Due From Other Governments.

	General Fund	Nonmajor Governmental Funds	Internal Service Funds	Total
State Entitlements	\$ 10,762,141	\$ -	\$ -	\$ 10,762,141
State Pass Through Grants	-	9,306,696	-	9,306,696
Federal Grants	-	225,305	-	225,305
Other	3,495,517	286,865	338	3,782,720
Total	<u>\$ 14,257,658</u>	<u>\$ 9,818,866</u>	<u>\$ 338</u>	<u>\$ 24,076,862</u>

**P. RECEIVABLES**

Receivables as of June 30, 2018 for the District's individual major governmental funds and other nonmajor governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
Taxes	\$ 18,923,940	\$ 5,986,587	\$ -	\$ 24,910,527
Due From Other Governments	14,257,658	-	9,818,866	24,076,524
Interest	761,233	16,904	33,505	811,642
Other Receivables	461,764	-	16,949	478,713
Gross Receivables	<u>34,404,595</u>	<u>6,003,491</u>	<u>9,869,320</u>	<u>50,277,406</u>
Less: Allowance for Uncollectible	(1,497,932)	(478,556)	-	(1,976,488)
Net Total Receivables	<u>\$ 32,906,663</u>	<u>\$ 5,524,935</u>	<u>\$ 9,869,320</u>	<u>\$ 48,300,918</u>

North East Independent School District

Notes to the Financial Statements

Year Ended June 30, 2018

**P. RECEIVABLES (continued)**

Receivables as of June 30, 2018 for the District's proprietary-type funds in the aggregate are as follows:

	Enterprise Funds	Internal Service Funds	Total
Interest	\$ -	\$ 87,610	\$ 87,610
Due From Other Governments	-	338	338
Other Receivables	114,533	44,451	158,984
Gross Receivables	\$ 114,533	\$ 132,399	\$ 246,932

**Q. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES**

During the current fiscal year, revenues from local and intermediate sources in the Governmental Fund Types consisted of the following:

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
Property Taxes	\$ 386,731,221	\$ 120,796,269	\$ -	\$ -	\$ 507,527,490
Penalties, Interest and Other					
Tax Related Income	1,663,989	603,501	-	-	2,267,490
Investment Income	3,038,126	1,361,933	280,771	265,485	4,946,315
Food Sales	-	-	-	12,341,495	12,341,495
Tuition and Fees	795,196	-	-	-	795,196
Co-curricular Student Activities	1,185,558	-	-	-	1,185,558
Other	2,627,232	-	340,476	25,984,672	28,952,380
Total	\$ 396,041,322	\$ 122,761,703	\$ 621,247	\$ 38,591,652	\$ 558,015,924

North East Independent School District

Notes to the Financial Statements

Year Ended June 30, 2018

**Q. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES (continued)**

During the current fiscal year, revenues from local and intermediate sources in the Proprietary Fund Types consisted of the following:

	Internal Service Funds	Enterprise Funds	Total
User Charges	\$ 87,006,566	\$ -	\$ 87,006,566
Tuition and Fees	-	9,113,329	9,113,329
Rent	-	9,190	9,190
Athletics	-	973,141	973,141
Enterprising Activities	88,649	380,197	468,846
Other Revenue from Local Sources	533,604	2,420	536,024
Total	<u>\$ 87,628,819</u>	<u>\$ 10,478,277</u>	<u>\$ 98,107,096</u>

**R. PAYMENTS IN LIEU OF TAXES**

The District is subject to a multi-party agreement under Texas' Economic Development Corporation Act of 1979. The City of Windcrest, Texas established the Windcrest Economic Development Corporation (EDC) for the purpose of development and diversification of the economy. As such, the Windcrest EDC purchased property within the District's boundaries to entice companies to relocate their corporate headquarters to the property. The revenue lost for 2017-2018 include \$292,181 in Maintenance & Operations (M&O) taxes and \$91,338 in Interest & Sinking (I&S) taxes. Under the Foundation School Program, the loss of M&O taxes was recuperated through additional state aid. In addition, the corporation leasing the property from the EDC pays the District a payment in lieu of taxes in an amount equal to the I&S taxes.

**S. LITIGATION**

The District is a defendant in several cases relating to accidents and other matters. While the result of any litigation contains an element of uncertainty, the District's management believes the amount of any liability and costs which might result would not have a material adverse effect on the financial statements.

North East Independent School District

Notes to the Financial Statements

Year Ended June 30, 2018

**T. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS AND CONTINGENCIES**

The District participates in numerous state and federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, 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 basic financial statements for such contingencies.

At June 30, 2018, the District was committed under the terms of various construction contracts for new school facilities and the remodeling of existing facilities for \$184,591,316.

As discussed in footnote III.A, encumbrance accounting is used to ensure budgetary control and accountability. At June 30, 2018, the amount of encumbrances expected to be honored upon performance of the service of delivery of merchandise by vendors in the subsequent year are as follows:

	<b>Encumbrances</b>
General Fund	\$ 2,800,262
Debt Service Fund	3,500
Nonmajor Governmental Funds	5,101,312
Enterprise Funds	146,978
Internal Service Funds	698,546
	<u>\$ 8,750,598</u>

# North East Independent School District

## Notes to the Financial Statements

Year Ended June 30, 2018

### U. SHARED SERVICE ARRANGEMENTS

The District participates in the North East Independent School District Regional Day School Program for the Deaf (NEISD RDSPD), a shared service arrangement, with two member Districts: Comal ISD and Judson ISD. The District is acting as the fiscal agent for the parties involved. The NEISD RDSPD provides services to students from birth through 21 years of age who are auditorily impaired.

Funding for the NEISD RDSPD is provided by the TEA and by the member districts at a per pupil cost of \$15,250. Revenue from the respective member districts, including the District's contribution, is as follows:

Member Districts	Amounts
North East ISD	\$ 36,302
Judson ISD	259,250
Comal ISD	30,500
	<u>\$ 326,052</u>

As fiscal agent, NEISD RDSPD is responsible for reporting all financial activities of the shared service arrangement. The District accounts for the activity in Special Revenue Fund 435.

### V. ARBITRAGE

The Federal Tax Reform Act of 1986 enacted section 148(f) of the Internal Revenue Code, relating to arbitrage rebate requirements, which generally provides that in order for interest on any issue of obligation to be excluded from gross income the issuer must rebate to the United States the sum of (1) the excess of the amount earned on all "non-purpose investments" acquired with "gross proceeds" of the issue over the amount which would have been earned if such investments had been invested at a yield equal to the yield on the issue, and (2) the earnings on such excess earnings.

The Act requires issuers of tax-exempt debt to make payments to the United States Treasury for investment income received at yields that exceed the issuer's tax exempt borrowing rates. The Treasury requires payment for each issue every five years. The estimated liability is updated annually for all tax-exempt issuances or changes in yields until such time payment of the calculated liability is due.

As of June 30, 2018, the District had no arbitrage liability for applicable bond issues calculated to be due to the IRS. This amount is determined based on current investment yields and is subject to change prior to the due date of the rebate. The due date of the rebate is five years from the bond's date of issuance. The District considers arbitrage a revenue-generated liability and has adjusted interest earnings for the annual change in the liability.



North East Independent School District

Notes to the Financial Statements

Year Ended June 30, 2018

**W. FUND BALANCE**

The fund balance as of June 30, 2018 consists of the following amounts:

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total</b>
<b>Nonspendable:</b>					
Inventory	\$ 2,545,558	\$ -	\$ -	\$ 1,870,831	\$ 4,416,389
Scholarships	-	-	-	200,000	200,000
<b>Restricted:</b>					
Debt Service	-	122,512,082	-	-	122,512,082
Child Nutrition	-	-	-	10,439,013	10,439,013
Medicaid	-	-	-	670,396	670,396
Scholarships	-	-	-	38,752	38,752
<b>Committed:</b>					
Campus Funds	-	-	-	3,954,464	3,954,464
Hail Damage Claims	-	-	-	19,473,004	19,473,004
<b>Assigned:</b>					
Debt Service	-	12,486,511	-	-	12,486,511
Capital Projects	-	-	(2,702,348)	-	(2,702,348)
<b>Unassigned:</b>	120,227,689	-	-	-	120,227,689
<b>Total</b>	<b>\$ 122,773,247</b>	<b>\$ 134,998,593</b>	<b>\$ (2,702,348)</b>	<b>\$ 36,646,460</b>	<b>\$ 291,715,952</b>

Committed fund balance within the Nonmajor Governmental funds represents fund balance in the Campus Activity and Hail Damage Replacement funds.

Assigned fund balance reported within the debt service fund represent amounts that are not collected from the interest and sinking fund tax levy and represent amounts set aside for debt maturing in future years.

**X. SUBSEQUENT EVENT**

Subsequent to year end, the District issued \$87,985,000 in serial bonds paying from 3.5 percent to five percent interest. The Unlimited Tax Refunding Bonds, Series 2018 converted \$95,000,000 in commercial paper outstanding to long-term debt.

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## Required Supplementary Information

NORTH EAST INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR THE YEAR ENDED JUNE 30, 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)	0.003735399%	0.003875223%	0.004317772%	0.002816673%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 119,437,926	\$ 146,438,896	\$ 152,627,493	\$ 75,237,231
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	211,441,821	251,889,011	236,953,006	207,927,911
Total	<u>\$ 330,879,747</u>	<u>\$ 398,327,907</u>	<u>\$ 389,580,499</u>	<u>\$ 283,165,142</u>
District's Covered Payroll	\$ 423,829,981	\$ 369,612,889	\$ 452,851,440	\$ 391,710,991
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	28.18%	39.61%	36.70%	19.26%
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."

NORTH EAST INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS FOR PENSIONS  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR FISCAL YEAR 2018

	2018	2017	2016	2015
Contractually Required Contribution	\$ 12,523,227	\$ 12,234,644	\$ 12,785,109	\$ 12,022,603
Contribution in Relation to the Contractually Required Contribution	(12,523,227)	(12,234,644)	(12,785,109)	(12,022,603)
Contribution Deficiency (Excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
District's Covered Payroll	\$ 420,196,767	\$ 423,671,164	\$ 416,950,819	\$ 405,150,000
Contributions as a Percentage of Covered Payroll	2.98%	2.94%	2.98%	2.83%

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."

NORTH EAST INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR THE YEAR ENDED JUNE 30, 2018

	FY 2018 Plan Year 2017
District's Proportion of the Net Liability (Asset) for Other Post Employment Benefits	0.004890505%
District's Proportionate Share of Net Post Employment Benefit Liability (Asset)	\$ 212,669,715
State's Proportionate Share of the Net Post Employment Benefit Liability (Asset) associated with the District	336,290,948
Total	<u>\$ 548,960,663</u>
District's Covered Payroll	\$ 423,829,981
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	50.17%
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.

NORTH EAST INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS FOR OTHER POST EMPLOYMENT BENEFITS (OPEB)  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR THE YEAR ENDED JUNE 30, 2018

	<u>2018</u>
Contractually Required Contribution	\$ 3,156,037
Contribution in Relation to the Contractually Required Contribution	(3,156,037)
Contribution Deficiency (Excess)	<u>\$ -0-</u>
District's Covered Payroll	\$ 420,196,767
Contributions as a Percentage of Covered Payroll	0.75%

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.

## Schedule of District Contributions For Retiree OPEB

Year Ended June 30, 2018

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Annual Required Contribution (ARC)	\$ 274,483	\$ 264,201	\$ 225,168	\$ 215,814
Interest on Prior Year Net OPEB (Benefit)/Obligation	(5,811)	(2,905)	22,298	7,369
Adjustment to the ARC	5,551	2,775	(21,302)	(7,040)
Annual OPEB Cost	274,223	264,071	226,164	216,143
Retiree Claims Paid	(586,527)	(336,705)	(479,207)	(219,953)
Increase/(Decrease) in Net OPEB Obligation	\$ (312,304)	\$ (72,634)	\$ (253,043)	\$ (3,810)
Net OPEB (Benefit)/Obligation at June 30	\$ (484,209)	\$ (171,905)	\$ (99,271)	\$ 153,772
Percentage of ARC Contributed	213.9%	127.5%	211.9%	101.8%



## Schedule of District Contributions For Retiree OPEB

Year Ended June 30, 2018

<b>June 30, 2014</b>	<b>June 30, 2013</b>	<b>June 30, 2012</b>	<b>June 30, 2011</b>	<b>June 30, 2010</b>	<b>June 30, 2009</b>
\$ 205,114	\$ 314,448	\$ 310,863	\$ 306,786	\$ 241,996	\$ 241,996
8,422	5,579	2,973	-	-	-
(8,045)	(7,652)	(3,903)	-	-	-
205,491	312,375	309,933	306,786	241,996	241,996
(231,811)	(227,380)	(251,201)	(214,023)	(268,638)	(268,638)
\$ (26,320)	\$ 84,995	\$ 58,732	\$ 92,763	\$ (26,642)	\$ (26,642)
\$ 157,582	\$ 183,902	\$ 98,907	\$ 40,175	\$ (52,588)	\$ (25,946)
112.8%	72.8%	81.1%	69.8%	111.0%	111.0%

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## Combining and Individual Fund Statements and Schedules

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## North East Independent School District

### Nonmajor Governmental Funds

#### Fund Descriptions

#### **SPECIAL REVENUE FUNDS**

The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

#### **Elementary and Secondary Education Act (ESEA), Title X, Part C - Education for the Homeless Children and Youth (Fund 206)**

These funds are to be used to account, on a project basis, for funds allocated to local educational agencies to enable schools to provide a variety of staff development and supplemental services, including in-service training, counseling, psychological services and tutoring. This program is authorized under P. L. 107-110, McKinney-Vento Homeless Education Assistance Improvement of 2001 as amended by NCLB Act of 2001, Title X, Part C. (84.196) (U. S. Department of Education)

#### **ESEA, Title I, Part A – Improving Basic Programs (Fund 211)**

These funds are to be used to account, on a project basis, for funds allocated to local educational agencies to enable schools to provide opportunities for children served to acquire the knowledge and skills contained in the challenging State content standards and to meet the challenging State performance standards developed for all children. This program is authorized under P. L. 107-110. (84.010A) (U. S. Department of Education)

#### **Adult Basic Education, Federal (Fund 220)**

These funds are to be used to account, on a project basis, for funds granted to provide or support programs for adult education and literacy services to adults who are beyond compulsory school age attendance, and do not have a high school diploma, or lack sufficient mastery of basic educational skills to function effectively in society, or are unable to speak, read or write the English language; and are not enrolled in school. Education services include basic educational skills (reading, writing, speaking and mathematics), English as a Second Language instruction, and secondary level competencies for acquisition of a high school diploma or equivalent. This includes sections 322, 326, and 353 under P. L. 91.230 as amended by P. L. 102.73, The National Literacy Act. (84.002A) (U. S. Department of Education)

#### **Temporary Assistance for Needy Families, Federal (Fund 223)**

These funds are to be used to account, on a project basis, for funds granted to provide educational services to undereducated adults who receive cash assistance under Temporary Assistance for Needy Families. Recipients of benefits are required to participate in adult basic education or job training programs as a condition of eligibility. Educational services include basic educational skills, English as a second language, instruction, and secondary level competencies for acquisition of a high school diploma or its equivalent. This program is authorized under P. L. 104-193. (93.558) (U. S. Department of Health and Human Services)

## North East Independent School District

### Nonmajor Governmental Funds

#### Fund Descriptions

##### **Individuals with Disabilities Education Act – Part B (IDEA-B), Formula (Fund 224)**

These funds are to be used to account, on a project basis, for funds granted to operate educational programs for children with disabilities. This funding also includes capacity building and improvement (sliver) sub-grants. (84.027) (U. S. Department of Education)

##### **IDEA-B, Preschool (Fund 225)**

These funds are to be used to account, on a project basis, for funds granted for preschool children with disabilities. This program is authorized under P. L. 105-17 (84.173) (U.S. Department of Education)

##### **National Breakfast and Lunch Program (Fund 240)**

Operations of the District's cafeterias are accounted for in this fund. Revenue sources are principally from the sale of meals to students, teachers and others, along with the National School Lunch and Breakfast program and the Child and Adult Care Food Program. (10.555, 10.553, 10.558)

##### **Summer Feeding Program, Texas Department of Agriculture (TDA) (Fund 242)**

These funds are to be used to account, on a project basis, for funds received from the Texas Department of Agriculture that are used for meals provided to the community based on the average number of daily participants. (10.559)

##### **Career and Technical - Basic Grant (Fund 244)**

These funds are to be used to account, on a project basis, for funds granted to provide career and technology education to develop new and/or improve career and technology education programs for paid and unpaid employment. Full participation in the basic grant is from individuals who are members of special populations. (84.048) (U. S. Department of Education)

##### **ESEA, Title II, Part A - Teacher and Principal Training and Recruiting (Fund 255)**

These funds are used to provide financial assistance to LEAs to increase student academic achievement through improving teacher and principal quality and increasing the number of highly qualified teachers in classrooms and highly qualified principals and assistant principals in schools, and hold LEAs accountable for improving student academic achievement. This program is authorized under P. L. 107-110. (84.367A) (U. S. Department of Education)

##### **Title III, Part A - English Language Acquisition and Language Enhancement (Fund 263)**

These funds are used to account, on a project basis, for funds granted to improve the education of limited English proficient children, by assisting the children to learn English and meet challenging State academic content and student academic achievement standards. This program is authorized under P. L. 107-110. (84.365A) (U.S. Department of Education)

## North East Independent School District

### Nonmajor Governmental Funds

#### Fund Descriptions

##### **Medicaid Administrative Claiming Program - MAC (Fund 272)**

These funds are used to account, on a project basis, for funds allocated to local education agencies for reimbursement of eligible administrative costs for activities attributed to the implementation of the Medicaid state plan. (93.778)

##### **Title IV, Part A, Subpart 1, Student Support and Academic Enrichment (Fund 287)**

These funds are to be used to account, on a project basis, to improve the academic achievement of all students by increasing the capacity of LEAs and communities to provide all students with access to a well-rounded education, improve school conditions for student learning and to improve the use of technology in order to enhance academic outcomes and digital literacy of students. (84.424A)

##### **The Career and Technology Education Makeover Challenge (Fund 289)**

These funds are used to account, on a project basis, for funds allocated to eligible high schools to design models of makerspaces, an environment and facility that provides resources, materials, and equipment for students to conceive, create, collaborate, and learn through a hands-on approach that encourages students to imagine, create, and tinker. Students also learn through the process of manufacturing, testing, and demonstrating their ideas. A prize was awarded to Roosevelt High School from the U.S. Department of Education.

##### **Title VI, Part A, Summer School LEP (Fund 289)**

These funds are to be used to account, on a project basis, for funds granted for summer school programs for LEP students only if a bilingual program is part of the standard curriculum. Monies may be used to fund both required summer school and voluntary summer school LEP students. (84.369A)

##### **Farm to School Grant (Fund 289)**

These funds are to be used to account, on a project basis, for funds granted to assist schools in implementing farm to school programs that improve access to local foods. This program is authorized under The Healthy Hunger-Free Kids Act of 2010. (10.575)

##### **IDEA-B, Discretionary (Fund 315)**

These funds are used to account, on a project basis, funds used by the fiscal agent of a shared services arrangement to support an education service center basic special education component and targeted support to LEAs, Regional Day School Programs for the Deaf, Private residential placements, priority projects and other emerging needs. (84.027) (U. S. Department of Education)

## North East Independent School District

### Nonmajor Governmental Funds

#### Fund Descriptions

##### **IDEA-C, Early Intervention (Deaf) (Fund 340)**

These funds are used to account, on a project basis, for funds granted to assist local Regional Day School for the Deaf programs and the Texas School for the Deaf in providing direct services to hearing-impaired infants and toddlers, age's birth through two years of age. This program provides supplemental and appropriate services to students that are provided by a Certified and trained teacher. This program is authorized under P. L. 101-119. (84.181A) (U. S. Department of Education)

##### **Adult Basic Education (ABE) - State (Fund 381)**

These funds are to be used to account, on a project basis, for funds granted to provide or support programs for adult education and literacy services to adults 16 years of age and above, who do not have a high school diploma and are out of school.

##### **State Supplemental Visually Impaired (SSVI) (Fund 385)**

These funds are to be used to account, on a project basis, for funds granted to provide supplemental services for the visually impaired.

##### **Non-educational Community-Based Support (Fund 392)**

These funds are to be used to account, on a project basis for funds granted for the provision of non-educational community-based support services to students with disabilities who would remain or have to be placed in residential facilities for educational reasons without the provision of these services. The support services may include transportation, respite for the parents, case management, social work and in-home family support. (TEC 29.013)

##### **Advanced Placement Incentives (Fund 397)**

These funds are to be used to account, on a project basis, for funds awarded to school Districts under the Texas Advanced Placement Award Incentive Program, Chapter 28, Subchapter C, TEC.

##### **State Textbook Fund (Fund 410)**

These funds are to be used to account, on a project basis, for funds awarded to school districts under the textbook allotment. (TEC Chapter 31, Subchapter B)

##### **High-Quality Prekindergarten Grant Program (Fund 427)**

These funds are used to account, on a project basis, to allow districts to receive funding for qualifying prekindergarten students in addition to the half-day Foundation School Program (FSP) funding that is already received for each eligible prekindergarten student.



## North East Independent School District

### Nonmajor Governmental Funds

#### Fund Descriptions

##### **Literacy and Mathematics Achievement Academy (Fund 429)**

These funds are used to provide teacher stipends who attended Literacy Achievement Academy and Mathematics Achievement Academy during the summer of 2016. Teacher stipends were paid to teachers who provided math and reading instruction.

##### **Read to Succeed Program (Fund 429)**

These funds are used to account, on a project basis, for funds awarded to help generate money for public school libraries and strengthen the campus-reading program. Funds are generated through the sale of specialty license plates. Members of the community have chosen to support school libraries in the District by purchasing these specialty license plates.

##### **Law Enforcement Officers Standards and Education Program (Fund 429)**

These funds are used to account, on a project basis, for funds awarded to school districts for the continuing education of persons licensed under Chapter 1701, Occupations Code.

##### **SSA Regional Day School for the Deaf (Fund 435)**

These funds are used by the fiscal agent of a shared services arrangement to account, on a project basis, for funds allocated for staff and activities of the Regional Day School Program for the Deaf.

##### **Campus Activity Funds (Fund 461)**

These funds are composed of various non-tax local monies generated at the campus-level via campus vending machines, assemblies, school-wide sales, etc. These are public funds under the responsibility and control of the campus administrator. They are used to promote the general welfare of the campus and the educational development and morale of all students within the campus. As public funds, they are subject to the same statutory controls and district regulations as the general fund.

##### **Coalition of Essential Schools (CES) (Fund 485)**

These funds are used solely to support the continued growth and development of equitable, vibrant small schools as well as the mentoring efforts and participation of the Mentor School in the CES Small Schools Network funded by the Bill & Melinda Gates Foundation.

## North East Independent School District

### Nonmajor Governmental Funds

#### Fund Descriptions

##### **Fuel Up to Play 60 (Fund 486)**

These funds are used to support broad-based in-school promotions and strategies that create healthy eating and physical activity opportunities for students and the school environment.

##### **City of San Antonio SPARK Program (Fund 486)**

The Spark Program is in collaboration with the City of San Antonio, San Antonio Sports, and the District. This program is intended to modify and improve the recreational school grounds and facilities to allow public access during non-school operating hours.

##### **Whole Kids (Fund 486)**

These funds are granted to K-12 schools, to support a new or existing edible garden on school grounds.

##### **Dairy Optimization (Fund 486)**

These funds are used to purchase dairy merchandisers which support improved access to and consumption of low-fat/fat-free dairy.

##### **Pre-K 4 SA (Fund 488)**

These funds are used to account, on a project basis, a supplemental Pre-K program that expands and/or enhances the educational opportunities for four year olds in San Antonio. Authorized by Chapter 397A, Texas Local Government Code.

##### **Asia Society Confucius Classroom (Fund 489)**

These funds are used to build the field of Chinese language teaching in American schools.

##### **Rackspace Foundation (Fund 490)**

These funds are used to provide resources and support to the Roosevelt High School cluster to create an engaged school environment enabling teachers, students and their families to reach their highest potential.

North East Independent School District

Nonmajor Governmental Funds

Fund Descriptions

**Project Lead the Way (Fund 490)**

These funds are used to provide resources and support to schools interested in offering Computer Integrated Manufacturing (CIM) courses to teach students about manufacturing processes, product design, robotics, and automation. This program is funded through a partnership with The Project Lead the Way Program and Toyota USA Foundation.

**Hail Damage Repair (Fund 491)**

These funds are used to record and track resources used to repair buildings damaged by a hail storm in April 2016. Insurance proceeds will cover the majority of the expenditures needed to repair and/or replace roofing on buildings and other required repairs.

**PERMANENT FUND**

**Scholarships (Fund 479)**

This fund is used to account for donations received where the earnings are available to fund scholarships for the District's students and the principal received must remain intact.

NORTH EAST INDEPENDENT SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2018

Data Control Codes		206 ESEA Title X, Pt.C Homeless	211 ESEA I, A Improving Basic Program	220 Adult Education Federal	223 TANF Family Assistance
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
1120	Investments	-	-	-	-
1240	Receivables from Other Governments	19,041	2,741,170	65,977	1,824
1250	Accrued Interest	-	-	-	-
1260	Due from Other Funds	-	-	9,527	39
1290	Other Receivables	-	1,390	-	-
1300	Inventories	-	-	-	-
1000	Total Assets	<u>\$ 19,041</u>	<u>\$ 2,742,560</u>	<u>\$ 75,504</u>	<u>\$ 1,863</u>
<b>LIABILITIES</b>					
2110	Accounts Payable	\$ 2,205	\$ 114,722	\$ -	\$ -
2160	Accrued Wages Payable	4,168	1,533,358	-	-
2170	Due to Other Funds	12,668	1,094,480	75,504	1,863
2180	Due to Other Governments	-	-	-	-
2300	Unearned Revenues	-	-	-	-
2000	Total Liabilities	<u>19,041</u>	<u>2,742,560</u>	<u>75,504</u>	<u>1,863</u>
<b>FUND BALANCES</b>					
Nonspendable Fund Balance:					
3410	Inventories	-	-	-	-
3425	Endowment Principal - Scholarships	-	-	-	-
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	-
3490	Scholarships	-	-	-	-
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	-	-
Assigned Fund Balance:					
3590	Other Assigned Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 19,041</u>	<u>\$ 2,742,560</u>	<u>\$ 75,504</u>	<u>\$ 1,863</u>

224 IDEA Part B Formula	225 IDEA Part B Preschool	240 National Breakfast and Lunch Program	242 Summer Feeding Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	272 Medicaid Admin. Claim MAC
\$ -	\$ -	\$ 1,678,104	\$ 165,142	\$ 639,657	\$ -	\$ -	\$ 470,745
-	-	4,712,803	-	-	-	-	-
4,749,339	75,344	20,350	189,422	127,280	187,680	87,977	204,955
-	-	31,295	-	-	-	-	-
760,310	-	4,614,803	127,320	-	9,500	-	20,500
-	-	665	-	-	-	-	-
-	-	1,870,831	-	-	-	-	-
<u>\$ 5,509,649</u>	<u>\$ 75,344</u>	<u>\$ 12,928,851</u>	<u>\$ 481,884</u>	<u>\$ 766,937</u>	<u>\$ 197,180</u>	<u>\$ 87,977</u>	<u>\$ 696,200</u>
\$ 22,518	\$ -	\$ 19,868	\$ 4,722	\$ 2,737	\$ 22,302	\$ 2,492	\$ 24,529
1,162,063	22,364	54,807	41,087	66	42,366	32,196	993
4,325,068	52,980	198,883	194,849	764,134	132,512	53,289	282
-	-	-	-	-	-	-	-
-	-	586,675	-	-	-	-	-
<u>5,509,649</u>	<u>75,344</u>	<u>860,233</u>	<u>240,658</u>	<u>766,937</u>	<u>197,180</u>	<u>87,977</u>	<u>25,804</u>
-	-	1,870,831	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	10,197,787	241,226	-	-	-	670,396
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>12,068,618</u>	<u>241,226</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>670,396</u>
<u>\$ 5,509,649</u>	<u>\$ 75,344</u>	<u>\$ 12,928,851</u>	<u>\$ 481,884</u>	<u>\$ 766,937</u>	<u>\$ 197,180</u>	<u>\$ 87,977</u>	<u>\$ 696,200</u>

NORTH EAST INDEPENDENT SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2018

Data Control Codes		287 Title IV, A Student Support	289 Other Federal Special Revenue Funds	315 SSA IDEA, Part B Discretionary	340 SSA - IDEA C Deaf - Early Intervention
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ -	\$ 39,036	\$ -	\$ 4
1120	Investments	-	-	-	-
1240	Receivables from Other Governments	65,461	357,354	17,420	-
1250	Accrued Interest	-	-	-	-
1260	Due from Other Funds	8,850	36,296	194	-
1290	Other Receivables	-	-	-	-
1300	Inventories	-	-	-	-
1000	Total Assets	<u>\$ 74,311</u>	<u>\$ 432,686</u>	<u>\$ 17,614</u>	<u>\$ 4</u>
<b>LIABILITIES</b>					
2110	Accounts Payable	\$ 14,969	\$ -	\$ -	\$ -
2160	Accrued Wages Payable	-	66,581	995	-
2170	Due to Other Funds	59,342	340,964	16,619	-
2180	Due to Other Governments	-	-	-	4
2300	Unearned Revenues	-	25,141	-	-
2000	Total Liabilities	<u>74,311</u>	<u>432,686</u>	<u>17,614</u>	<u>4</u>
<b>FUND BALANCES</b>					
Nonspendable Fund Balance:					
3410	Inventories	-	-	-	-
3425	Endowment Principal - Scholarships	-	-	-	-
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	-
3490	Scholarships	-	-	-	-
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	-	-
Assigned Fund Balance:					
3590	Other Assigned Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 74,311</u>	<u>\$ 432,686</u>	<u>\$ 17,614</u>	<u>\$ 4</u>

381 Adult Basic Education State	385 Visually Impaired SSVI	392 Non-Ed. Community Based Support	397 Advanced Placement Incentives	410 State Textbook	427 High Quality Pre-K	429 Other State Special Revenue Funds	435 SSA Regional Day School - Deaf
\$ -	\$ -	\$ -	\$ 67,786	\$ 414,968	\$ -	\$ 4,947	\$ -
-	-	-	-	-	-	-	-
3,761	15,928	1,689	-	308,937	5,202	-	285,890
-	-	-	-	-	-	-	-
63,192	-	33	-	20,884	2,657	686	62,353
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 66,953</u>	<u>\$ 15,928</u>	<u>\$ 1,722</u>	<u>\$ 67,786</u>	<u>\$ 744,789</u>	<u>\$ 7,859</u>	<u>\$ 5,633</u>	<u>\$ 348,243</u>
\$ -	\$ -	\$ -	\$ -	\$ 13,590	\$ -	\$ -	\$ -
21,788	3,906	235	-	26,813	3,822	-	245,359
45,165	12,022	1,487	600	280	4,037	-	102,884
-	-	-	-	-	-	-	-
-	-	-	67,186	704,106	-	5,633	-
<u>66,953</u>	<u>15,928</u>	<u>1,722</u>	<u>67,786</u>	<u>744,789</u>	<u>7,859</u>	<u>5,633</u>	<u>348,243</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 66,953</u>	<u>\$ 15,928</u>	<u>\$ 1,722</u>	<u>\$ 67,786</u>	<u>\$ 744,789</u>	<u>\$ 7,859</u>	<u>\$ 5,633</u>	<u>\$ 348,243</u>

NORTH EAST INDEPENDENT SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2018

Data Control Codes		461 Campus Activity Funds	485 Coalition of Essential Schools	486 Other Local Funds	488 Pre-K 4-SA
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ 4,117,573	\$ 1,070	\$ -	\$ -
1120	Investments	-	-	-	-
1240	Receivables from Other Governments	-	-	49,353	237,512
1250	Accrued Interest	-	-	-	-
1260	Due from Other Funds	-	-	615	35,138
1290	Other Receivables	-	-	-	-
1300	Inventories	-	-	-	-
1000	Total Assets	<u>\$ 4,117,573</u>	<u>\$ 1,070</u>	<u>\$ 49,968</u>	<u>\$ 272,650</u>
<b>LIABILITIES</b>					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ 1,685
2160	Accrued Wages Payable	-	-	-	72,867
2170	Due to Other Funds	163,109	-	24,984	198,098
2180	Due to Other Governments	-	-	-	-
2300	Unearned Revenues	-	1,070	24,984	-
2000	Total Liabilities	<u>163,109</u>	<u>1,070</u>	<u>49,968</u>	<u>272,650</u>
<b>FUND BALANCES</b>					
Nonspendable Fund Balance:					
3410	Inventories	-	-	-	-
3425	Endowment Principal - Scholarships	-	-	-	-
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	-
3490	Scholarships	-	-	-	-
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	-	-
Assigned Fund Balance:					
3590	Other Assigned Fund Balance	3,954,464	-	-	-
3000	Total Fund Balances	<u>3,954,464</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 4,117,573</u>	<u>\$ 1,070</u>	<u>\$ 49,968</u>	<u>\$ 272,650</u>



489 Asia Society	490 Rackspace/ Project Lead The Way	491 Hail Damage Repair	Total Nonmajor Special Revenue Funds	479 Permanent Fund Scholarships	Total Nonmajor Governmental Funds
\$ 47,489	\$ 24,792	\$ 19,723,687	\$ 27,395,000	\$ 61,371	\$ 27,456,371
-	-	-	4,712,803	175,171	4,887,974
-	-	-	9,818,866	-	9,818,866
-	-	-	31,295	2,210	33,505
-	-	-	5,772,897	-	5,772,897
-	14,894	-	16,949	-	16,949
-	-	-	1,870,831	-	1,870,831
<u>\$ 47,489</u>	<u>\$ 39,686</u>	<u>\$ 19,723,687</u>	<u>\$ 49,618,641</u>	<u>\$ 238,752</u>	<u>\$ 49,857,393</u>
\$ -	\$ -	\$ 250,683	\$ 497,022	\$ -	\$ 497,022
872	-	-	3,336,706	-	3,336,706
168	856	-	7,877,127	-	7,877,127
-	-	-	4	-	4
46,449	38,830	-	1,500,074	-	1,500,074
<u>47,489</u>	<u>39,686</u>	<u>250,683</u>	<u>13,210,933</u>	<u>-</u>	<u>13,210,933</u>
-	-	-	1,870,831	-	1,870,831
-	-	-	-	200,000	200,000
-	-	-	11,109,409	-	11,109,409
-	-	-	-	38,752	38,752
-	-	19,473,004	19,473,004	-	19,473,004
-	-	-	3,954,464	-	3,954,464
<u>-</u>	<u>-</u>	<u>19,473,004</u>	<u>36,407,708</u>	<u>238,752</u>	<u>36,646,460</u>
<u>\$ 47,489</u>	<u>\$ 39,686</u>	<u>\$ 19,723,687</u>	<u>\$ 49,618,641</u>	<u>\$ 238,752</u>	<u>\$ 49,857,393</u>

NORTH EAST INDEPENDENT SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018

Data Control Codes	206 ESEA Title X, Pt.C Homeless	211 ESEA I, A Improving Basic Program	220 Adult Education Federal	223 TANF Family Assistance
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 24	\$ 3,769	\$ 223	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	99,095	12,485,888	656,551	49,136
5020 Total Revenues	99,119	12,489,657	656,774	49,136
EXPENDITURES:				
Current:				
0011 Instruction	14,609	8,311,918	644,597	49,136
0012 Instructional Resources and Media Services	-	16,965	-	-
0013 Curriculum and Instructional Staff Development	-	1,942,417	12,177	-
0021 Instructional Leadership	21,134	500	-	-
0023 School Leadership	-	100,911	-	-
0031 Guidance, Counseling and Evaluation Services	-	23,498	-	-
0032 Social Work Services	44,894	1,862,124	-	-
0033 Health Services	-	17,547	-	-
0034 Student Transportation	-	121,732	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	149	-	-
0052 Security and Monitoring Services	-	726	-	-
0061 Community Services	18,482	91,170	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	99,119	12,489,657	656,774	49,136
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES):				
7912 Sale of Real and Personal Property	-	-	-	-
8911 Transfers Out (Use)	-	-	-	-
7080 Total Other Financing Sources (Uses)	-	-	-	-
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - July 1 (Beginning)	-	-	-	-
3000 Fund Balance - June 30 (Ending)	\$ -	\$ -	\$ -	\$ -

224 IDEA Part B Formula	225 IDEA Part B Preschool	240 National Breakfast and Lunch Program	242 Summer Feeding Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	272 Medicaid Admin. Claim MAC
\$ 4,278	\$ -	\$ 12,514,919	\$ 6,559	\$ 297	\$ 29	\$ 476	\$ -
-	-	613,001	-	-	-	-	-
9,722,988	228,016	20,750,495	412,066	640,083	1,475,226	890,395	137,367
9,727,266	228,016	33,878,415	418,625	640,380	1,475,255	890,871	137,367
6,685,398	228,016	-	-	589,427	147,218	327,950	-
-	-	-	-	-	-	-	-
577,598	-	-	-	27,863	1,325,546	561,857	-
560,708	-	-	-	-	-	-	-
-	-	-	-	-	2,491	-	-
1,806,790	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
50,437	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	32,598,330	262,211	-	-	-	-
43,696	-	-	-	23,090	-	-	-
-	-	-	-	-	-	-	137,111
-	-	670,354	-	-	-	910	-
-	-	696	-	-	-	154	-
2,639	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
9,727,266	228,016	33,269,380	262,211	640,380	1,475,255	890,871	137,111
-	-	609,035	156,414	-	-	-	256
-	-	610	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	610	-	-	-	-	-
-	-	609,645	156,414	-	-	-	256
-	-	11,458,973	84,812	-	-	-	670,140
\$ -	\$ -	\$ 12,068,618	\$ 241,226	\$ -	\$ -	\$ -	\$ 670,396

NORTH EAST INDEPENDENT SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018

Data Control Codes	287 Title IV, A Student Support	289 Other Federal Special Revenue Funds	315 SSA IDEA, Part B Discretionary	340 SSA - IDEA C Deaf - Early Intervention
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 14	\$ -	\$ 80	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	152,418	369,631	97,222	1
5020 Total Revenues	152,432	369,631	97,302	1
EXPENDITURES:				
Current:				
0011 Instruction	50,937	366,368	94,942	1
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	101,495	-	839	-
0021 Instructional Leadership	-	-	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	-	1,521	-
0032 Social Work Services	-	-	-	-
0033 Health Services	-	-	-	-
0034 Student Transportation	-	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0052 Security and Monitoring Services	-	-	-	-
0061 Community Services	-	3,263	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	152,432	369,631	97,302	1
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES):				
7912 Sale of Real and Personal Property	-	-	-	-
8911 Transfers Out (Use)	-	-	-	-
7080 Total Other Financing Sources (Uses)	-	-	-	-
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - July 1 (Beginning)	-	-	-	-
3000 Fund Balance - June 30 (Ending)	\$ -	\$ -	\$ -	\$ -

381 Adult Basic Education State	385 Visually Impaired SSVI	392 Non-Ed. Community Based Support	397 Advanced Placement Incentives	410 State Textbook	427 High Quality Pre-K	429 Other State Special Revenue Funds	435 SSA Regional Day School - Deaf
\$ - \$	\$ - \$	\$ - \$	\$ - \$	9,012 \$	1,841 \$	\$ - \$	326,052
93,628	49,219	10,448	13,464	4,769,297	290,679	65,604	668,350
-	-	-	-	-	-	-	-
93,628	49,219	10,448	13,464	4,778,309	292,520	65,604	994,402
84,571	49,219	10,448	3,249	4,626,426	221,222	-	994,402
-	-	-	-	-	-	-	-
9,057	-	-	10,215	151,883	52,151	57,036	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	3,412	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	440	8,568	-
-	-	-	-	-	15,295	-	-
-	-	-	-	-	-	-	-
93,628	49,219	10,448	13,464	4,778,309	292,520	65,604	994,402
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ - \$	\$ - \$	\$ - \$	\$ - \$	\$ - \$	\$ - \$	\$ - \$	-

NORTH EAST INDEPENDENT SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018

Data Control Codes	461 Campus Activity Funds	485 Coalition of Essential Schools	486 Other Local Funds	488 Pre-K 4-SA
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 6,312,158	\$ -	\$ 49,385	\$ 794,990
5800 State Program Revenues	-	-	-	34,726
5900 Federal Program Revenues	-	-	-	-
5020 Total Revenues	6,312,158	-	49,385	829,716
EXPENDITURES:				
Current:				
0011 Instruction	1,378,602	-	-	458,611
0012 Instructional Resources and Media Services	537,744	-	-	-
0013 Curriculum and Instructional Staff Development	67,800	-	-	1
0021 Instructional Leadership	-	-	-	-
0023 School Leadership	676,269	-	-	-
0031 Guidance, Counseling and Evaluation Services	89,484	-	-	-
0032 Social Work Services	-	-	-	258,235
0033 Health Services	4,061	-	-	-
0034 Student Transportation	48	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	3,017,940	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	35,610	-	-	-
0052 Security and Monitoring Services	11,977	-	-	-
0061 Community Services	6,936	-	-	112,869
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	49,385	-
6030 Total Expenditures	5,826,471	-	49,385	829,716
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	485,687	-	-	-
OTHER FINANCING SOURCES (USES):				
7912 Sale of Real and Personal Property	-	-	-	-
8911 Transfers Out (Use)	(39,338)	-	-	-
7080 Total Other Financing Sources (Uses)	(39,338)	-	-	-
1200 Net Change in Fund Balance	446,349	-	-	-
0100 Fund Balance - July 1 (Beginning)	3,508,115	-	-	-
3000 Fund Balance - June 30 (Ending)	\$ 3,954,464	\$ -	\$ -	\$ -

489 Asia Society	490 Rackspace/ Project Lead The Way	491 Hail Damage Repair	Total Nonmajor Special Revenue Funds	479 Permanent Fund Scholarships	Total Nonmajor Governmental Funds
\$ 9,283	\$ 18,503	\$ 18,537,201	\$ 38,589,093	\$ 2,558	\$ 38,591,651
-	-	-	6,608,416	-	6,608,416
-	-	-	48,166,578	-	48,166,578
9,283	18,503	18,537,201	93,364,087	2,558	93,366,645
4,520	8,087	-	25,349,874	-	25,349,874
-	-	-	554,709	-	554,709
4,763	10,416	-	4,913,114	-	4,913,114
-	-	-	582,342	-	582,342
-	-	-	779,671	-	779,671
-	-	-	1,921,293	-	1,921,293
-	-	-	2,168,665	-	2,168,665
-	-	-	72,045	-	72,045
-	-	-	121,780	-	121,780
-	-	-	32,860,541	-	32,860,541
-	-	-	3,084,726	-	3,084,726
-	-	-	137,111	-	137,111
-	-	1,801,727	2,508,750	-	2,508,750
-	-	-	22,561	-	22,561
-	-	-	250,654	1,000	251,654
-	-	-	49,385	-	49,385
9,283	18,503	1,801,727	75,377,221	1,000	75,378,221
-	-	16,735,474	17,986,866	1,558	17,988,424
-	-	-	610	-	610
-	-	-	(39,338)	-	(39,338)
-	-	-	(38,728)	-	(38,728)
-	-	16,735,474	17,948,138	1,558	17,949,696
-	-	2,737,530	18,459,570	237,194	18,696,764
\$ -	\$ -	\$ 19,473,004	\$ 36,407,708	\$ 238,752	\$ 36,646,460

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## North East Independent School District

### Internal Service Funds

#### Fund Descriptions

The Internal Service Funds are used to account for the financing of goods and services provided by certain departments in the District to other departments in the District on a cost-reimbursement basis.

#### **Document Management & Printing Services Fund (Fund 752)**

This fund accounts for the operations of the District's Document Management Department. Revenue is comprised of user charges from the various campuses and departments within the District.

#### **Health Insurance Fund (Fund 753)**

The operations of the District's self-funded medical programs, including the state-mandated medical plan comparable to the TRS health plan are accounted for in this fund. Contributions are collected from the employees of the District along with amounts contributed from various District accounts. Claim costs, administrative costs, stop-loss premiums, hospital indemnity claims, employee assistance program fees, and employee term-life insurance are paid from the proceeds of the premiums collected. Excess claims are covered by a stop-loss carrier.

#### **Data Processing Center Fund (Fund 754)**

This fund accounts for the operations of the District's Data Processing Department. Revenue is comprised of user charges from the various departments within the District.

#### **Network Technology Services Fund (Fund 755)**

This fund accounts for the operations of the District's network infrastructure and the maintenance and repair of computers across the District. Revenue is comprised of user charges from the various departments within the District.

#### **Dental Insurance Fund (Fund 773)**

The operations of the District's self-funded dental insurance plan are recorded in this fund. Participation is voluntary and contributions are collected from employees of the District. Claim costs, administrative costs, and vision discount program fees are paid from the proceeds of the contributions collected. Excess claims are the responsibility of the employees.

## North East Independent School District

### Internal Service Funds

#### Fund Descriptions

##### **Rolling Owner Controlled Insurance Program Fund (Fund 792)**

This fund accounts for the operations of the District's ROCIP that covers several construction projects over a period of years. The ROCIP allows the District to purchase a large package of insurance at lower premiums. This insurance covers the owner, contractors, and subcontractors working on the construction projects. Insurance coverage provided under the ROCIP includes on-site workers' compensation, general liability, excess liability, and builder's risk. The cost of on-site insurance coverage for the contractors is paid for through the deduction of the insurance cost contractors would have passed on to the District for the various construction projects under the 1998 and 2003 Bond construction programs.

##### **Workers' Compensation Insurance Fund (Fund 793)**

This fund accounts for the operations of the District's self-funded, self-administered program that meets the state mandate that all District employees be covered by workers' compensation insurance. Premiums are collected from each department of the District. Claim costs, administrative costs, and stop-loss insurance premiums are paid from the premiums collected. Excess claims are covered by an outside insurance company.

##### **Unemployment Compensation Insurance Fund (Fund 795)**

This fund accounts for the operations of the District's self-funded, self-administered program that meets the state mandate that all District employees be covered by unemployment compensation insurance. Premiums are collected from each department of the District. Claim costs, administrative costs, and stop-loss insurance premiums are paid from the premiums collected. Excess claims are covered by an outside insurance company.

##### **Police Services Fund (Fund 796)**

The operations of the District's police force are recorded in this fund. Revenue is comprised of user charges from the various campuses and departments within the District.

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NORTH EAST INDEPENDENT SCHOOL DISTRICT  
COMBINING STATEMENT OF NET POSITION  
INTERNAL SERVICE FUNDS  
JUNE 30, 2018

	752 Document Management & Print Svc	753 Health Insurance
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 1,489,382	\$ 13,518,867
Investments	-	7,773,497
Due from Other Governments	-	338
Accrued Interest	-	70,803
Due from Other Funds	258,106	4,398,488
Other Receivables	5,763	13,374
Inventories	280,755	-
Total Current Assets	<u>2,034,006</u>	<u>25,775,367</u>
Noncurrent Assets:		
Capital Assets:		
Land	-	1,100
Buildings and Improvements	-	-
Depreciation on Buildings	-	-
Furniture and Equipment	1,515,376	-
Depreciation on Furniture and Equipment	(1,216,951)	-
Total Noncurrent Assets	<u>298,425</u>	<u>1,100</u>
Total Assets	<u>2,332,431</u>	<u>25,776,467</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	10,817	1,024,247
Workers' Compensation Payable - Current	-	-
Capital Leases Payable - Current	10,139	-
Accrued Wages Payable	52,477	964
Due to Other Funds	245,860	296
Accrued Expenses	-	4,600,584
Total Current Liabilities	<u>319,293</u>	<u>5,626,091</u>
Noncurrent Liabilities:		
Capital Leases Payable - Due in More than One Year	26,233	-
Workers Compensation - Due in More than One Year	-	-
Total Noncurrent Liabilities	<u>26,233</u>	<u>-</u>
Total Liabilities	<u>345,526</u>	<u>5,626,091</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	298,425	1,100
Unrestricted Net Position	1,688,480	20,149,276
Total Net Position	<u>\$ 1,986,905</u>	<u>\$ 20,150,376</u>

754 Data Processing Center	755 Network Technology Services	773 Dental Insurance	792 Rolling Owner Controlled Insurance Prg	793 Workers' Compensation Insurance	795 Unemployment Insurance	796 Police Services	Total Internal Service Funds
\$ 5,016,767	\$ 953,985	\$ 1,064,610	\$ 950,926	\$ 1,848,055	\$ 184,118	\$ 296,536	\$ 25,323,246
-	-	1,018,468	-	934,446	-	-	9,726,411
-	-	-	-	-	-	-	338
-	-	10,016	-	6,791	-	-	87,610
156,982	210,629	201,624	-	153,250	-	294,927	5,674,006
-	-	-	-	25,000	-	314	44,451
89,509	28,893	-	-	-	-	-	399,157
<u>5,263,258</u>	<u>1,193,507</u>	<u>2,294,718</u>	<u>950,926</u>	<u>2,967,542</u>	<u>184,118</u>	<u>591,777</u>	<u>41,255,219</u>
-	-	-	-	-	-	-	1,100
-	483,379	-	-	-	-	-	483,379
-	(421,545)	-	-	-	-	-	(421,545)
12,976,339	1,741,229	-	-	30,528	-	1,122,483	17,385,955
(8,326,053)	(1,671,121)	-	-	(30,528)	-	(949,420)	(12,194,073)
<u>4,650,286</u>	<u>131,942</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>173,063</u>	<u>5,254,816</u>
<u>9,913,544</u>	<u>1,325,449</u>	<u>2,294,718</u>	<u>950,926</u>	<u>2,967,542</u>	<u>184,118</u>	<u>764,840</u>	<u>46,510,035</u>
14,896	1,357	-	-	11,629	-	211	1,063,157
-	-	-	-	441,259	-	-	441,259
-	-	-	-	-	-	-	10,139
9,128	77,077	-	-	-	-	129,719	269,365
99,701	37,175	27	-	835	-	28,659	412,553
-	-	306,521	-	-	-	-	4,907,105
<u>123,725</u>	<u>115,609</u>	<u>306,548</u>	<u>-</u>	<u>453,723</u>	<u>-</u>	<u>158,589</u>	<u>7,103,578</u>
-	-	-	-	-	-	-	26,233
-	-	-	-	405,427	-	-	405,427
-	-	-	-	405,427	-	-	431,660
<u>123,725</u>	<u>115,609</u>	<u>306,548</u>	<u>-</u>	<u>859,150</u>	<u>-</u>	<u>158,589</u>	<u>7,535,238</u>
4,650,286	131,942	-	-	-	-	173,063	5,254,816
5,139,533	1,077,898	1,988,170	950,926	2,108,392	184,118	433,188	33,719,981
<u>\$ 9,789,819</u>	<u>\$ 1,209,840</u>	<u>\$ 1,988,170</u>	<u>\$ 950,926</u>	<u>\$ 2,108,392</u>	<u>\$ 184,118</u>	<u>\$ 606,251</u>	<u>\$ 38,974,797</u>

NORTH EAST INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
 INTERNAL SERVICE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2018

	752 Document Management & Print Svc	753 Health Insurance
<hr/>		
OPERATING REVENUES:		
Local and Intermediate Sources	\$ 3,322,513	\$ 66,851,519
State Program Revenues	106,001	5,638
Federal Revenues	-	-
Total Operating Revenues	<u>3,428,514</u>	<u>66,857,157</u>
OPERATING EXPENSES:		
Payroll Costs	1,722,338	114,668
Professional and Contracted Services	209,228	1,614,745
Supplies and Materials	1,060,638	3,440
Other Operating Costs	21,812	58,375,870
Depreciation Expense	108,524	-
Total Operating Expenses	<u>3,122,540</u>	<u>60,108,723</u>
Operating Income (Loss)	<u>305,974</u>	<u>6,748,434</u>
NONOPERATING REVENUES (EXPENSES):		
Earnings from Temporary Deposits & Investments	-	231,728
(Loss) on Sale of Real and Personal Property	(58,580)	-
Non-operating Expenses	(21)	-
Total Nonoperating Revenues (Expenses)	<u>(58,601)</u>	<u>231,728</u>
Income (Loss) Before Transfers	247,373	6,980,162
Transfers In	-	-
Transfers Out	(200,000)	-
Change in Net Position	47,373	6,980,162
Total Net Position - July 1 (Beginning)	<u>1,939,532</u>	<u>13,170,214</u>
Total Net Position - June 30 (Ending)	<u><u>\$ 1,986,905</u></u>	<u><u>\$ 20,150,376</u></u>

754 Data Processing Center	755 Network Technology Services	773 Dental Insurance	792 Rolling Owner Controlled Insurance Prg	793 Workers' Compensation Insurance	795 Unemployment Insurance	796 Police Services	Total Internal Service Funds
\$ 4,295,339	\$ 3,946,528	\$ 2,979,671	\$ -	\$ 1,717,899	\$ 105	\$ 4,515,245	\$ 87,628,819
152,156	215,501	-	-	29,064	-	294,579	802,939
61,971	641,570	-	-	-	-	-	703,541
4,509,466	4,803,599	2,979,671	-	1,746,963	105	4,809,824	89,135,299
2,211,036	3,279,626	-	-	448,201	-	4,573,598	12,349,467
799,918	757,144	178,780	-	459,372	-	102,471	4,121,658
256,542	359,192	-	-	4,106	-	81,689	1,765,607
30,639	66,724	3,101,981	-	472,082	68,602	3,051	62,140,761
1,302,383	53,040	-	-	-	-	125,795	1,589,742
4,600,518	4,515,726	3,280,761	-	1,383,761	68,602	4,886,604	81,967,235
(91,052)	287,873	(301,090)	-	363,202	(68,497)	(76,780)	7,168,064
-	-	29,756	-	31,955	-	-	293,439
-	-	-	-	-	-	-	(58,580)
-	-	-	-	-	-	-	(21)
-	-	29,756	-	31,955	-	-	234,838
(91,052)	287,873	(271,334)	-	395,157	(68,497)	(76,780)	7,402,902
-	36,388	-	-	-	-	-	36,388
(750,000)	(120,000)	-	-	-	-	-	(1,070,000)
(841,052)	204,261	(271,334)	-	395,157	(68,497)	(76,780)	6,369,290
10,630,871	1,005,579	2,259,504	950,926	1,713,235	252,615	683,031	32,605,507
\$ 9,789,819	\$ 1,209,840	\$ 1,988,170	\$ 950,926	\$ 2,108,392	\$ 184,118	\$ 606,251	\$ 38,974,797

NORTH EAST INDEPENDENT SCHOOL DISTRICT  
COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018

	752 Document Management & Print Svc	753 Health Insurance	754 Data Processing Center	755 Network Technology Services
<u>Cash Flows from Operating Activities:</u>				
Cash Received from User Charges	\$ 3,330,862	\$ 66,846,180	\$ 4,357,310	\$ 4,588,099
Cash Received from Assessments - Other Funds	(352,423)	(3,868,208)	(137,792)	77,048
Cash Payments to Employees for Services	(1,568,175)	(108,085)	(2,049,752)	(2,991,484)
Cash Payments for Insurance Claims	-	(57,824,214)	-	-
Cash Payments for Suppliers	(1,362,077)	(2,084,310)	(1,095,921)	(1,199,787)
Cash Payments for Other Operating Expenses	-	(347,364)	-	-
Net Cash Provided by (Used for) Operating Activities	48,187	2,613,999	1,073,845	473,876
<u>Cash Flows from Non-Capital Financing Activities:</u>				
Nonoperating Transfers Out	(200,000)	-	(750,000)	(120,000)
Nonoperating Transfers In	-	-	-	36,388
Net Cash Used For Non-Capital Financing Activities	(200,000)	-	(750,000)	(83,612)
<u>Cash Flows from Capital &amp; Related Financing Activities:</u>				
Acquisition of Capital Assets	(60,515)	(1,100)	(457,889)	(24,636)
<u>Cash Flows from Investing Activities:</u>				
Purchase of Investment Securities	-	(5,735,000)	-	-
Proceeds from Sale & Maturities of Securities	-	3,725,000	-	-
Interest and Dividends on Investments	-	234,263	-	-
Net Cash Provided by (Used for) Investing Activities	-	(1,775,737)	-	-
Net Increase (Decrease) in Cash and Cash Equivalents	(212,328)	837,162	(134,044)	365,628
Cash and Cash Equivalents at Beginning of Year	1,701,710	12,681,705	5,150,811	588,357
Cash and Cash Equivalents at End of Year	\$ 1,489,382	\$ 13,518,867	\$ 5,016,767	\$ 953,985



773	792	793	795	796	Total
Dental	Rolling Owner	Workers'	Unemployment	Police	Internal
Insurance	Controlled	Compensation	Insurance	Services	Service Funds
Insurance Prg	Insurance				
\$ 2,979,671	\$ -	\$ 1,692,899	\$ 105	\$ 4,523,206	\$ 88,318,332
-	-	-	-	(360,958)	(4,642,333)
-	-	(419,266)	-	(4,149,304)	(11,286,066)
(3,075,719)	-	(203,035)	(68,602)	-	(61,171,570)
(353,795)	-	(864,903)	-	(187,329)	(7,148,122)
-	-	(194,092)	-	-	(541,456)
(449,843)	-	11,603	(68,497)	(174,385)	3,528,785
-	-	-	-	-	(1,070,000)
-	-	-	-	-	36,388
-	-	-	-	-	(1,033,612)
-	-	-	-	-	(544,140)
(365,000)	-	(445,000)	-	-	(6,545,000)
454,158	-	317,766	-	-	4,496,924
29,262	-	28,706	-	-	292,231
118,420	-	(98,528)	-	-	(1,755,845)
(331,423)	-	(86,925)	(68,497)	(174,385)	195,188
1,396,033	950,926	1,934,980	252,615	470,921	25,128,058
\$ 1,064,610	\$ 950,926	\$ 1,848,055	\$ 184,118	\$ 296,536	\$ 25,323,246

NORTH EAST INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF CASH FLOWS  
 INTERNAL SERVICE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2018

	752 Document Management & Print Svc	753 Health Insurance	754 Data Processing Center	755 Network Technology Services
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>				
<u>Provided by (Used for) Operating Activities:</u>				
Operating Income (Loss):	\$ 305,974	\$ 6,748,434	\$ (91,052)	\$ 287,873
Adjustments to Reconcile Operating Income				
to Net Cash Provided by (Used For) Operating Activities:				
Depreciation	108,524	-	1,302,383	53,040
Effect of Increases and Decreases in Current				
Assets and Liabilities:				
Decrease (increase) in Receivables	8,349	(5,338)	-	-
Decrease (increase) in Inventories	(64,001)	-	5,767	-
Decrease (increase) in Due From Other Funds	(255,261)	(3,866,698)	(156,736)	123,166
Increase (decrease) in Accounts Payable	(6,396)	(466,124)	(14,589)	(16,726)
Increase (decrease) in Accrued Wages Payable	48,160	943	9,128	72,641
Increase (decrease) in Due to Other Funds	(97,078)	(1,510)	18,944	(46,118)
Increase (decrease) in Due to Other Governments	(84)	-	-	-
Increase (decrease) in Unearned Revenues	-	204,292	-	-
Increase (decrease) in Accrued Expenses	-	-	-	-
Increase (decrease) Workers Compensation	-	-	-	-
Net Cash Provided by (Used for)				
Operating Activities	<u>\$ 48,187</u>	<u>\$ 2,613,999</u>	<u>\$ 1,073,845</u>	<u>\$ 473,876</u>
<u>Noncash Investing, Capital and Financing Activities:</u>				
Increase in Fair Value of Investments	-	203	-	-

773 Dental Insurance	792 Rolling Owner Controlled Insurance Prg	793 Workers' Compensation Insurance	795 Unemployment Insurance	796 Police Services	Total Internal Service Funds
\$ (301,090)	\$ -	\$ 363,202	\$ (68,497)	\$ (76,780)	\$ 7,168,064
-	-	-	-	125,795	1,589,742
-	-	(25,000)	-	7,958	(14,031)
-	-	-	-	-	(58,234)
(165,037)	-	-	-	(240,961)	(4,561,527)
-	-	11,628	-	(118)	(492,325)
-	-	(132)	-	129,718	260,458
(9,977)	-	(41,128)	-	(119,997)	(296,864)
-	-	(152,964)	-	-	(153,048)
-	-	-	-	-	204,292
26,261	-	-	-	-	26,261
-	-	(144,003)	-	-	(144,003)
<u>\$ (449,843)</u>	<u>\$ -</u>	<u>\$ 11,603</u>	<u>\$ (68,497)</u>	<u>\$ (174,385)</u>	<u>\$ 3,528,785</u>
902	-	1,670	-	-	2,775

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## North East Independent School District

### Enterprise Funds

#### Fund Descriptions

The Enterprise Funds are used to account for the financing or recovery of costs of providing goods and services to the general public on a continuing basis primarily through user charges.

#### **Uniform Rental Fund (Fund 713)**

This fund accounts for the rental of uniforms. Revenue is comprised of user charges from band, orchestra, spirit, and choir groups.

#### **Community Education Fund (Fund 714)**

This fund accounts for services provided to the community for after school childcare and community education classes. Revenue is comprised of user charges from the community and after school tuition fees.

#### **Preschool Program for Children with Disabilities (PPCD) Fund (Fund 715)**

This fund accounts for the operations of the PPCD program which provides daycare services for children with disabilities.

#### **North East Aquatics and Tennis (NEAT) Fund (Fund 721)**

This fund accounts for the North East Aquatics and Tennis Center's operations. Revenue is comprised of user charges from team activities.

NORTH EAST INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF NET POSITION  
 NONMAJOR ENTERPRISE FUNDS  
 JUNE 30, 2018

	713 Uniform Rental	714 Community Education	715 Preschool Prg Children W/ Disabilities	721 North East Aquatics & Tennis	Total Nonmajor Enterprise Funds
<b>ASSETS</b>					
Current Assets:					
Cash and Cash Equivalents	\$ 308,547	\$ 650,625	\$ -	\$ 286,682	\$ 1,245,854
Due from Other Funds	2,700	695,974	37,943	10,151	746,768
Other Receivables	-	35,555	-	78,978	114,533
Total Current Assets	311,247	1,382,154	37,943	375,811	2,107,155
Noncurrent Assets:					
Capital Assets:					
Land	-	961,852	-	-	961,852
Buildings and Improvements	-	6,308,441	-	425,584	6,734,025
Depreciation on Buildings	-	(2,183,181)	-	(148,703)	(2,331,884)
Furniture and Equipment	-	77,069	-	430,153	507,222
Depreciation on Furniture and Equipment	-	(45,340)	-	(247,731)	(293,071)
Total Noncurrent Assets	-	5,118,841	-	459,303	5,578,144
Total Assets	311,247	6,500,995	37,943	835,114	7,685,299
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts Payable	3,961	20,230	-	18,109	42,300
Accrued Wages Payable	-	92,509	64,823	22,978	180,310
Due to Other Funds	-	88,125	120,023	1,911	210,059
Due to Other Governments	-	-	-	43	43
Due to Student Groups	-	22,060	-	-	22,060
Accrued Expenses	-	10,000	-	-	10,000
Unearned Revenues	-	177,837	8,550	940	187,327
Total Liabilities	3,961	410,761	193,396	43,981	652,099
<b>NET POSITION</b>					
Net Investment in Capital Assets	\$ -	\$ 5,118,841	\$ -	\$ 459,303	\$ 5,578,144
Unrestricted Net Position	307,286	971,393	(155,453)	331,830	1,455,056
Total Net Position	\$ 307,286	\$ 6,090,234	\$ (155,453)	\$ 791,133	\$ 7,033,200

NORTH EAST INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
 NONMAJOR ENTERPRISE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2018

	713 Uniform Rental	714 Community Education	715 Preschool Prg Children W/ Disabilities	721 North East Aquatics & Tennis	Total Nonmajor Enterprise Funds
OPERATING REVENUES:					
Local and Intermediate Sources	\$ 75,540	\$ 8,768,750	\$ 636,138	\$ 997,849	\$ 10,478,277
State Program Revenues	-	411,221	34,011	10,205	455,437
Total Operating Revenues	75,540	9,179,971	670,149	1,008,054	10,933,714
OPERATING EXPENSES:					
Payroll Costs	-	7,201,588	617,086	466,991	8,285,665
Professional and Contracted Services	35,943	935,649	285	153,770	1,125,647
Supplies and Materials	93,708	424,116	45	91,605	609,474
Other Operating Costs	-	486,424	11,995	182,748	681,167
Depreciation Expense	-	201,143	-	128,051	329,194
Total Operating Expenses	129,651	9,248,920	629,411	1,023,165	11,031,147
Operating Income (Loss)	(54,111)	(68,949)	40,738	(15,111)	(97,433)
NONOPERATING REVENUES (EXPENSES):					
(Loss) on Sale of Real and Personal Property	-	(3,392)	-	-	(3,392)
Total Nonoperating Revenues (Expenses)	-	(3,392)	-	-	(3,392)
Change in Net Position	(54,111)	(72,341)	40,738	(15,111)	(100,825)
Total Net Position - July 1 (Beginning)	361,397	6,162,575	(196,191)	806,244	7,134,025
Total Net Position - June 30 (Ending)	\$ 307,286	\$ 6,090,234	\$ (155,453)	\$ 791,133	\$ 7,033,200

NORTH EAST INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF CASH FLOWS  
 NONMAJOR ENTERPRISE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2018

	713 Uniform Rental	714 Community Education	715 Preschool Prg Children W/ Disabilities	721 North East Aquatics & Tennis	Total Nonmajor Enterprise Funds
<u>Cash Flows from Operating Activities:</u>					
Cash Received from User Charges	\$ 75,540	\$ 8,884,035	\$ 636,138	\$ 955,660	\$ 10,551,373
Cash Received from Assessments - Other Funds	1,147	(469,609)	(50,404)	(7,256)	(526,122)
Cash Payments to Employees for Services	-	(6,697,858)	(573,409)	(433,887)	(7,705,154)
Cash Payments for Suppliers	(127,750)	(1,898,571)	(12,325)	(443,514)	(2,482,160)
Net Cash Provided by (Used for) Operating Activities	(51,063)	(182,003)	-	71,003	(162,063)
<u>Cash Flows from Capital &amp; Related Financing Activities:</u>					
Acquisition of Capital Assets	-	(523,859)	-	-	(523,859)
Net Increase (Decrease) in Cash and Cash Equivalents	(51,063)	(705,862)	-	71,003	(685,922)
Cash and Cash Equivalents at Beginning of Year	359,610	1,356,487	-	215,679	1,931,776
Cash and Cash Equivalents at End of Year	<u>\$ 308,547</u>	<u>\$ 650,625</u>	<u>\$ -</u>	<u>\$ 286,682</u>	<u>\$ 1,245,854</u>



NORTH EAST INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF CASH FLOWS  
 NONMAJOR ENTERPRISE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2018

	713	714	715	721	Total
	Uniform	Community	Preschool Prg	North East	Nonmajor
	Rental	Education	Children W/ Disabilities	Aquatics & Tennis	Enterprise Funds
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>					
<u>Provided by (Used for) Operating Activities:</u>					
Operating Income (Loss):	\$ (54,111)	\$ (68,949)	\$ 40,738	\$ (15,111)	\$ (97,433)
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used For) Operating Activities:					
Depreciation	-	201,143	-	128,051	329,194
Effect of Increases and Decreases in Current Assets and Liabilities:					
Decrease (increase) in Receivables	-	3,251	-	(42,189)	(38,938)
Decrease (increase) in Due From Other Funds	-	(469,609)	(34,807)	(7,236)	(511,652)
Increase (decrease) in Accounts Payable	1,901	(116,373)	-	(2,203)	(116,675)
Increase (decrease) in Accrued Wages Payable	-	92,509	9,666	22,899	125,074
Increase (decrease) in Due to Other Funds	1,147	64,157	17,458	(13,188)	69,574
Increase (decrease) in Due to Other Governments	-	-	-	(20)	(20)
Increase (decrease) in Unearned Revenues	-	112,034	(33,055)	-	78,979
Increase (decrease) in Accrued Expenses	-	(2,300)	-	-	(2,300)
Increase (decrease) in Due to Student Groups	-	2,134	-	-	2,134
Net Cash Provided by (Used for) Operating Activities	<u>\$ (51,063)</u>	<u>\$ (182,003)</u>	<u>\$ -</u>	<u>\$ 71,003</u>	<u>\$ (162,063)</u>

## North East Independent School District

### Agency Funds

#### Fund Descriptions

Agency Funds are used to account for assets held by the District as an agent for certain individuals and organizations. They are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations:

#### **Student Activity Fund (Fund 865)**

This fund is used to account for the receipt and disbursement of funds for the various student groups and organizations at each school campus.

#### **Central Office Fund (Fund 893)**

This fund is used to account for the receipt and disbursement of funds for the special projects and programs of the Central Office staff.

NORTH EAST INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 ALL AGENCY FUNDS  
 JUNE 30, 2018

	BALANCE JULY 1 2017	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30 2018
<b>STUDENT ACTIVITY FUND</b>				
Assets:				
Cash and Temporary Investments	\$ 2,341,606	\$ 167,002	\$ -	\$ 2,508,608
Liabilities:				
Due to Other Funds	\$ 12,287	\$ 14,904	\$ 13,405	\$ 13,786
Due to Student Groups	2,329,319	180,100	14,597	2,494,822
Total Liabilities	\$ 2,341,606	\$ 195,004	\$ 28,002	\$ 2,508,608
<b>CENTRAL OFFICE FUND</b>				
Assets:				
Cash and Temporary Investments	\$ 76,844	\$ 1,430	\$ 1,360	\$ 76,914
Other Receivables	110	-	110	-
Total Assets	\$ 76,954	\$ 1,430	\$ 1,470	\$ 76,914
Liabilities:				
Accounts Payable	\$ 76,429	\$ -	\$ -	\$ 76,429
Due to Student Groups	525	1,480	1,520	485
Total Liabilities	\$ 76,954	\$ 1,480	\$ 1,520	\$ 76,914
<b>TOTAL AGENCY FUNDS</b>				
Assets:				
Cash and Temporary Investments	\$ 2,418,450	\$ 168,432	\$ 1,360	\$ 2,585,522
Other Receivables	110	-	110	-
Total Assets	\$ 2,418,560	\$ 168,432	\$ 1,470	\$ 2,585,522
Liabilities:				
Accounts Payable	\$ 76,429	\$ -	\$ -	\$ 76,429
Due to Other Funds	12,287	14,904	13,405	13,786
Due to Student Groups	2,329,844	181,580	16,117	2,495,307
Total Liabilities	\$ 2,418,560	\$ 196,484	\$ 29,522	\$ 2,585,522

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## Schedules Required By the Texas Education Agency

NORTH EAST INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FISCAL YEAR ENDED JUNE 30, 2018

Last 10 Years	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2009 and prior years	Various	Various	\$ Various
2010	1.040000	0.362900	28,644,934,332
2011	1.040000	0.362900	28,112,861,309
2012	1.040000	0.362900	27,944,078,145
2013	1.040000	0.385000	28,059,633,165
2014	1.040000	0.400600	29,429,536,333
2015	1.040000	0.400600	31,549,671,199
2016	1.040000	0.375000	34,350,592,637
2017	1.040000	0.345000	37,314,410,827
2018 (School year under audit)	1.040000	0.325000	39,407,749,915
1000 TOTALS			

Source: Bexar County Tax Assessor/Collector's Office

Current Year Adjustments must be applied to the tax levy after October 1 due to taxpayer protests and valuation adjustments

(10) Beginning Balance 7/1/2017	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 6/30/2018
\$ 2,398,791	\$ -	\$ 35,339	\$ 9,435	\$ (113,334)	\$ 2,240,683
493,686	-	13,062	4,558	(447)	475,619
685,346	-	21,930	7,652	(361)	655,403
576,826	-	21,756	7,591	(8,775)	538,704
650,320	-	26,417	9,779	(23,222)	590,902
758,106	-	38,256	14,736	(32,058)	673,056
961,979	-	22,777	8,773	(111,291)	819,138
1,450,958	-	(842,492)	(303,783)	(1,701,950)	895,283
15,990,200	-	7,233,865	2,399,696	(4,778,775)	1,577,864
-	514,824,935	379,718,902	118,662,158	-	16,443,875
<u>\$ 23,966,212</u>	<u>\$ 514,824,935</u>	<u>\$ 386,289,812</u>	<u>\$ 120,820,595</u>	<u>\$ (6,770,213)</u>	<u>\$ 24,910,527</u>

NORTH EAST INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM  
FOR THE YEAR ENDED JUNE 30, 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	\$ 13,336,151	\$ 12,493,439	\$ 12,514,919	\$ 21,480
5800	State Program Revenues	981,190	728,817	613,001	(115,816)
5900	Federal Program Revenues	23,051,266	20,723,529	20,750,495	26,966
5020	Total Revenues	37,368,607	33,945,785	33,878,415	(67,370)
EXPENDITURES:					
0035	Food Services	37,170,684	33,970,491	32,598,330	1,372,161
0051	Facilities Maintenance and Operations	2,049,848	724,501	670,354	54,147
0052	Security and Monitoring Services	100,000	1,696	696	1,000
6030	Total Expenditures	39,320,532	34,696,688	33,269,380	1,427,308
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,951,925)	(750,903)	609,035	1,359,938
OTHER FINANCING SOURCES (USES):					
7912	Sale of Real and Personal Property	-	610	610	-
1200	Net Change in Fund Balances	(1,951,925)	(750,293)	609,645	1,359,938
0100	Fund Balance - July 1 (Beginning)	11,458,973	11,458,973	11,458,973	-
3000	Fund Balance - June 30 (Ending)	\$ 9,507,048	\$ 10,708,680	\$ 12,068,618	\$ 1,359,938



NORTH EAST INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - DEBT SERVICE FUND  
FOR THE YEAR ENDED JUNE 30, 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	\$ 118,462,821	\$ 118,462,821	\$ 122,761,703	\$ 4,298,882
5800	State Program Revenues	2,300,000	3,500,000	3,504,087	4,087
5900	Federal Program Revenues	1,829,643	1,829,643	1,834,561	4,918
5020	Total Revenues	122,592,464	123,792,464	128,100,351	4,307,887
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	65,715,000	65,715,000	65,715,000	-
0072	Interest on Long Term Debt	55,029,390	54,829,390	54,566,656	262,734
0073	Bond Issuance Cost and Fees	901,000	1,101,000	1,081,760	19,240
6030	Total Expenditures	121,645,390	121,645,390	121,363,416	281,974
1100	Excess of Revenues Over Expenditures	947,074	2,147,074	6,736,935	4,589,861
OTHER FINANCING SOURCES (USES):					
7901	Refunding Bonds Issued	73,850,000	92,850,000	86,595,000	(6,255,000)
7915	Transfers In	-	-	1,850,000	1,850,000
7916	Premium or Discount on Issuance of Bonds	-	-	4,192,100	4,192,100
8940	Payment to Bond Refunding Escrow Agent (Use)	(72,000,000)	(90,000,000)	(90,000,000)	-
7080	Total Other Financing Sources (Uses)	1,850,000	2,850,000	2,637,100	(212,900)
1200	Net Change in Fund Balances	2,797,074	4,997,074	9,374,035	4,376,961
0100	Fund Balance - July 1 (Beginning)	125,624,558	125,624,558	125,624,558	-
3000	Fund Balance - June 30 (Ending)	\$ 128,421,632	\$ 130,621,632	\$ 134,998,593	\$ 4,376,961

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## Statistical Section

# Financial Trend Explanations

In fiscal year 2015, the District implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions. The major effects were as follows:

- A decrease of Government-wide net position of \$86.4 million as a prior period restatement, reflecting the effect of the new standard to the District's June 30, 2014 net position.
- An increase to noncurrent liabilities of \$75.2 million.
- An increase to deferred outflow of resources of \$16.9 million.
- An increase to deferred inflows of resources of \$23.0 million.
- An increase to government-wide expenses of \$6.9 million.

In fiscal year 2018, the District implemented GASB Statement No. 75, Accounting and Financial Reporting for Other Post-Employment Benefits. During the year of implementation, the State of Texas made unscheduled, additional payments into the TRS Care program and also made significant benefit changes to TRS Care. The additional payment combined with the program changes resulted in negative pension expense in the year of implementation and also negative on-behalf revenues. The major effects of the implementation were as follows:

- A decrease of Government-wide net position of \$375.5 million as a prior period restatement, reflecting the effect of the new statement to the District's June 30, 2017 net position.
- An increase to noncurrent liabilities of \$212.7 million.
- An increase to deferred outflow of resources of \$2.7 million.
- An increase to deferred inflow of resources of \$89.0 million.
- Negative operating grants and contributions in the Statement of Activities of \$41.5 million.
- Negative on-behalf accruals of \$112.5 million.
- Change in the OPEB plan that resulted in negative pension expense of \$71.3 for fiscal year 2018.

## Financial Trends

Compiles information reported in the Comprehensive Annual Financial Report over the past ten years. These schedules report how the District's financial position has changed over time.

# North East Independent School District

## Net Position by Component

Last Ten Years

(Unaudited)

	2018	2017	2016	2015
<i>Governmental Activities</i>				
Net Investment in Capital Assets	\$ 49,160,344	\$ 9,008,051	\$ 13,556,511	\$ 337,201
Restricted	138,404,142	130,075,489	126,348,275	102,759,331
Unrestricted	(296,912,590)	11,309,848	4,463,258	3,105,289
<b>Total Governmental Activities Net Position</b>	<b>(109,348,104)</b>	<b>150,393,388</b>	<b>144,368,044</b>	<b>106,201,821</b>
<i>Business - Type Activities</i>				
Net Investment in Capital Assets	5,578,144	5,386,871	5,173,058	9,355,291
Unrestricted	1,455,056	1,747,154	2,861,479	4,378,696
<b>Total Business - Type Activities Net Position</b>	<b>7,033,200</b>	<b>7,134,025</b>	<b>8,034,537</b>	<b>13,733,987</b>
<i>Primary Government</i>				
Net Investment in Capital Assets	54,738,488	14,394,922	18,729,569	9,692,492
Restricted	138,404,142	130,075,489	126,348,275	102,759,331
Unrestricted	(295,457,534)	13,057,002	7,324,737	7,483,985
<b>Total Primary Government Net Position</b>	<b>\$ (102,314,904)</b>	<b>\$ 157,527,413</b>	<b>\$ 152,402,581</b>	<b>\$ 119,935,808</b>

**Source:** The District's Statement of Net Position (Exhibit A – 1).

2014		2013		2012		2011		2010		2009	
\$	2,296,068	\$	22,021,582	\$	47,272,218	\$	(4,823,192)	\$	19,928,986	\$	26,977,086
	100,508,611		142,467,867		115,592,695		152,266,493		142,114,941		132,445,898
	72,911,739		27,472,888		56,328,510		59,172,644		48,301,528		46,417,351
175,716,418		191,962,337		219,193,423		206,615,945		210,345,455		205,840,335	
9,373,978		9,522,349		9,916,449		10,307,998		10,616,869		10,936,825	
5,833,742		6,086,556		4,949,501		3,350,580		1,995,919		816,240	
15,207,720		15,608,905		14,865,950		13,658,578		12,612,788		11,753,065	
11,670,046		31,543,931		57,188,667		5,484,806		30,545,855		37,913,911	
100,508,611		142,467,867		115,592,695		152,266,493		142,114,941		132,445,898	
78,745,481		33,559,444		61,278,011		62,523,224		50,297,447		47,233,591	
\$	190,924,138	\$	207,571,242	\$	234,059,373	\$	220,274,523	\$	222,958,243	\$	217,593,400

North East Independent School District  
Governmental Activities Revenues & Expenses

Last Ten Years  
(Unaudited)

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
<b>Expenses</b>				
<i>Governmental Activities:</i>				
Instruction	\$ 261,489,393	\$ 399,507,523	\$ 408,558,569	\$ 375,521,024
Instructional Resources & Media Services	10,020,881	13,170,476	12,351,156	11,529,428
Curriculum and Staff Development	13,360,477	20,092,302	18,615,983	16,663,996
Instructional Leadership	4,877,721	8,518,737	7,890,497	6,736,551
School Leadership	24,899,231	39,194,083	39,540,096	35,390,638
Guidance, Counseling & Evaluation Services	14,048,265	22,377,644	22,534,649	20,218,076
Social Work Services	2,825,232	4,840,836	4,677,933	4,017,672
Health Services	5,213,509	8,413,065	8,355,502	7,782,708
Student (Pupil) Transportation	15,695,198	21,195,334	22,050,204	20,486,754
Food Services	29,636,992	37,180,571	35,577,329	33,228,511
Cocurricular/Extracurricular Activities	18,405,586	21,573,636	18,737,525	16,990,955
General Administration	8,559,283	13,530,876	12,811,149	11,028,060
Plant Maintenance and Operations	50,547,656	66,840,053	62,485,132	62,443,927
Security and Monitoring Services	3,395,544	5,352,855	5,494,483	4,307,086
Data Processing Services	14,028,833	14,950,097	7,960,840	17,801,725
Community Services	(2,356,534)	642,768	1,042,957	500,935
Debt Service - Interest on Long Term Debt	44,832,347	44,440,208	41,734,262	36,878,928
Debt Service - Bond Issuance Cost and Fees	1,081,760	831,890	1,243,314	13,850,766
Instructional Shared Service Arrangements	36,301	255,805	494,688	406,752
Juvenile Justice Alternative Ed Program	210,568	102,974	79,336	78,657
Property Tax Assessment	2,507,784	2,294,330	2,214,745	2,335,660
<b>Total Governmental Activities Expense</b>	<b>523,316,027</b>	<b>745,306,063</b>	<b>734,450,349</b>	<b>698,198,809</b>
<b>Program Revenues:</b>				
Charges for Services - Instruction	4,406,770	4,189,978	5,165,426	5,094,590
Charges for Services - Food Service	12,341,495	12,767,676	12,684,333	12,858,113
Charges for Services - Cocurricular/ Extracurricular Activities	1,921,658	2,117,170	2,338,735	2,191,998
Charges for Services - Community Services	1,997,666	1,720,110	1,144,364	1,104,186
Charges for Services - Other	1,102,942	1,983,186	1,795,374	1,702,300
Operating Grants and Contributions	(41,459,817)	81,481,294	80,725,582	79,819,596
<b>Total Governmental Activities Program Revenue</b>	<b>(19,689,286)</b>	<b>104,259,414</b>	<b>103,853,814</b>	<b>102,770,783</b>
<b>Net Governmental Activities Revenue/(Expense)</b>	<b>\$ (543,005,313)</b>	<b>\$ (641,046,649)</b>	<b>\$ (630,596,535)</b>	<b>\$ (595,428,026)</b>

**Source:** The District's Statement of Activities (Exhibit B – 1).



	June 30, 2014	June 30, 2013	June 30, 2012	June 30, 2011	June 30, 2010	June 30, 2009
\$	362,123,810	\$ 353,732,386	\$ 362,214,813	\$ 376,479,406	\$ 371,284,490	\$ 370,221,380
	11,199,028	11,901,993	11,264,201	12,323,296	11,927,161	11,466,877
	16,126,028	16,249,269	15,741,780	17,301,176	18,148,005	17,713,747
	6,834,558	6,699,437	6,421,877	7,179,781	7,334,921	7,241,548
	33,846,679	32,016,145	31,110,802	33,019,232	32,584,901	31,854,872
	19,573,975	18,910,505	18,826,969	19,843,188	20,141,865	20,339,981
	3,929,030	4,005,192	3,910,851	4,300,158	4,220,795	3,851,827
	7,790,141	7,562,427	7,304,746	7,921,828	7,264,301	7,174,774
	20,603,626	19,450,575	19,620,934	20,182,957	18,536,672	17,801,756
	33,148,289	33,459,342	31,703,494	30,085,326	28,443,629	26,488,152
	15,678,891	15,278,416	15,185,517	15,038,573	14,947,235	13,183,671
	10,952,520	10,113,105	10,239,863	11,020,485	11,274,090	9,864,270
	58,851,185	56,631,517	55,143,500	58,741,653	58,389,526	55,883,502
	2,912,196	4,300,053	3,697,076	4,467,534	3,899,077	4,103,863
	22,803,154	25,374,479	4,304,519	6,420,067	3,992,606	4,097,008
	381,850	448,031	2,490,482	575,511	575,229	1,248,806
	57,926,047	61,189,556	59,422,600	60,636,418	60,720,709	63,527,081
	7,022,989	357,915	302,919	280,228	281,268	281,768
	623,242	554,734	395,184	375,125	200,986	297,842
	70,506	103,654	129,060	176,333	128,650	9,510
	2,197,327	2,129,848	1,914,188	2,180,987	2,255,319	2,383,284
	694,595,071	680,468,579	661,345,375	688,549,262	676,551,435	669,035,519
	5,149,976	5,194,832	5,498,633	4,477,860	3,916,351	5,061,744
	12,662,275	12,775,694	13,053,012	13,177,449	13,486,056	13,621,294
	2,321,854	2,610,471	2,500,124	2,312,500	1,964,590	1,977,886
	1,181,891	1,002,316	912,809	1,168,935	1,109,892	842,699
	1,693,835	1,724,686	819,350	1,491,891	1,348,220	1,527,317
	76,009,927	74,047,791	93,390,025	102,842,030	103,315,872	74,016,670
	99,019,758	97,355,790	116,173,953	125,470,665	125,140,981	97,047,610
\$	(595,575,313)	\$ (583,112,789)	\$ (545,171,422)	\$ (563,078,597)	\$ (551,410,454)	\$ (571,987,909)

North East Independent School District  
Business – Type Activities Revenues & Expense

Last Ten Years  
(Unaudited)

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
<b>Business - Type Activities</b>				
<i>Expenses</i>				
Property Management	\$ -	\$ -	\$ 4,603,831	\$ 734,221
Uniform Rental	129,651	69,037	16,674	116,708
Community Education	9,252,312	9,033,588	8,618,542	8,000,362
Preschool Program for Children with Disabilities	629,411	597,046	729,733	647,012
North East Aquatics and Tennis	1,023,165	921,851	963,504	771,497
<b>Total Expenses</b>	<b>11,034,539</b>	<b>10,621,522</b>	<b>14,932,284</b>	<b>10,269,800</b>
<i>Charges for Services</i>				
Property Management	-	-	616,234	602,736
Uniform Rental	75,540	69,058	51,891	63,227
Community Education	9,179,971	9,071,163	9,182,638	8,684,821
Preschool Program for Children with Disabilities	670,149	539,804	564,854	600,610
North East Aquatics Team	1,008,054	1,007,745	954,667	805,267
<b>Total Charges for Services</b>	<b>10,933,714</b>	<b>10,687,770</b>	<b>11,370,284</b>	<b>10,756,661</b>
<b>Net Business - Type Activities Revenue/(Expense)</b>	<b>\$ (100,825)</b>	<b>\$ 66,248</b>	<b>\$ (3,562,000)</b>	<b>\$ 486,861</b>

**Source:** The District's Statement of Activities (Exhibit B-1).

June 30, 2014	June 30, 2013	June 30, 2012	June 30, 2011	June 30, 2010	June 30, 2009
\$ 798,889	\$ 745,662	\$ 763,699	\$ 789,220	\$ 783,522	\$ 699,052
71,638	27,471	24,198	41,630	84,854	21,364
7,792,713	6,951,172	6,465,728	6,519,604	6,223,800	5,662,888
649,999	508,685	425,314	308,329	295,147	287,593
751,048	642,481	574,334	654,430	583,008	514,871
10,064,287	8,875,471	8,253,273	8,313,213	7,970,331	7,185,768
763,281	717,187	618,215	962,292	1,075,466	1,015,958
62,341	67,241	62,982	72,219	63,398	57,971
7,914,137	7,647,891	7,663,258	7,353,074	6,659,700	6,278,078
573,617	537,720	466,302	330,058	326,945	287,188
816,419	737,078	697,540	719,099	750,587	653,108
10,129,795	9,707,117	9,508,297	9,436,742	8,876,096	8,292,303
\$ 65,508	\$ 831,646	\$ 1,255,024	\$ 1,123,529	\$ 905,765	\$ 1,106,535

North East Independent School District  
General Revenues and Changes in Net Position

Last Ten Years  
(Unaudited)

	2018	2017	2016	2015
<b>General Revenues and Other Changes in Net Position</b>				
Governmental Activities:				
Taxes				
Property Taxes, Levied for General Purposes	\$ 390,815,343	\$ 371,138,322	\$ 341,926,319	\$ 316,681,845
Property Taxes, Levied for Debt Service	122,125,146	123,125,707	123,255,313	121,999,975
State Aid - Unrestricted Formula Grants	99,617,895	125,126,121	152,196,326	159,179,444
Grants & Contributions not Restricted	20,061,615	15,945,323	23,696,179	6,954,975
Investment Earnings	5,096,736	2,618,560	1,775,298	1,102,680
Miscellaneous Local and Intermediate Revenue	18,830,335	8,151,200	5,726,038	4,457,969
Transfers In (Out)	(5,000)	966,760	2,137,450	1,960,594
	<u>656,542,070</u>	<u>647,071,993</u>	<u>650,712,923</u>	<u>612,337,482</u>
Business-Type Activities				
Transfers In (Out)	-	(966,760)	(2,137,450)	(1,960,594)
Total Primary Government	<u>\$ 656,542,070</u>	<u>\$ 646,105,233</u>	<u>\$ 648,575,473</u>	<u>\$ 610,376,888</u>
<b>Change in Net Position</b>				
Governmental Activities	\$ 113,536,757	\$ 6,025,344	\$ 20,116,388	\$ 16,909,456
Business-Type Activities	(100,825)	(900,512)	(5,699,450)	(1,473,733)
Total Primary Government	<u>\$ 113,435,932</u>	<u>\$ 5,124,832</u>	<u>\$ 14,416,938</u>	<u>\$ 15,435,723</u>

**Source:** The District's Statement of Activities (Exhibit B-1).

2014	2013	2012	2011	2010	2009
\$ 296,557,826	\$ 280,377,773	\$ 280,835,492	\$ 280,283,586	\$ 284,667,647	\$ 285,212,528
114,290,273	103,892,617	98,024,700	97,815,240	99,452,311	99,148,977
160,877,564	154,227,030	169,075,359	171,635,705	159,950,184	148,837,569
7,427,927	7,396,355	7,146,480	5,308,935	1,830,445	967,287
1,541,215	739,398	3,008,213	2,210,106	4,008,550	19,254,830
4,879,436	4,905,166	3,865,677	4,042,857	5,960,395	4,193,648
466,693	88,691	47,652	77,741	46,042	1,713,167
586,040,934	551,627,030	562,003,573	561,374,170	555,915,574	559,328,006
(466,693)	(88,691)	(47,652)	(77,741)	(46,042)	(1,713,167)
\$ 585,574,241	\$ 551,538,339	\$ 561,955,921	\$ 561,296,429	\$ 555,869,532	\$ 557,614,839
\$ (9,534,379)	\$ (31,485,759)	\$ 16,832,151	\$ (1,704,427)	\$ 4,505,120	\$ (12,659,903)
(401,185)	742,955	1,207,372	1,045,788	859,723	(606,632)
\$ (9,935,564)	\$ (30,742,804)	\$ 18,039,523	\$ (658,639)	\$ 5,364,843	\$ (13,266,535)

North East Independent School District

Fund Balances, Governmental Funds

Last Ten Years  
(Unaudited)

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
General Fund				
Nonspendable:				
Inventory	\$ 2,545,558	\$ 2,635,981	\$ 1,754,001	\$ 2,455,320
Unassigned	120,227,689	120,428,463	121,379,578	112,644,911
General Fund Balance	122,773,247	123,064,444	123,133,579	115,100,231
All Other Governmental Funds				
Nonspendable				
Special Revenue Funds	1,870,831	1,711,547	1,580,615	51,430
Permanent Fund	200,000	200,000	200,000	200,000
Restricted:				
Debt Service Fund	122,512,082	115,008,745	103,510,943	90,277,490
Capital Projects Fund	(2,702,348)	-	19,977,421	98,294,312
Special Revenue Fund	11,109,409	10,502,378	10,043,036	9,786,962
Permanent Fund	38,752	37,194	33,643	25,248
Committed				
Capital Projects Fund	-	1,318,177	-	
Special Revenue Fund	23,427,468	6,245,645	3,404,748	3,284,254
Assigned:				
Debt Service Fund	12,486,511	10,615,813	8,817,620	7,004,770
All Other Governmental Funds	1			
Fund Balance	168,942,706	145,639,499	147,568,026	208,924,466
Total Fund Balances	\$ 291,715,953	\$ 268,703,943	\$ 270,701,605	\$ 324,024,697
General Fund				
Beginning Fund Balance	\$ 123,064,444	\$ 123,133,579	\$ 115,100,231	\$ 114,118,514
Net Change in Fund Balance	(291,197)	(69,135)	8,033,348	981,717
Ending Fund Balance	\$ 122,773,247	\$ 123,064,444	\$ 123,133,579	\$ 115,100,231

**Source:** The District's Governmental Funds Balance Sheet (Exhibit C-1).

**Note:** The presentation of fund balance information in this schedule for fiscal years 2010, 2009, and 2008 has been restated from prior year's presentation. The change in presentation is consistent with Guidance in GASB Statement # 54.

June 30, 2014	June 30, 2013	June 30, 2012	June 30, 2011	June 30, 2010	June 30, 2009
\$ 2,398,552	\$ 2,296,690	\$ 2,174,173	\$ 2,039,068	\$ 1,754,001	\$ 1,669,537
111,719,962	111,581,508	114,579,802	87,641,653	70,140,268	59,332,747
114,118,514	113,878,198	116,753,975	89,680,721	71,894,269	61,002,284
965,531	915,105	959,239	693,195	773,685	838,134
200,000	200,000	200,000	-	-	-
88,943,519	82,364,155	82,716,079	88,909,880	76,780,278	72,622,293
246,974,168	48,920,137	43,110,047	104,969,423	154,603,142	354,128,459
8,061,759	8,069,198	8,767,011	9,246,414	8,323,343	6,700,378
17,726	14,594	31,827	-	-	-
-	-	-	1,117,780	-	-
2,946,384	2,769,871	2,680,156	2,523,721	2,285,589	2,462,222
5,404,278	3,764,281	2,048,563	1,342,550	-	-
353,513,365	147,017,341	140,512,922	208,802,963	242,766,037	436,751,486
\$ 467,631,879	\$ 260,895,539	\$ 257,266,897	\$ 298,483,684	\$ 314,660,306	\$ 497,753,770
\$ 113,878,198	\$ 116,753,975	\$ 89,680,721	\$ 71,894,269	\$ 61,002,284	\$ 70,993,011
240,316	(2,875,777)	27,073,254	17,786,452	10,891,985	(9,990,727)
\$ 114,118,514	\$ 113,878,198	\$ 116,753,975	\$ 89,680,721	\$ 71,894,269	\$ 61,002,284

North East Independent School District

Governmental Fund Revenues

Last Ten Years  
(Unaudited)

	2018	2017	2016	2015
Local Revenues				
Property Taxes	\$ 507,527,490	\$ 494,264,029	\$ 464,462,516	\$ 438,545,561
Penalties, Interest and Other Tax Related Income	2,267,490	2,286,993	2,217,575	2,487,181
Investment Income	4,946,315	2,618,560	1,775,298	1,102,680
Food Sales	12,341,495	12,760,917	12,684,333	12,858,113
Cocurricular Student Activities	1,185,558	1,449,684	417,567	1,477,235
Other	29,747,576	14,541,944	13,373,228	10,462,748
Total Local Revenues	558,015,924	527,922,127	494,930,517	466,933,518
State Revenues				
Per Capita and Foundation	99,617,895	125,126,121	152,196,326	159,179,444
Other	35,474,152	33,236,219	31,196,123	31,120,595
Total State Revenues	135,092,047	158,362,340	183,392,449	190,300,039
Federal Revenues	66,465,063	60,881,777	58,823,892	55,653,976
Total Governmental Fund Revenues	\$ 759,573,034	\$ 747,166,244	\$ 737,146,858	\$ 712,887,533

**Source:** The District's Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance and footnotes.



2014	2013	2012	2011	2010	2009
\$ 411,683,914	\$ 387,606,920	\$ 377,955,617	\$ 377,944,850	\$ 382,875,279	\$ 384,163,874
2,426,661	2,287,276	2,467,016	2,878,177	2,824,758	2,995,021
1,508,551	726,547	2,996,407	2,168,184	5,850,374	18,543,846
12,662,275	12,775,694	13,053,012	13,179,571	13,486,056	13,621,294
246,493	2,502,287	1,816,293	1,661,528	1,383,842	1,306,956
11,294,441	9,199,773	9,284,872	8,956,859	8,146,656	9,584,487
439,822,335	415,098,497	407,573,217	406,789,169	414,566,965	430,215,478
160,877,564	19,008,010	169,075,359	171,630,709	158,858,985	153,419,559
26,846,772	159,443,287	35,377,612	32,680,474	32,905,164	28,712,604
187,724,336	178,451,297	204,452,971	204,311,183	191,764,149	182,132,163
56,591,082	57,214,317	64,333,954	75,448,757	73,307,235	41,587,591
\$ 684,137,753	\$ 650,764,111	\$ 676,360,142	\$ 686,549,109	\$ 679,638,349	\$ 653,935,232

North East Independent School District  
Governmental Fund Expenditures by Function

Last Ten Years  
(Unaudited)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Instruction	\$ 353,689,398	\$ 354,655,101	\$ 353,694,315	\$ 346,902,321
Instructional Resources & Media Services	9,384,627	9,504,738	8,671,270	8,621,119
Curriculum & Instructional Staff Development	19,304,595	19,450,178	17,836,249	16,902,450
Instructional Leadership	7,844,616	8,177,598	7,431,833	6,890,101
School Leadership	36,484,516	36,666,252	35,802,208	34,142,116
Guidance, Counseling & Evaluation Services	21,353,261	21,309,426	20,866,500	20,081,912
Social Work Services	4,726,955	4,880,740	4,242,741	4,100,889
Health Services	7,669,645	7,949,573	7,696,544	7,583,670
Student (Pupil) Transportation	22,263,342	20,375,960	18,591,771	18,022,734
Food Services	32,890,763	33,720,023	32,065,563	30,972,062
Cocurricular/Extracurricular Activities	14,809,362	14,567,423	11,714,982	11,003,133
General Administration	13,922,001	13,196,811	12,275,922	11,431,047
Plant Maintenance and Operations	58,968,656	64,212,146	56,546,200	53,096,804
Security and Monitoring Services	4,915,234	5,171,594	4,884,476	4,781,741
Data Processing Services	11,495,550	13,818,260	6,695,003	4,520,579
Community Services	451,518	517,349	547,790	514,023
Debt Service				
Principal on Long-Term Debt	65,715,000	54,000,000	52,055,000	52,580,000
Interest on Long-Term Debt	54,566,656	56,293,651	54,826,387	60,576,951
Bond Issuance Cost and Fees	1,081,760	7,051,890	8,041,497	13,850,766
Capital Outlay				
Facilities Acquisition and Construction	119,202,532	61,444,557	84,119,064	151,300,370
Intergovernmental				
Instructional Shared Service Arrangements	36,301	255,805	494,688	406,752
Juvenile Justice Alternative Ed. Prg.	210,568	102,974	79,336	78,657
Property Appraisal Services	2,507,784	2,294,330	2,214,745	2,335,660
Total Expenditures	<u>\$ 863,494,640</u>	<u>\$ 809,616,379</u>	<u>\$ 801,394,084</u>	<u>\$ 860,695,857</u>
Debt Service as a Percentage of Noncapital Expenditures	16.4%	15.8%	16.1%	17.3%
Capital Outlay as a Percentage of Operating Expenditures	19.1%	13.8%	14.0%	26.0%

**Source:** The District's Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance.

**Note:** Operating expenditures exclude debt service and capital outlay amounts.  
Noncapital expenditures exclude capital outlay amounts noted in Schedule C-4 and detailed in Footnote II B.

<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
\$ 333,015,479	\$ 323,660,059	\$ 329,227,764	\$ 338,450,529	\$ 341,012,154	\$ 328,374,043
8,397,311	8,073,648	8,212,815	9,305,163	8,838,629	8,600,928
16,244,544	16,300,363	15,626,408	17,023,819	17,175,725	16,777,791
6,917,750	6,745,897	6,352,202	7,004,924	7,289,535	7,212,442
32,492,202	30,548,906	29,409,055	30,842,090	31,509,738	30,818,927
19,284,057	18,475,639	18,332,766	19,071,789	19,808,945	20,100,593
3,979,758	4,001,228	3,863,889	4,202,551	4,196,899	3,868,552
7,582,017	7,271,458	6,939,591	7,431,752	7,037,574	6,914,922
18,420,988	17,181,883	17,214,233	17,331,546	16,582,909	15,987,718
30,914,756	31,236,669	29,641,367	27,176,913	26,431,893	24,530,646
9,759,835	9,484,976	9,054,132	9,317,518	9,530,527	9,165,895
11,066,171	10,042,550	10,240,180	10,672,410	11,232,452	10,738,540
52,004,431	49,359,980	50,456,180	52,669,553	51,540,017	50,303,380
4,539,714	4,171,329	4,139,986	4,627,130	4,479,701	4,004,227
4,392,428	4,167,871	3,946,486	5,796,778	3,709,211	3,326,788
447,926	469,574	518,024	552,611	576,291	1,234,332
43,630,000	48,035,000	46,685,000	27,290,000	35,330,000	20,035,000
63,544,462	60,957,674	60,029,974	59,585,817	60,437,916	61,619,960
7,022,989	1,301,423	2,750	365,803	3,790	4,290
88,606,153	109,371,010	65,145,367	85,836,050	204,807,956	189,416,672
623,242	554,734	395,184	375,125	200,986	297,842
70,506	103,654	129,060	176,333	128,650	9,510
2,197,327	2,129,848	1,914,188	2,180,987	2,255,319	2,383,284
<b>\$ 765,154,046</b>	<b>\$ 763,645,373</b>	<b>\$ 717,476,601</b>	<b>\$ 737,287,191</b>	<b>\$ 864,116,817</b>	<b>\$ 815,726,282</b>
19.1%	14.8%	17.6%	13.2%	14.2%	12.5%
15.8%	20.1%	11.9%	15.2%	36.3%	34.8%

North East Independent School District  
Governmental Fund Other Sources, Uses, And Changes in Fund Balance  
Last Ten Years  
(Unaudited)

	2018	2017	2017	2016
Excess of Revenues over (Under) Expenditures	\$ (103,921,606)	\$ (62,450,135)	\$ (64,247,226)	\$ (147,808,324)
Other Financing Sources (Uses)				
Refunding Bonds Issued	86,595,000	58,095,000	58,095,000	107,045,000
Capital-related Debt Issued	125,000,000	55,000,000	55,000,000	6,000,000
Sale of Real and Personal Property	117,904	109,713	109,713	10,487
Transfers In	3,221,275	9,430,337	9,430,337	8,667,597
Premium or Discount on Issuance of Bonds	4,192,100	-	-	4,359,156
Prepaid Interest				
Transfers Out (Use)	(2,192,663)	(4,087,577)	(4,087,577)	(4,323,147)
Payment to Bond Refunding Escrow Agent (Use)	(90,000,000)	(58,095,000)	(58,095,000)	(110,834,959)
Total Other Financing Sources(Uses)	126,933,616	60,452,473	60,452,473	10,924,134
Net Change in Fund Balances	\$ 23,012,010	\$ (1,997,662)	\$ (3,794,753)	\$ (136,884,190)

**Source:** The District's Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances.

2014	2013	2012	2011	2010	2009
\$ (81,016,293)	\$ (112,881,262)	\$ (41,116,459)	\$ (50,738,082)	\$ (184,478,468)	\$ (161,791,050)
533,930,000	154,950,000	79,290,000	-	-	-
-	278,525,000	101,320,000		37,545,000	-
10,964	293,197		1,824	-	-
3,670,177	4,707,933	2,771,943	982,917	2,298,538	2,176,579
60,168,687	28,438,935	26,459,156	-	-	-
		1,155,787	-	-	-
(3,182,583)	(5,234,240)	(3,427,052)	(1,778,265)	(2,563,797)	(791,575)
(590,396,103)	(173,928,192)	(91,059,930)	-	-	-
4,201,142	287,752,633	116,509,904	(793,524)	37,279,741	1,385,004
\$ (76,815,151)	\$ 174,871,371	\$ 75,393,445	\$ (51,531,606)	\$ (147,198,727)	\$ (160,406,046)

North East Independent School District

General Fund Revenues Per ADA

Last Ten Years

(Unaudited)

Fiscal Year	Local and Intermediate Sources				State Sources		
	Local Maintenance Tax	Tuition From Patrons	Other	Total	Per Capita and Foundation	Other	Total
2009	\$ 4,930.39	\$ 22.98	\$ 84.34	\$ 5,037.71	\$ 2,553.39	\$ 377.12	\$ 2,930.51
2010	4,785.61	8.94	63.86	4,858.41	2,658.99	390.85	3,049.85
2011	4,593.71	9.82	62.38	4,665.91	2,791.73	385.33	3,177.06
2012	4,499.24	11.11	62.95	4,573.31	2,682.53	351.87	3,034.40
2013	4,469.59	12.13	66.99	4,548.71	2,415.00	328.40	2,743.40
2014	4,676.96	11.77	63.31	4,752.04	2,508.22	345.72	2,853.94
2015	4,951.62	13.89	65.90	5,031.41	2,467.47	347.95	2,815.43
2016	5,371.64	10.14	100.30	5,482.09	2,377.25	381.51	2,758.76
2017	5,852.62	7.89	84.05	5,944.55	1,958.86	409.43	2,368.28
2018	6,148.41	12.59	108.45	6,269.45	1,567.56	407.80	1,975.36

\* Average Daily Attendance is the average daily attendance of eligible enrollees, District-wide, over the number of instructional days in a school year.

\*\* Average Daily Membership is the average daily enrollment of students, District-Wide, based on the first week of October membership.

**Source:** General Fund revenue was obtained from the Statement of Revenues, Expenditures, and Changes in Fund Balance for each respective year. These amounts were then divided by the ADA amounts in the respective CAFR.

Federal Sources									
Federally Distributed	Vocational and Other	Total	Total All Sources	* Average Daily Attendance	** Average Daily Membership	Ratio of Average Daily Attendance to Average Daily Membership	Percentage Increase of Average Daily Attendance Over Prior Year		
\$ 5.79	\$ 13.36	\$ 19.15	\$ 7,987.38	58,290	61,041	95.49	1.72		
11.55	9.66	21.21	7,929.46	59,744	62,288	95.92	2.49		
57.31	9.10	66.41	7,909.38	61,480	64,351	95.54	2.91		
81.57	14.85	96.42	7,704.13	62,698	65,454	95.79	1.98		
87.56	12.75	100.31	7,392.42	63,642	66,198	96.14	1.51		
102.22	11.09	113.31	7,719.29	63,935	66,662	95.91	0.46		
96.93	12.51	109.44	7,956.28	64,308	67,042	95.92	0.58		
97.98	12.40	110.39	8,351.23	63,848	66,758	95.64	(0.72)		
103.23	14.21	117.44	8,430.28	63,689	66,511	95.76	(0.25)		
204.52	12.37	216.90	8,461.71	63,170	66,147	95.50	(0.81)		

North East Independent School District

General Fund Expenditures Per ADA

Last Ten Years

(Unaudited)

<b>Fiscal Year</b>	<b>Average Daily Attendance</b>	<b>Instruction and Instructional- Related Services</b>	<b>Instructional and School Leadership</b>	<b>Support Services – Student (Pupil)</b>	<b>Administrative Support Services</b>
2009	58,290 \$	5,421.14 \$	634.81 \$	887.26 \$	184.23
2010	59,744	5,099.88	615.67	888.07	188.01
2011	61,480	4,971.63	595.46	871.22	173.10
2012	62,698	4,767.53	553.63	828.34	162.76
2013	63,642	4,937.76	567.93	828.97	155.91
2014	63,935	5,066.46	597.44	867.72	170.85
2015	64,308	5,226.66	620.03	888.14	175.44
2016	63,848	5,410.02	656.13	915.12	190.73
2017	63,689	5,537.63	679.11	949.73	204.57
2018	63,170	5,556.01	679.88	944.09	218.22

**Note:** Average Daily Attendance (ADA) obtained from PEIMS reports via the Texas Education Agency website.

The Per ADA Expenditures are calculated by summing the functional categories (1X, 2X, etc.) from the respective General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance and then dividing by the ADA.



Support Services – Nonstudent Based		Ancillary Services	Facilities Acquisition and Construction	Inter- Governmental Charges	Total
\$	946.25	\$ 5.23	\$ 0.72	\$ 46.16	\$ 8,125.79
	974.26	4.55	-	43.27	7,813.72
	963.93	3.49	0.13	44.44	7,623.41
	905.26	3.14	0.08	38.89	7,259.64
	878.40	2.69	-	43.43	7,415.08
	920.22	2.70	-	44.79	7,670.18
	939.35	2.82	1.14	43.87	7,897.43
	993.62	3.24	60.36	43.68	8,272.91
	1,015.85	3.69	0.55	41.66	8,432.79
	1,011.60	3.16	2.84	43.61	8,459.41

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## Revenue Capacity Information

Provides information regarding the District's major revenue sources (property taxes) and the stability/growth of revenue.

North East Independent School District  
Assessed and Actual Value of Taxable Property  
Last Ten Years  
(Unaudited)

Fiscal Year	Gross Assessed Value			Change in Assessed Value
	Real Property	Personal Property	Total	
2009	\$ 28,803,196,554	\$ 2,808,475,266	\$ 31,611,671,820	9.97 %
2010	29,075,941,298	2,724,171,548	31,800,112,846	0.60
2011	28,607,424,262	2,641,658,304	31,249,082,566	(1.73)
2012	28,537,329,342	2,641,670,412	31,178,999,754	(0.22)
2013	28,752,802,384	2,616,776,085	31,369,578,469	0.61
2014	29,972,255,470	2,758,442,672	32,730,698,142	4.34
2015	32,060,657,066	2,843,845,035	34,904,502,101	6.64
2016	35,674,018,845	3,017,522,460	38,691,541,305	10.85
2017	38,765,978,480	3,166,943,080	41,932,921,560	8.38
2018	41,022,407,667	3,207,611,468	44,230,019,135	5.48

Source: Bexar Appraisal District

**Note:** Texas appraises property at estimated market valuation. Therefore, the assessed valuation is at 100 percent of market value for all years shown.

Gross Assessed Value	Property Tax Exemptions			Net Assessed Value	Total Direct Tax Rate
	State	Local			
31,611,671,820	\$ 2,524,741,516	\$ 480,959,087	\$	28,605,971,217	\$ 1.402900
31,800,112,846	2,704,914,251	450,264,263		28,644,934,332	1.402900
31,249,082,566	2,698,993,941	437,227,316		28,112,861,309	1.402900
31,178,999,754	2,784,842,745	450,078,864		27,944,078,145	1.402900
31,369,578,469	2,862,464,606	447,480,698		28,059,633,165	1.425000
32,730,698,142	2,657,411,858	643,749,951		29,429,536,333	1.440600
34,904,502,101	2,707,438,945	647,391,957		31,549,671,199	1.440600
38,691,541,305	3,690,191,591	650,757,077		34,350,592,637	1.415000
41,932,921,560	3,908,298,183	710,212,550		37,314,410,827	1.385000
44,230,019,135	4,090,832,794	731,436,426		39,407,749,915	1.365000

North East Independent School District  
Direct and Overlapping Property Tax Rates

Last Ten Years  
(Unaudited)

	2018	2017	2016	2015
<b>Direct Tax Rate</b>				
Maintenance and Operations	\$ 1.040000	\$ 1.040000	\$ 1.040000	\$ 1.040000
Interest and Sinking	0.325000	0.345000	0.375000	0.400600
<b>Total Direct Tax Rate</b>	<b>\$ 1.365000</b>	<b>\$ 1.385000</b>	<b>\$ 1.415000</b>	<b>\$ 1.440600</b>
<b>Overlapping Tax Rates</b>				
Alamo Community College District	\$ 0.149150	\$ 0.149150	\$ 0.149150	\$ 0.149150
Bexar County	0.291229	0.293250	0.297500	0.283821
Bexar County Road & Flood	0.012868	0.015700	0.017000	0.030679
San Antonio River Authority	0.017290	0.017290	0.017290	0.017500
University Health System	0.276235	0.276235	0.276235	0.276235
Balcones Heights, City of	0.583000	0.551000	0.539300	0.572199
Bexar County Emergency District # 1	0.100000	0.099571	0.100000	0.100000
Bexar County Emergency District # 3	0.047967	0.045730	0.047763	0.051408
Castle Hills, City of	0.501345	0.501345	0.501345	0.501345
Cibolo Canyons Special Improvement District	0.558270	0.558270	0.558270	0.565690
Hill Country Village	0.145000	0.145000	0.145000	0.095000
Hollywood Park	0.510081	0.510081	0.510081	0.511000
Live Oak, City of	0.443475	0.466837	0.467691	0.510000
San Antonio, City of	0.558270	0.558270	0.558270	0.565690
Terrell Hills, City of	0.347673	0.339538	0.345906	0.370525
Windcrest, City of	0.308092	0.308093	0.334100	0.340900
<b>Total Overlapping Tax Rates</b>	<b>4.849945</b>	<b>4.835360</b>	<b>4.864901</b>	<b>4.941142</b>
<b>Total Direct and Overlapping Tax Rate</b>	<b>\$ 6.214945</b>	<b>\$ 6.220360</b>	<b>\$ 6.279901</b>	<b>\$ 6.381742</b>

**Note:** The District was subject to a maximum Maintenance & Operations Tax Rate of \$1.04 per hundred dollars of assessed valuation without voter approval.

2014		2013		2012		2011		2010		2009	
\$	1.040000	\$	1.040000	\$	1.040000	\$	1.040000	\$	1.040000	\$	1.040000
	0.400600		0.385000		0.362900		0.362900		0.362900		0.362900
\$	1.440600	\$	1.425000	\$	1.402900	\$	1.402900	\$	1.402900	\$	1.402900
\$	0.149150	\$	0.149150	\$	0.141623	\$	0.141623	\$	0.135855	\$	0.135855
	0.296187		0.296187		0.296187		0.296187		0.296187		0.289399
	0.030679		0.030679		0.030679		0.030679		0.030679		0.037467
	0.017798		0.017370		0.017370		0.016652		0.015951		0.015951
	0.276235		0.276235		0.276235		0.276235		0.266235		0.261022
	0.572199		0.572199		0.572199		0.558843		0.510481		0.490729
	0.100000		0.100000		0.100000		0.100000		0.100000		0.100000
	0.050877		0.038628		0.034532		0.034300		0.030772		0.030000
	0.501345		0.501345		0.501345		0.501345		0.458668		0.425801
	0.565690		0.565690		0.565690		0.565690		0.565690		0.567140
	0.095000		0.095000		0.095000		0.095000		0.095000		0.090500
	0.511000		0.536710		0.536710		0.490000		0.490000		0.382261
	0.445401		0.463155		0.477291		0.476783		0.449369		0.405131
	0.565690		0.565690		0.565690		0.565690		0.565690		0.567140
	0.371729		0.385068		0.385068		0.385068		0.391301		0.399293
	0.415231		0.432970		0.436495		0.436495		0.436495		0.436227
	4.964211		5.026076		5.032114		4.970590		4.838373		4.633916
\$	6.404811	\$	6.451076	\$	6.435014	\$	6.373490	\$	6.241273	\$	6.036816

North East Independent School District

Property Tax Levies and Collections

Last Ten Years

(Unaudited)

Fiscal Year	Adjusted Tax		Current Collections	Percentage of Levy	Collections	Total Collections to Date	
	Levy for the Fiscal Year				in Subsequent Years	Amount	Percentage of Levy
2009	\$ 383,486,467	\$ 368,364,241	96.06 %	\$ 14,963,905	\$ 383,328,146	99.96 %	
2010	383,509,163	369,026,838	96.22	14,359,201	383,386,039	99.97	
2011	378,870,806	365,484,001	96.47	13,151,936	378,635,937	99.94	
2012	379,129,486	362,853,349	95.71	15,741,361	378,594,710	99.86	
2013	388,505,226	373,244,230	96.07	13,452,356	386,696,586	99.53	
2014	411,976,768	397,836,294	96.57	11,496,341	409,332,635	99.36	
2015	439,926,797	426,594,188	96.97	9,960,708	436,554,896	99.23	
2016	468,452,343	453,818,126	96.88	(578,141)	453,239,985	96.75	
2017	498,568,320	480,578,120	96.39	9,633,561	490,211,681	98.32	
2018	514,824,935	498,381,060	96.81	-	498,381,060	96.81	

**NOTE:** Negative tax collections result from payment of tax refunds exceeding the total delinquent collections for the fiscal year.



North East Independent School District

Principal Property Taxpayers

Current Year and Nine Years Prior  
(Unaudited)

Name	2018 Assessed Valuation	Percentage of Total Assessed Valuation	2009 Assessed Valuation	Percentage of Total Assessed Valuation	2009 Rank
Methodist Healthcare Systems SA	\$ 297,147,160	0.67%	\$ 147,330,096	0.47%	2
VHS San Antonio PRTNR	271,143,650	0.61%	213,231,830	0.67%	1
HEB Grocery	199,997,246	0.45%	108,466,830	0.34%	4
North Star Mall, Inc.	179,852,000	0.41%	126,602,270	0.40%	3
Wal-Mart	169,192,800	0.38%	79,519,175	0.25%	8
SIR San Antonio (Ridgewood Parkway)	131,537,170	0.30%	NA	NA	NA
Frankel Family Trust	108,975,280	0.25%	102,501,230	0.32%	5
DDR DB SA Ventures, LP	103,751,020	0.23%	NA	NA	NA
Eastgroup Properties LP	88,141,170	0.20%	NA	NA	NA
SVAP II Park North LLC	84,889,650	0.19%	NA	NA	NA
PN Investment Plaze LP	NA	NA	100,866,500	0.32%	6
Santikos Legacy LTD	NA	NA	89,287,541	0.28%	7
AT & T	NA	NA	79,509,980	0.25%	9
MBS-Colonnade LTD	NA	NA	71,778,630	0.23%	10
	<u>\$ 1,634,627,146</u>	3.70%	<u>\$ 1,119,094,082</u>	3.54%	

**Source:** Information for current year Principal Taxpayers was provided by the Bexar Appraisal District. The information for 2009 was obtained from the CAFR for fiscal 2008-2009.

**Note:** No information is presented in either year if the taxpayer was not in the top ten principal taxpayers for that year.

North East Independent School District

Allocation of Tax Rates and Levies

Last Ten Years

(Unaudited)

Fiscal Year	Tax Rates			Tax Levies		
	General Fund	Debt Service Fund	Total	General Fund	Debt Service Fund	Total
2009	\$ 1.040000	\$ 0.362900	\$ 1.402900	\$ 285,951,059	\$ 99,780,422	\$ 385,731,481
2010	1.040000	0.362900	1.402900	287,397,759	100,285,237	387,682,996
2011	1.040000	0.362900	1.402900	282,631,641	98,622,137	381,253,778
2012	1.040000	0.362900	1.402900	282,431,587	98,552,330	380,983,917
2013	1.040000	0.385000	1.425000	283,540,656	104,964,570	388,505,226
2014	1.040000	0.400600	1.440600	297,414,854	114,561,914	411,976,768
2015	1.040000	0.400600	1.440600	317,592,579	122,334,218	439,926,797
2016	1.040000	0.375000	1.415000	344,304,196	124,148,147	468,452,343
2017	1.040000	0.345000	1.385000	374,376,211	124,192,109	498,568,320
2018	1.040000	0.325000	1.365000	392,247,570	122,577,365	514,824,935

Source: Bexar County Tax Assessor/Collector October 1 Tax Roll  
The basis for the property tax rate is \$100 assessed valuation.

## Debt Capacity Information

Provides information on the District's outstanding debt, the District's ability to repay the debt, and its ability to issue additional debt if needed.

North East Independent School District

Outstanding Debt by Type

Last Ten Years

(Unaudited)

Fiscal Year	General Obligation Bonds	Commercial Paper	Total Outstanding Debt	Percentage of Personal Income	Debt Per Capita
2009	\$ 1,352,934,732	\$ -	\$ 1,352,934,732	10.1 %	\$ 3,522
2010	1,318,413,010	-	1,318,413,010	9.2	3,357
2011	1,329,249,909	-	1,329,249,909	9.2	3,352
2012	1,282,544,364	-	1,282,544,364	8.6	3,122
2013	1,377,048,858	-	1,377,048,858	8.5	3,310
2014	1,616,319,231	-	1,616,319,231	9.4	3,738
2015	1,588,110,484	-	1,588,110,484	9.0	3,715
2016	1,472,834,610	6,000,000	1,478,834,610	7.8	3,388
2017	1,398,330,138	61,000,000	1,459,330,138	7.6	3,362
2018	1,323,025,000	96,000,000	1,419,025,000	NA	3,220

**Note:**

General Obligation bonds are those backed by the full credit of the District and that do not have any revenue streams dedicated to their repayment. Currently, all outstanding bonds are considered to be general obligation bonds of the District.

**Source:**

Debt information was obtained from the District's CAFR in the corresponding year. The per capita and personal income information was obtained for San Antonio Metropolitan area from the United States Department of Commerce Bureau of Economic Analysis

NA – Not Available

# North East Independent School District

## Direct and Overlapping Debt

As of June 30, 2018

(Unaudited)

Governmental Unit	Debt Outstanding	As of	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Bexar County	\$ 1,702,665,000	6/30/2018	26.47 %	\$ 450,695,426
City of San Antonio	1,607,955,000	6/30/2018	30.95	497,662,073
University Health System	891,565,000	6/30/2018	26.47	235,997,256
Alamo Community College District	488,500,000	6/30/2018	26.47	129,305,950
Cibolo Canyons Special ID	35,005,000	6/30/2018	35.14	12,300,757
City of Live Oak	18,345,000	6/30/2018	31.05	5,696,123
City of Terrell Hills	8,300,000	6/30/2018	12.09	1,003,470
Hill Country Village	291,000	6/30/2018	100.00	291,000
City of Balcones Heights	197,000	6/30/2018	53.31	105,021
Subtotal, Overlapping Debt				1,333,057,074
District Direct Debt				1,419,025,000
Total Direct and Overlapping Debt				\$ 2,752,082,074

**Source:** The Municipal Advisory Council of Texas (MAC). The MAC provides direct and overlapping debt information at the par value of outstanding bonds for all governmental entities. In order to provide a consistent presentation, the District direct debt value is stated at its par value as shown in Footnote IV F.

**Note:** Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the District. The overlapping percentage represents an estimate of the overlapping geographic area between the District and the respective governments listed above. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses within the boundaries of the District. This process recognizes that, when considering the District's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

# North East Independent School District

## Debt Margin Information

Last Ten Years  
(Unaudited)

	2018	2017	2016	2015
Debt Limit – 10% of Assessed Valuation	\$ 3,940,774,992	\$ 3,731,441,083	\$ 3,435,059,264	\$ 3,154,967,120
Outstanding Bonds	1,323,025,000	1,398,330,138	1,472,834,610	1,588,110,484
Less: Amounts Set Restricted to Repay Debt on Statement of Net Position	115,008,744	103,510,943	92,720,939	91,274,335
Applicable Debt	1,208,016,256	1,294,819,195	1,380,113,671	1,496,836,149
Debt Margin	\$ 2,732,758,736	\$ 2,436,621,888	\$ 2,054,945,593	\$ 1,658,130,971
Debt Margin as a Percentage of the Debt Limit (Debt Margin Divided by Debt Limit)	69.35%	65.30%	59.82%	52.56%
Total Assets per Statement of Net Position	\$ 1,797,639,912	\$ 1,790,047,832	\$ 1,826,631,483	\$ 1,888,235,241
Debt as a Percentage of Assets per Statement of Net Position	73.60%	78.12%	80.63%	84.11%
(Bonds outstanding divided by the amount of assets on the Statement of Net Position)				

**Note:** Texas Statutes do not prescribe a legal debt limit. For comparison purposes, a 10 percent debt limit has been used in this schedule.

2014	2013	2012	2011	2010	2009
\$ 2,942,953,633	\$ 2,805,963,317	\$ 2,794,407,815	\$ 2,811,286,131	\$ 2,864,493,433	\$ 2,860,597,122
1,616,319,231	1,377,048,858	1,282,544,364	1,329,249,909	1,318,413,010	1,318,413,010
84,790,028	81,529,099	67,908,016	54,737,957	49,709,492	56,109,149
1,531,529,203	1,295,519,759	1,214,636,348	1,274,511,952	1,268,703,518	1,262,303,861
\$ 1,411,424,430	\$ 1,510,443,558	\$ 1,579,771,467	\$ 1,536,774,179	\$ 1,595,789,915	\$ 1,598,293,261
47.96%	53.83%	56.53%	54.66%	55.71%	55.87%
\$ 1,668,031,776	\$ 1,621,128,810	\$ 1,652,913,233	\$ 1,649,593,434	\$ 1,701,369,551	\$ 1,713,754,465
96.90%	84.94%	77.59%	80.58%	77.49%	76.93%

North East Independent School District

Debt to Net Assessed Valuation

Last Ten Years

(Unaudited)

Fiscal Year	Average Daily Membership	Estimated Population	Net Assessed Value	Total Bonded Debt
2009	62,288	384,156	\$ 31,611,671,820	\$ 1,352,934,732 *
2010	64,351	392,720	31,800,112,846	1,318,413,010 *
2011	65,454	396,578	31,249,082,566	1,329,249,909 *
2012	66,198	410,746	31,178,999,754	1,282,544,364 *
2013	66,662	415,965	31,369,578,469	1,377,048,858 *
2014	67,042	432,384	29,429,536,333	1,616,319,231 *
2015	66,758	427,521	31,549,671,199	1,588,110,484 *
2016	66,511	436,463	34,350,592,637	1,472,834,610
2017	66,147	434,116	37,314,410,827	1,398,330,138
2018	64,698	440,669	39,407,749,915	1,323,025,000

**Source:** Average Daily membership and Estimated Population information is listed in the Demographic and Economic Information section of the Statistical Section in the following pages. Demographic and Economic schedules in the following section:

Average Daily Membership is the District-wide average daily enrollment of students based on the first week of October membership. Prior years' ADM reflects the average for the entire school year based on a final report of ADA and ADM.

\* Amount includes the accreted portion of capital appreciation bonds.



Restricted For Debt Service	Net Bonded Debt	Net Debt			Net Debt Ratio To Assessed Valuation
		Per Average Daily Membership	Ratio to Assessed Valuation	Per Capita	
\$ 49,709,492	\$ 1,303,225,240	\$ 20,923	4.12	\$ 3,392	4.28
54,737,957	1,263,675,053	19,637	3.97	3,218	4.15
67,908,016	1,261,341,893	19,271	4.04	3,181	4.25
81,529,099	1,201,015,265	18,143	3.85	2,924	4.11
84,790,028	1,292,258,830	19,385	4.12	3,107	4.39
88,943,519	1,527,375,712	22,782	5.19	3,532	5.49
90,277,490	1,497,832,994	22,437	4.75	3,504	5.03
103,510,943	1,369,323,667	20,588	3.99	3,137	4.29
115,008,744	1,283,321,394	19,401	3.44	2,956	3.75
122,512,082	1,200,512,918	18,556	3.05	2,724	3.36

North East Independent School District  
Bonded Debt to Operating Expenditures  
Last Ten Years  
(Unaudited)

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>	<b>Total General Expenditures</b>	<b>Ratio of Debt Service to General Expenditures</b>
2009	\$ 20,035,000 *	\$ 61,624,250	\$ 81,659,250	\$ 473,652,066	17.2
2010	35,330,000 *	60,437,916	95,767,916	466,822,696	20.5
2011	27,290,000 *	59,585,818	86,875,818	468,687,096	18.5
2012	46,685,000 *	60,029,974	106,714,974	455,164,878	23.4
2013	48,035,000 *	60,957,674	108,992,674	471,910,625	23.1
2014	43,630,000 *	67,261,051	110,891,051	490,393,260	22.6
2015	52,580,000 *	60,576,951	113,156,951	507,868,164	22.3
2016	52,055,000	54,824,187	106,879,187	528,208,686	20.2
2017	54,000,000	56,293,651	110,293,651	537,076,062	20.5
2018	65,715,000	52,599,296	118,314,296	534,380,866	22.1

\* Accreted portion of bonds included in principal rather than interest amount for capital appreciation bonds.

**Source:** The District's CAFR.

## Demographic and Economic Information

Provides information regarding the District's socioeconomic environment; specifically, its taxpayers, employers, and the changes to those groups over the past ten years if possible.

North East Independent School District  
Demographic and Economic Information

Last Ten Years  
(Unaudited)

Fiscal Year	Population	Personal Income	Per Capita Personal Income	Unemployment Rate	Assessed Valuation of Taxable Property	Wealth Per ADA
2009	384,156	\$ 13,337,128,008	\$ 34,718	7.2 %	\$ 31,611,671,820	\$ 529,119
2010	392,720	14,353,130,560	36,548	7.6	31,800,112,846	517,243
2011	396,578	14,389,832,730	36,285	8.1	31,249,082,566	498,406
2012	410,746	14,933,492,322	36,357	7.1	31,178,999,754	489,912
2013	415,965	16,230,538,335	39,019	6.7	31,369,578,469	490,648
2014	432,384	17,274,173,184	39,951	5.1	29,429,536,333	457,634
2015	427,521	17,687,398,812	41,372	3.8	31,549,671,199	494,137
2016	436,463	19,001,416,705	43,535	4.0	34,350,592,637	539,349
2017	434,116	19,224,392,944	44,284	3.9	37,314,410,827	590,698
2018	440,669	NA	NA	3.6	39,407,749,915	639,062

**Note:** ADA information is available on the following page.

**Source:** Population estimates are provided as follows:

U.S. Census Bureau's American Community Survey for 2009-2017.

Per capita income information was obtained from the U.S. Department of Commerce Bureau of Economic Analysis. San Antonio metropolitan area information was used to provide consistent historical information in this schedule. The personal income total equals the District's population estimate multiplied by San Antonio metropolitan area per capita income.

Unemployment rate information was obtained from the U.S. Department of Labor Bureau of Labor Statistics website for the San Antonio Metropolitan area.

North East Independent School District

Student Demographic Information

Last Ten Years

(Unaudited)

Fiscal Year	Average Daily Attendance	Percentage Change		Average Daily Membership	Percentage Change		Percentage Economically Disadvantaged Students		Increase/ (Decrease)
2009	59,744	2.49	%	62,288	2.04	%	39.8	%	0.70
2010	61,480	2.91		64,351	3.31		42.7		2.90
2011	62,698	1.98		65,454	1.71		43.3		0.60
2012	63,642	1.51		66,198	1.14		45.1		1.83
2013	63,935	0.46		66,662	0.70		47.3		2.17
2014	64,308	0.58		67,042	0.57		47.8		0.50
2015	63,848	-0.72		66,758	-0.42		46.7		(1.10)
2016	63,689	-0.25		66,511	-0.37		46.2		(0.50)
2017	63,170	-0.81		66,147	-0.55		46.4		0.20
2018	61,665	-2.38		64,698	-2.19		46.4		0.00

**Source:** ADA, ADM, and the percentage of Economically Disadvantaged Students were obtained from Academic Excellence Indicator System and Public Education Management Information System reports from TEA.

**Note:** The economically disadvantaged students equal the percentage of students who were eligible for free and reduced meals at District facilities.

North East Independent School District

Principal Employers

Current Year and Nine Years Ago  
(Unaudited)

Employer	2017		2008		
	Employees	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Joint Base San Antonio (JBSA) (Lackland AFB, Fort Sam Houston Randolph AFB)	75,972	7.46%	59,826	1,3,6	7.18%
H.E.B. Food Stores	22,000	2.16%	19,249	2	2.31%
USAA	17,163	1.69%	14,443	4	1.73%
Northside ISD	13,969	1.37%	12,810	5	1.54%
City of San Antonio	12,231	1.20%	9,830	7	1.18%
North East ISD	9,292	0.91%	8,360	8	1.00%
Methodist Healthcare System	8,960	0.88%	7,496	10	0.90%
San Antonio ISD	7,374	0.72%	9,000	9	1.08%
Baptist Healthcare System	6,432	0.63%	NA		NA
Wells Fargo	6,100	0.60%	NA		NA
	<u>179,493</u>	<u>17.63%</u>	<u>141,014</u>		<u>16.93%</u>
Total Employment	<u>1,018,200</u>		<u>832,800</u>		

**Source:** City of San Antonio Comprehensive Annual Financial Report for the Year Ended September 30, 2017. The current year information was not available.

North East Independent School District  
Commercial and Residential Construction  
Last Ten Years  
(Unaudited)

Year	Commercial Construction		Residential Construction	
	Permits	Value	Permits	Value
2008/2009	5,230	\$ 1,762,510	3,781	\$ 333,144
2009/2010	6,238	1,309,314	4,753	358,401
2010/2011	6,545	1,218,426	4,325	292,067
2011/2012	7,468	1,888,065	4,573	319,130
2012/2013	6,662	2,065,217	5,286	373,400
2013/2014	6,906	2,697,057	5,057	400,746
2014/2015	7,475	2,087,275	5,817	436,781
2015/2016	7,947	2,752,803	4,182	446,790
2016/2017	7,851	2,288,771	4,745	470,767
2017/2018	9,773	2,631,706	4,736	814,864

Source: City of San Antonio Development Services Department

All values in thousands (\$000s).

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## Operating Information

Provides information on the District's employees, operations of the District, and facilities.

North East Independent School District  
Employees by Full Time Equivalent by Job Function  
Last Ten Years  
(Unaudited)

	2018	2017	2016	2015
Professional Staff				
Teachers	4,306.1	4,309.4	4,323.2	4,314.8
Professional Support	985.9	988.7	956.2	942.7
Campus Administration	209.4	207.5	209.0	207.5
Central Administration	47.0	28.0	25.0	25.0
Total Professional Staff	<u>5,548.4</u>	<u>5,533.6</u>	<u>5,513.4</u>	<u>5,490.0</u>
Educational Aides	685.1	683.6	684.4	679.1
Auxiliary Staff	<u>2,319.6</u>	<u>2,337.7</u>	<u>2,401.0</u>	<u>2,354.2</u>
Total Staff	<u><u>8,553.1</u></u>	<u><u>8,554.9</u></u>	<u><u>8,598.8</u></u>	<u><u>8,523.3</u></u>
Pupil to Teacher Ratio	15.4	15.7	15.7	15.8
<b>Teachers by Population Served</b>				
Regular Education	3,039.8	3,064.7	3,132.3	3,111.1
Career and Technology	145.9	140.3	134.6	117.9
Bilingual/ESL	109.1	101.3	90.3	101.5
Compensatory Education	138.9	137.0	116.4	142.6
Gifted and Talented	72.6	68.5	64.3	64.6
Special Education	466.4	453.2	439.1	439.0
Other	333.4	344.4	346.2	336.9
<b>Total</b>	<u><u>4,306.1</u></u>	<u><u>4,309.4</u></u>	<u><u>4,323.2</u></u>	<u><u>4,313.6</u></u>

**Source:** Current year information is from Public Education Information Management System (PEIMS) Reports submitted to TEA. All other data obtained via Academic Excellence Indicator System (AEIS) Reports obtained from TEA's Web site. Minor differences between this schedule and those on the internet are due to rounding.

**Note:** Professional Support includes librarians, counselors, school nurses, etc.

2014	2013	2012	2011	2010	2009
4,258.8	4,286.4	4,299.0	4,376.7	4,373.9	4,310.8
905.8	859.9	869.8	885.9	904.5	908.0
206.0	196.5	191.5	193.9	194.1	189.0
8.0	8.0	7.0	8.0	10.0	10.0
<u>5,378.6</u>	<u>5,350.8</u>	<u>5,367.3</u>	<u>5,464.5</u>	<u>5,482.5</u>	<u>5,417.8</u>
684.8	668.5	683.3	698.5	715.3	742.5
<u>2,386.5</u>	<u>2,371.2</u>	<u>2,366.6</u>	<u>2,394.6</u>	<u>2,355.5</u>	<u>2,346.9</u>
<u>8,449.9</u>	<u>8,390.5</u>	<u>8,417.2</u>	<u>8,557.6</u>	<u>8,553.3</u>	<u>8,507.2</u>
16.0	15.8	15.7	15.2	14.9	14.7
3,099.6	3,170.0	3,052.8	3,099.0	3,002.0	2,753.4
114.9	107.3	112.8	118.1	139.0	150.1
99.5	89.2	187.6	197.8	156.5	356.7
108.2	99.2	97.0	106.0	98.1	82.6
66.5	67.8	68.1	72.7	67.8	72.6
432.8	422.4	452.0	443.6	581.6	585.3
337.3	330.4	328.7	339.6	328.8	310.2
<u>4,258.8</u>	<u>4,286.3</u>	<u>4,299.0</u>	<u>4,376.8</u>	<u>4,373.8</u>	<u>4,310.9</u>

# North East Independent School District

## Teacher Salary Comparison

Last Ten Years

(Unaudited)

Fiscal Year	Minimum Salary	Maximum Salary	State Minimum Salary	State Maximum Salary
2009	\$ 45,500	\$ 63,503	\$ 27,320	\$ 44,270
2010	46,440	57,990	27,320	44,270
2011	46,440	57,990	27,320	44,270
2012	46,000	57,990	27,320	44,270
2013	46,634	58,474	27,320	44,270
2014	47,284	58,974	27,320	44,270
2015	49,288	60,078	27,540	44,620
2016	50,000	60,665	28,080	45,510
2017	51,100	61,276	28,080	45,510
2018	51,100	61,276	28,080	45,510

**Source:** State Minimum Salary information obtained from TEA Web site. The District's salary information obtained from the District's Department of Human Resources.

**Note:** Salary information shown above is for teachers with a Bachelor's degree. Teachers with a Master's degree earn an additional \$1,800. Teachers with a doctorate earn \$1,500 above the master's degree stipend.

The District's maximum salary represents the maximum amount paid to teachers with 25 or more years of experience who begin employment with the District. Teachers who were employed with the District earning more than \$57,990 annually as of 2009 were grandfathered at their existing rate of pay.

North East Independent School District

Operating Statistics

Last Ten Years

(Unaudited)

Fiscal Year	Average		Governmental		Cost		Government			
	Daily Attendance		Operating Expenditures		Per Pupil	Percent Change	Wide Operating Expenses		Cost Per Pupil	Percent Change
2009	59,744	\$	544,650,360	\$	9,116	2.25 %	\$ 605,226,670	\$	10,130	4.33 %
2010	61,480		563,537,155		9,166	0.55	615,549,458		10,012	(1.17)
2011	62,698		564,209,521		8,999	(1.83)	627,632,616		10,010	(0.02)
2012	63,642		545,613,510		8,573	(4.73)	601,619,856		9,453	(5.57)
2013	63,935		545,613,510		8,534	(0.46)	618,921,108		9,680	2.40
2014	64,308		562,350,442		8,745	2.47	629,646,035		9,791	1.14
2015	63,848		582,387,770		9,121	4.31	647,469,116		10,141	3.57
2016	63,689		602,352,136		9,458	3.69	691,472,773		10,857	7.06
2017	63,170		630,826,281		9,986	5.59	700,033,965		11,082	2.07
2018	61,665		269,202,993		4,366	(56.28)	477,401,920		7,742	(30.14)

Source: CAFR

**Note:** Operating expenditures and expenses exclude any debt service or capital transactions as reflected in functions 71 through 81.

# North East Independent School District

## Fidelity Bonds

Current Year  
(Unaudited)

<b>Positions Covered</b>	<b>Amount of Bond</b>
Superintendent	\$ 1,000,000
Associate Superintendents	1,000,000
Executive Director of Finance & Accounting	1,000,000
Senior Director of Accounting and Payroll	1,000,000
Senior Director of Budgets and Financial Analysis	1,000,000
Executive Director of Procurement and eCommerce	1,000,000
Senior Director of Risk Management	1,000,000
Staff Accountants	1,000,000
Applications Team Leader – Finance	1,000,000
Investment Officer	1,000,000
Applications Team Leader – Students	1,000,000
Systems Analysts	1,000,000
Computer Programmers	1,000,000
Workers' Compensation Claims Manager	1,000,000
Payroll Manager	1,000,000
Bookkeepers – Secondary Schools	1,000,000
Bookkeepers – Elementary Schools	1,000,000
Other Employees	1,000,000

The District purchases blanket crime coverage that covers all employees. The \$1,000,000 limit is in the aggregate for all covered positions within the coverage period. Each occurrence has a \$10,000 deductible.

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# North East Independent School District

## School Building Information

Last Ten Years  
(Unaudited)

	2018	2017	2016	2015
<b>Elementary Schools</b>				
Number of Locations	46	46	46	46
Square Footage	4,408,706	4,408,706	4,388,030	4,294,855
Enrollment	30,762	30,762	31,097	31,493
<b>Middle Schools</b>				
Number of Locations	14	14	14	14
Square Footage	2,609,620	2,609,620	2,517,248	2,403,490
Enrollment	15,053	15,053	15,142	15,337
<b>High Schools</b>				
Number of Locations	8	8	8	8
Square Footage	3,673,018	3,673,018	3,645,826	3,251,900
Enrollment	21,716	21,716	21,458	21,141
<b>Other Learning Facilities</b>				
Square Footage	210,513	187,926	187,926	187,926
<b>Athletic Facilities</b>				
Square Footage	201,972	201,972	183,732	183,732
<b>Administration</b>				
Square Footage	147,456	147,456	147,456	147,456
<b>Support Facilities</b>				
Square Footage	329,425	350,323	350,323	350,323
<b>District Totals</b>				
Number of Locations	68	68	68	68
School Square Footage	10,901,857	10,879,270	10,739,030	10,138,171
Total Square Footage	11,580,710	11,579,021	11,420,541	10,819,682
Enrollment	66,101	67,531	67,697	67,971

**Source:** The District's Department of Budgets and Financial Analysis and AEIS Reports.



2014	2013	2012	2011	2010	2009
46	46	44	44	42	42
4,294,855	4,299,003	4,045,758	4,045,758	3,587,513	3,587,513
31,798	31,786	31,734	31,647	31,357	30,496
13	13	13	13	13	13
2,188,779	2,159,822	2,159,822	2,159,822	2,128,016	2,128,016
15,544	15,516	15,377	15,050	14,837	14,475
8	8	8	8	8	8
3,251,900	3,267,633	3,267,633	3,267,633	2,997,475	2,997,475
20,863	20,599	20,328	19,907	19,304	18,481
187,926	167,546	167,546	167,546	168,696	168,696
183,732	183,732	183,732	183,732	183,732	147,213
147,456	147,456	147,456	147,456	147,456	147,456
354,046	354,046	354,046	354,046	354,046	320,014
67	67	65	65	63	63
9,923,460	9,894,004	9,640,759	9,640,759	8,881,700	8,881,700
10,608,694	10,579,238	10,325,993	10,325,993	9,566,934	9,496,383
68,205	67,901	67,439	66,604	65,498	63,452

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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  
North East Independent School District  
San Antonio, Texas

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of North East Independent School District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 12, 2018. Our report includes a reference to other auditors who audited the financial statements of North East Education Foundation, a discretely presented component unit, as described in our report on the District's financial statement. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance or other matters that are reported on separately by those auditors. The financial statements of North East Education Foundation were not audited in accordance with *Government Auditing Standards*.

### **Internal Control over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

ABIP, PC

San Antonio, Texas  
November 12, 2018

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

Board of Trustees  
North East Independent School District  
San Antonio, Texas

**Report on Compliance for Each Major Federal Program**

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

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

## ***Opinion on Each Major Federal Program***

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

## **Report on Internal Control over Compliance**

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

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

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

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

ABIP, PC

San Antonio, Texas  
November 12, 2018

North East Independent School District  
Schedule of Findings and Questioned Costs  
For The Year Ended June 30, 2018

**SECTION I --- SUMMARY OF AUDITORS' RESULTS**

<b>Financial Statements</b>			
	Type of auditor's report issued:	Unmodified	
	Internal control over financial reporting: • Material weakness(es) identified?	Yes	X No
	• Significant deficiency(ies) identified not considered to be material weaknesses?	Yes	X None Reported
	Noncompliance material to financial statements noted?	Yes	X No

<b>Federal Awards</b>			
	Internal control over major programs: • Material weakness(es) identified?	Yes	X No
	• Significant deficiency(ies) identified not considered to be material weaknesses?	Yes	X None Reported
	Type of auditor's report issued on compliance for major programs	Unmodified	
	Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	Yes	X No

<b>Identification of Major Programs</b>			
	<b>CFDA Numbers(s)</b>	<b>Name of Federal Program or Cluster</b>	
	84.027 84.173 84.367	Special Education Cluster IDEA – Part B, Formula IDEA – Part B, Preschool ESEA, Title II, Part A	
Dollar threshold used to distinguish between Type A and Type B programs:		\$1,574,601	
Auditee qualified as low-risk auditee?		X Yes No	

North East Independent School District  
Schedule of Findings and Questioned Costs  
For The Year Ended June 30, 2018

**SECTION II --- FINANCIAL STATEMENT FINDINGS**

There were no financial statement findings required to be reported in accordance with **Government Auditing Standards**.

**SECTION III --- FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None.



North East Independent School District  
Summary Schedule of Prior Audit Findings  
For The Year Ended June 30, 2018

There were no prior audit findings reported.

NORTH EAST INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2018

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>GENERAL SERVICES ADMINISTRATION</b>			
<u>Passed Through Texas Facilities Commission</u>			
Federal Surplus Property	39.003		\$ 7,468
Total Passed Through Texas Facilities Commission			7,468
<b>TOTAL GENERAL SERVICES ADMINISTRATION</b>			7,468
<b>U.S. DEPARTMENT OF DEFENSE</b>			
<u>Direct Programs</u>			
ROTC	12.000		626,443
Total Direct Programs			626,443
<b>TOTAL U.S. DEPARTMENT OF DEFENSE</b>			626,443
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<u>Direct Programs</u>			
Impact Aid - P.L. 81.874 (Note A)	84.041		155,282
Total Direct Programs			155,282
<u>Passed Through Education Service Center Region 10</u>			
McKinney-Vento Homeless Education	84.196A	17-002	3,202
McKinney-Vento Homeless Education	84.196A	18-026	101,160
Total CFDA Number 84.196A			104,362
Total Passed Through Education Service Center Region 10			104,362
<u>Passed Through Education Service Center Region 20</u>			
Adult Education & Family Literacy Continuation	84.002A	220472702	41,718
Adult Education & Family Literacy Continuation	84.002A	220472802	645,159
Total CFDA Number 84.002A			686,877
Total Passed Through Education Service Center Region 20			686,877
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	17610101015910	1,109,849
ESEA, Title I, Part A - Improving Basic Programs	84.010A	18610101015910	11,766,004
ESEA, Title I, Part A - Priority & Focus School Gra	84.010A	1761011201591000	22,162
ESEA, Title I, Part A - Priority & Focus School Gra	84.010A	1861012301591000	95,794
Total CFDA Number 84.010A			12,993,809
*IDEA - Part B, Formula	84.027A	176600010159106600	146,126
*IDEA - Part B, Formula	84.027A	186600010159106600	10,067,453
SSA - IDEA-Part B, Discr Deaf	84.027A	17610112015910000	(2,130)
IDEA-B Discretionary Deaf	84.027A	186600110159106673	104,087
Total CFDA Number 84.027A			10,315,536
*IDEA - Part B, Preschool	84.173A	176610010159106610	20,416
*IDEA - Part B, Preschool	84.173A	186610010159106610	218,340
Total CFDA Number 84.173A			238,756
Total Special Education Cluster (IDEA)			10,554,292
Career and Technical - Basic Grant	84.048A	17420006015910	10,102
Career and Technical - Basic Grant	84.048A	18420006015910	579,140
Carl D. Perkins Career Clusters	84.048A	42001855	74,755
Total CFDA Number 84.048A			663,997

NORTH EAST INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2018

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
SSA - IDEA, Part C - Early Intervention (Deaf)	84.181A	173911010159103911	5
Title III, Part A - English Language Acquisition	84.365A	18671003015910	100,820
Title III, Part A - English Language Acquisition	84.365A	1769450101015910	46,044
Title III, Part A - English Language Acquisition	84.365A	18671001015910	760,635
Total CFDA Number 84.365A			907,499
ESEA, Title II, Part A, Supporting Effective Instr	84.367A	186945677110013	3,137
ESEA, Title II, Part A, Supporting Effective Instr	84.367A	17694501015910	302,850
ESEA, Title II, Part A, Supporting Effective Instr	84.367A	18694501015910	1,228,884
Total CFDA Number 84.367A			1,534,871
Summer School LEP	84.369A	69551602	9,094
Title IV, Part A, Subpart 1	84.424A	18680101015910	155,466
Temporary Emergency Impact Aid	84.938C		357,354
Total Passed Through State Department of Education			27,176,387
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<b>28,122,908</b>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<u>Passed Through Education Service Center Region 20</u>			
Temporary Assistance for Needy Families (TANF)	93.558	223475702	9,897
Temporary Assistance for Needy Families (TANF)	93.558	223475802	41,169
Total CFDA Number 93.558			51,066
Total Passed Through Education Service Center Region 20			51,066
<u>Passed Through Texas Dept of Human Services</u>			
Medicaid Administrative Claiming Program - MAC	93.778		137,367
Total Passed Through Texas Dept of Human Services			137,367
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<b>188,433</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Direct Programs</u>			
Farm to School Grant Program	10.575	CN-F25-PLN-15-TX-13	3,429
Total Direct Programs			3,429
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	00085	3,757,681
*National School Lunch Program - Cash Assistance	10.555	00085	15,698,826
*National School Lunch Prog. - Non-Cash Assistance	10.555	00085	2,443,716
Total CFDA Number 10.555			18,142,542
Child & Adult Care Food Program - Cash Assistance	10.558	00085	1,207,904
*Summer Feeding Program - Cash Assistance	10.559	00085	412,314
*Non Cash Assistance - Summer Feeding Program	10.559	00085	17,585
Total CFDA Number 10.559			429,899
Total Child Nutrition Cluster			23,538,026
Total Passed Through the State Department of Agriculture			23,538,026
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<b>23,541,455</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 52,486,707</b>

\*Clustered Programs

North East Independent School District  
Notes to Schedule of Expenditure of Federal Awards  
For the Year Ended June 30, 2018

1. For all federal programs, the District uses the fund types specified in the TEA's *Financial Accountability System Resource Guide*.

**General Fund** – is used to account for, among other things, resources related to the United States Department of Defense ROTC program, Texas Facilities Commission, and the United States Department of Education's Impact Aid.

**Special Revenue Funds** – are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund. Generally, unused balances are returned to the grantor at the close of specified project periods.

2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All federal grant funds were accounted for either in the General Fund or in the Special Revenue Funds, components of the Governmental Fund Types. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing resources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for the Governmental Fund Types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual (i.e., both measurable and available), and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are generally considered to be earned to the extent of expenditures made under the provisions of the grant and, accordingly, when such funds are received, they are recorded as deferred revenues until earned.

3. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in the Uniform Guidance.

North East Independent School District  
Notes to Schedule of Expenditure of Federal Awards  
For the Year Ended June 30, 2018

4. The National School Breakfast and Lunch Programs and the USDA donated commodities are accounted for in the nonmajor governmental funds. The Impact Aid, Texas Facilities Commission, and ROTC programs are accounted for in the General Fund. Expenditures are not specifically attributable to these revenue sources and are shown on this schedule in an amount equal to revenue for balancing purposes only. The revenue for indirect costs is recognized in the General Fund.
5. The District elected not to use the 10 percent de minimis indirect cost rate.
6. The expenditures shown on the Schedule of Expenditures of Federal Awards (SEFA) does not equal to total federal revenues shown on Exhibit C-3 by the amount of federal revenue recorded in various funds as shown below. These amounts are not subject to the Single Audit Act and are not required to be included in the SEFA.

Amount reported on the Schedule of	
Expenditures of Federal Awards	\$ 52,486,707
SHARS Revenue reported in the General Fund	9,381,124
E-Rate Revenue reported in the Capital Projects Fund	2,762,656
CTE Makeover Challenge Prize	15
Tax Credit Revenue reported in the Debt Service Fund	1,834,561
Federal Program Revenue Reported on Exhibit C-3	<u>66,465,063</u>
 E-Rate Revenue reported in the Internal Service Funds	 703,541
Federal Program Revenue Reported on Exhibit D-2	<u>703,541</u>
 Total Federal Program Revenue	 <u>\$ 67,168,604</u>

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