



**Arlington**  
INDEPENDENT SCHOOL DISTRICT  
*More Than a Remarkable Education*

**ArlingtonISD**  
**BOND 2014**



AISD Dan Dipert CTC Dedication



Crow Elementary Addition



Sam Houston High School Cafeteria Addition



Martin High School Auditorium

**Comprehensive Annual Financial Report**  
For the Fiscal Year Ended June 30, 2018  
Arlington, Texas



**Comprehensive  
Annual Financial Report**

**For the Fiscal Year Ended  
June 30, 2018**

**ARLINGTON INDEPENDENT SCHOOL DISTRICT**

1203 W. Pioneer Pkwy, Arlington, TX 76013

**Prepared By The Finance Department:**

**Cindy Powell, CPA  
Chief Financial Officer**



**ARLINGTON INDEPENDENT SCHOOL DISTRICT**  
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# Arlington

INDEPENDENT SCHOOL DISTRICT  
*More Than a Remarkable Education*



## **INTRODUCTORY SECTION**



**Arlington**  
INDEPENDENT SCHOOL DISTRICT  
*More Than a Remarkable Education*

**ARLINGTON INDEPENDENT SCHOOL DISTRICT  
Board of Trustees and Administration**

**BOARD OF TRUSTEES**

Dr. Aaron Reich	President
Mr. John Hibbs	Vice President
Mrs. Kecia Mays	Secretary
Ms. Polly Walton	
Mrs. Melody Fowler	
Mr. Justin Chapa	
Mr. Bowie Hogg	

**SUPERINTENDENT**

Marcelo Cavazos, Ph.D.

**CHIEF ACADEMIC OFFICER**

Steven Wurtz, Ph.D.

**CHIEF FINANCIAL OFFICER**

Cindy Powell, CPA

**ASSISTANT SUPERINTENDENT OF ADMINISTRATION**

Michael Hill

**ASSISTANT SUPERINTENDENT OF TECHNOLOGY**

Chad Branum

**ASSISTANT SUPERINTENDENT OF HUMAN RESOURCES**

Scott Kahl

**SENIOR AREA SUPERINTENDENT**

A. Tracie Brown

**AREA SUPERINTENDENT- AREA 1**

Christi Buell, Ed.D.

**AREA SUPERINTENDENT- AREA 2**

Beth Hollinger

**AREA SUPERINTENDENT- AREA 3**

Theodore Jarchow, Ed.D.

**EXECUTIVE DIRECTOR OF FINANCE**

Tony Drollinger

**DIRECTOR OF ACCOUNTING**

Alice Hamrick, CPA

**DIRECTOR OF BUDGET/CASH MANAGEMENT**

Mandy Mew

**CHIEF INTERNAL AUDITOR**

Timothy Edwards, CIA, CFE

**ARLINGTON INDEPENDENT SCHOOL DISTRICT**  
**Board of Trustees and Administration (continued)**

**BOARD OF TRUSTEES**

**Aaron Reich – President**

Dr. Reich has served on the Board since May of 2009. He has lived in Arlington for 26 years and is married with two children, both products of AISD. He and his wife of 25 years have two businesses in Arlington; a CPA practice (his wife, Debra J. Freiheit, CPA, MS) and TRINU Healthcare (a professional development, education and consulting firm for healthcare). Dr. Reich has been an invited lecturer on a local, state and national level. He received his Doctor of Pharmacy degree from Creighton University, Omaha, Nebraska and came to Texas via his post graduate residency at UT MD Anderson Cancer Center in Houston.

Dr. Reich has served on many non-profit Boards of Directors and committees, mostly related to his professional practice and healthcare education. He is an active parent, President and co-founder of Positive Influence, a non-profit organization dedicated to parental and father figure involvement programs for primary and secondary education. He serves as President of the Board of Directors for Theatre Arlington, Director for Arlington Children's Toys, ex-officio member of the Greater Chamber of Commerce and is a member of the First United Methodist Church, Ft. Worth. He enjoys his family, community advocacy, the outdoors, and traveling.

**John Hibbs – Vice President**

Mr. Hibbs was elected to the Board in May 2010. He has worked in the eye care industry for more than 26 years and currently is the National Accounts Manager for Contamac Optics located in the UK. He is also a licensed Contact Lens Examiner. Mr. Hibbs is a 1985 graduate of Texas Christian University where he received a B.A. degree.

John Hibbs and his wife Mary, have been married for 33 years. They have one son and two daughters, all of whom have attended the Arlington Independent School District. Prior to being elected to the School Board, John received both the PTSA Lifetime Membership and PTSA Extended Life Membership awards for his volunteerism within the AISD. He received the Girls Inc. of Tarrant County Strong Man of the Year award. He currently serves as a director for the Arlington Children's Toy Charities Board and serves in a leadership role in the Children's Ministry at Lake Arlington Baptist Church. His passion is his family and the community he serves.

**Kecia Mays – Secretary**

Kecia Mays was elected to the Board in 2014. She has been married for 21 years and has three sons. Mrs. Mays graduated from Texas A&M University with a BBA in Accounting and is a Supervisor who has been employed with the Texas Comptroller of Public Accounts - Audit Division for over 27 years.

Mrs. Mays has served in a leadership capacity for several local PTAs and is currently a Field Service Rep for Texas PTA. She has received the PTA Life Membership and PTA Extended Life Membership Awards. Mrs. Mays has served on the Board for the Dream Weaver Foundation, Black Former Students Association of Texas A&M University and the Arlington Education Foundation. She currently serves on the Board for the Arlington Life Shelter, Dental Health Arlington and Arlington –United Way Advisory Board. Kecia Mays enjoys attending her sons sporting events, going to the movies and spending time with her extended family.

**ARLINGTON INDEPENDENT SCHOOL DISTRICT**  
**Board of Trustees and Administration (continued)**

**BOARD OF TRUSTEES (continued)**

**Justin Chapa**

Mr. Chapa was appointed to the Board on an interim basis in September 2017 and elected to a one year term in May 2018. He and his wife, Anna, are Arlington natives, graduates of Sam Houston High School, and parents of AISD students. Mr. Chapa earned a Bachelors in Government, with honors, from Harvard University, a Masters in Education from the Stanford Graduate School of Education, and a Juris Doctorate from Stanford Law School. He works as an attorney at the law firm of Morgan, Lewis & Bockius LLP and has been named a "Rising Star" in Appellate Law and Civil Litigation Defense by Super Lawyers, a publication of Thomson Reuters. Before attending Stanford, Mr. Chapa taught 12th Grade Government and Economics at Rivera High School in Brownsville, Texas, through Teach for America, and he still holds a Texas teaching certificate in Social Studies.

Mr. Chapa has a long history of service to the Arlington and AISD community. He currently serves on the Board of Directors of United Way of Tarrant County and previously served on the Boards of Directors of the Arlington ISD Education Foundation, the Arlington Public Library Foundation, and Leadership Arlington, through which he helped direct the Youth Leadership Arlington Program. Before joining the Board, Mr. Chapa served on the AISD's Financial Futures Committee, Citizens Bond Oversight Committee, and Capital Needs Steering Committee. He was also selected by the Arlington City Council for the City of Arlington's Comprehensive Plan Advisory Committee. Along with a friend, Mr. Chapa co-founded a scholarship program for seniors at Sam Houston High School that has awarded over \$25,000 since its inception in 2007.

**Melody Fowler**

Melody Fowler was elected to the Board in 2018. She has been married for 24 years and has one son that is a graduate of AISD. Mrs. Fowler graduated from the University Of Texas At Austin with a BA in English and Texas Woman's University with an MA in English. She has taught for 30 years in both public school and at the college level. She currently teaches at Tarrant County College Southeast campus.

Mrs. Fowler has served in a leadership capacity for several local PTAs and received the PTA Life Membership Award. She is a member of the Arlington Rotary Club, the Greater Arlington Chamber of Commerce, and serves as a Senator on the TCC SE Faculty Association.

**Bowie Hogg**

Bowie Hogg was elected to the board in May of 2008 and is a product of the Arlington schools from kindergarten through high school graduation. Mr. Hogg graduated from The Mays Business School at Texas A&M University with a Bachelors of Business Administration degree. Mr. Hogg also represented Arlington and the Dallas-Fort Worth metroplex by being chosen out of 216,000 applicants to appear on the original edition of the Emmy nominated television show, The Apprentice. Mr. Hogg is a healthcare executive with Alight Solutions LLC, also currently serving on the Board of Downtown Arlington Management Corp. Mr. Hogg also served his community as a Board member for the United Way of Tarrant County, Leadership Arlington, Theatre Arlington, Chamber of Commerce, and the Advisory Board for the Arlington Life Shelter and Junior League Arlington. Mr. Hogg's passions are education, healthcare and community service with his two daughters and wife who is a former 5<sup>th</sup> grade teacher.

**ARLINGTON INDEPENDENT SCHOOL DISTRICT**  
**Board of Trustees and Administration (continued)**

**BOARD OF TRUSTEES (continued)**

**Polly Walton**

Polly Walton, elected to the Board in May 2015, is a retired AISD elementary teacher and librarian. She has lived in Arlington for 46 years and been involved with the AISD all 46 years as an educator, parent, and grandparent. She is currently active with Retired Teachers, Director of the Friends and Foundation of Arlington Public Library Board, and a Director of her homeowners' association. During her years of teaching, she was an active member of three teacher organizations, CTA, TSTA, and UEA, serving as president of all three.

Ms. Walton's degrees, a Bachelors and a Masters of Education are from Southern Methodist University, and Library Science is from Texas Woman's University. She has served in leadership roles on civic organizations including the City Arts Grants Review Board, the Board of Creative Arts Theatre and School (CATS), and PTA, including eight years on the Arlington Council of PTAs. Ms. Walton's two children graduated from AISD. She has three grandchildren, one who is now a student in the AISD.

**ADMINISTRATION**

**Dr. Marcelo Cavazos –Superintendent**

Dr. Marcelo Cavazos started his teaching career as an English teacher in the Mission Consolidated ISD in 1990. In 1992, he moved to McAllen ISD where he taught English and government. He was named the secondary language arts supervisor for Mercedes ISD in 1993 and became associate adviser for San Benito Consolidated ISD in 1995. Cavazos went to work for the Texas Education Agency Department of School Finance and Support in 1998.

He joined the AISD in 1999 as associate superintendent for instruction and served as interim deputy superintendent for seven months before being named deputy superintendent in February 2009. He has previously served as a lecturer for the University of Texas at Arlington's Department of Educational Leadership and Policy Studies. Cavazos served as interim superintendent for six months before being named superintendent Dec. 6, 2012. He holds a bachelor's and a master's degree from the University of Texas – Pan American and a doctorate from the University of Texas at Austin.

In addition to his professional accomplishments, Cavazos is active in the community. He is on the TASB Risk Management Fund Board, SafeHaven of Tarrant County Board, United Way of Tarrant County Board Executive Committee, Workforce Solutions for Tarrant County Board, River Legacy Foundation Board, and the Arlington ISD Education Foundation Board. He's an ex-officio member of the Arlington Chamber of Commerce Board. Cavazos is a member of the Rotary Club of Arlington, an associate member of the Greater Arlington Lions Club, a Lifetime Supporting Member of the Texas Lions Camp, a Melvin Jones Fellow with Lions Club International Foundation, a member of the Knights of Columbus and active at St. Matthew Catholic Church. He received the 2009 Arlington MLK Celebration Sharing the Dream Award for Education, the 2012 YMCA Citizen of the Year Award, the 2012 Educator Award from the Asian-American Chamber of Commerce, the 2013-2014 Elks Distinguished Citizenship Award from the Arlington Elks Lodge No. 2114, the 2016 Seat 21 Honoree by the Texas Rangers Baseball Foundation, the 2016 Texas Superintendent of the Year and was the Texas nominee for the 2017 AASA Superintendent of the Year Award. He has been married to Nora for 19 years; his children Theresa and Diego attend school at Arlington High School and Key Elementary.

**ARLINGTON INDEPENDENT SCHOOL DISTRICT**  
**Board of Trustees and Administration (continued)**

**ADMINISTRATION (continued)**

**Dr. Steven Wurtz– Chief Academic Officer**

Dr. Steven Wurtz has served Arlington ISD as the Chief Academic Officer since October 2014. Prior to that within AISD, he led as an Area Superintendent of Elementary Schools supervising 26 schools and providing executive coaching to campus principals to facilitate implementation of research-based instructional leadership practices. Dr. Wurtz served in various administration positions with Grand Prairie ISD and Irving ISD. His teaching experience included service as both an elementary bilingual/ESL and Gifted and Talented teacher. Dr. Wurtz holds a bachelor's degree in Spanish from Brigham Young University and a master's degree in Educational Leadership and Policy Studies from the University of Texas at Arlington. In 2010, he earned a doctorate from Dallas Baptist University in Educational Leadership.

As Chief Academic Officer, he is responsible for developing and collaboratively actualizing the district's learning framework designed to empower and engage all students through relevant, innovative and rigorous learning experiences. He facilitates the articulation of the district's instructional and curricular direction, is responsible for the development and supervision of campus and academic service department leaders and ensures the efficient operation and implementation of academic systems aligned with the district's adopted strategic plan.

Dr. Wurtz currently serves on the Texas Learning Collaborative and was formerly a member of the state board of directors and state advocacy committee for the Texas Elementary Principals and Supervisors Association (TEPSA). He served as the president-elect for the TEPSA 10 Board and second vice president for the TEPSA District 11 board. Dr. Wurtz is a member of the TEPSA, ASCD, serves as a member of district lead staff for the Texas School Alliance and as a district representative for the Arlington/Holdsworth Center Steering Committee.

**Cindy Powell – Chief Financial Officer**

Cindy Powell has been AISD's Chief Financial Officer (previously titled Associate Superintendent of Finance) since October 2008. Mrs. Powell was originally hired in September 1993 as the District's first Internal Auditor. She served in that capacity for three years. Mrs. Powell then was named Director of Accounting in 1996 and held that position for three years before being named Executive Director of Finance in 1999. Before joining Arlington ISD, Mrs. Powell was a staff auditor for KPMG and an internal auditor for Ford Bank Group and Lubbock ISD. She has 32 years total experience in public accounting, private sector auditing, and governmental accounting. She graduated from Texas Tech University with a BBA in Accounting and is a Certified Public Accountant.

**ARLINGTON INDEPENDENT SCHOOL DISTRICT**  
**Board of Trustees and Administration (continued)**

**ADMINISTRATION (continued)**

**Michael Hill – Assistant Superintendent of Administration**

Michael Hill was named Assistant Superintendent of Administration in February of 2013. He started his teaching career in 1996 as an Economics/Government teacher in the Union Parish School System in Louisiana. In 1997 he moved to Fort Worth ISD where he taught and coached at Paschal High School. In 2002 he moved to Arlington ISD and taught and coached at Bowie High School. Later he moved into administration at Bowie High School as an assistant principal, serving in that capacity for 3 years. Mr. Hill then became the Academic Associate Principal at Timberview High School in the Mansfield ISD. He served in that capacity for a little less than two years before returning to Arlington ISD as the principal at Juan Seguin High School. He served in that capacity from January 2011 until February 2013. Mr. Hill is currently pursuing his Doctorate in k-12 Leadership at Dallas Baptist University with an anticipated graduation date of December 2019. He holds a master's degree in Educational Leadership and Policy Studies and a superintendent certification from the University of Texas at Arlington and a bachelor's degree from Grambling State University in Louisiana.

**Chad Branum – Assistant Superintendent of Technology**

Chad Branum was named Assistant Superintendent of Technology for Arlington ISD in May 2013. He started his career in the business sector and transitioned to education in 1999 with Coppell ISD. He served in several roles for Coppell ISD with the most recent being the Executive Director of Technology for 12 years. He is actively involved with Educational Technology organizations from around the country. He holds a bachelor's degree from Texas A&M University and a master's degree from Western Michigan. Additionally, Chad obtained the Certified Education Technology Leader (CETL) certification in the summer of 2014 from the Consortium for School Networking (CoSN). The CETL certification is based upon the Framework of Essential Skills of K-12 CTO and demonstrates the knowledge and skills necessary to be an effective and visionary technology leader.

**Scott Kahl -- Assistant Superintendent of Human Resources**

Scott Kahl has served as the Assistant Superintendent of Human Resources for Arlington ISD since January of 2014. Prior to his current role, Scott was the Human Resources Manager for Ecolab in Irving, Texas. Additional experiences include his position as the Human Resources Manager of Parker Hannifin's Fort Worth facility and approximately 15 years at National Semiconductor in Arlington where he last served as the Human Resources Director. His previous experiences with the school district include multiple years as a Board Member of the Arlington ISD Education Foundation and as a community member serving on the curriculum committee. He has also served multiple previous terms as a Board Member for the Tarrant County Workforce Board. Scott is certified by the Human Resources Certification Institute as a Senior Professional in Human Resources. He has a Bachelor's degree in Industrial Psychology from St. Mary's College of California and a Master of Science degree in Industrial Psychology from San Francisco State University.



**ARLINGTON INDEPENDENT SCHOOL DISTRICT**  
**Board of Trustees and Administration (continued)**

**ADMINISTRATION (continued)**

**A. Tracie Brown – Senior Area Superintendent**

A. Tracie Brown was appointed Area Superintendent on June 26, 2015. Prior to joining Arlington ISD, Ms. Brown served in Dallas Independent School District for 18 years, most recently as an Executive Director in which she supervised and coached a K-12 feeder pattern of schools, including alternative education campuses. In 2010-11, Ms. Brown left DISD to help launch SMU's Ed-Entrepreneur Center with the Teaching Trust. As Leadership Development Director, she worked collaboratively with SMU to construct a Master's degree program for those who wanted to specialize in urban school leadership. Ms. Brown also served as founding principal of C.A. Tatum Jr. Elementary School (a blue-ribbon nominated school) and S.S. Conner Elementary School in Dallas and as Assistant Principal and Dean of Instruction at Mata Elementary and Hood Middle School. Ms. Brown was a secondary Reading/Language Arts teacher for 7 years before joining administration. Ms. Brown most recently received a promotion to Senior Area Superintendent and now supervises the Department of School Leadership. Ms. Brown received a Bachelor of Science degree in Mass Communications from Texas Woman's University and a Master of Science in Educational Leadership from Texas A&M-Commerce. She is a doctoral student at Southern Methodist University in Educational Policy and Leadership.

**Christi Buell– Area Superintendent- Area 1**

Christi Buell has served as an Area Superintendent since February 2014. Prior to that, she was a Principal at Mary Moore Elementary in Arlington ISD. She has also served as an Executive Director of School Leadership in Dallas ISD, Dallas, Texas; a Principal Coach, Curriculum Supervisor and Elementary Principal in Hillsborough County, Tampa, Florida; an Elementary Principal in Millard Public Schools, Omaha, Nebraska; a K-8 Principal in Franklin Special School District, Franklin, Tennessee; an Elementary Principal in Wylie ISD, Wylie, Texas; and an Assistant Principal and Elementary Teacher in Garland ISD, Garland, Texas. She holds a bachelor's degree from Texas A&M University, a master's degree from East Texas State University and a doctorate from Texas A&M University-Commerce. She also holds both Mid-Management and Superintendent Certifications.

**Beth Hollinger – Area Superintendent- Area 2**

Beth Hollinger has served as an Area Superintendent since July 2017. Prior to that, she was a Leadership Executive Director of elementary and secondary campuses for Fort Worth ISD, principal at Lily B. Clayton and Burton Hill Elementary in Fort Worth ISD. She was also a curriculum writer and staff developer with literacy and advanced academics for elementary and secondary curriculum as well as an elementary and middle school teacher in Fort Worth ISD. She has experience teaching summer school for middle school students as well as English I students in high school. Mrs. Hollinger has a bachelor's degree from Tarleton State University, a master's degree from Texas Wesleyan University, and is currently working on her doctorate from Texas Christian University with plans to graduate in December 2018. She also holds both Mid-Management and Superintendent Certifications.

**ARLINGTON INDEPENDENT SCHOOL DISTRICT**  
**Board of Trustees and Administration (continued)**

**ADMINISTRATION (continued)**

**Theodore Jarchow – Area Superintendent- Area 3**

T. J. Jarchow was appointed Area Superintendent on January 18th, 2018. Prior to joining Arlington ISD, Dr. Jarchow served in the Fort Worth Independent School District for 18.5 years, most recently as an Executive Director of Secondary School Leadership in which he supervised and coached middle and high school principals. Dr. Jarchow served as High School Principal at Southwest High School from 2013-2015 leading the school to six academic distinctions from the state. From 2007-2013 he was principal at Wedgwood Middle School leading a team of educators to move a low performing school through a sustained turnaround. He was an assistant principal at Dunbar High School for three years, and during this time led the successful opening of a ninth grade center on the campus. He was a secondary history teacher and coach for five years at the middle and high school level before becoming an administrator. Dr. Jarchow received his Bachelor of Science Degree in Secondary Education from Kansas State University. Both his Masters and Doctorate degrees are in Educational Administration from Texas Christian University. He also holds both Mid-Management and Superintendent Certifications.

**Tony Drollinger – Executive Director of Finance**

Tony Drollinger originally came to the District in October 1996 as the District's Internal Auditor. After serving in that capacity for three years, he was named Director of Accounting in 1999, and then was named Executive Director of Finance in November of 2008. Prior to coming to the District, Mr. Drollinger worked four years as a financial consultant and software trainer for Texas Educational Consultative Services (TECS) in Austin. Before that time Mr. Drollinger spent five years working for the Texas Education Agency in the areas of School Audits and PEIMS. He is a graduate of Texas State University with a BBA in Accounting. He is a member of the Texas Association of School Business Officials and the Government Finance Officers Association, and was nominated and currently serves on the Accounting and Auditing Advisory Committee of the Texas Education Agency.

**Alice Hamrick – Director of Accounting**

Alice Hamrick was hired as the Director of Accounting in March 2015. Prior to joining the District, she worked five years as the Executive Director of Finance for Castleberry ISD. She has an additional seven years of experience working in Director level positions within Finance and Payroll at various independent school districts. Prior to working in school finance, she worked twelve years in internal auditing and accounting with state agencies, federal contractors, and private corporations. She graduated from Texas A&M with a BBA in Accounting and is a Certified Public Accountant.

**Mandy Mew – Director of Budget and Cash Management**

Mandy Mew has worked with Public School Finance since 1988. She was the Chief of School Finance for the North Carolina Department of Public Instruction until moving to Texas in 2000. After moving to Texas she worked for the Fort Worth ISD and the Hurst-Euleless-Bedford ISD. In July, 2010 she moved to Arlington ISD as the Director of Budget and Cash Management. Ms. Mew graduated from Wake Forest University. She is also a graduate of the Education Policy Fellowship Program, sponsored by the Institute for Educational Leadership.

**ARLINGTON INDEPENDENT SCHOOL DISTRICT**  
**Board of Trustees and Administration (continued)**

**ADMINISTRATION (continued)**

**Tim Edwards – Chief Internal Auditor**

Tim Edwards was appointed as the Chief Internal Auditor for AISD in December 2010. Previously, he served as the Chief Internal Auditor for a university system, was the Senior Manager of Corporate Audit for a Fortune 500 corporation, and led the start-up of an Internal Audit function for the largest real estate association management company in the country. Mr. Edwards has a BBA degree in Corporate Finance and is a Certified Internal Auditor and Certified Fraud Examiner.

**CERTIFICATE OF THE BOARD**

Arlington Independent School District

Name of School District

Tarrant

County

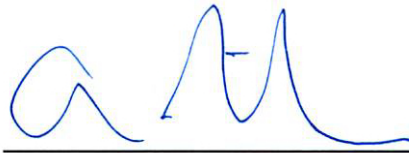
220-901-11

Co. - Dist. No.

We, the undersigned, certify that the attached auditors' reports of the above named school district were reviewed and X approved \_\_\_ disapproved for the year ended June 30, 2018, at a meeting of the board of school trustees of such school district on the 15th day of November, 2018.



Signature of Board Secretary



Signature of Board President



November 15, 2018

To the Board of Trustees and Citizens of the Arlington Independent School District:

The Texas Education Code requires that all independent school districts file a complete set of financial statements within 150 days of the close of each fiscal year with the Texas Education Agency (“TEA”). The financial statements must be presented in conformity with generally accepted accounting principles (“GAAP”), and must be audited by a firm of licensed certified public accountants in accordance with generally accepted auditing standards. Pursuant to that requirement we hereby issue the comprehensive annual financial report of the Arlington Independent School District (“District” or “AISD”) for the fiscal year ended June 30, 2018.

This report consists of management’s representations concerning the finances of the District. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To the best of our knowledge and belief, we assert that this financial report is complete and reliable in all material respects.

The District’s financial statements have been audited by Whitley Penn, LLP, a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2018, are free of material misstatement. The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the District’s financial statements for the fiscal year ended June 30, 2018, are fairly presented in conformity with GAAP. The independent auditors’ report is presented as the first component of the financial section of this report.

GAAP also requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (“MD&A”). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The District’s MD&A can be found immediately following the report of the independent auditors.

The independent audit of the financial statements is part of a broader, federally-mandated “Single Audit” designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government’s internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports may be found in the Federal Awards section of this report.

## **District Profile**

The Arlington Independent School District was established as a political subdivision of the State of Texas and incorporated in 1902. It lies halfway between Dallas and Fort Worth and serves students in four cities - the City of Arlington, the Tarrant County portion of the City of Grand Prairie, the Town of Pantego, and the City of Dalworthington Gardens. It is fully accredited by the TEA and is regulated by the Texas Education Code as established by the Texas State Legislature. The District is not a component unit of any other entity, nor does it have any component units within its overall structure.

The Arlington Independent School District is the 11<sup>th</sup> largest school district in Texas. The District currently operates six traditional high schools, one early college high school, one career and technical center, 10 junior high schools, 52 traditional elementary schools, two fine arts/dual language academies, a pre-kindergarten campus and three alternative schools. During the 2017-18 school year the District employed 8,284 full-time equivalent staff members of which 4,150 were classroom teachers. Enrollment for the 2017-18 year was 61,076 as reported to the State through the Public Education Information Management System (“PEIMS”). This enrollment figure represents a decrease of approximately 1.8% from the enrollment figure reported through PEIMS the previous year. Enrollment for 2018-19 is expected to be 60,269 at the fall PEIMS snapshot date which is 1.3% less than the 2017-18 official enrollment. All academic and extracurricular programs are supported by a highly qualified, culturally-diverse teaching staff. The average pupil-teacher ratio was 15 to 1 throughout the District. Texas law mandates that no more than 22 students be assigned to one classroom teacher in kindergarten through grade four.

The age of the District’s facilities varies greatly. In 2013, The District performed a facilities assessment to evaluate the physical condition and educational adequacy of all facilities. The 2014 Bond Program addresses deficiencies identified through the assessment. Details of the bond program are discussed below in the Major Initiatives section. This bond program is expected to provide for the District’s facilities needs through at least the year 2019.

The mission of the Arlington Independent School District is to empower and engage all students to be contributing, responsible citizens striving for their maximum potential through relevant, innovative and rigorous learning experiences. To this end, the District provides regular, special education, career/technology, gifted/talented, and bilingual/ESL curricula in order to meet the needs of the diverse student population. Additionally, a broad range of electives, extra-curricular, and concentrated advanced academic programs are also offered to enhance learning opportunities beyond core curriculum. AISD currently offers the International Baccalaureate World School Program at four of its high schools. The District also offers an Advanced Placement program that gives students the opportunity to graduate with 30 or more college credits and also offers dual-credit choices so that students at each high school can take advantage of earning on-site AISD and Tarrant County College credits. The district does not administer or fund any charter schools.

### Governance

The District is under the control and management of a board of seven trustees, each of whom is elected by the District’s registered voters to serve a three year term. All of the trustees are elected at-large and serve without compensation. The elections are staggered so that not all positions are voted on during the same year.

In general, the Board adopts policies, sets direction for curriculum, employs the Superintendent and oversees the operations of the District and its schools. Besides general Board business, Trustees are charged with numerous statutory regulations including appointing the tax assessor/collector, calling trustee and other school elections and canvassing the results, organizing the Board and electing its officers. The Board is also charged with setting the tax rate, acting on real property matters, setting salary schedules, acting as a board of appeals in personnel and student matters, confirming recommendations for textbook adoptions, and adopting and amending the annual budget.

## **Local Economy**

Arlington's diverse economy and unique location within the D/FW Metroplex drive the city's growth. Arlington hosts employers from a variety of industries, including defense contractors, an automobile manufacturer, high tech companies, higher education institutions, major finance companies, medical facilities and entertainment companies. The area's major transportation systems afford area businesses easy access to cities throughout the world. Arlington is only fifteen minutes from D/FW International Airport, one of the busiest airports in the world. Interstate Highways 20 and 30 are the major east/west arteries through the city. Access to Interstate Highway 35, traversing the United States from Mexico to Canada, is also convenient. Rail transportation is available for both public transportation and freight. Arlington is known as the "Entertainment Capital of Texas." Each year approximately 6.8 million people visit Arlington. The four main entertainment attractions are: Six Flags Over Texas amusement park; Globe Life Park, home of the Texas Rangers baseball team; Six Flags Hurricane Harbor water park; and AT&T Stadium, home of the Dallas Cowboys. AT&T Stadium has hosted numerous NFL and college games, major concerts, the 2010 NBA All Star game, the Cotton Bowl, Super Bowl XLV, and the 2014 NCAA Final Four. The 2015 NCAA football championship game was played at AT&T Stadium in January 2015.

## **Relevant Financial Policies**

### *Factors affecting financial control*

Management of the District has established a comprehensive internal control framework that is designed both to protect the District's assets from loss, misuse or theft, and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable assurance rather than absolute assurance that the financial statements will be free from material misstatement.

### *Budgetary Control*

The annual budget serves as the foundation for the District's financial planning and control. Texas State law requires the Board president to call a Board meeting for the purpose of discussing and adopting the budget and the tax rate. A notice of this meeting must be published at least 10 days but not more than 30 days before the public meeting. The budget must be adopted prior to June 30.

The District maintains budgetary controls throughout all of its financial systems. The objective of budgetary controls is to ensure compliance with legal provisions embodied in the official budget adopted by the Board. The Board adopts an official budget for the General Fund, Natural Gas Special Revenue Fund, Debt Service Fund, Capital Projects Fund and Food Service Fund. In accordance with procedures prescribed by the State Board of Education, budget amendments that affect the total amount in a fund or functional spending category must be approved by the Board prior to expenditure of funds. The functional level is specified by Board policy as the legal level of budgetary control. Budgetary control is maintained at the organizational level by the encumbrance of estimated purchase amounts prior to the release of purchase orders to vendors. Outstanding encumbrances at the end of the fiscal year are an assignment of fund balance and are treated as expenditures in the subsequent year upon receipt of goods and services.

## Major Initiatives

### 2016-2021 Achieve Today. Excel Tomorrow. Strategic Plan

In January 2016, the AISD Board of Trustees adopted the 2016-2021 *Achieve Today. Excel Tomorrow. Strategic Plan*. This plan articulates a singular goal to graduate 100% of Arlington ISD students exceptionally prepared for college, career, and citizenship. To accomplish this goal, strategies have been designed and implemented within four broad performance objective categories including:

- Academic achievement
- College readiness
- Workforce readiness
- Leadership, Citizenship and Responsibility

The 2016-2021 *Achieve Today. Excel Tomorrow. Strategic Plan* is designed to be a detailed roadmap for students, staff and community that defines where we want to be and how we will get there. The plan does this while maintaining the district commitment to utilize our resources in the most efficient way possible. Our goal is to strategically implement the designed strategies in a manner that fosters continuous improvement and maximizes student access to innovative learning opportunities thereby supporting students in meeting their personal achievement goals.

### Learning Framework

With our mission focused squarely on maximizing our students' potential through relevant, innovative, and rigorous learning experiences, the AISD collaboratively developed the Arlington ISD Active Learning Cycle™, an instructional framework and the 7<sup>th</sup> and final step in the Teach for Understanding Planning Cycle™. This framework is centered on the design of the actual daily experience students have in the classroom as a result of a purposeful instructional plan. As students prepare for post-secondary life, it is vital that they not only master the academic content, but also acquire the necessary soft skills needed to be successful in college, career and life. These skills include modeling responsible citizenship, being self-directed, collaborating with others, thinking critically to solve real-world problems and communicating effectively with others. Through implementation of the Arlington ISD Active Learning Cycle, students are being provided ownership of their learning through experiences that are designed to facilitate their growth and development of these key life-ready skills through academic content. Currently, 15 campuses are implementing the framework system-wide with ongoing professional learning and job-embedded coaching support.

### Curriculum and Instruction

The District underwent a comprehensive curriculum audit in spring 2013. The curriculum management audit is a third-party examination of the curriculum design and delivery system of a school or school district. A curriculum audit is designed to reveal the extent to which officials and professional staff of a school district have developed and implemented a sound, valid and operational system of curriculum management. Such a system, set within the framework of adopted board policies, enables the school district to make maximum use of its human and financial resources in the education of its students. When fully operational, the system assures fiscal optimization while supporting positive student outcomes. In an effort to continuously improve and to ensure our students have access to a guaranteed and viable curriculum, the Academic Services division is currently rewriting all core content areas in grades K-2 as well as revising documents in alignment with the state's updated Texas Essential Knowledge and Skills. These documents clearly establish learning targets including an articulated learning progression, meaningful resources, opportunities to monitor students' progress toward mastery, etc.



### World Languages

In an effort to provide our learners with opportunities to prepare for employment in a global market, Arlington ISD has implemented programming focused on effective second language acquisition and cultural competency. Programming has been designed with an intended pathway that leads students towards language mastery beginning in the early childhood years and continuing through high school completion. In alignment with the District's core value of access for students, the world languages department is working to strategically expand dual language programs for elementary students throughout the system. Additionally, students will have opportunities to participate in Foreign Language at the Elementary School (FLES) at selected locations giving elementary learners the chance to engage in Languages Other Than English (LOTE) and acquire up to one full high school foreign language credit by the end of the sixth-grade year.

### Leadership Development

Arlington ISD believes that its success depends on quality teaching and learning as well as effective leadership. Therefore, as part of the 2016-2021 *Achieve Today. Excel Tomorrow*. Strategic Plan, the District is working to enhance the core leadership competencies of leaders throughout the system. To accelerate this objective, the District has partnered with The Holdsworth Center, an Austin-based organization focused on providing world-class leadership development to support sustained transformational learning experiences and outcomes for students in the classroom. This is a completely grant-funded relationship through the generosity of H.E.B. Texas Grocery Stores and their CEO Charles Butt.

As part of the work this year, the District launched the locally developed Arlington ISD Leadership Definition which articulates that key skills and behaviors will drive all future leadership development. Additional talent-management structures currently being collaboratively developed in alignment with the definition include a data management system for the identification of leadership potential, an identification and selection process for campus-based leadership as well as communication and recognition systems.

### Schools of Choice

In an effort to bring quality programming to our students and to diversify their choice with regards to educational opportunities, the Arlington ISD is currently developing additional programming scheduled to open in fall 2019. These programs include:

- *Crow Leadership Academy*  
This elementary campus will provide students with a rich learning experience, a strong focus on leadership development and its direct connection to service learning. Students will be provided a strong academic experience through the Primary Years International Baccalaureate Program (PYP) and have opportunities to leverage their leadership skills focused on service through a global worldview.
- *Pearcy STEM Academy*  
With the growing need for students to prepare themselves for future careers requiring skills in the areas of science, technology, engineering and mathematics, Pearcy Elementary is launching a new STEM academy for students in grades 4-6 beginning August 2019. Implementation will progress through the lower grades annually with full implementation grades K-6 by the fall 2021. At the academy, students will be exposed to learning where they will have the opportunity to apply skills and knowledge to solve real-world STEM related problems.
- *Wimbish World Language Academy*  
In response to the growing need for students to be prepared to enter the workforce in an international market, the Arlington ISD will be launching a new elementary World Languages Academy. This program will provide elementary students with access to two dual language tracks, namely Spanish and French, with opportunities for additional culture and language development leading to high school credit as well as a future Seal of Bi-literacy on the high school diploma.

- *New Early College High School*  
Following the incredible success of the early college high school model, Arlington ISD will be opening its second early college high school in fall 2019 with a unique focus on career and technical education. Students in this program will have an opportunity to earn one of two associates' degrees (Associate of Arts degree or Associates of Applied Science) along with unique workforce certifications in the areas of Health Science, Hospitality and Business.

#### 2014 Bond Program

On May 10, 2014, voters approved a \$663.1 million bond proposition. Proceeds of the bond issue are being used to build new facilities, upgrade and renovate existing facilities, address safety and security district-wide, upgrade technology infrastructure and equipment, provide fine arts equipment, and purchase new buses and white fleet vehicles.

The 2017-18 fiscal year was the fourth year of the five-year bond program. Construction was completed on the new Dan Dipert Career and Technical Center and a new districtwide Agricultural Science Center, and both operated during the 2017-18 school year. These two new facilities, in collaboration with our higher education partners, will provide an expansion of technical dual credit and industry certification coursework for students and families across the district.

Currently, the AISD has broken ground on the Fine Arts and Athletic Centers which will provide students with access to high quality fine arts and athletics facilities in support of best-in-class programming district-wide. These two facilities are scheduled to open in fall 2020.

#### Other Major Initiatives

In alignment with the district's strategic plan, the team launched the Social and Emotional Learning department with a concentration on the development and implementation of an SEL framework that focuses on educating the whole child through the integration of four areas: academics, school-based counseling, implementation Positive Behavioral Interventions and Supports (PBIS) and student outreach services.

Finally, other major initiatives include the expansion of blended learning and workforce opportunities as well as college preparation offerings including Advanced Placement (AP) and International Baccalaureate (IB) with additional support for success on college entrance exams such as PSAT, SAT, and ACT.

### **Long-term Financial Planning**

The Board recognizes the significance of adopting balanced budgets, sustaining a healthy fund balance, and long-range financial planning. To these ends, the Board has adopted a policy that sets forth parameters for annual budget development and targets the unassigned General Fund fund balance at two-months of operating expenditures. The parameters include prioritizing resources into programs that promote student achievement growth, maintaining competitive compensation to attract and retain a highly qualified workforce, board approval of staffing ratios, balancing the budget with limited use of surplus fund balance for one-time expenditures, and prioritizing any necessary reductions in areas that have the least impact on instruction. Multi-year budget forecasts are presented to the Board each summer and are considered by the Board when evaluating the impact of potential new initiatives. Strategies included in the *Achieve Today. Excel Tomorrow*. Strategic Plan focus resources and long-range planning on District priorities in a manner that will help protect the District's financial well-being.

The District is currently studying its operating and capital needs for the next five years and developing plans to address those needs. General operating needs and capital needs are interdependent and must be considered together in order to effectively plan for and holistically address the District's long-range financial needs.

A Financial Futures Committee comprised of staff and citizens meets quarterly to study the District's strategic plan, budget cost drivers, enrollment and property value trends and the state school finance system to understand how those issues affect AISD's budget, tax rates and long-range financial planning. The committee presented several recommendations in February 2018 to the Board, including recommendations to invest in the elementary learning experience, raise the Maintenance & Operations tax rate through a tax ratification election (TRE) and hold a bond election to address capital needs.

Teachers, administrators, facilities staff and professional consultants have engaged in an assessment of capital needs since fall 2017. Based on the assessment report, the Board has called for the formation of a Capital Needs Steering Committee to study assessment data, take community input and provide recommendations to the Board for prioritized facility and identified capital needs through 2025 to support the District's strategic plan. The Committee is expected to present their recommendations to the Board in June 2019.

The objectives of our long-range planning include investing in capital priorities, reducing the current budget deficit and enhancing instructional opportunities for all students. Both a TRE and bond election may be held in November 2019 to help accomplish our long-range planning objectives.

### **Awards and Acknowledgements**

Innovative programs, teachers and volunteers are all key to the success of AISD students. Under the new accountability system, TEA currently rates each district as A – F and campuses as “Met Standard” or “Improvement Required.” AISD received a C rating with a score of 78. 69 AISD campuses are rated “Met Standard”, and four campuses are rated “Improvement Required.” This year the District is continuing its efforts to improve and is working toward a goal of having all schools achieving the Met Standard rating for 2019 Accountability.

The Government Finance Officers Association (“GFOA”) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Arlington Independent School District for its comprehensive annual financial report for the year ended June 30, 2017. This was the 39th consecutive year that the Arlington Independent School District has received this prestigious award. In order to be awarded a Certificate of Achievement, the District published a comprehensive annual financial report that was easy to read and was efficiently organized. This report satisfied both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Additionally, the Association of School Business Officials International (“ASBO”) awarded a Certificate of Excellence in Financial Reporting by School Systems to the Arlington Independent School District for the 29th consecutive year. The Certificate of Excellence in Financial Reporting for School Systems Program is a voluntary program sponsored by ASBO to foster excellence in the preparation and issuance of school system financial reports. A Certificate of Excellence is awarded to those school systems that have voluntarily submitted their comprehensive annual financial report (“CAFR”) for review by an ASBO Panel of Review. Upon completion of a vigorous technical review, the panel of review members concluded that the Arlington Independent School District's financial report met the criteria for excellence in financial reporting. We believe that our current CAFR continues to meet the requirements of the Certificate of Excellence in Financial Reporting by School Systems program, and we are submitting it to ASBO to determine its eligibility for another certificate.

The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of the finance department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. We would also like to thank the members of the Board of Trustees for their interest and support in planning and conducting the financial operations of the District in a responsible and progressive manner.

Sincerely,



Cindy Powell, CPA  
Chief Financial Officer



Dr. Marcelo Cavazos  
Superintendent



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Arlington Independent School District**  
**Texas**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2017**

*Christopher P. Morill*

Executive Director/CEO



ASSOCIATION OF  
SCHOOL BUSINESS OFFICIALS  
INTERNATIONAL

The Certificate of Excellence in Financial Reporting  
is presented to

## Arlington Independent School District

for its Comprehensive Annual Financial Report (CAFR)  
for the Fiscal Year Ended June 30, 2017.

The CAFR has been reviewed and met or exceeded  
ASBO International's Certificate of Excellence standards.

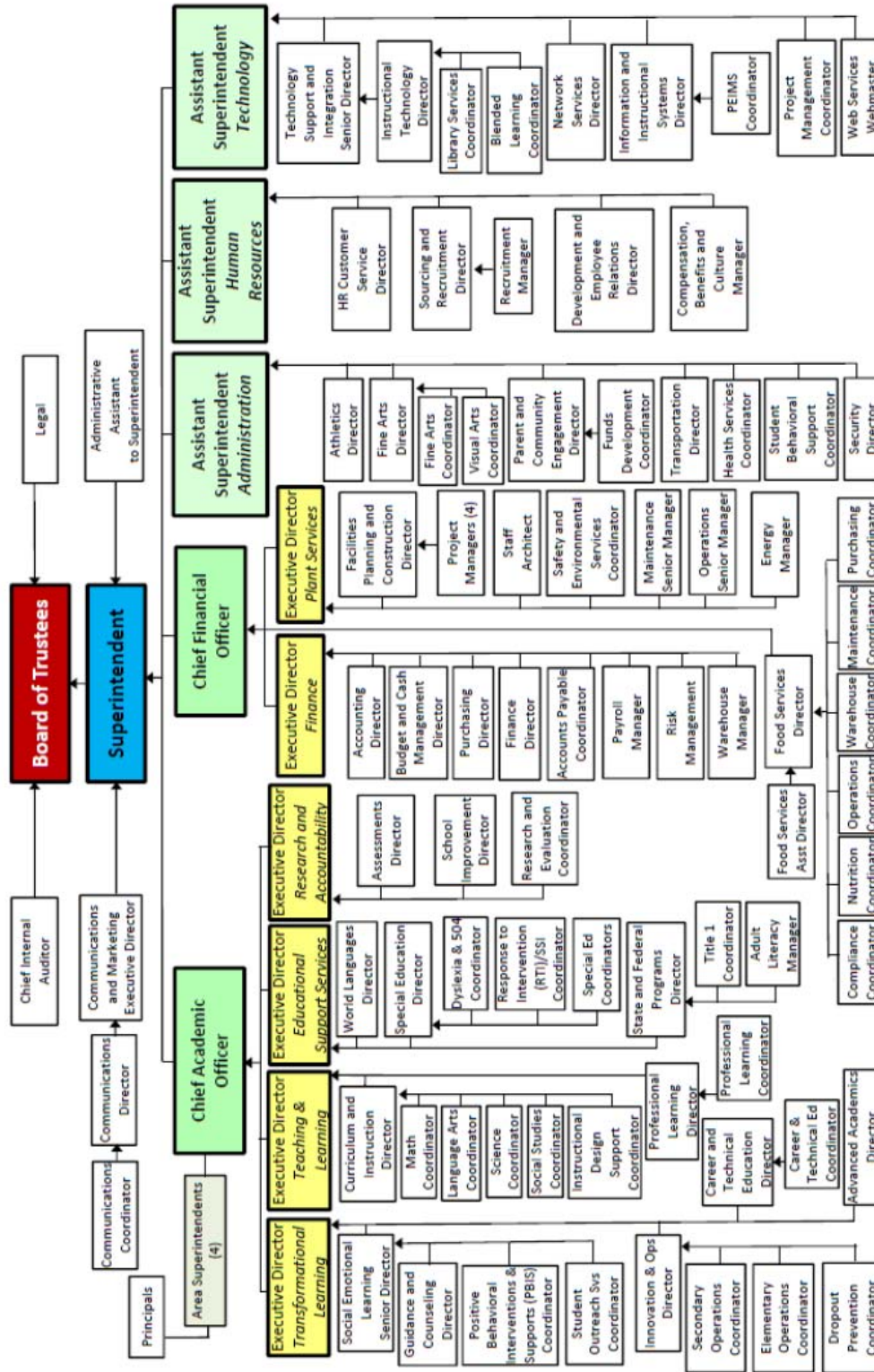


A handwritten signature in black ink that reads 'Charles E. Peterson, Jr.'.

Charles E. Peterson, Jr., SFD, RSBA, MBA  
President

A handwritten signature in black ink that reads 'John D. Musso'.

John D. Musso, CAE  
Executive Director



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**FINANCIAL SECTION**



Arlington

INDEPENDENT SCHOOL DISTRICT

*More Than a Remarkable Education*

## REPORT OF INDEPENDENT AUDITORS

To the Board of Trustees  
Arlington Independent School District

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Arlington Independent School District (the "District") as of and for the year ended June 30, 2018, and the related notes to financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

To the Board of Trustees  
Arlington Independent School District

## **Opinions**

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

## **Emphasis of Matter**

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

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis on pages 7 through 23, and pension information and other post-employment benefits on pages 81 through 85 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District’s basic financial statements. The combining and individual nonmajor fund financial statements, TEA required schedules and other supplementary information, as listed in the table of contents, are presented for the purpose of additional analysis and are not a required part of the financial statements. The schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by Title 2 *U.S. Code of Federal Regulation* (CFR) Part 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards* and other information, such as the introductory and statistical section are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

To the Board of Trustees  
Arlington Independent School District

The combining and individual nonmajor fund financial statements, TEA required schedules and other supplementary information, as listed in the table of contents, and the schedule of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, TEA required schedules and other supplementary information, as listed in the table of contents, and the schedule of federal awards is 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 it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Houston, Texas  
November 9, 2018



Arlington

INDEPENDENT SCHOOL DISTRICT

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**



**Arlington**

INDEPENDENT SCHOOL DISTRICT

*More Than a Remarkable Education*



**ARLINGTON INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

In this section of the Comprehensive Annual Financial Report, we, the managers of Arlington Independent School District ("District"), discuss and analyze the District's financial performance for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information furnished in our letter of transmittal on pages xi - xviii, the independent auditors' report on pages 1 through 3, and the District's basic financial statements which begin on page 25.

**FINANCIAL HIGHLIGHTS**

- The liabilities and deferred inflows of the District exceeded its assets and deferred outflows at the close of the fiscal year by \$169,040,954 (net deficit). This deficit is caused by the implementation of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions* ("GASB No. 75") and reflecting the District's proportionate share of the post-employment benefit liability in the financials. This change does not affect the financial stability of the District nor does it change how the District conducts its financial decision-making. Rather, the District is reflecting its portion of the liability that the State of Texas manages and operates on-behalf of all school districts in Texas.
- The District's total net position decreased by \$4.8 excluding the prior period adjustment for GASB No. 75 to further decrease net position by \$364.1 million.
- The District closed its business-type activity fund which accounted for the Food Service Program. As of July 1, 2017, the District began to account for the Food Service Program in a governmental special revenue fund (Fund 240). As such, balances and activity for business-type activities are not reported for fiscal year 2018.
- As of the close of the fiscal year, the District's governmental funds reported combined ending fund balances of \$479,266,026 which is \$15,651,030 less than the previous year. 41.4% of the combined fund balance, or \$198,618,297, is available for spending at the District's discretion (unassigned balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$198,622,637 38.6% of total general fund expenditures.

**ARLINGTON INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

**USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements, notes to those statements, and other supplementary information.

The basic financial statements include two types of statements that present different views of the District:

- 1) *Government-wide financial statements* provide information about the activities of the District as a whole and present both a long-term and short-term view of the District's finances. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 25 through 27).
- 2) *Fund financial statements* (starting on page 28) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For general governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. For proprietary activities, fund financial statements tell how goods or services of the District were sold to external customers and how funds were accumulated and costs were allocated internally among various functions. The remaining fund financial statement, the fiduciary statement, provides financial information about activities for which the District acts solely as a trustee or agent for the benefit of parties outside of the District. The fiduciary statement can be found on page 39.
- 3) The notes to the financial statements, which start on page 40, provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements.

This annual report contains other supplementary information in addition to the basic financial statements and the notes to the financial statements. This Management's Discussion and Analysis is required supplementary information under governmental accounting standards. The report sections labeled "Required TEA Schedules" and "Federal Awards Section" contain data used by monitoring or regulatory agencies for assurance that the District is using supplied funds in compliance with the terms of grants. The "Statistical Section," which is unaudited, includes selected financial and demographic information, generally presented on a multi-year basis.

**ARLINGTON INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

**OVERVIEW OF THE FINANCIAL STATEMENTS**

Table I summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain.

<b>Table I Arlington Independent School District MAJOR FEATURES OF THE DISTRICT'S FINANCIAL STATEMENTS</b>				
	<b>Government-wide Statements</b>	<b>Fund Statements</b>		
		<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
<i>Scope</i>	Entire District's government (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary	Activities the District operates similar to private businesses	Instances in which the District is the trustee or agent for someone else's resources
<i>Required financial statements</i>	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures &amp; Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Revenues, Expenses and Changes in Fund Net Position</li> <li>• Statement of Cash Flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fiduciary Assets and Liabilities</li> </ul>
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets, deferred outflows/inflows of resources and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital and short-term and long-term	All assets and liabilities, both financial and capital and short-term and long-term
<i>Type of inflow/outflow information</i>	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during the year or soon after year end; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	Agency funds do not report revenues and expenditures

# ARLINGTON INDEPENDENT SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### *Government-wide Financial Statements*

The government-wide financial statements – consisting of the Statement of Net Position and the Statement of Activities – report information about the District as a whole. These statements are designed to provide readers with a broad overview of the District's finances. The government-wide statements apply the accrual basis of accounting, which is similar to the accounting basis used by most private-sector companies. The Statement of Net Position includes all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The two government-wide financial statements report the District's net position and changes in them. Net position (the difference between assets, deferred inflows/outflows and liabilities) provides one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider additional factors as well, such as changes in the District's property tax base, state funding, or its average daily attendance and the condition of the District's facilities.

### *Fund Financial Statements*

The fund financial statements provide detailed information about the District's most significant funds, as opposed to the District as a whole. Laws and bond covenants require the District to establish some funds, such as grants received under the Every Student Succeeds Act from the U.S. Department of Education. The District's administration establishes other funds to help it control and manage money for particular purposes. The three kinds of funds used by the District – governmental, proprietary and fiduciary – use different accounting approaches:

- *Governmental funds* – Most of the District's basic services are reported in governmental funds. These funds use modified accrual accounting (an accounting method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are 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. Governmental fund information helps users determine the availability of financial resources to finance the District's programs. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.
- *Fiduciary funds* – The District is the trustee, or fiduciary, for money raised by student activities. These resources can be used only for the student groups that raised the funds; therefore, they are recorded in separate fiduciary funds. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Prior to fiscal year 2018, the District accounted for its Food Service Program in an *enterprise fund*, which is a type of proprietary fund. However, as of July 1, 2017, the District began to account for the Food Service Program in a governmental special revenue fund (Fund 240). *Internal service funds*, also a type of proprietary funds, are used to accumulate and allocate costs internally among various functions, and are the only type of proprietary funds the District currently maintains. The District accounts for its workers' compensation and Print Shop programs as internal service funds.

**ARLINGTON INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

- *Fiduciary funds* – The District is the trustee, or fiduciary, for money raised by student activities. These resources can be used only for the student groups that raised the funds; therefore, they are recorded in separate fiduciary funds. We exclude these resources from the District’s other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**THE DISTRICT AS A WHOLE**

**Net Position.** The District’s net position at June 30, 2018, was a net deficit of \$169.0 million due to the implementation of GASB No. 75. A large portion of net position (\$168.9 million) reflects the District’s investment in capital assets (e.g., land, buildings, furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District’s net position (\$35.4 million) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* is a deficit of \$372.8 million due to GASB No. 75.

**Table II**  
**NET POSITION**  
in thousands

	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 598,878	\$ 617,653	\$	\$ 13,726	\$ 598,878	\$ 631,379
Capital assets	628,377	628,449		11,045	628,377	639,494
<b>Total Assets</b>	<b>1,227,255</b>	<b>1,246,102</b>		<b>24,771</b>	<b>1,227,255</b>	<b>1,270,873</b>
<b>Total Deferred Outflows of Resources</b>	<b>56,004</b>	<b>80,062</b>		<b>4,301</b>	<b>56,004</b>	<b>84,363</b>
Current liabilities	340,455	126,795		547	340,455	127,342
Long term liabilities	1,001,051	976,341		8,923	1,001,051	985,264
<b>Total Liabilities</b>	<b>1,341,506</b>	<b>1,103,136</b>		<b>9,470</b>	<b>1,341,506</b>	<b>1,112,606</b>
<b>Total Deferred Inflows of Resources</b>	<b>110,794</b>	<b>23,160</b>		<b>1,478</b>	<b>110,794</b>	<b>24,638</b>
<b>Net Position</b>						
Net Investment in capital assets	168,905	31,929		11,045	168,905	42,974
Restricted	34,891	18,912		7,079	34,891	25,991
Unrestricted	(372,837)	149,027			(372,837)	149,027
<b>Total Net Position</b>	<b>\$ (169,041)</b>	<b>\$ 199,868</b>	<b>\$</b>	<b>\$ 18,124</b>	<b>\$ (169,041)</b>	<b>\$ 217,992</b>

**ARLINGTON INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

**Changes in Net Position.** Total net position of the District decreased by \$4.8 million before the prior period adjustment for GASB No. 75 of \$364.1 million, resulting in a total decrease in net position of \$368.9 over last year (see Table III).

The dramatic change in total expenses as well as operating grants and contributions revenues from the prior year is reflective of a negative adjustment brought about by the implementation of the new OPEB standards promulgated by GASB No. 75 and significant changes in the benefits provided by the TRS retiree healthcare plan (TRS-Care). The reduction in plan benefits resulted in a sizable decrease in the District's Net OPEB Liability and a resulting negative OPEB expense in accordance with newly implemented accounting standards. Under these standards, the District is also required to report what is essentially both negative on-behalf expenses and negative on-behalf revenues for the portion of the reduction in the OPEB liability that is the responsibility of the State. See Note IV.G. to the financial statements for a reconciliation of functional expenses and revenues impacted by this accounting treatment.

**Table III**  
**CHANGES IN NET POSITION**  
in thousands

	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
<b>Revenues</b>						
<b>Program Revenues:</b>						
Charges for services	\$ 9,168	\$ 5,869	\$	\$ 6,125	\$ 9,168	\$ 11,994
Operating grants	(15,833)	67,640		27,529	(15,833)	95,169
Capital grants				844		844
<b>General Revenues:</b>						
Property taxes	347,823	317,652			347,823	317,652
State Aid - Formula Grants	210,290	236,250			210,290	236,250
Grants and contributions not restricted	627	11,277			627	11,277
Investment earnings	8,788	5,238		61	8,788	5,299
Other	6,589	1,376			6,589	1,376
<b>Total Revenues</b>	<b>567,452</b>	<b>645,302</b>		<b>34,559</b>	<b>567,452</b>	<b>679,861</b>
<b>Expenses</b>						
Instruction, curriculum and media	262,260	397,420			262,260	397,420
Instructional and school leadership	29,050	43,947			29,050	43,947
Student support services	46,000	53,611			46,000	53,611
Food services	26,821	421		33,528	26,821	33,949
Cocurricular activities	10,210	10,844			10,210	10,844
General administration	7,818	9,291			7,818	9,291
Facilities maintenance, security and data processing	159,404	141,260			159,404	141,260
Community services	(2,033)	2,729			(2,033)	2,729
Debt service	30,989	27,959			30,989	27,959
Facilities repairs and maintenance	3,696	4,893			3,696	4,893
Intergovernmental charges	4,534	3,753			4,534	3,753
<b>Total Expenses</b>	<b>578,749</b>	<b>696,128</b>		<b>33,528</b>	<b>578,749</b>	<b>729,656</b>
Excess (deficiency) before transfers and special items	(11,297)	(50,826)		1,031	(11,297)	(49,795)
Special items	6,487				6,487	
Transfers		(93)		93		
Increase (Decrease) in Net Position	(4,810)	(50,919)		1,124	(4,810)	(49,795)
<b>Net Position - Beginning</b>	<b>199,868</b>	<b>250,787</b>		<b>15,711</b>	<b>199,868</b>	<b>266,498</b>
<b>Prior Period Adjustment</b>	<b>(364,099)</b>			<b>1,289</b>	<b>(364,099)</b>	<b>1,289</b>
<b>Net Position - Ending</b>	<b>\$ (169,041)</b>	<b>\$ 199,868</b>	<b>\$</b>	<b>\$ 18,124</b>	<b>\$ (169,041)</b>	<b>\$ 217,992</b>

**ARLINGTON INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

**Governmental activities.** Revenues from governmental activities, transfers and special items were \$573.9 million. The cost of all governmental programs and services were \$578.7 million. The net effect of these items resulted in a decrease in *Governmental Activities* net position of \$4.8 million before the prior period adjustment of negative \$364.1 million for GASB No. 75. The District's Food Service Program was the only fund that was accounted for in a business-type fund in fiscal year 2017. Beginning in 2018, the Food Service operation was accounted for in a special revenue fund, as mentioned above. Therefore, Business-Type activities were not reported in fiscal year 2018.

Separate discussions appear below for governmental revenues and governmental expenses. In FY 2018, negative on-behalf activities were posted to implement GASB No. 75. In order to meaningfully compare the current year with the prior year, the analysis for both discussions compares the current year without the effects of the negative on-behalf entries.

**Governmental Revenues by Type**

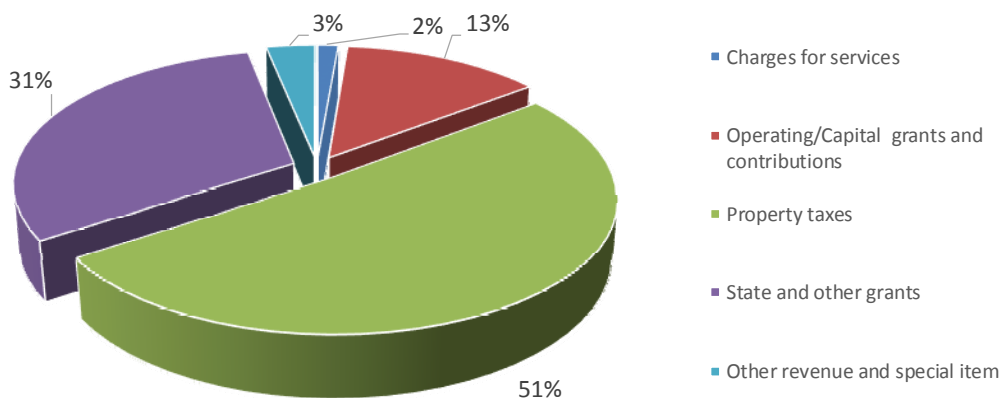
	FY 2017	FY 2018 including Negative On-behalf Activities*	Negative On-behalf Activities	FY 2018 excluding Negative On-behalf Activities	Variance**
<b>Program Revenues:</b>					
Charges for services	\$ 11,994	\$ 9,168	\$ -	\$ 9,168	\$ (2,826)
Operating/Capital grants and contributions	96,013	(15,206)	(105,273)	90,067	(5,946)
<b>General Revenues:</b>					
Property taxes	317,652	347,823	-	347,823	30,171
State and other grants	236,250	210,290	-	210,290	(25,960)
Other	17,952	21,863	-	21,863	3,911
<b>Total Revenues</b>	<b>\$ 679,861</b>	<b>\$ 573,938</b>	<b>\$ (105,273)</b>	<b>\$ 679,211</b>	<b>\$ (650)</b>

\*as presented in Exhibit B-1

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

Figure 1 graphically depicts the sources of governmental activities revenue. Property taxes and state foundation aid (accounted for as “state aid – formula grants”) are the District's chief sources of operating revenues. Both of these revenue streams continue to change dramatically from year to year due to changes in property values and components in the funding formulas used by the State of Texas to calculate state aid payments.

**Governmental Revenues by Source (Excluding Negative On-Behalf Activities)  
Figure 1**



**ARLINGTON INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Revenues for governmental activities decreased by \$0.7 million in 2017-2018 (excluding the negative on-behalf entries mentioned above). Major changes in revenue items are examined in more detail, below:

- State aid decreased by \$26.2 million due to a combination of lower student enrollment of 1,105 students and changes in property values that factored into the state funding formulas.
- M&O taxes increased \$27.1 million due to a 9.5% increase in certified property values, and due to strong collection trends.
- Investment income increased by \$3.5 million, following the trend of rising interest rates for short-term investments throughout the 2018 fiscal year.
- The District received less in federal grant revenue, resulting in a decrease in federal funding of \$3.9 million.
- As mentioned above, the District closed its business-type activity fund which accounted for the Food Service Program. As of July 1, 2017, the District began to account for the Food Service Program in a governmental special revenue fund (Fund 240). Based on a lower student population, revenues attributed to the Food Service operation decreased by \$2.2 million.

Expenses for the District decreased from last year by \$151.0 million for the year ended June 30, 2018. The decrease is primarily caused by the GASB No. 75 OPEB entries discussed earlier. As with the above discussion for revenue, in order to meaningfully compare the current year with the prior year the analysis below addresses the fiscal year 2018 expenses without the effects of negative on-behalf entries of \$105.3 million.

**Governmental Expenses by Type**

	FY 2017	FY 2018 including Negative On-behalf Activities*	Negative On-behalf Activities	FY 2018 excluding Negative On-behalf Activities	Variance**
Instructional	\$ 397,420	\$ 262,260	\$ (77,660)	\$ 339,920	\$ (57,500)
Instructional leadership	43,947	29,050	(8,759)	37,809	(6,138)
Student support services	98,404	83,031	(8,222)	91,253	(7,151)
General administration	9,291	7,818	(1,663)	9,481	190
Support services	141,260	159,404	(8,895)	168,299	27,039
Community services	2,729	(2,033)	(74)	(1,959)	(4,688)
Interest expense	27,959	30,989	-	30,989	3,030
Facilities repairs and maintenance	4,893	3,696	-	3,696	(1,197)
Intergovernmental charges	3,753	4,534	-	4,534	781
<b>Total Expenses</b>	<b>\$ 729,656</b>	<b>\$ 578,749</b>	<b>\$ (105,273)</b>	<b>\$ 684,022</b>	<b>\$ (45,634)</b>

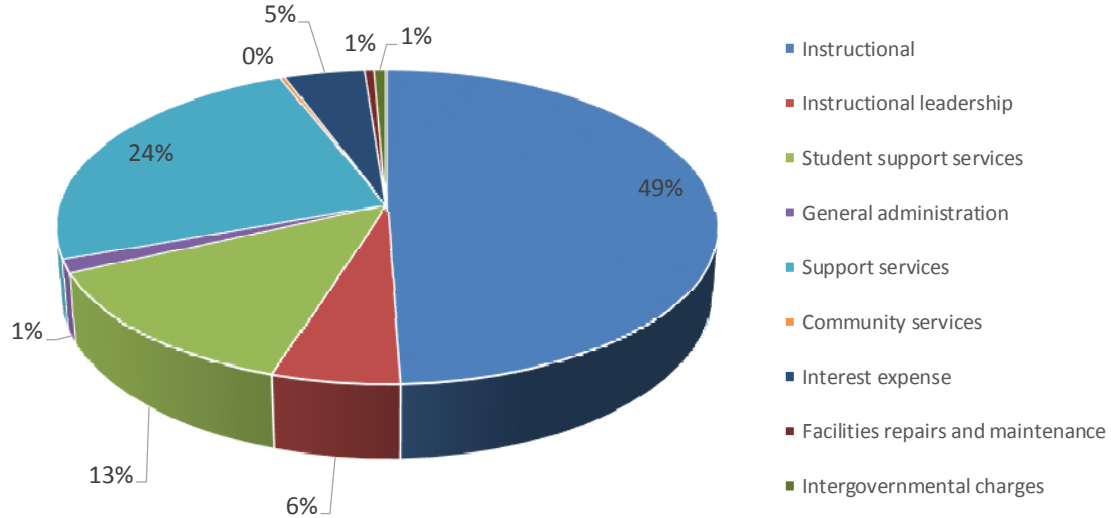
\*as presented in Exhibit B-1

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



**Governmental Expenses by Function (Excluding Negative On-Behalf Activities)**

**Figure 2**



Payroll, accounting for approximately 70% of total expenses, is the most significant operating expense incurred by the District and is recorded in the majority of functional categories. Payroll expenses were \$5.9 million (or 1.2%) higher than last year due to the net difference between pay increases and the change in the number of positions. In order to recruit and retain the best possible employees, the Board of Trustees approved a 2.25% increase on base salary. Additionally, the Board recognized that teachers in the 8-18 years of experience range were falling behind the median salary of teachers in the same experience range in comparison districts. In order to close the equity gap, the Board approved an equity adjustment for teachers with 8-18 years of experience, for a cost of approximately \$350,210. The Board also approved the reduction of 110 positions in the original 2018 budget. New positions were added during the year for department reorganizations and program changes, which offset the original decrease in the budget.

Contracted services increased by approximately \$29.6 million primarily for bond construction projects (design professionals, engineers, construction contractors, etc.) and technology installation contracts related to the 2014 Bond program. This increase includes expenditures for utilities, which increased by \$1.0 million due to more severe weather conditions during 2018 and for additional square footage brought on-line during the prior year.

Supplies decreased \$3.2 million. \$1.5 million less was spent in special revenue funds, based on the grants received and the objectives of those grants. Additionally, \$3.1 million less was spent in capital projects, largely because non-capital expenditures for bond program deficiency improvement projects were incurred in the prior year and were not repeated in the current year.

Capital assets spending decreased \$61.3 million in 2018. These decreases were due to the completion of several major 2014 Bond projects in the prior year. While additional capital projects were started in 2018, many of the projects were not completed before the end of the year. Of the \$32.3 million spent on capital projects during the current year, it is important to note that the Board approved using \$7.9 million of excess fund balance in the District's local funds (General Fund and Local Construction Fund) for capital projects that otherwise likely would not have occurred. These projects are discussed in more detail below.

**ARLINGTON INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Table IV presents the total costs of the District's largest programs as well as the *net costs* (total costs less fees generated by the activities and operating grants) of those programs. The net cost is the financial burden that was borne by the District's taxpayers for each of these functions.

The cost of all governmental activities this year was \$567.5 million compared to \$679.9 million last year. As shown in the Statement of Activities on page 27, the amount that our taxpayers ultimately financed for these activities through District taxes was \$347.8 million (or 61%) including the negative on-behalf amount related to GASB No. 75 OPEB entries. The remaining costs were paid by state aid (\$210.3 million), those who directly benefited from the programs (\$9.2 million), other governments and organizations that subsidized certain programs with grants and contributions (\$90.1 million), and miscellaneous other revenues (\$21.9 million).

**Table IV**  
**COSTS OF SELECTED GOVERNMENTAL ACTIVITIES**  
in thousands

	Total Costs			Net Costs		
	2018	2017	% Change	2018	2017	% Change
Instruction	\$ 247,018	\$ 376,229	-34%	\$ 287,332	\$ 332,027	-13%
School Leadership	20,651	32,502	-36%	26,415	30,200	-13%
Plant Maintenance	143,238	120,283	19%	146,460	115,251	27%

**THE DISTRICT'S FUNDS**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, bond covenants, and segregation for particular purposes.

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

As the District completed the year, its governmental funds (as presented in the Balance Sheet on pages 28 - 29) reported combined fund balances of \$479.3 million, which is \$15.7 million less than last year's combined fund balances. Of the total amount, 41.4%, or \$198.6 million, is *unassigned fund balance* which is available for spending at the District's discretion. The remainder of fund balance is not available for new spending because it is classified as non-spendable, restricted, committed or assigned for the following items: Inventory and prepaid items (\$1.9 million); debt service (\$30.4 million); federal, state and local grants (\$14.6 million); capital acquisition and liquidation of contracts and purchase orders of the prior period (\$186.0 million); and special projects (\$47.7 million).

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$198.6 million, while the total fund balance was \$201.9 million. During fiscal year 2018, total fund balance of the General Fund increased by \$2.4 million.

Total revenues increased from 2017 to 2018 by \$2.9 million, as detailed below:

- Higher tax collections were due to increased property values and strong collection trends, which resulted in an increase of \$24.2 million.
- Lower state aid revenue of \$26.8 million was due to lower student enrollment and the effect of higher property values in the state funding formulas, which were offset by an increase of \$1.2 million for state aid funds received for prior years.

**ARLINGTON INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

- Higher investments revenue resulted in an increase of \$1.6 million.
- Lower miscellaneous revenues resulted in a reduction of \$665,482.
- Increase of \$2.2 million received as TRS On-Behalf revenue from the state, based on employee salaries.
- Indirect cost revenue increased by \$1.1 million. This increase was largely attributable to indirect cost revenue from the District's Food Service special revenue fund. As previously explained, the District began accounting for its Food Service Program in a special revenue fund beginning in fiscal year 2018. In the past, as a proprietary fund, the District accounted for indirect costs from the Food Service Program as a credit to expenditures, and not as revenue.

General Fund expenditures decreased over the prior year by \$5.1 million. The overall decrease in expenditures was primarily due to the net effect of the following changes:

- An increase of \$6.3 million in salaries for the net effect of pay raises, changes in numbers of positions and benefits paid on all salaries (2.25% increase on base salary for all employees, equity adjustments for teachers in the 8-18 year experience range, and payroll costs/benefits paid on all salaries including TRS On-Behalf payments from the state, respectively).
- A net increase of \$1.3 million in contracted services including an increase of \$619,853 for contracts related to delivery of instructional materials, professional development and general maintenance and technology contracts, and an increase of \$699,678 in the contra-electricity account because the District no longer recognizes a credit to expense for indirect costs received from the Food Service proprietary fund, as explained above.
- A net decrease in capital acquisition of \$12.0 million for projects that were either started and completed entirely in the prior year and were not repeated in 2018, or were started in the prior year and were completed in 2018. These projects were funded entirely from surplus fund balance in the General Fund, as explained below:
  - The District purchased land in the prior year for the purpose of building a new facility for fine arts and a new facility for athletics, which was not repeated in 2018 and resulted in a decrease of \$9.4 million. These facilities will be constructed using bond proceeds from the District's 2014 bond program and with supplementation from local funds.
  - The Board committed excess fund balance in 2015-16 to construct an addition at Sam Houston High School to accommodate the growing student enrollment at that site. This project was completed in 2018 at a cost of \$7.4 million, which was a reduction of \$2.4 million in expenditures compared to the prior year.

The Natural Gas Special Revenue Fund has a total fund balance of \$10.6 million at year-end, all of which is committed for special projects. Fund balance decreased by a net of \$19.7 million over the previous year primarily due to interest earnings and royalties netted against a transfer of \$21.1 million to the Local Construction capital projects fund. This transferred funding will pay for additional scope/enhancements at the District's new fine arts facility and athletics facility that are part of the 2014 Bond program.

The Debt Service Fund has a total fund balance of \$30.4 million at year-end, all of which is restricted to service the District's outstanding debt. Fund balance increased by \$2.6 million from the previous year-end primarily as a result of property tax revenue and state aid in excess of the principal and interest payments. The Capital Projects Fund ended the current fiscal year with a fund balance of \$221.7 million. Of this total, \$184.6 million is restricted to liquidate contracts and to pay for capital acquisitions of the prior period primarily for ongoing projects from the 2014 bond program (one small project for drainage repair at one location is budgeted as the last remaining project from the 2009 bond program). The remaining \$37.1

**ARLINGTON INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

million is committed for future construction or to service general obligation debt. The Capital Projects fund balance decreased by \$14.9 million during the year, the net result of bond sales and project expenditures. Although capital expenditures reduce available fund balances, they create new assets for the District as reported in the Statement of Net Position and as discussed in Note IV.E. to the financial statements. The District's capital asset fund is discussed in more detail below.

Nonmajor Governmental Funds, which include Special Revenue Funds other than the Natural Gas Fund, ended the year with a combined fund balance of \$14.6 million, or an increase of \$0.6 million over the previous year. The fund balance is primarily attributed to the Food Service Program which had an ending fund balance of \$14.1 million. The Instructional Materials Allotment fund also carries a fund balance and is used to record the allotment and activity for state approved textbooks for students. Various other special revenue funds may also carry a fund balance if the oversight entity allows unused funds from one year to be carried forward to future years.

**Proprietary funds.** The District's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. As mentioned earlier, the District operated a business-type Food Service Program in fiscal year 2017. Beginning in fiscal year 2018, the District accounted for the Food Service Program in a special revenue fund (a governmental fund). The beginning net position was partially moved to Fund 240 for balances accounted for on the modified accrual basis of accounting. The full accrual items such as capital assets and long-term liabilities were moved to the government-wide financial statements and were incorporated into net position. Currently, the only proprietary funds the District maintains are the internal service funds for activity in the District's print shop and workers' compensation funds.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Over the course of the year, the Board of Trustees revised the District's budget several times. Significant budget amendments affected the following areas:

- 1) An amendment for \$1.2 million made shortly after the beginning of the new fiscal year to re-appropriate campus budget allocations not spent at the end of the preceding year (referred to as "carryover funds").
- 2) A decrease of \$2.7 million for construction at Sam Houston High School. Construction of an addition at Sam Houston High School using excess fund balance began during the 2016-2017 fiscal year and was completed in the spring of 2018. \$10.7 million was budgeted in 2017-2018 to complete the construction. However, expenditures that were accrued to 2016-17 for completed construction in progress were higher than anticipated; therefore, the expenditure budget for 17-18 was reduced by \$2.7 million.
- 3) Changes made to revise estimates of revenues and expenditures based on the latest information on property valuations, student attendance, interest earnings, and operating costs. The following is a summary of the most significant amendments in this category:
  - a. \$4.5 million increase in property tax revenues due to higher-than-anticipated 2017 certified property values. Certified values are received on July 25<sup>th</sup> each year, after the annual budget is adopted in June. Estimates are used for the original budget.
  - b. \$1.0 million increase in delinquent tax collections due to higher-than-anticipated collections.
  - c. \$1.0 million increase in investment earnings due to cash balances available for investment and increasing market rates.

**ARLINGTON INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

- d. \$350,000 increase in TIF revenue due to higher-than-anticipated certified property values for the TIF.
  - e. \$1.3 million increase in state revenue as a result of prior year property value audits.
  - f. \$1.1 million increase in SHARS and MAC revenue based on actual services provided to Medicaid eligible students.
  - g. \$1.2 million decrease in salary expense, including associated benefits, tutoring, and extra duty pay and substitutes, due to decreased student enrollment, staff vacancies, and analysis of actual expenditure trends.
- 4) A decrease of \$300,000 in facility construction and a corresponding increase of \$300,000 in operating transfers out to the local construction fund for Turning Point kitchen renovations.
- 5) An increase of \$400,777 in operating transfers out to the local construction fund for renovations at Workman Junior High School athletic field.

The District's General Fund fund balance of \$201.9 million reported on pages 28 - 29 differs from the final budgetary fund balance of \$182.9 million reported in the budgetary comparison statement on page 35. The difference is largely due to the net effect of favorable and unfavorable variances as explained below:

- **Property Taxes** - Ended the year with a net \$1.3 million favorable variance mainly because property values were higher than anticipated and collections remained strong during the fiscal year. Additionally, interest revenue was \$1.0 million higher than budgeted due to favorable economic conditions and healthy fund balance levels.
- **State Foundation Aid** - Higher than the final budget by \$5.7 million primarily due to higher-than-expected attendance by students in special populations and to receipt of prior year foundation payment of \$2.0 million.
- **Federal Program Revenues** – Ended the year with a favorable variance of \$1.6 million due to higher-than-anticipated reimbursements in the SHARS program and federal indirect cost.
- **Employee Compensation and Related Employment Benefits**- Ended the year with a \$3.6 million favorable variance primarily because of position vacancy patterns that occurred during the year.
- **Contracted services** - The total favorable variance for contracted services was \$1.9 million primarily because utility expenditures were lower due to mild winter weather conditions and successful efforts to reduce consumption.
- **Supplies and Materials** - \$2.4 million less than the final budget. In this expenditure category are campus allotments (budgeted mainly in general supplies) that had a year-end balance of \$1.1 million that will be re-appropriated in the 2018-19 fiscal year, and \$.8 million in unused carryover funds from previous years.

**ARLINGTON INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

*Capital Assets*

At the end of 2018, the District had \$628.4 million invested (net of accumulated depreciation) in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, maintenance, and food service (see Table V below).

**Table V  
CAPITAL ASSETS**  
(Net of depreciation, In thousands)

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Totals</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Land	\$ 78,670	\$ 78,257	\$	\$ 401	\$ 78,670	\$ 78,658
Buildings and improvements	480,866	387,931		2,468	480,866	390,399
Furniture and equipment	41,128	31,808		8,178	41,128	39,986
Construction in progress	27,713	130,453			27,713	130,453
<b>Total</b>	<b>\$ 628,377</b>	<b>\$ 628,449</b>	<b>\$</b>	<b>\$ 11,047</b>	<b>\$ 628,377</b>	<b>\$ 639,496</b>

In November 2009, AISD voters approved a \$197.5 million bond package to pay for new construction, building maintenance, buses, fine arts instruments and uniforms, and technology equipment. The District has issued 100% of the bonds for the 2009 authorization and has completed all but one project. That project was for drainage repair at Webb Elementary School and was purposefully held to complete in conjunction with a project that is part of the 2014 Bond Program. The 2017-18 Capital Projects Fund budget included \$250,000 of 2009 Bond Funds for drainage repair at Webb Elementary School.

In May 2014, Arlington voters approved a \$663.1 million bond package. Proceeds from the bond issue will be used to build new facilities, upgrade and renovate existing facilities, address safety and security districtwide, upgrade technology infrastructure and equipment, provide fine arts equipment, and purchase transportation and white fleet service vehicles. This bond program is planned as a five-year program. The first sale of bonds for the 2014 bond program was ordered by the Board of Trustees on June 26, 2014, and allowed the sale of \$176,320,000 of the voted authorization. The second sale of bonds was ordered by the Board of Trustees on June 25, 2015, and allowed for the sale of general obligation bonds using \$233,255,000 of the voted authorization. On June 23, 2016, the Board of Trustees ordered the third sale of bonds, allowing for the sale of general obligation bonds using \$126,038,000 of the voted authorization. The fourth sale of bonds was ordered by the Board of Trustees on June 8, 2017, and allowed for the sale of general obligation bonds using \$91,594,000 of the voted authorization. The fifth and final sale of bonds was ordered by the Board of Trustees on June 21, 2018, allowing for the final sale of general obligation bonds, totaling \$35,921,000 of the voted authorization. During the year approximately \$140.5 million was spent on projects related to the 2014 bond program. Additional information regarding the bond package, including a bond overview, project summaries, project schedules, and the Citizens' Bond Oversight Committee may be found at the AISD Bond webpage, [www.aisd.net/bond](http://www.aisd.net/bond). The following 2014 bond projects were budgeted during the 2017-18 fiscal year:

Districtwide career and technical center/Ag Science Center	8,300,472
Districtwide Fine Arts Center/Land	31,940,000
Districtwide Athletic Complex/Land	25,000,000
Dual language/fine arts academies	546,119
Special education alternative curriculum classroom additions	4,250,413
Condition deficiency/Life cycle replacements	221,589,637
Technology	21,395,685
Fine Arts	4,128,751
Purchase of new buses/white fleet for transportation	5,131,843

**ARLINGTON INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

In addition to the bond projects, this year's major capital additions funded through other sources cost \$11.0 million and included:

<u>From Local Construction Fund Excess Fund Balance:</u>	
Jones Academy Additional Classrooms	\$961,222
Condition deficiency work at the Enterprise Centre	835,604
Control Optimization and Commissioning	776,000
Turning Point Secondary School Additional Classrooms and Kitchen Renovations	679,007
<u>From General Fund Excess Fund Balance:</u>	
Renovation/addition at Sam Houston High School	7,754,294

Other maintenance projects and additional construction needs beyond those items included in the 2009 and the 2014 bond packages may be identified during the 2019 year. These additional needs will be considered on a case-by-case basis. If necessary, Construction Fund fund balance could be used to pay for identified projects, in which case the Construction Fund budget would be amended during the year to appropriate fund balance for these purposes. More detailed information about the District's capital assets is presented in Note IV.E. to the financial statements.

**Debt**

At year-end, the District had total debt outstanding of \$872.1 million versus \$836.6 million last year – an increase of 4.2% (see Table VI.) The increase is the net result of scheduled debt retirements and the issuance of new bonds. As discussed above, AISD voters approved a \$197.5 million bond package in November 2009, and 100% of that authorization has been issued. The voters also approved a \$663.1 million bond package in May 2014. As of June 30, 2018, \$35.9 million of the authorized bonds remained unissued. However, the Board of Trustees ordered the fifth and final sale of bonds for the 2014 bond program on June 21, 2018. The order allowed for the sale of general obligation bonds using \$35,921,000 of the voted authorization with the sale closing in July 2018.

**Table VI**  
**OUTSTANDING DEBT**  
(In thousands)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Bonds Payable	\$ 790,506	\$ 761,892	\$	\$	\$ 790,506	\$ 761,892
Bond Premiums	76,658	68,184			76,658	68,184
Accreted interest	1,296	2,131			1,296	2,131
Accrued Service Benefits	152	259			152	259
Notes Payable	3,552	4,103			3,552	4,103
	<u>\$ 872,164</u>	<u>\$ 836,569</u>	<u>\$</u>	<u>\$</u>	<u>\$ 872,164</u>	<u>\$ 836,569</u>

Moody's Investor Service, Inc. rates the District's general obligation bonds Aa1. Standard and Poor's assigned the District a credit rating of AA. Bonds with these ratings are judged to be of very high quality by all standards.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed property valuation. The current debt limitation for the District is \$2,586,142,463, which significantly exceeds the District's outstanding general obligation debt. Other obligations include accrued service benefits, a note payable and rebatable arbitrage. More detailed information about the District's long-term liabilities is presented in Note IV.F. to the financial statements.

**ARLINGTON INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The District's elected and appointed officials considered many factors when setting the 2018-19 general operating budget and tax rate. Three main issues influenced the 2018-19 budget development – the District's Strategic Plan, adopted budget parameters and fund balance. Each of these issues is discussed in detail below.

- 1) **Strategic Plan:** The Board of Trustees adopted the 2016-2021 *Achieve Today. Excel Tomorrow* which is a continuation of the 2012-2015 plan with an increased focus on student success. The Strategic Plan has been instrumental in the budget development process since the inception of the plan. All budget and personnel requests were examined in relationship to their necessity in helping the District achieve the mission of the Strategic Plan, which is to empower and engage all students to be contributing, responsible citizens striving for their maximum potential through relevant, innovative and rigorous learning experiences. In order to achieve the District's vision to be a premier school district and a leader in education, the budget is focused on the following performance objective categories:
  - a. Academic achievement
  - b. College readiness
  - c. Workforce readiness
  - d. Leadership, citizenship and responsibility

More detailed information concerning the District's *Achieve Today. Excel Tomorrow*. strategic plan may be found on the District's website ([www.aisd.net](http://www.aisd.net)).

- 2) **Budget Parameters:** The Board of Trustees adopted Budget Parameters to set forth the Board's expectations for future budgets and to create a framework for annually developing a budget. These budget parameters include expectations for a balanced budget, budget allocations staffing formulas, and employee compensation. The Budget Parameters are part of Board Policy CE(LOCAL).
  - a. The Board recognizes the need to target resources into programming that supports achievement growth for all schools, including supplemental resources for schools facing specific additional instructional needs.
  - b. The Board seeks to maintain competitive compensation levels in an effort to recruit and retain a highly qualified workforce and shall consider adjustments necessary for the District to be competitive in this area.
  - c. Staffing ratios shall meet or exceed state standards and shall be approved by the Board before the staffing process begins.
  - d. The Board recognizes its fiduciary responsibility to adopt a balanced budget, but recognizes that some limited use of fund balance may be appropriate for non-recurring expenditures or to sustain services.
  - e. If projected expenditures exceed projected revenue and budget reductions become necessary, the District will first seek budget reductions with the least impact on classrooms.
- 3) **Fund Balance:** The District strives to maintain a fund balance that will provide a sufficient source of funds for operations during periods when the cash flow does not. Property taxes, the District's primary revenue source, are collected mainly in December and January of each fiscal year while state funds flow in the fall and in August. Expenditures occur at a fairly even pace over the twelve months of the fiscal year. When financial statements are prepared for the period ending June 30, fund balance should be close to the calculated amount necessary to fund the expenditures that will occur between the following July through December, when tax collections begin to flow in.



**ARLINGTON INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Maintaining a sufficient fund balance allows the District to avoid the interest expense on money borrowed to meet cash flow needs. Credit rating agencies consider a district's fund balance to be adequate if it exceeds two months of operating expenditures, and they will take into account all resources available for general operations, including those in Special Revenue Funds.

The 2018-19 General Fund budget has a deficit of \$38,701,692. The Board and administration recognize this budget deficit and have already begun evaluating strategies to reduce expenditures in future years while still supporting the goals and objectives of the strategic plan. Fund balance at June 30, 2019 is projected to be \$153,103,844. This budget enables Arlington ISD to maintain a healthy total fund balance of 3.39 months of operating reserve for the fiscal year beginning July 1, 2019. This healthy fund balance provides stability given the uncertainty of future revenues and expenditures.

A summary of the 2018-19 General Operating budget is presented in Table VII below.

**Table VII  
Arlington Independent School District  
Summary of General Operating Fund Budget**

Fund	2018-2019 Original Budget	2017-2018 Original Budget	Change From 2017-18
Revenues & Other Resources	\$ 491,716,875	\$ 497,836,694	(\$ 6,119,819)
Expenditures & Other Uses	530,418,567	527,264,863	3,153,704
Budgeted Surplus/(Deficit)	(38,701,692)	(29,428,169)	(9,273,523)
Beginning Fund Balance	191,805,536*	199,453,235	(7,647,699)
Ending Fund Balance	\$ 153,103,844*	\$ 170,025,066	(\$ 16,921,222)

\* Projected as of date the 2018-19 budget was adopted

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the Finance Department at Arlington Independent School District, 1203 W. Pioneer Parkway, Arlington, Texas, 76013.



Arlington

INDEPENDENT SCHOOL DISTRICT

*More Than a Remarkable Education*

**ARLINGTON INDEPENDENT SCHOOL DISTRICT**

*Exhibit A-1*

**STATEMENT OF NET POSITION**

June 30, 2018

<b>Data Control Codes</b>		<b>Governmental Activities</b>
<b>Assets</b>		
1110	Cash and cash equivalents	\$ 520,279,935
1225	Property taxes receivables, net	8,890,335
1240	Due from other governments	64,693,570
1290	Other receivables, net	575,407
1300	Inventories	3,971,187
1410	Prepaid items	467,591
	Capital assets not subject to depreciation:	
1510	Land	78,669,971
1580	Construction in progress	27,712,881
	Capital assets net of depreciation:	
1520	Buildings and improvements, net	480,866,130
1530	Furniture and equipment, net	41,127,735
<b>1000</b>	<b>Total Assets</b>	<b>1,227,254,742</b>
<b>Deferred Outflows of Resources</b>		
1700	Deferred charge on refunding	11,225,833
1705	Deferred outflows - pension	41,853,927
1710	Deferred outflows - other post-employment benefits (OPEB)	2,924,036
	<b>Total Deferred Outflows of Resources</b>	<b>56,003,796</b>
<b>Liabilities</b>		
2110	Accounts payable	44,643,951
2140	Interest payable	12,007,149
2150	Payroll deductions and withholdings	7,206,936
2160	Accrued wages payable	51,358,605
2200	Accrued expenses	6,820,962
2300	Unearned revenue	682,024
	Noncurrent Liabilities:	
2501	Due within one year	51,183,368
2502	Due in more than one year	820,980,116
2540	Net pension liability	128,887,686
2545	Net other post-employment benefits (OPEB) liability	217,735,070
<b>2000</b>	<b>Total Liabilities</b>	<b>1,341,505,867</b>
<b>Deferred Inflows of Resources</b>		
2605	Deferred inflows - pensions	19,714,634
2610	Deferred inflows - other post-employment benefits (OPEB)	91,078,991
	<b>Total Deferred Inflows of Resources</b>	<b>110,793,625</b>
<b>Net Position</b>		
3200	Net investment in capital assets	168,904,696
<b>Restricted for:</b>		
3820	Federal and state programs	204,789
3840	Food service	14,398,801
3850	Debt service	20,286,488
3900	Unrestricted	(372,835,728)
<b>3000</b>	<b>Total Net Position</b>	<b>\$ (169,040,954)</b>

See Notes to the Basic Financial Statements.

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**ARLINGTON INDEPENDENT SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2018

Exhibit B-1

Data Control Codes	Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Position
		Expenses	Charges for Services	Operating Grants and Contributions	Primary Government
					Governmental Activities
	Governmental activities:				
11	Instruction	\$ 247,018,085	\$	\$ (40,313,672)	\$ (287,331,757)
12	Instructional resources and media services	4,923,916		(1,103,963)	(6,027,879)
13	Curriculum and staff development	10,317,798		5,246,117	(5,071,681)
21	Instructional leadership	8,398,817	5,626	1,235,368	(7,157,823)
23	School leadership	20,650,705		(5,764,488)	(26,415,193)
31	Guidance, counseling, and evaluation services	25,186,370		(3,730,296)	(28,916,666)
32	Social work services	2,074,384		589,677	(1,484,707)
33	Health services	4,421,671		5,784,195	1,362,524
34	Student transportation	14,316,258	1,186,293	595,352	(12,534,613)
35	Food service	26,820,768	5,660,400	26,014,482	4,854,114
36	Extracurricular activities	10,210,220	716,776	286,705	(9,206,739)
41	General administration	7,817,838		(1,375,826)	(9,193,664)
51	Plant, maintenance and operations	143,238,431	1,578,327	(4,799,971)	(146,460,075)
52	Security and monitoring services	7,340,452		(1,098,763)	(8,439,215)
53	Data processing services	8,827,130	20,483	(1,316,681)	(10,123,328)
61	Community services	(2,032,546)		1,886,356	3,918,902
72	Interest on long-term debt	30,339,181		2,032,531	(28,306,650)
73	Debt issuance costs and fees	650,289			(650,289)
81	Facilities repairs and maintenance	3,696,335			(3,696,335)
95	Payments to Juvenile Justice Alternative Education Programs	57,534			(57,534)
97	Payments to Tax Increment Fund	2,393,136			(2,393,136)
99	Intergovernmental charges	2,082,715			(2,082,715)
<b>TG</b>	<b>Total governmental activities</b>	<b>578,749,487</b>	<b>9,167,905</b>	<b>(15,832,877)</b>	<b>(585,414,459)</b>

**Data Control Codes**

**General revenues**

**Taxes:**

<b>MT</b>	Property taxes, levied for general purposes	264,362,150
<b>DT</b>	Property taxes, levied for debt service	83,461,267
<b>SF</b>	State-aid formula grants not restricted	210,290,252
<b>GC</b>	Grants and contributions not restricted	626,879
<b>IE</b>	Investment earnings	8,787,821
<b>MI</b>	Miscellaneous	6,588,246
<b>SI</b>	Special item - gain on sale of asset	6,487,319
<b>TR</b>	<b>Total general revenues</b>	<b>580,603,934</b>
<b>CN</b>	Change in net position	(4,810,525)
<b>NB</b>	<b>Net position - beginning</b>	<b>199,868,129</b>
<b>PA</b>	Prior period adjustment	(364,098,558)
<b>NE</b>	<b>Net position - ending</b>	<b>\$ (169,040,954)</b>

See Notes to the Basic Financial Statements.

**ARLINGTON INDEPENDENT SCHOOL DISTRICT**

**BALANCE SHEET**

**GOVERNMENTAL FUNDS**

June 30, 2018

<b>Data Control Codes</b>	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>
<b>Assets</b>			
1110 Cash and cash equivalents	\$ 200,895,648	\$ 28,998,069	\$ 262,020,713
Receivables:			
1210 Property taxes receivable - current	3,996,309		
1220 Property taxes receivable - delinquent	11,256,334	3,791,098	
1230 Allowance for uncollectible taxes (credit)	(8,475,818)	(1,677,588)	
1240 Receivables from other governments	56,400,010		
1260 Due from other funds	6,213,255	1,183,058	442,207
1290 Other receivables	446,673		44,701
1300 Inventories	1,404,827		
1410 Prepaid items	467,591		
<b>1000 Total Assets</b>	<b>\$ 272,604,829</b>	<b>\$ 32,294,637</b>	<b>\$ 262,507,621</b>
<b>Liabilities</b>			
2110 Accounts payable	\$ 3,312,754	\$ 1,000	\$ 40,389,330
2150 Payroll deduction and withholdings	7,206,936		
2160 Accrued wages payable	48,789,882		
2170 Due to other funds	2,742,861		
2200 Accrued expenditures	2,582,504		
2300 Unearned revenue	141,566		425,538
<b>2000 Total Liabilities</b>	<b>64,776,503</b>	<b>1,000</b>	<b>40,814,868</b>
<b>Deferred Inflows of Resources</b>			
2600 Deferred inflows	5,936,174	1,854,661	
<b>Total Deferred Inflows of Resources</b>	<b>5,936,174</b>	<b>1,854,661</b>	
<b>Fund Balances:</b>			
<b>Non-Spendable:</b>			
3410 Inventories	1,404,827		
3430 Prepaid items	467,591		
<b>Restricted:</b>			
3450 Federal/State grant funds			
3470 Capital acquisitions and contractual oblig.			184,633,256
3480 Debt service		30,438,976	
<b>Committed:</b>			
3545 Other			37,059,497
<b>Assigned:</b>			
3590 Other	1,397,097		
3600 Unassigned	198,622,637		
<b>3000 Total fund balances</b>	<b>201,892,152</b>	<b>30,438,976</b>	<b>221,692,753</b>
<b>4000 Total Liabilities, Deferred Inflows, and Fund Balances</b>	<b>\$ 272,604,829</b>	<b>\$ 32,294,637</b>	<b>\$ 262,507,621</b>

See Notes to the Basic Financial Statements.

*Exhibit C-1*

<u>Natural Gas Special Revenue Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 10,536,938	\$ 12,581,907	\$ 515,033,275
		3,996,309
		15,047,432
		(10,153,406)
	8,293,560	64,693,570
50,331	1,354,434	9,243,285
55,626	6,876	553,876
	2,566,360	3,971,187
		467,591
<u>\$ 10,642,895</u>	<u>\$ 24,803,137</u>	<u>\$ 602,853,119</u>
\$	\$ 786,613	\$ 44,489,697
		7,206,936
	2,568,723	51,358,605
	6,733,631	9,476,492
		2,582,504
	114,920	682,024
<u></u>	<u>10,203,887</u>	<u>115,796,258</u>
<u></u>	<u></u>	<u>7,790,835</u>
<u></u>	<u></u>	<u>7,790,835</u>
		1,404,827
		467,591
	14,603,590	14,603,590
		184,633,256
		30,438,976
10,642,895		47,702,392
		1,397,097
	(4,340)	198,618,297
<u>10,642,895</u>	<u>14,599,250</u>	<u>479,266,026</u>
<u>\$ 10,642,895</u>	<u>\$ 24,803,137</u>	<u>\$ 602,853,119</u>



Arlington

INDEPENDENT SCHOOL DISTRICT

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**ARLINGTON INDEPENDENT SCHOOL DISTRICT**  
**RECONCILIATION OF BALANCE SHEET FOR GOVERNMENTAL FUNDS TO**  
**THE STATEMENT OF NET POSITION**  
**June 30, 2018**

*Exhibit C-2*

<b>Data Control Codes</b>		
	<b>Total fund balance, governmental funds (from C-1)</b>	<b>\$ 479,266,026</b>
	Amounts reported for governmental activities in the statement of net position (A-1) are different because:	
<b>1</b>	Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets at historical cost, net of accumulated depreciation are reported in the governmental activities of the Statement of Net Position	628,376,717
<b>2</b>	Property taxes receivable have been levied and are due this year, but are not available soon enough to pay for the current period's expenditures, these property taxes (net of allowance for uncollectible accounts) are deferred in the fund financial statements.	7,790,835
<b>3</b>	Long-term liabilities, including bonds payable and net pension and OPEB liability, are not due and payable in the current period, and therefore are not reported as liabilities in the funds.	(1,219,567,554)
<b>4</b>	Deferred inflows of resources and deferred outflow of resources related to pension and OPEB	(66,015,315)
<b>5</b>	Addition of Internal Service Fund net position.	<u>1,108,337</u>
<b>19</b>	<b>Net position of governmental activities</b>	<u><u>\$ (169,040,954)</u></u>

See Notes to the Basic Financial Statements.

**ARLINGTON INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2018**

<b>Data Control Codes</b>	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>
<b>Revenues</b>			
5700 Local and intermediate sources	\$ 272,098,735	\$ 84,070,598	\$ 6,379,551
5800 State program revenues	236,918,955	2,032,531	
5900 Federal program revenues	9,240,874	304,336	
<b>5020 Total revenues</b>	<b>518,258,564</b>	<b>86,407,465</b>	<b>6,379,551</b>
<b>Expenditures</b>			
<b>Current:</b>			
0011 Instruction	316,020,097		11,969,887
0012 Instruction resources and media services	6,525,573		
0013 Curriculum and staff development	6,198,668		6,625
0021 Instructional leadership	8,338,553		
0023 School leadership	29,302,602		7,309
0031 Guidance, counseling and evaluation services	28,072,614		
0032 Social work services	2,136,058		
0033 Health services	6,206,520		
0034 Student transportation	14,629,212		721,905
0035 Food services			
0036 Extracurricular activities	9,952,740		186,612
0041 General administration	9,495,144		10,403
0051 Facilities maintenance and operations	47,323,197		101,375,566
0052 Security and monitoring services	7,918,813		1,031,788
0053 Data processing services	9,155,626		8,513,535
0061 Community services	434,262		
<b>Debt service:</b>			
0071 Principal on long-term debt	550,085	50,731,370	
0072 Interest on long-term debt	189,023	33,016,318	
0073 Bond issuance costs and fees		18,640	631,649
<b>Capital outlay:</b>			
0081 Facilities acquisition and construction	8,136,698		17,597,351
<b>Intergovernmental:</b>			
0095 Payments to juvenile justice alt. ed. prgm.	57,534		
0097 Payments to tax increment fund	2,393,136		
0099 Other intergovernmental charges	2,082,715		
<b>6030 Total Expenditures</b>	<b>515,118,870</b>	<b>83,766,328</b>	<b>142,052,630</b>
<b>1100 Excess (deficiency) of revenues over expenditures</b>	<b>3,139,694</b>	<b>2,641,137</b>	<b>(135,673,079)</b>
<b>Other Financing Sources (Uses)</b>			
7911 Issuance of debt			79,345,000
7912 Sale of real or personal property			6,762,037
7915 Transfers in			21,781,723
7916 Premium or discount on issuance of bonds		244	12,925,696
8911 Transfers out	(700,777)		
<b>7080 Total other financing sources and uses</b>	<b>(700,777)</b>	<b>244</b>	<b>120,814,456</b>
1200 Net change in fund balances	2,438,917	2,641,381	(14,858,623)
0100 <b>Fund Balance - July 1 (Beginning), as restated</b>	<b>199,453,235</b>	<b>27,797,595</b>	<b>236,551,376</b>
<b>3000 Fund Balance - June 30 (Ending)</b>	<b>\$ 201,892,152</b>	<b>\$ 30,438,976</b>	<b>\$ 221,692,753</b>

See Notes to the Basic Financial Statements.

*Exhibit C-3*

<b>Natural Gas Special Revenue Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 1,370,889	\$ 6,434,608	\$ 370,354,381
	4,811,525	243,763,011
	56,781,353	66,326,563
<u>1,370,889</u>	<u>68,027,486</u>	<u>680,443,955</u>
	22,504,005	350,493,989
	135,379	6,660,952
	6,069,441	12,274,734
	2,671,570	11,010,123
	57,903	29,367,814
	1,438,068	29,510,682
	974,357	3,110,415
	54,712	6,261,232
	9,928	15,361,045
	31,069,886	31,069,886
	20,720	10,160,072
23,962		9,529,509
	237,826	148,936,589
		8,950,601
		17,669,161
	1,937,994	2,372,256
		51,281,455
		33,205,341
		650,289
	241,623	25,975,672
		57,534
		2,393,136
		2,082,715
<u>23,962</u>	<u>67,423,412</u>	<u>808,385,202</u>
<u>1,346,927</u>	<u>604,074</u>	<u>(127,941,247)</u>
		79,345,000
		6,762,037
	312,662	22,094,385
		12,925,940
<u>(21,080,946)</u>	<u>(312,662)</u>	<u>(22,094,385)</u>
<u>(21,080,946)</u>		<u>99,032,977</u>
(19,734,019)	604,074	(28,908,270)
<u>30,376,914</u>	<u>13,995,176</u>	<u>508,174,296</u>
<u>\$ 10,642,895</u>	<u>\$ 14,599,250</u>	<u>\$ 479,266,026</u>

**ARLINGTON INDEPENDENT SCHOOL DISTRICT**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT**  
**OF ACTIVITIES**

*Exhibit C-4*

*For the Year Ended June 30, 2018*

<b>Data</b>		
<b>Control</b>		
<b>Codes</b>		
	Net change in fund balances - total governmental funds (from C-3)	\$ (28,908,270)
	Amounts reported for governmental activities in the statement of activities (B-1) are different because:	
	Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
<b>1</b>	Governmental funds capital outlays	32,273,271
<b>2</b>	Governmental activities depreciation expense	(43,000,300)
<b>3</b>	Disposal of asset	(390,723)
<b>4</b>	Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	1,936,394
<b>5</b>	The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in	(40,989,485)
<b>6</b>	Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds.	57,563,158
<b>7</b>	Pension contributions made during the current fiscal year are reported as expenditures in the governmental funds and are reported as deferred outflows and reductions in net pension and OPEB liabilities as opposed to expenses in the statement of activity.	16,633,390
<b>8</b>	Internal service funds are used by management to charge the costs of printing and risk management, to individual funds. The net revenue (expense) of the internal service funds is reported as governmental activities. (See D-2)	72,040
		<u>72,040</u>
	<b>Change in net position of governmental activities (see B-1)</b>	<u><u>\$ (4,810,525)</u></u>

See Notes to the Basic Financial Statements.

**ARLINGTON INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**ORIGINAL BUDGET, AMENDED FINAL (GAAP BASIS) AND ACTUAL - GENERAL FUND**  
For the Year Ended June 30, 2018

Exhibit C-5

Data Control Codes		Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget
		Original	Final		
	<b>Revenues</b>				
5700	Local revenues	\$ 262,158,764	\$ 269,527,326	\$ 272,098,735	\$ 2,571,409
5800	State program revenues	230,212,930	231,248,335	236,918,955	5,670,620
5900	Federal program revenues	5,465,000	7,615,777	9,240,874	1,625,097
<b>5000</b>	<b>Total revenues</b>	<u>497,836,694</u>	<u>508,391,438</u>	<u>518,258,564</u>	<u>9,867,126</u>
	<b>Expenditures</b>				
	<b>Current:</b>				
0011	Instruction	321,899,540	316,457,178	316,020,097	437,081
0012	Instructional resources and media services	6,565,253	6,716,633	6,525,573	191,060
0013	Curriculum and staff development	6,017,308	6,979,291	6,198,668	780,623
0021	Instructional leadership	9,203,298	9,084,132	8,338,553	745,579
0023	School leadership	30,414,837	29,981,658	29,302,602	679,056
0031	Guidance, counseling and evaluation services	29,008,599	28,618,190	28,072,614	545,576
0032	Social work services	2,090,813	2,294,032	2,136,058	157,974
0033	Health services	6,200,728	6,413,203	6,206,520	206,683
0034	Student transportation	13,367,253	15,004,362	14,629,212	375,150
0036	Extracurricular activities	11,756,772	10,783,643	9,952,740	830,903
0041	General administration	8,946,421	9,955,891	9,495,144	460,747
0051	Facilities maintenance and operations	48,157,170	49,580,636	47,323,197	2,257,439
0052	Security and monitoring services	7,896,947	8,472,085	7,918,813	553,272
0053	Data processing services	9,615,064	9,637,083	9,155,626	481,457
0061	Community services	442,860	539,701	434,262	105,439
	<b>Debt Service:</b>				
0071	Principal on long-term debt	618,722	600,332	550,085	50,247
0072	Interest on long-term debt	189,023	189,023	189,023	
	<b>Capital Outlay:</b>				
0081	Facilities acquisition and construction	10,747,520	8,292,352	8,136,698	155,654
	<b>Intergovernmental:</b>				
0095	Payments to Juvenile Justice Alt. Ed. Prgm.	90,000	90,000	57,534	32,466
0097	Payments to tax increment fund	1,853,146	2,453,146	2,393,136	60,010
0099	Other governmental charges	2,183,589	2,133,589	2,082,715	50,874
<b>6030</b>	<b>Total Expenditures</b>	<u>527,264,863</u>	<u>524,276,160</u>	<u>515,118,870</u>	<u>9,157,290</u>
1100	Excess (deficiency) of revenues over expenditures	<u>(29,428,169)</u>	<u>(15,884,722)</u>	<u>3,139,694</u>	<u>19,024,416</u>
	<b>Other Financing Sources (Uses):</b>				
8911	Transfers out		(700,777)	(700,777)	
<b>7080</b>	<b>Total other financing sources (uses)</b>		<u>(700,777)</u>	<u>(700,777)</u>	
1200	Net change in fund balances	(29,428,169)	(16,585,499)	2,438,917	19,024,416
0100	<b>Fund balances - beginning</b>	<u>199,453,235</u>	<u>199,453,235</u>	<u>199,453,235</u>	
<b>3000</b>	<b>Fund balances - ending</b>	<u>\$ 170,025,066</u>	<u>\$ 182,867,736</u>	<u>\$ 201,892,152</u>	<u>\$ 19,024,416</u>

See Notes to the Basic Financial Statements.

**ARLINGTON INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
*June 30, 2018*

*Exhibit D-1*

	<b>Internal Service Funds</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 5,246,660
Receivables:	
Due from other funds	<u>233,207</u>
<b>Total Assets</b>	<u>5,479,867</u>
<b>Liabilities</b>	
Accounts payable	133,073
Accrued expenses	<u>4,238,457</u>
<b>Total Liabilities</b>	<u>4,371,530</u>
<b>Net Position</b>	
Unrestricted	<u>1,108,337</u>
<b>Total Net Position</b>	<u>\$ 1,108,337</u>

See Notes to the Basic Financial Statements.

**ARLINGTON INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
*For the Year Ended June 30, 2018*

*Exhibit D-2*

	<u>Internal Service Funds</u>
<b>Operating Revenues</b>	
Charges for Services	\$ 2,387,851
<b>Total Operating Revenues</b>	<u>2,387,851</u>
<b>Operating Expenses</b>	
Purchased and contracted services	207,518
Supplies and materials	131,832
Claims expense and other operating expenses	2,053,350
<b>Total Operating Expenses</b>	<u>2,392,700</u>
Operating Income (Loss)	<u>(4,849)</u>
<b>Non-Operating Revenues (Expenses)</b>	
Investment earnings	76,889
<b>Total Nonoperating Revenues (Expenses)</b>	<u>76,889</u>
Change in Net Position	72,040
<b>Net Position - July 1 (Beginning)</b>	<u>1,036,297</u>
<b>Net Position - June 30 (Ending)</b>	<u>\$ 1,108,337</u>

See Notes to the Basic Financial Statements.

**ARLINGTON INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
*For The Year Ended June 30, 2018*

*Exhibit D-3*

	<b>Governmental Activities - Internal Service Funds</b>
<b>Cash Flows from Operating Activities:</b>	
Cash received from customers	\$ 2,385,244
Cash received from outside sources	
Cash payments for insurance claims	(1,907,363)
Cash payments to suppliers for goods and services	(265,349)
Cash payments for other operating expenses	(207,518)
<b>Net Cash Provided by (Used for) Operating Activities</b>	<u>5,014</u>
<b>Cash Flows from Investing Activities:</b>	
Interest on investments	76,889
<b>Net Cash Provided by (Used for) Investing Activities</b>	<u>76,889</u>
Net Change in Cash and Cash Equivalents	81,903
Cash and Cash Equivalents at Beginning of Year	5,164,757
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 5,246,660</u>
<b>Reconciliation to Balance Sheet</b>	
Cash and Cash Equivalents Per Cash Flow	<u>\$ 5,246,660</u>
Cash and Cash Equivalents per Balance Sheet	<u>\$ 5,246,660</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>	
Operating (Loss)	\$ (4,849)
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</b>	
Depreciation	
Donated Commodities	
<b>Change in Assets, Liabilities, Deferred Inflows and Outflows:</b>	
(Increase) decrease in Interfund Receivables	(86,894)
(Increase) decrease in Prepaid Items	14,833
Increase (decrease) in Accounts Payable	(41,903)
Increase (decrease) in Interfund Payables	(29,116)
Increase (decrease) in Accrued Expenses	152,943
<b>Net Cash Provided by (Used for) Operating Activities</b>	<u>\$ 5,014</u>

See Notes to the Basic Financial Statements.



**ARLINGTON INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**AGENCY FUND**  
*June 30, 2018*

*Exhibit E-1*

**Assets**

Cash and cash equivalents	\$ 5,064,680
<b>Total Assets</b>	<u>\$ 5,064,680</u>

**Liabilities**

Accounts payable	\$ 51,270
Due to student groups	5,013,410
<b>Total Liabilities</b>	<u>\$ 5,064,680</u>

See Notes to the Basic Financial Statements.

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Arlington Independent School District (“District”) is an independent public educational agency operating under applicable laws and regulations of the State of Texas. The District is autonomously governed by a seven-member Board of Trustees elected by the District's residents.

The District prepares its basic financial statements in conformity with U.S. generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in Statement on Auditing Standards No. 69, as amended by Statement on Auditing Standards No.'s 91 and 93 of the American Institute of Certified Public Accountants; and it complies with the most recent requirements of the Texas Education Agency's Financial Accountability System Resource Guide (the "Resource Guide" or FASRG) and the requirements of contracts and grants of agencies from which it receives funds.

The following is a summary of the most significant accounting policies.

**A. Reporting Entity**

The Board of Trustees (“Board”), a seven member group, has governance responsibilities over all activities related to public elementary and secondary education in the City of Arlington and portions of the Cities of Grand Prairie and Dalworthington Gardens, and the Town of Pantego. Because members of the Board are elected by the public, they have the authority to make decisions, appoint administrators and managers, and significantly influence operations; and they have primary accountability for fiscal matters. The District is not included in any other governmental “reporting entity” as defined by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus; an amendment of GASB Statements No. 14 and No. 34*. The District is not financially accountable for any other organizations; therefore, no component units are included within the reporting entity. The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding entities.

**B. Government-wide and Fund Financial Statements**

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

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

Interfund activities between governmental funds, and between governmental funds and proprietary funds, appear in the governmental and proprietary fund financial statements. However, all interfund transactions between governmental funds have been eliminated on the government-wide statements. Interfund transactions between governmental funds and internal service funds have not been eliminated to the extent that services have been provided and used. Interfund transactions remain in the government-wide statements for activities between governmental funds and proprietary funds.

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Government-wide and Fund Financial Statements (continued)**

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

**Major Governmental Funds**

General Fund - The General Fund is the District's general operating fund. It is used to account for all financial transactions except those required to be accounted for in another fund. Major revenue sources include local property taxes and state funding under the Foundation School Program. Expenditures include all costs associated with the daily operations of the schools except for costs incurred by programs accounted for in the Special Revenue Funds, Capital Projects Fund, Debt Service Fund, and Proprietary Funds. The General Fund is a budgeted fund, and any fund balances are considered resources available for current operations.

Debt Service Fund - The Debt Service Fund, which is a budgeted fund, accounts for the resources accumulated and payments made on long-term general obligation debt of government funds. Revenues include collections on general property taxes, state funding under the Instructional Facilities and Existing Debt Allotments, and earnings on investments of the fund. Expenditures of the fund are for retirement of bond principal and payment of interest on bonded debt. The fund balance represents amounts that will be used for retirement of bonds and payment of interest in the future.

Capital Projects Fund - The Capital Projects Fund accounts for all proceeds of bond issues and earnings on investments of the fund. Revenue from the sale of bonds is used for acquiring school sites, constructing and equipping new school facilities, renovating existing facilities, and replacing transportation, technology, and various other equipment. This is a budgeted fund.

Natural Gas Special Revenue Fund - During recent years, the District has engaged in leasing the mineral rights to its various properties for the extraction of natural gas. This activity has resulted in a significant inflow of contract signing bonuses and royalty payments for the District. During the year ended August 31, 2011, the Board of Trustees committed these inflows for future special projects

**Proprietary Funds**

Internal Service Fund - The Internal Service Fund accounts for the management of the District's Print Shop and worker's compensation insurance. The cost of these activities are allocated to the other funds of the District on a cost reimbursement basis. These are not budgeted funds.

**Fiduciary Fund**

Agency Fund - The Agency Fund, which is an unbudgeted fund, accounts for the activities of student groups. The student activity funds account for monies collected principally through fund-raising efforts of the students and District-sponsored student groups. Collections and disbursements of these funds are generally controlled by the student group itself under the supervision of a member of the professional staff. These funds have no equity, assets are equal to liabilities, and the funds do not include revenues and expenditures for general operations of the District. The District's main involvement with these funds is to provide stewardship by accounting for the funds.

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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

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

Funds received from federal, state and other grants designated for payment of specific District expenditures are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned 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.

The proprietary fund types are accounted for on an economic resources measurement focus. Operating revenues and expenses are distinguished from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

**Management's Use of Estimates**

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

**D. Assets, Liabilities, Deferred Outflows/Inflows and Net Position or Fund Balances**

**1. Cash and cash equivalents**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. Investments for the District are reported at fair value.

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Assets, Liabilities, Deferred Outflows/Inflows and Net Position or Fund Balances (continued)**

**2. Investments**

Investments consist largely of money market funds and government investment pools. The District's investments are carried at fair value based on quoted market prices at year-end, in accordance with U.S. generally accepted accounting principles. Investments having a maturity of three months or less are reported as cash and cash equivalents.

The District categorizes fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District's local government investment pools are recorded at amortized costs as permitted by GASB Statement No. 79 *Certain Investment Pools and Pool Participants*.

**3. Receivables and payables**

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers in and transfers out are netted and presented as a single "transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "internal balances" line of the government-wide statement of net position.

Property taxes are levied each year by October 1 based upon property valuations as of January 1. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

Tax collections are prorated between the General Fund and Debt Service Fund based on the tax rate adopted by the Board. The District is permitted under the Texas Education Code to levy taxes up to \$1.17 per \$100 of assessed valuation for general governmental services other than debt service on general obligation bonds. The tax rate which may be levied to service general obligation bonds is not limited. For the current fiscal year, the Board of Trustees set tax rates applicable to general governmental services and to debt service of \$1.04 per \$100 valuation and \$0.328670 per \$100 valuation, respectively, based on a net assessed valuation of \$24,852,974,719.

Delinquent property tax receivables are prorated between the General Fund and Debt Service Fund based on rates adopted for the year of the levy. Allowance for uncollectible tax receivables is based on historical experience in collecting property taxes. Management periodically reviews outstanding property taxes and establishes an allowance adequate to reflect the anticipated net collectible balance. The District is prohibited from writing off property taxes without specific statutory authority from the Texas Legislature. The property tax receivable allowance is equal to 67.0% of total outstanding property taxes at June 30, 2018.

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Assets, Liabilities, Deferred Outflows/Inflows and Net Position or Fund Balances (continued)**

**4. Inventories and prepaid items**

In the General Fund, inventory is valued at cost, using the weighted-average method. A computerized inventory system automatically updates inventory values. This valuation is not materially different from the first-in, first-out valuation method. Inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed rather than when purchased.

In the General Fund, certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/ expenses when consumed rather than when purchased.

In the nonmajor special revenue fund, inventory is valued at cost, using the weighted-average method, except for food commodities, which are recorded at market values supplied by the Texas Department of Human Services. Commodities are received at no cost to the District; however, their fair market value is recorded as inventory and revenue when received. As the commodities are consumed, inventory is relieved and expenditures are charged.

**5. Capital assets**

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The District does not have any public domain (“infrastructure”) capital assets. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of two years or more.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives, as well as the cost of land, are not depreciated.

Capital assets are depreciated over the estimated useful lives of the assets on a straight-line basis over the following estimated useful lives:

Buildings and improvements	20-40 years
Furniture and equipment	5-12 years

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their acquisition value on the date donated.

**6. Long-term obligations**

In the government-wide financial statements and 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 appropriate effective interest and straight-line methods.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as 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.

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Assets, Liabilities, Deferred Outflows/Inflows and Net Position or Fund Balances (continued)**

**7. Accrued service benefits**

Accrued service benefits are accrued as a liability in the government-wide financial statements. Eligibility for accrued service benefits for the employees of the Arlington Independent School District is determined by length of continuous service with the District and approval for retirement benefits under provisions of the Teacher Retirement System of Texas.

Benefits are available to employees hired before January 1, 1985, and are based on years of experience with the District, accumulated eligible local sick leave days and accumulated ineligible local sick leave days.

**8. Compensated absences**

All administrative and full-time hourly employees of the District receive up to three weeks of vacation each calendar year. If the employee does not use the vacation time by December 31 of the following year, it is lost and may not be carried forward. Employees may accumulate as many as fifty days of local personal leave, which can be carried forward from year to year. The time is forfeited if not used before the employee leaves the District. Therefore, no accrual for compensated absences is included in the accompanying financial statements.

**9. Pensions**

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

**10. Other Post-Employment Benefits.**

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

**11. Deferred outflows/inflows of resources**

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

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

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

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**11. Deferred outflows/inflows of resources (continued)**

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

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

- Deferred inflows of resources for unavailable revenues – Reported only in the governmental funds balance sheet, unavailable revenues from property taxes arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow or resources in the period that the amounts become available.
- Deferred inflows of resources for pension – reported in the government-wide financial statement of net position, these deferred inflows result primarily from 1) differences between projected and actual earnings on pension plan investments; 2) changes in actuarial assumptions; 3) differences between expected and actual actuarial experiences and 4) changes in the District’s proportional share of pension liabilities. The deferred inflows resulting from differences between projected and actual earnings on pension plan investments will be amortized over a closed five year period. The remaining pension related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.
- Deferred inflows of resources for OPEB – Reported in the government wide financial statement of net position, these deferred inflows result primarily from 1) changes in actuarial assumptions and 2) differences between expected and actual actuarial experiences. These OPEB related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with OPEB through the OPEB plan.



**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Assets, Liabilities, Deferred Outflows/Inflows and Net Position or Fund Balances (continued)**

**12. Net position and fund balances**

Net position on the Statement of Net Position include the following:

*Net investment in capital assets* – the component of net position that reports capital assets less both the accumulated depreciation and the outstanding balance of debt and is directly attributable to the acquisition, construction, or improvement of these capital assets.

*Restricted for federal and state programs* – the component of net position that reports the difference between assets and liabilities related to federal and state programs that consist of assets with constraints placed on their use by granting agencies.

*Restricted for debt service* – the component of net position that reports the difference between assets, deferred inflows of resources and liabilities adjusted on a government-wide basis that consists of assets with constraints placed on their use by the bond covenants.

*Unrestricted net position* – the difference between the assets, deferred inflows of resources and liabilities that are not reported in net position net investment in capital assets, or restricted net position.

*Net position flow assumption* - Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted -net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

In the fund financial statements, governmental funds report fund balances as either a non-spendable fund balance or a spendable fund balance.

*Non-spendable Fund Balance*

Non-spendable fund balance is that portion of fund balance that is not expendable. Examples of non-spendable fund balance include inventories and prepaid items.

*Spendable Fund Balance*

Spendable fund balance includes restricted, committed, assigned, and unassigned components. These components can be described as follows:

*Restricted fund balance* – the component of the spendable fund balance constrained to a specific purpose by a provider, such as a creditor, grantor, contributor, or law or regulation of other governments. Restricted fund balance includes funds for debt service, construction programs, and resources from other granting agencies.

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Assets, Liabilities, Deferred Outflows/Inflows and Net Position or Fund Balances (continued)**

**12. Net position and fund balances (continued)**

*Committed Fund Balance* – the component of the spendable fund balance constrained to a specific purpose by Board. A Board resolution is required to establish a fund balance commitment. Only the action that constitutes the most binding constraint of the Board can be considered a commitment for fund balance classification purposes. The Board has committed the funds in the natural gas fund of \$10.6 million and \$37.1 million in construction fund revenues and other resources generated through transactions other than bond issues for projects to be determined by the Board of Trustees.

*Assigned Fund Balance* – the component of the spendable fund balance that is spendable or available for appropriation but has been tentatively earmarked for some specific purpose by the Superintendent. Board Policy CE (Local) was amended in August 2011 by the Board of Trustees to provide the Superintendent with this authorization. The District has assigned fund balance in the amount of \$1.4 million for general fund encumbrances.

*Unassigned Fund Balance* – the component of the spendable fund balance which may be spent for any legal purpose. This portion of the total fund balance in the general fund is available to finance operating expenditures.

The District strives to maintain an unassigned fund balance in the general fund equal to a minimum of 16.67% of the District's general fund operating expenditures. In the event that unassigned fund balance falls below the target level, the Board shall, within 24 months, adopt a plan to restore this balance to the target level.

*Fund balance flow assumptions* - Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**13. Data control codes**

The data control codes refer to the account code structure prescribed by the TEA. The TEA requires school districts to display these codes in the financial statements filed with the agency in order to ensure accuracy in building a statewide database for policy development and funding plans.

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. Implementation of New Standards**

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

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

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

GASB Statement No. 86, *Certain Debt Extinguishment Issues*. This Statement establishes standards of accounting and financial reporting for in-substance defeasance transactions in which cash and other monetary assets acquired with only existing resources—that is, resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the purpose of extinguishing debt. This Statement also amends accounting and financial reporting requirements for prepaid insurance associated with debt that is extinguished, whether through a legal extinguishment or through an in substance defeasance, regardless of how the cash and other monetary assets were acquired. Finally, this Statement establishes an additional disclosure requirement related to debt that is defeased in substance, regardless of how the cash and other monetary assets were acquired. The District has determined that this statement does not impact the district.

**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**

The governmental funds balance sheet includes a reconciliation of *total fund balances – governmental funds* to *net position of governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.” The details of this \$628,376,717 are as follows:

Land	\$ 78,669,971
Construction in progress	27,712,881
Buildings and improvements	928,060,183
Less: Accumulated depreciation - buildings and improvements	(447,194,053)
Furniture and equipment	103,656,874
Less: Accumulated depreciation - furniture and equipment	<u>(62,529,139)</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ 628,376,717</u>

The final element of that reconciliation explains that “long-term liabilities, including bonds payable and net pension and OPEB liability, are not due and payable in the current period and therefore are not reported as liabilities in the funds.” The details of this \$1,219,567,554 difference are as follows:

Bonds payable	\$ (790,505,769)
Less: Deferred charge on refunding (to be amortized as interest expense)	11,225,833
Add: Issuance premium (to be amortized over life of debt)	(76,657,727)
Add: Accumulated accretion on capital appreciation bonds	(1,295,339)
Accrued service benefits	(152,548)
Notes payable	(3,552,099)
Accrued interest payable	(12,007,149)
Net pension liability	(128,887,686)
Net OPEB liability	<u>(217,735,070)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$(1,219,567,554)</u>

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

**B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *total net changes in fund balance – governmental funds* and *change in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation states that “the issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.” The details of this (\$40,989,485) difference are as follows:

Debt issued or incurred:	
General obligation bonds	\$ (79,345,000)
Plus premium	(12,925,940)
Principal repayments:	
General obligation bonds	50,731,370
Notes payable	<u>550,085</u>
 Net adjustment to decrease changes in fund balance - total governmental funds to arrive at changes in net position of governmental activities	 <u>\$ (40,989,485)</u>

Another element of that reconciliation states that “some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds.” The details of the \$(57,563,158) difference are as follows:

Accrued service benefits	\$ 106,395
Accrued interest	(978,535)
Amortization of bond premiums	4,451,713
Amortization of deferred charge on refunding	(1,442,545)
Accretion on capital appreciation bonds	835,528
Pension and OPEB expense for the pension and OPEB plan measurement year	<u>54,590,602</u>
 Net adjustment to decrease changes in fund balance - total governmental funds to arrive at changes in net position of governmental activities	 <u>\$ 57,563,158</u>

### **III. STEWARDSHIP COMPLIANCE AND ACCOUNTABILITY**

#### **A. Budgets and Budgetary Accounting**

The District is legally required to adopt budgets for the General Fund, Debt Service Fund, Capital Projects Fund, and Child Nutrition. Each budget is presented and accounted for on the modified accrual basis of accounting which is consistent with generally accepted accounting principles. The District is not legally required to adopt Special Revenue Fund budgets.

The District follows these procedures preparing and approving its annual budget:

1. The superintendent or his designate prepares a budget covering all estimated revenues and proposed expenditures of the District for the next succeeding fiscal year. The budget is prepared by generic fund type and function.
2. Ten days after public notice of the meeting has been given, a public hearing is held, allowing the public to comment on the proposed budget.
3. A public meeting of the Board of Trustees is called for the purpose of adopting the budget. The State Board of Education requires that the budget be prepared no later than June 30<sup>th</sup> of each year.
4. Budget data must be received by the Texas Education Agency on or before December 15 each year. The legal level of budgetary control is at the function level within each generic fund type. Budget amounts are as originally adopted, or as amended by the Board on June 21, 2017. Once a budget is approved, it can be amended at the function and fund level only by approval of a majority of the members of the Board of Trustees. Changes can be made to the budget at any detail within the function level without an amendment approved by the Board. During the year, several budget amendments were made with Board approval. The most significant amendments were for carryover funding; issuance of bonds and supplemental appropriations for bond projects; mid-year adjustment of local and state revenues and appropriations and operating costs; and year-end adjustments to revise estimates of revenues and expenditures based on the latest information on student attendance, interest earnings, and operating costs. All budget appropriations lapse at year-end.

### **IV. DETAILED NOTES ON ALL FUNDS**

#### **A. Deposits and Investments**

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

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

**IV. DETAILED NOTES ON ALL FUNDS (continued)**

**A. Deposits and Investments (continued)**

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

**Custodial Credit Risk – Deposits** – In the case of deposits, this is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The collateral shall always be held by an independent third party with whom the District has a current custodial agreement. The District is not exposed to custodial credit risk for its deposits as all are covered by depository insurance or securities pledged to the District and held by a third-party custodian.

At June 30, 2018, the carrying value of the District’s deposits (other than the temporary investments listed below) was \$16,145,347 and the bank balance was \$20,862,954. The District’s cash deposits at June 30, 2018, and during the year then ended, were entirely covered by FDIC insurance or by pledged collateral held by the District’s agent bank in the District’s name.

Investments

As of June 30, 2018, the District’s investments consisted of balances held by Lone Star Local Government Investment Pool (LSIP), Texas Local Government Investment Pool (TexPool), LOGIC Local Government Investment Pool, and Fidelity Money Market.

LSIP is a Texas public investment pool sponsored by the Texas Association of School Boards (TASB) for investment of funds by state and local government entities, primarily local school districts. The Board has entered into an agreement with First Public, LLC (First Public), a Texas limited liability company and a member of the National Association of Securities Dealers, Securities Investor Protection Corporation, and Municipal Securities Rulemaking Board, pursuant to which First Public serves as administrator of LSIP's operations. American Beacon Advisors, Fort Worth, Texas, and Standish Mellon Asset Management Company, LLC, Pittsburgh, Pennsylvania, provide investment management services to LSIP regarding the investment and reinvestment of the pool's assets. The fund's credit quality is excellent as its portfolio is composed of U. S. government and U. S. agency securities. Investments in LSIP provide for investment in securities with maturities and returns generally greater than money market instruments. LSIP is marked-to-market daily to maintain an accurate net asset value. The District's fair value in LSIP is the same as the value of the pool shares.

TexPool is a public funds investment pool created by the Texas Treasury Safekeeping Trust Company (the Trust Company) to provide a safe environment for the placement of local government funds. The portfolio consists of U.S. Treasury and government agency securities, repurchase agreements, certain mutual funds, collateralized repurchase and reverse repurchase agreements, no-load money market mutual funds regulated by the Securities and Exchange Commission and rated AAA or equivalent by at least one nationally recognized statistical rating organization, securities lending programs, and certificates of deposit. TexPool is overseen by the State Comptroller of Public Accounts and administered by Federated Investors, Inc. The State Street Bank is the custodial bank. TexPool follows chapter 2256 of the Texas Public Funds Investment Act. TexPool uses amortized cost rather than fair value to report net assets to compute share prices. The fair value of the position in TexPool is the same as the value of TexPool shares. Accordingly, the District's investments in TexPool are stated at amortized cost, which approximates fair value.

**IV. DETAILED NOTES ON ALL FUNDS (continued)**

**A. Deposits and Investments (continued)**

Local Government Investment Cooperative (LOGIC) (the “Pool”) was organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code, and operates as a public funds investment pool under the Public Funds Investment Act. LOGIC is organized and existing as a business trust under the laws of the State of Texas with all Participant funds and all investment assets held and managed in trust by a Board of Trustees for the benefit of the Participants. The Board of Trustees is LOGIC’s governing body and is comprised of employees, officers or elected officials of Participant Government Entities or individuals who do not have a business relationship with the Pool and are qualified to advise it. A maximum of two advisory board members represent the Co-Administrators of the Pool. The Portfolio assets are marked to market daily using the fair value method. Due to the fact that amortized cost, which generally approximates the market value of the assets, has been deemed to be a proxy for fair value, Portfolio assets are valued on the basis of the amortized cost valuation technique.

As noted in the District’s Significant Accounting Policies, the District reports its local government investment pools at amortized cost as permitted by GASB Statement No. 79 *Certain External Investment Pools and Pool Participants*. In addition, Lone Star, TexPool and LOGIC do not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. The pools do not impose any liquidity fees or redemption gates.

The District’s temporary investments at June 30, 2018 , are shown below:

<b>Investments:</b>	<u><b>Fair Value</b></u>	<u><b>Percentage of Investments</b></u>	<u><b>Weighted Average Maturity (Days)</b></u>
Local Government Investment Pools:			
Lone Star	\$ 81,765,975	16.1%	25
TexPool	7,357,127	1.4%	34
LOGIC	<u>420,076,166</u>	<u>82.5%</u>	25
Total Local Government Investment Pools	<u>\$ 509,199,268</u>	<u>100.0%</u>	



**IV. DETAILED NOTES ON ALL FUNDS (continued)**

**A. Deposits and Investments (continued)**

**Custodial Credit Risk – Investments** – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District’s investments in the external investment pools (Lonestar, TexPool and LOGIC), are not exposed to custodial risk. External investment pools are not subject to custodial risk because investments are not evidenced by securities that exist in physical or book entry form. State law limits investments in public funds investment pools to those rated no lower than AAA or AAAM or an equivalent rating by at least one nationally recognized rating service. As of June 30, 2018, the District’s investments in Lonestar was rated AAA and, TexPool and LOGIC were rated AAAM. Fidelity money market had a rating of AAA.

**Credit Risk** – This is the risk that a security issuer may default on an interest or principal payment. State law limits investments in local government pools to those that are rated AAA or equivalent by at least one Nationally Recognized Statistical Rating Organization (NRSRO). The District controls and monitors this risk by purchasing quality rated instruments that have been evaluated by agencies such as Standard and Poor’s (S&P) or Moody’s Investors Service, or by investing in public fund investment pools rated no lower than AAA or AAAM. The District’s investments in Lonestar and LOGIC were rated AAA and TexPool was rated AAAM. Fidelity money market had a rating of AAA.

**Interest-rate Risk** – This type of risk occurs when potential purchasers of debt securities do not agree to pay face value for those securities if interest rates rise. The District’s investment policy does not allow the purchase of investments that would expose the District to interest-rate risk.

**Concentration Risk** – This type of risk is defined as positions of 5 percent or more in the securities of a single issuer. The District is not exposed to concentration risk because the investment portfolio mainly consists of external investment pools.

**B. Receivables**

Receivables due from other governments, as of June 30, 2018 for the District’s major, nonmajor, and propriety funds in the aggregate are as follows. All receivables are expected to be collected within one year.

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Due from the State of Texas/Other Governments	\$ 56,400,010	\$ 8,293,560	\$ 64,693,570
Total Due from Other Governments	<u>\$ 56,400,010</u>	<u>\$ 8,293,560</u>	<u>64,693,570</u>

The District expects to collect all receivables within one year of the end of the fiscal year period.

**IV. DETAILED NOTES ON ALL FUNDS (continued)**

**C. Interfund Receivables, Payables, and Transfers**

The composite of interfund balances as of June 30, 2018, is as follows. All interfund balances are expected to be repaid within one year.

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund:		
Capital Projects Fund (major governmental fund)	\$	\$ 442,207
Natural Gas Special Revenue Fund		50,331
Nonmajor Special Revenue Funds	6,213,255	1,354,434
Debt Service Fund (major governmental fund)		1,183,058
Internal Service Fund		<u>208,824</u>
Total General Fund	<u>6,213,255</u>	<u>2,742,861</u>
Debt Service Fund (major governmental fund):		
General Fund	<u>1,183,058</u>	
	<u>1,183,058</u>	
Capital Projects Fund (major governmental fund):		
General Fund	<u>442,207</u>	
Natural Gas Special Revenue Fund:		
General Fund	<u>50,331</u>	
Nonmajor Special Revenue Funds:		
General Fund	1,354,434	6,709,248
Debt Service Fund (major governmental fund)		
Proprietary Fund		
Internal Service Fund		<u>24,383</u>
	<u>1,354,434</u>	<u>6,733,631</u>
Internal Service Fund:		
General Fund	208,824	
Nonmajor Special Revenue Funds	24,383	
Proprietary Fund		
Total Internal Service Fund	<u>233,207</u>	
<b>Total all funds</b>	<u>\$ 9,476,492</u>	<u>\$ 9,476,492</u>

These interfund balances resulted from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and/or payments between funds are made.

The composition of interfund transfers for the year ended June 30, 2018 is as follows:

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
Natural Gas Special Revenue Fund	Capital Projects Fund	\$ 21,080,946
Nonmajor Special Revenue Fund	Nonmajor Special Revenue Fund	312,662
General Fund	Capital Projects Fund	<u>700,777</u>
		<u>\$ 22,094,385</u>

The transfer from the Natural Gas Special Revenue Fund to the Capital Projects Fund of \$21,080,946 is for certain capital improvement projects. This funding will pay for additional scope/enhancements at the District's new fine arts facility and athletics facility that are part of the 2014 Bond program. The transfer from the General Fund to the Capital Projects Fund was excess fund balance approved by the Board to pay for kitchen renovations at Turning Point School and for resurfacing the track at the Workman Junior High stadium, for use by all junior high school students.

**IV. DETAILED NOTES ON ALL FUNDS (continued)**

**D. Operating Leases**

The District leases building and office facilities and other equipment under noncancelable operating leases. Total costs for such leases were \$117,600 for the year ended June 30, 2018. The future minimum lease payments for all active operating leases can be summarized as follows:

<u>Year Ending June 30,</u>	<u>Amounts</u>
2019	\$ 123,012
2020	126,084
2021	129,240
2022	132,468
2023	136,440
Total	<u>\$ 647,244</u>

**E. Capital Assets**

A summary of changes in governmental activities capital assets for the year ended June 30, 2018 as follows:

	<u>Balance June 30,</u> <u>2017, as restated</u>	<u>Additions</u>	<u>Retirements and</u> <u>Transfers</u>	<u>Balance June 30,</u> <u>2018</u>
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 78,658,466	\$ 286,223	\$ (274,718)	\$ 78,669,971
Construction in progress	130,453,400	19,472,565	(122,213,084)	27,712,881
<b>Total Capital assets, not being depreciated</b>	<u>209,111,866</u>	<u>19,758,788</u>	<u>(122,487,802)</u>	<u>106,382,852</u>
Capital assets, being depreciated:				
Buildings and improvements	804,518,834	1,537,157	122,004,192	928,060,183
Furniture and equipment	94,411,371	10,977,326	(1,731,823)	103,656,874
<b>Total Capital assets, being depreciated</b>	<u>898,930,205</u>	<u>12,514,483</u>	<u>120,272,369</u>	<u>1,031,717,057</u>
Less accumulated depreciation for:				
Buildings and improvements	(414,120,125)	(33,282,820)	208,892	(447,194,053)
Furniture and Equipment	(54,427,477)	(9,717,480)	1,615,818	(62,529,139)
<b>Total Accumulated depreciation</b>	<u>(468,547,602)</u>	<u>(43,000,300)</u>	<u>1,824,710</u>	<u>(509,723,192)</u>
<b>Governmental Capital Assets</b>	<u>\$ 639,494,469</u>	<u>\$ (10,727,029)</u>	<u>\$ (390,723)</u>	<u>\$ 628,376,717</u>

**IV. DETAILED NOTES ON ALL FUNDS (continued)**

**E. Capital Assets (continued)**

Depreciation was charged to functions as follows:

<u>Function</u>	<u>Depreciation Expense</u>
<b>Governmental Activities:</b>	
Instruction	\$ 27,094,603
Instructional resources and media services	558,964
Curriculum and staff development	530,963
Instructional leadership	714,259
School leadership	2,509,986
Guidance, counseling and evaluation services	2,404,629
Social work services	182,969
Health services	531,634
Student transportation	1,253,102
Extracurricular activities	852,526
General administration	813,329
Plant maintenance and operations	4,053,585
Security and monitoring services	678,305
Data processing services	784,248
Community services	37,198
<b>Total Governmental Activities</b>	<u><u>\$ 43,000,300</u></u>

**Construction Commitments**

The District has active construction projects as of June 30, 2018. Construction in progress and remaining commitments as of June 30, 2018 are as follows:

<u>Project</u>	<u>Approved Construction Budget</u>	<u>Construction in Progress</u>	<u>Estimated Remaining Commitment</u>
Athletics Complex	\$ 25,000,000	\$ 1,609,418	\$ 23,390,582
Condition deficiencies/Life cycle replacements	51,205,142	23,610,522	27,594,620
Fine Arts Center	32,000,000	2,492,941	29,507,059
	<u>\$ 108,205,142</u>	<u>\$ 27,712,881</u>	<u>\$ 80,492,261</u>

**IV. DETAILED NOTES ON ALL FUNDS (continued)**

**F. Long-Term Debt**

Long-term debt of the District is comprised of bonds payable, capital leases payable, accrued service benefits, and two notes payable. Debt service requirements for general obligation bonds are payable from fund balance and future revenues of the Debt Service Fund which consists principally of property taxes collected by the District, state funding under the Instructional Facilities and Existing Debt Allotments and interest earnings. The General Fund has typically been used to liquidate capital leases and notes payable, in prior years.

The following is a summary of changes in long-term debt for governmental activities for the year ended June 30, 2018:

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2018</u>	<u>Due Within One Year</u>
Bonds payable	\$ 761,892,139	\$ 79,345,000	\$ (50,731,370)	\$ 790,505,769	\$ 50,278,751
Bond premiums	68,183,501	12,925,940	(4,451,713)	76,657,728	
Accreted interest	2,130,867	283,102	(1,118,630)	1,295,339	355,614
Notes payable	4,102,184		(550,085)	3,552,099	502,627
Accrued service benefits	258,943		(106,395)	152,548	46,376
Total	<u>\$ 836,567,634</u>	<u>\$ 92,554,042</u>	<u>\$ (56,958,193)</u>	<u>\$ 872,163,483</u>	<u>\$ 51,183,368</u>

The notes payable is payable from the general fund. The same governmental funds used to pay the staff's salary have been used to liquidate the liability for compensated absences in the current and prior years.

During fiscal year 2018, the District issued the 2017 Unlimited Tax School Building Bonds at a par value of \$79,345,000 and a premium of \$12,925,940. The proceeds from the sale will be used (1) for acquisition, construction and equipment of school buildings and the purchase of school sites and school buses and (2) to pay the costs associated with the issuance of the Bonds. Interest rates range from 3 to 5 percent. The bonds mature in fiscal year 2042.

Qualified School Construction Bonds ("QSCB's") are tax-credit bonds authorized through the American Recovery and Reinvestment Act. The QSCB program provides school districts the opportunity to issue interest free or very-low interest bonds to finance the construction, rehabilitation, or repair of a public school facility or for the acquisition of land on which such a facility is to be constructed. Purchasers of QSCB's issued in 2009 receive a federal tax credit instead of interest payments. Purchasers of QSCB's issued in 2011 receive interest payments from the issuer, and the issuer can elect to receive subsidy payments from the federal government equal to the lesser of (i) the amount of interest payable under such bond on such date, or (ii) the amount of interest which would have been payable under such bond on such date if such interest were determined at the applicable credit rate determined under section 54A(b)(3) of the Internal Revenue Code with respect to such bonds. The District received \$304,336 in subsidy payments from the federal government during the fiscal year ended June 30, 2018.

**IV. DETAILED NOTES ON ALL FUNDS (continued)**

**F. Long-Term Debt (continued)**

**Bonds 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 in the fund financial statements.

A summary of changes in general obligation bonds for the year ended June 30, 2018, are as follows:

	<b>Interest Rates</b>	<b>Original Amount</b>	<b>Range of Future Maturities</b>	<b>6/30/2017 Balances</b>	<b>Issued</b>	<b>Retired / Defeased</b>	<b>6/30/2018 Balances</b>
2009 Refunding	3.00 to 4.25%	12,465,000	2015-24	\$ 10,200,000	\$	\$ 40,000	\$ 10,160,000
2009 QSCB	0.40%	36,320,000	2018-26	36,320,000		4,035,000	32,285,000
2010A Building	2.00 to 4.00%	29,435,000	2015-35	2,290,000		740,000	1,550,000
2011A Building	2.89 to 5.00%	50,717,485	2015-36	6,405,771		1,725,002	4,680,769
2011 QSCB	5.25 to 6.00%	13,655,000	2018-26	13,655,000		1,520,000	12,135,000
2011 Refunding	2.00 to 4.00%	19,479,966	2015-28	15,030,000		1,090,000	13,940,000
2012 Building	2.00 to 5.00%	24,885,000	2015-37	14,070,000			14,070,000
2013 Building	2.75 to 5.00%	16,390,000	2017-38	12,380,000		4,650,000	7,730,000
2013 Refunding	0.34 to 3.007%	76,482,234	2015-25	30,390,000		18,450,000	11,940,000
2014 Building	2.00 to 5.00%	16,180,000	2016-39	12,510,000		2,940,000	9,570,000
2014 Refunding	5.00%	72,020,000	2017-24	71,180,000		880,000	70,300,000
2014A Building	1.00 to 5.00%	159,485,000	2015-39	149,150,000		3,695,000	145,455,000
2015 Building	1.00 to 5.00%	220,300,000	2016-40	213,860,000		740,000	213,120,000
2016A Building	3.00 to 5.00%	109,420,000	2017-41	107,375,000		3,290,000	104,085,000
2016B Refunding	2.00-5.00%	46,475,000	2017-36	46,475,000			46,475,000
2016C Refunding	.85-1.603%	21,086,368	2017-21	20,601,368		4,511,368	16,090,000
2017 Building	3.00 to 5.00%	79,345,000	2018-42		79,345,000	2,425,000	76,920,000
<b>Total Bonds Payable</b>				<b>\$ 761,892,139</b>	<b>\$ 79,345,000</b>	<b>\$ 50,731,370</b>	<b>\$ 790,505,769</b>

The annual debt service for retirement of bond principal and interest are as follows:

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Totals</b>
2019	\$ 50,278,750	\$ 32,681,647	\$ 82,960,397
2020	46,390,048	31,169,968	77,560,016
2021	39,706,970	29,755,512	69,462,482
2022	40,535,000	27,890,790	68,425,790
2023	38,645,000	26,279,318	64,924,318
2024-2028	171,810,000	107,251,988	279,061,988
2029-2033	150,100,000	74,233,348	224,333,348
2034-2038	175,140,000	40,216,590	215,356,590
2039-2041	77,900,000	6,153,326	84,053,326
	<b>\$ 790,505,768</b>	<b>\$ 375,632,487</b>	<b>\$ 1,166,138,255</b>

**Rebtable Arbitrage Payable**

The Tax Reform Act of 1986 requires that the excess interest earned on tax-exempt bond proceeds over interest cost must be remitted to the federal government. These arbitrage interest earnings are paid from the Capital Projects Funds and must be remitted every five years from date of issue. During the fiscal year ended June 30, 2018, no arbitrage payments were made to the IRS. Furthermore, there was no rebatable arbitrage liability at June 30, 2018.

**IV. DETAILED NOTES ON ALL FUNDS (continued)**

**F. Long-Term Debt (continued)**

**Accreted Interest**

In accordance with general obligation bond indentures, the District is required to compute, at the time of levying the tax, a rate of tax sufficient to provide a fund each year to pay the principal and interest as bonds mature and interest payments are due.

A portion of the Series 2011A bond issues was Capital Appreciation Bonds. These bonds were issued at a discount, and there are no scheduled interest payments due until maturity of the bonds. A portion of the difference between the principal received at issuance and the total amount due at maturity is accreted each year until the total liability equals the cash due at maturity. The 2011A bonds mature in fiscal years 2017 through 2021. As noted in this section, the 2016C bond issuance included premium capital appreciation bonds.

Accreted interest on bonds represents the accrued interest to date on the above issues and is summarized as follows:

<u>Issue</u>	<u>Amount Due at Maturity</u>	<u>Amount Received at Issue</u>	<u>Total To Be Accreted</u>	<u>Balance 6/30/17</u>	<u>Current Year Accretion</u>	<u>Additions / Maturities</u>	<u>Balance 6/30/18</u>
2011A	\$ 10,480,000	\$ 8,217,485	\$ 2,262,515	\$ 1,430,833	\$ 229,504	\$ (364,998)	\$ 1,295,339
2016C	5,265,000	4,511,368	753,632	700,034	53,598	(753,632)	
		<u>\$ 12,728,853</u>	<u>\$ 3,016,147</u>	<u>\$ 2,130,867</u>	<u>\$ 283,102</u>	<u>\$ (1,118,630)</u>	<u>\$ 1,295,339</u>

**Prior Year Defeasance of Debt**

In prior years, the District defeased general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust account to provide for all future debt service payments on the old bonds. Accordingly, trust account assets and liabilities for the defeased bonds are not included in the District’s financial statements. At June 30, 2018, \$203,410,000 of defeased bonds remain outstanding.

**IV. DETAILED NOTES ON ALL FUNDS (continued)**

**F. Long-Term Debt (continued)**

**Notes Payable**

The notes payable represent loans with the State of Texas Energy Conservation Office. The first phase of the project began during May 2006. Total proceeds of \$1,886,308 from the loan were to be used for energy conservation measures at school locations throughout the District. This phase was completed during the fiscal year ending August 31, 2009. The related note matured in November 2012. The second phase resulted in additional construction draws of \$4,584,295 that were taken during the years ended August 31, 2009 and 2010. The related note accrues interest at a fixed rate of 3.0% and matures in August 2017. During the 2014 fiscal year, the District entered into a loan agreement with the State of Texas Energy Conservation Office. The proceeds of the loan will be disbursed to the District as costs are incurred by the District for energy conservation projects. The proceeds of the loan will not exceed \$4,984,031. Interest will accrue at a rate of 2.5% from the date of each disbursement to the District. The District is required by the agreement to submit quarterly principal and interest payments on both notes payable, based on 7 year amortizations. The total notes payable balance at year end is \$3,552,099 and annual maturities are as follows:

<b><u>Year Ending June 30,</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2019	\$ 502,627	\$ 86,536	\$ 589,163
2020	515,311	73,852	589,163
2021	528,315	60,848	589,163
2022	541,647	47,516	589,163
2023	555,316	33,847	589,163
2024-2026	908,883	25,300	934,183
	<u>\$ 3,552,099</u>	<u>\$ 327,899</u>	<u>\$ 3,879,998</u>

**G. Employee Benefits**

The following is a summary of the various insurance, reimbursement and retirement programs provided by the District for the benefit of District employees and their dependents:

**1. Insurance plans**

*Workers' Compensation Insurance (Self-Insured)* – The District contracts with the TASB Risk Management Fund (“the Fund”) to facilitate all claims. The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and Chapter 504, Texas Labor Code. All districts participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

As a self-funded member of the Fund, the District is solely responsible for all claim costs, both reported and unreported. The Fund provides administrative services to its self-funded members including claims administration and customer service. The District is protected against higher than expected claims costs through the purchase of stop loss coverage. Deposits in the amount of \$250,000 for a required Loss Deposit Fund are included in other current assets on the Statement of Net Position.

The Fund engages the service of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is approved by the Fund’s Board of Trustees in February of the following year. The Fund’s audited financial statements as of August 31, 2017, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.



**IV. DETAILED NOTES ON ALL FUNDS (continued)**

**G. Employee Benefits (continued)**

**1. Insurance plans (continued)**

The costs associated with the self-insured plan are reported as interfund transactions. Accordingly, they are treated as operating revenues of the Workers' Compensation Fund and operating expenditures/expenses of the General Fund and Enterprise Fund.

An actuarial study is performed on the plan to estimate the claims liability at the fiscal year-end. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The resultant liability calculation is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claim liabilities are evaluated periodically. The following summarizes the self-insured plan claims and liabilities for workers' compensation:

<u>Fiscal Year</u>	<u>Beginning of Year Accrual</u>	<u>Current Year Estimates</u>	<u>Claims Payments</u>	<u>End of Year Accrual</u>
2017	\$ 4,085,514	\$ 1,328,447	\$ (1,328,447)	\$ 4,085,514
2018	4,085,514	1,669,375	(1,516,432)	4,238,457

**2. Defined benefit pension plan**

**Plan Description**

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

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

**Pension Plan Fiduciary Net Position**

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at [https://www.trs.texas.gov/Pages/about\\_archive\\_cafrr.aspx](https://www.trs.texas.gov/Pages/about_archive_cafrr.aspx); by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

**IV. DETAILED NOTES ON ALL FUNDS (continued)**

**G. Employee Benefits (continued)**

**2. Defined benefit pension plan (continued)**

**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 cost of living adjustments (COLAs). Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description in (A) above.

**Contributions**

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

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

	<b>Contribution Rates</b>	
	<b>2018</b>	<b>2017</b>
Member (Employee)	7.7%	7.2%
Non-Employer Contributing Entity (State)	6.8%	6.8%
District	6.8%	6.8%

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

**IV. DETAILED NOTES ON ALL FUNDS (continued)**

**G. Employee Benefits (continued)**

**2. Defined benefit pension plan (continued)**

Contributions and pension expense for all contributions were as follows:

	<u>Measurement Year (2017)</u>		<u>Fiscal Year (2018)</u>
	<b>Contributions</b>		<b>TRS</b>
	<u>Required and</u>	<u>Pension Expense</u>	<u>Contributions</u>
Member (Employee)	\$ 31,266,841	\$ -	\$ 31,503,374
Non-Employer Contributing Entity (State)	19,166,427	14,292,722	19,162,896
District	13,211,063	18,402,569	13,319,359

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

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

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

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

**IV. DETAILED NOTES ON ALL FUNDS (continued)**

**G. Employee Benefits (continued)**

**2. 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
Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Municipal Bond Rate	N/A*
Inflation	2.5%
Salary Increases	3.5% to 9.5% including inflation
Payroll Growth Rate	2.5%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

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

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

**Discount Rate**

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

**IV. DETAILED NOTES ON ALL FUNDS (continued)**

**G. Employee Benefits (continued)**

**2. Defined benefit pension plan (continued)**

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

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

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

**IV. DETAILED NOTES ON ALL FUNDS (continued)**

**G. Employee Benefits (continued)**

**2. Defined benefit pension plan (continued)**

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

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

	<b>Discount Rate</b>		
	<b>1% Decrease (7%)</b>	<b>Current Rate (8%)</b>	<b>1% Increase (9%)</b>
District's proportional share of the net pension liability	\$ 217,279,175	\$ 128,887,686	\$ 55,287,427

At June 30, 2018, the District reported a liability of \$128,887,686 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportion of the net pension liability	0.4031%
District's proportionate share of the collective net pension liability	\$ 128,887,686
State's proportionate share that is associated with the District	<u>187,381,594</u>
Total	<u>\$ 316,269,280</u>

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

At August 31, 2017 the employer's proportion of the collective net pension liability was 0.4031% which was an increase from its proportion measured as of August 31, 2016 of 0.3935%.

**Change since the Prior Actuarial Valuation**

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

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

For the year ended June 30, 2018, the District recognized pension expense of \$32,695,291. The District also recognized total revenue of \$14,292,722 for support provided by the State.

**IV. DETAILED NOTES ON ALL FUNDS (continued)**

**G. Employee Benefits (continued)**

**2. Defined benefit pension plan (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 pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 1,885,685	\$ (6,950,744)
Changes of assumptions	5,871,039	(3,361,033)
Net difference between projected and actual earnings on pension plan investments		(9,393,053)
Changes in proportion and differences between District contributions and proportionate share of contributions	22,923,671	(9,804)
District contributions subsequent to the measurement date	11,173,532	
Total	<u>\$ 41,853,927</u>	<u>\$ (19,714,634)</u>

The \$11,173,532 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

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

<b>Year ended June 30</b>	<b>Pension Expense Amount</b>
2019	\$ 1,273,101
2020	9,500,336
2021	640,979
2022	(1,730,545)
2023	1,035,815
2024	246,075
	<u>\$ 10,965,761</u>

**IV. DETAILED NOTES ON ALL FUNDS (continued)**

**G. Employee Benefits (continued)**

**3. Defined Other Post-Employment Benefit Plans**

**A. Plan Description**

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

**B. OPEB Plan Fiduciary Net Position**

Detail information about the TRS-Care’s fiduciary net position is available in the separately-issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; on the Internet at [https://www.trs.texas.gov/Pages/about\\_archive\\_cafr.aspx](https://www.trs.texas.gov/Pages/about_archive_cafr.aspx); or by calling (512) 542-6592.

**C. Benefits Provided**

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

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

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

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

\*or surviving spouse



**IV. DETAILED NOTES ON ALL FUNDS (continued)**

**G. Employee Benefits (continued)**

**3. Defined Other Post-Employment Benefit Plans (continued)**

**D. Contributions**

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

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

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

In addition, during the current fiscal year, \$212.0 million was transferred to TRS from the State to pay for Care during the 85th First Legislative Special Session House Bill 21, Section 10. The District reported on behalf revenues and expenditures of \$1.1 million relating to these transfers.

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA). Contributions and pension expense for all contributors were as follows:

	<b>Measurement Year (2017)</b>		<b>Fiscal Year (2018)</b>
	<b>Contributions Required and Made</b>	<b>OPEB Expense</b>	<b>TRS Care Contributions</b>
Active Employee	\$ 2,639,766	\$	\$ 2,659,640
Non-employer Contributing Entity (State)	3,761,178	105,272,632	5,647,725
District	2,603,138	72,993,171	3,315,475

**IV. DETAILED NOTES ON ALL FUNDS (continued)**

**G. Employee Benefits (continued)**

**3. Defined Other Post-Employment Benefit Plans (continued)**

**E. Actuarial Assumptions**

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

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

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

***Additional Actuarial Methods and Assumptions:***

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

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

\*\* Includes Inflation at 2.50%

\*\*\* Initial trend rates are 7.00% for non-Medicare retirees; 10.00% for Medicare retirees and 12.00% for prescription trend rate of 4.50% over a period of 10 years.

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

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

**IV. DETAILED NOTES ON ALL FUNDS (continued)**

**G. Employee Benefits (continued)**

**3. Defined Other Post-Employment Benefit Plans (continued)**

**F. Discount Rate**

A single discount rate of 3.42% was used to measure the total OPEB liability. There was a change of .44 percent in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability

**G. Sensitivity of the Net OPEB Liability**

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

Sensitivity of the Net OPEB Liability to the Single Discount Rate Assumptions		
1% Decrease in Discount Rate (2.42%)	Current Discount Rate (3.42%)	1% Increase in Discount Rate (4.42%)
\$256,981,436	\$217,735,070	\$186,189,841

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

Sensitivity of the Net OPEB Liability to the Healthcare Cost Trend Rate Assumptions		
1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
\$181,286,199	\$217,735,070	\$265,560,584

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

At June 30, 2018, the District reported a liability of \$217,735,070 for its proportionate share of the TRS’s Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportion of the net pension liability	0.5007%
District's proportionate share of the collective Net OPEB Liability	\$217,735,070
State's proportionate share that is associated with (employer)	314,597,329
<b>Total</b>	<b>\$ 532,332,399</b>

**IV. DETAILED NOTES ON ALL FUNDS (continued)**

**G. Employee Benefits (continued)**

**3. Defined Other Post-Employment Benefit Plans (continued)**

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

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

At August 31, 2017 the employer's proportion of the collective Net OPEB Liability was 0.5007% which was the same proportion measured as of August 31, 2016.

***Changes since the Prior Actuarial Valuation***

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

There was a significant plan change adopted in measurement year ending August 31, 2017:

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

***Negative OPEB Expense***

The significant changes to the plan benefits and assumptions noted above decreased the net OPEB liability related to TRS-Care as a whole by \$33.5 billion. As a result, the District's proportional share of the net OPEB liability decreased by \$166.7 million. Because the decrease in the liability was the result of changes to plan benefits, a majority of the decrease has been recognized immediately in the District's financial statements. As a result, the District recognized a total proportional share of negative OPEB expense of \$178.3 million, a portion of this negative expense (\$105.3 million) represents the State's on- behalf share of this activity offset by what the Governmental Accounting Standards Board refers to as a negative on-behalf revenue.

**IV. DETAILED NOTES ON ALL FUNDS (continued)**

**G. Employee Benefits (continued)**

**3. Defined Other Post-Employment Benefit Plans (continued)**

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

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

	Current Year Prior to Negative On-behalf Activities			Current Year After Negative On-behalf Activities as presented in Exhibit B-1	
	Expenses	Operating Grants and Contributions	Negative On-behalf Activities	Expenses	Operating Grants and Contributions
Instruction	\$ 322,256,435	\$ 34,924,678	\$ (75,238,350)	\$ 247,018,085	\$ (40,313,672)
Instructional resources and media services	6,376,678	348,799	(1,452,762)	4,923,916	(1,103,963)
Curriculum and staff development	11,286,306	6,214,625	(968,508)	10,317,798	5,246,117
Instructional leadership	10,135,815	2,972,366	(1,736,998)	8,398,817	1,235,368
School leadership	27,672,390	1,257,197	(7,021,685)	20,650,705	(5,764,488)
Guidance, counseling, and evaluation services	31,429,037	2,512,371	(6,242,667)	25,186,370	(3,730,296)
Social work services	2,537,584	1,052,877	(463,200)	2,074,384	589,677
Health services	5,937,597	7,300,121	(1,515,926)	4,421,671	5,784,195
Student transportation	14,316,258	595,352	-	14,316,258	595,352
Food service	26,820,768	26,014,482	-	26,820,768	26,014,482
Extracurricular activities	10,210,220	286,705	-	10,210,220	286,705
General administration	9,481,146	287,482	(1,663,308)	7,817,838	(1,375,826)
Plant, maintenance and operations	149,217,916	1,179,514	(5,979,485)	143,238,431	(4,799,971)
Security and monitoring services	8,666,887	227,672	(1,326,435)	7,340,452	(1,098,763)
Data processing services	10,416,747	272,936	(1,589,617)	8,827,130	(1,316,681)
Community services	(1,958,855)	1,960,047	(73,691)	(2,032,546)	1,886,356
Interest on long-term debt	30,339,181	2,032,531	-	30,339,181	2,032,531
Debt issuance costs and fees	650,289	-	-	650,289	-
Facilities repairs and maintenance	3,696,335	-	-	3,696,335	-
Payments to Juvenile Justice Alternative Education Programs	57,534	-	-	57,534	-
Payments to Tax Increment Fund	2,393,136	-	-	2,393,136	-
Intergovernmental charges	2,082,715	-	-	2,082,715	-
<b>Totals</b>	<b>\$ 684,022,119</b>	<b>\$ 89,439,755</b>	<b>\$ (105,272,632)</b>	<b>\$ 578,749,487</b>	<b>\$ (15,832,877)</b>

**IV. DETAILED NOTES ON ALL FUNDS (continued)**

**G. Employee Benefits (continued)**

**3. Defined Other Post-Employment Benefit Plans (continued)**

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$	\$ (4,545,385)
Changes in actuarial assumptions		(86,533,606)
Difference between projected and actual investment earnings	33,075	
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	1,005	
Contributions paid to TRS subsequent to the measurement date	<u>2,889,956</u>	
Total	<u>\$ 2,924,036</u>	<u>\$ (91,078,991)</u>

The \$2,889,956 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. The net amounts of the employer's balances of deferred outflows and inflows of resources related to OPEB activity will be recognized in OPEB expense as follows:

<u>Year Ended June 30:</u>	<u>OPEB Expense Amount</u>
2019	\$ (12,013,482)
2020	(12,013,482)
2021	(12,013,482)
2022	(12,013,482)
2023	(12,021,750)
Thereafter	<u>(30,969,233)</u>
	<u>\$ (91,044,911)</u>

**I. Medicare Part D**

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

<u>Fiscal Year</u>	<u>Medicare Part D</u>
2018	\$ 1,627,543
2017	1,202,490
2016	1,512,220

**IV. DETAILED NOTES ON ALL FUNDS (continued)**

**H. Commitments and Contingencies**

**State and Federal Grants**

The District receives monies under various state and federal grant project awards. These grants are subject to audit by the individual grantors and any disallowed costs arising from these audits would have to be refunded by the District. Management believes that the District has substantially complied with the terms and provisions of these grants, and any refunds, which might arise from these audits, would not be material.

**Litigation**

The District is a party to various legal actions, none of which is believed by administration to have a material effect on the financial condition of the District. Accordingly, no provision for losses has been recorded in the accompanying financial statements for such contingencies.

**I. Risk Management**

The District purchases commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

**J. Subsequent Events**

In July 2017, the District issued Unlimited Tax School Building Bonds, Series 2018 in the amount of \$33,630,000 for acquisition, construction, and equipment of school buildings and the purchase of school sites and school buses.

**K. Shared Service Arrangement**

The District has entered into a Shared Service Agreement (SSA) for services and reporting procedures for students with auditory impairments attending the Arlington Regional Day School Program for the Deaf (RDSPD). The District is the fiscal agent and is responsible for applying for, receiving, collecting, expending, and distributing all funds, regardless of source, in accordance with budget adopted by the RDSPD. The District provides accounting services and reports. The member Districts are Kennedale Independent School District, Mansfield Independent School District and Venus Independent School District. The SSA is accounted for in Fund 435.

**IV. DETAILED NOTES ON ALL FUNDS (continued)**

**L. Prior Period Adjustment**

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

In addition, beginning July 1, 2017, the District converted its Child Nutrition Fund from business-type fund (Fund 701) to a governmental special revenue fund (Fund 240). Fund balance was established as of July 1, 2017 in Fund 240 for the balances under the modified accrual basis of accounting. The government-wide financial statements’ net position was also restated since the business-type activities fund was closed.

	<u>Governmental Activities</u>
<b>Beginning Net Position - As Originally Presented</b>	\$ 199,868,129
Restatement due to:	
Net OPEB liability (measurement date as of August 31, 2016)	\$ (384,400,269)
District contributions made to TRS-Care during the fiscal year	2,177,618
Transfer of pension items to Governmental Activities	(6,100,433)
Transfer of net position to governmental activities for prior allocation to business-type activities	(77,913)
Closure of Business-Type Child Nutrition Fund (Fund 701) and transfer to Governmental Activities	<u>24,302,439</u>
	<u>(364,098,558)</u>
<b>Beginning Net Position - As Restated</b>	<u>\$ (164,230,429)</u>

	<u>Child Nutrition Fund (Fund 240)</u>
<b>Beginning Fund Balance - As Originally Presented</b>	\$
Closure of Business-Type Child Nutrition Fund (Fund 701) and Conversion to Governmental Fund (Fund 240)	<u>13,257,240</u>
<b>Beginning Fund Balance - As Restated</b>	<u>\$ 13,257,240</u>



**REQUIRED SUPPLEMENTARY INFORMATION**



Arlington

INDEPENDENT SCHOOL DISTRICT

*More Than a Remarkable Education*

**ARLINGTON INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE**  
**SHARE OF THE NET PENSION LIABILITY**  
**TEACHERS RETIREMENT SYSTEM OF TEXAS**  
*For the Last Four Measurement Years ended August 31 <sup>(1)</sup>*

*Exhibit G-1*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.4031%	0.3935%	0.3942%	0.2829%
District's proportionate share of the net pension liability	\$ 128,887,686	\$ 148,696,381	\$ 139,331,975	\$ 75,557,286
State's proportionate share of the net pension liability associated with the District	<u>187,381,594</u>	<u>225,379,353</u>	<u>219,091,643</u>	<u>190,008,374</u>
Total	<u>\$ 316,269,280</u>	<u>\$ 374,075,734</u>	<u>\$ 358,423,618</u>	<u>\$ 265,565,660</u>
District's covered payroll (for Measurement Year)	\$ 406,117,695	\$ 391,215,683	\$ 375,129,379	\$ 367,187,392
District's proportionate share of the net pension liability as a percentage of it's covered payroll	31.74%	38.01%	37.14%	20.58%
Plan fiduciary net position as a percentage of the total pension liability *	82.17%	78.00%	78.43%	83.25%
Plan's net pension liability as a percentage of covered-employee payroll *	75.93%	92.75%	91.94%	72.89%

The amounts presented for each Plan year which ends the preceding August 31 of the District's fiscal year.

Net pension liability is calculated using an new methodology and will be presented prospectively in accordance with GASB 68.

\* Per Teacher Retirement System of Texas' comprehensive annual financial report.

<sup>(1)</sup> Ten years of data should be presented in this schedule, but data was unavailable prior to 2014  
Net pension liability and related ratios will be presented as data becomes available.

**ARLINGTON INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS**  
**TEACHERS RETIREMENT SYSTEM OF TEXAS**  
*For the Last Five Fiscal Years <sup>(1)</sup>*

*Exhibit G-2*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 13,319,359	\$ 13,061,085	\$ 12,378,352	\$ 11,065,220
Contributions in relation to the contractual required contributions	<u>13,319,359</u>	<u>13,061,085</u>	<u>12,378,352</u>	<u>11,065,220</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
District's covered payroll	\$ 409,175,566	\$ 402,410,725	\$ 388,883,913	\$ 373,526,450
Contributions as a percentage of covered payroll	3.26%	3.25%	3.18%	2.96%
	<u>2014</u>			
Contractually required contributions	\$ 6,868,636			
Contributions in relation to the contractual required contributions	<u>6,868,636</u>			
Contribution deficiency (excess)	<u>\$</u>			
District's covered payroll	\$ 363,736,625			
Contributions as a percentage of covered payroll	1.89%			

**Notes to Required Supplementary Information - Pension**

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

**Changes of Assumptions**

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

**Changes of Benefit Terms**

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

**Notes to Required Supplementary Information - OPEB**

**Changes Since the Prior Actuarial Valuation**

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

There was a significant plan change adopted in fiscal year ending August 31, 2017:

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

**ARLINGTON INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE**  
**SHARE OF THE NET OPEB LIABILITY**  
**TEACHERS RETIREMENT SYSTEM OF TEXAS**  
**For the Last Measurement Year ended August 31 <sup>(1)</sup>**

*Exhibit G-4*

	<u>2017</u>
District's proportion of the net OPEB liability	0.5007%
District's proportionate share of the net OPEB liability	\$ 217,735,070
State's proportionate share of the net OPEB liability associated with the District	<u>314,597,329</u>
Total	<u>\$ 532,332,399</u>
District's covered-employee payroll (for Measurement Year)	\$ 406,117,695
District's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll	53.61%
Plan fiduciary net position as a percentage of the total OPEB liability *	0.91%
Plan's net OPEB liability as a percentage of covered-employee payroll *	132.55%

The amounts presented for each Plan year which ends the preceding August 31 of the District's fiscal year.

\* Per Teacher Retirement System of Texas' comprehensive annual financial report.

<sup>(1)</sup> Ten year of data should be presented in this schedule, but data was unavailable prior to 2017  
Net OPEB liability and related ratios will be presented as data becomes available.

**ARLINGTON INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS**  
**TEACHERS RETIREMENT SYSTEM OF TEXAS**  
*For the Last Five Fiscal Years*

*Exhibit G-5*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 3,315,476	\$ 2,580,445	\$ 2,659,382	\$ 2,325,049
Contributions in relation to the contractual required contributions	<u>3,315,476</u>	<u>2,580,445</u>	<u>2,659,382</u>	<u>2,325,049</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
District's covered employee payroll	\$ 409,175,566	\$ 402,410,725	\$ 388,883,913	\$ 373,526,450
Contributions as a percentage of covered employee payroll	0.81%	0.64%	0.68%	0.62%
	<u>2014</u>			
Contractually required contributions	\$ 2,264,533			
Contributions in relation to the contractual required contributions	<u>2,264,533</u>			
Contribution deficiency (excess)	<u>\$</u>			
District's covered employee payroll	\$ 363,736,625			
Contributions as a percentage of covered employee payroll	1.89%			

<sup>(1)</sup> Ten year of data should be presented in this schedule, but data was unavailable prior to 2014  
Net OPEB contributions and related ratios will be presented as data becomes available.



**Arlington**

INDEPENDENT SCHOOL DISTRICT

*More Than a Remarkable Education*



**OTHER SUPPLEMENTARY INFORMATION**



Arlington

INDEPENDENT SCHOOL DISTRICT

*More Than a Remarkable Education*

## Nonmajor Governmental Funds

### Special Revenue Funds

The Special Revenue Funds are used to account for all federal, state and locally-funded grants. These grants are awarded to the District with the purpose of accomplishing specific educational goals. Grants included in the Special Revenue Funds are described below.

<b>Fund Number</b>	<b>Fund Name &amp; Description</b>
206	<b>McKinney - Vento Education for the Homeless Children and Youth</b> - Variety of staff development and supplemental services.
211	<b>Title I, Part A</b> - Supplemental funds to schools with a high percentage of children from low income families to provide opportunities for all children to meet challenging state academic standards
220	<b>English Literacy &amp; Civics Education</b> - Provide or support programs for educational services to adults who are beyond compulsory school attendance age, are not enrolled in school and function at less than secondary completion level.
223	<b>Temporary Assistance for Needy Families (TANF)</b> - Funds granted to provide education services to undereducated adult recipients of cash assistance under Temporary Assistance for Needy Families (TANF)
224	<b>IDEA, Part B - Formula</b> - Operate educational programs for children with disabilities.
225	<b>IDEA, Part B - Preschool</b> - Program for preschool children with disabilities.
240	<b>Food Service Program</b> - School Breakfast and National School Lunch Programs serving students meals that qualify for free, reduced or full priced meals per the USDA guidelines.
242	<b>Summer Feeding Program</b> - Provide nutritious summer meals to low-income children when school is not in session.
244	<b>Carl D. Perkins Technology</b> - Provide career and technical education to develop new and/or improve career and technical education programs for paid and unpaid employment.
255	<b>ESEA, Title II, Part A - TPTR (Teacher and Principal Training and Recruiting)</b> - Increase student academic achievement through increasing the number of qualified teachers, assistant principals and principals.
263	<b>ESEA, Title III, Part A - English Language Acquisition and Language Enhancement</b> - Improve the education of limited English proficient children by assisting the children to learn English.

**Nonmajor Governmental Funds (Continued)**

**Special Revenue Funds (Continued)**

<b>Fund Number</b>	<b>Fund Name &amp; Description</b>
288	<b>Title IV, part A - SSAEP</b> - This grant is to provide students with a well-rounded education, support safe and healthy students, and support the effective use of technology.
289	<b>Texas Literary Initiative</b> - Improve school readiness and success in the areas of language and literacy for disadvantaged students.
315	<b>SSA - IDEA B - Discretionary</b> - Support ESC basic special education component, regional day school
316	<b>SSA - IDEA B - Formula (Deaf)</b> - Operate educational programs for children with hearing disabilities.
317	<b>SSA - IDEA B - Preschool (Deaf)</b> - Provide educational programs for preschool children with hearing disabilities.
340	<b>SSA - IDEA C - Early Intervention (Deaf)</b> - Provide educational programs for preschool children with hearing disabilities.
381	<b>Adult Basic Education (ABE) - State</b> - Funds granted to provide or support programs for adult education and literacy services to adults 16 and above, who do not have a high school diploma and are out of school.
385	<b>Visually Impaired State</b> - Provide teachers and services to students who are visually impaired.
397	<b>Advanced Placement Incentives</b> - Professional development of teachers teaching advanced classes.
410	<b>Instructional Materials Allotment</b> - State funds allotted to school districts to purchase instructional materials and technology-related equipment and services.
411	<b>Technology Allotment</b> - Purchase technological software or equipment that contributes to student learning, or to pay for training for educational personnel involved in the use of such materials.
414	<b>Texas Reading Initiative/Texas Reading, Math and Science</b> - Funds granted to improve student achievement in reading, math and science.

**Nonmajor Governmental Funds (Continued)**

**Special Revenue Funds (Continued)**

<b>Fund Number</b>	<b>Fund Name &amp; Description</b>
426	<b>High Quality Pre-K</b> - Provides additional resources for high quality Pre-K programs.
429	<b>Other State Programs</b> - Supplemental state funds for various educational and support programs.
435	<b>Regional Day School for the Deaf</b> - Provide funding for staff and services to students with auditory handicaps.
481	<b>AISD Access</b> - The communications department partners with News for My School to sell advertising in the <i>AISD Achieving Excellence</i> e-newsletter. Proceeds are used to promote the District.
490	<b>Other Local Programs</b> - Supplemental local funds from other agencies to assist with educational programs and construction projects.
491	<b>Emerging Leaders</b> - Provide a leadership development program to further participating employees on the path to becoming a Principal.
497	<b>Arlington Education Foundation</b> - Nonprofit tax-exempt organization which raises private funds for the District.

**ARLINGTON INDEPENDENT SCHOOL DISTRICT**

**COMBINING BALANCE SHEET**

**NONMAJOR GOVERNMENTAL FUNDS**

**June 30, 2018**

<b>Data Control Codes</b>		<b>206</b>	<b>211</b>	<b>220</b>
		<b>McKinney Homeless Education</b>	<b>Title I-A Improving Basic Programs</b>	<b>English Literacy &amp; Civics Ed.</b>
	<b>Assets</b>			
1110	Cash and cash equivalents	\$	\$ 1,529,575	\$
	Receivables:			
1240	Receivables from other governments	14,972	2,459,154	104,593
1260	Due from other funds			
1290	Other receivables		2,060	
1300	Inventories			
1000	<b>Total Assets</b>	<u>\$ 14,972</u>	<u>\$ 3,990,789</u>	<u>\$ 104,593</u>
	<b>Liabilities:</b>			
	<b>Current Liabilities:</b>			
2110	Accounts payable	\$ 80	\$ 29,359	\$ 1,888
2160	Accrued wages payable	11,215	848,020	35,623
2170	Due to other funds	3,677	3,113,410	67,082
2300	Unearned revenue - other			
2000	<b>Total Liabilities</b>	<u>14,972</u>	<u>3,990,789</u>	<u>104,593</u>
	<b>Fund Balance:</b>			
	<b>Restricted:</b>			
3450	Federal/State funds grant restrictions			
3600	<b>Unassigned</b>			
	<b>Total Fund Balance</b>			
4000	<b>Total liabilities and fund balance</b>	<u>\$ 14,972</u>	<u>\$ 3,990,789</u>	<u>\$ 104,593</u>

<b>223</b> <b>Temporary Assistance for Needy Families (TANF)</b>	<b>224</b> <b>IDEA B - Formula</b>	<b>225</b> <b>IDEA B - Preschool</b>	<b>240</b> <b>Child Nutrition Program</b>	<b>242</b> <b>Summer Feeding Program TDA</b>	<b>244</b> <b>Carl D. Perkins Technology</b>
\$	\$	\$	\$ 11,052,332	\$	\$
19,218	2,940,517	53,114	109,817 970,767 4,816 2,566,360	495,067	95,017
<u>\$ 19,218</u>	<u>\$ 2,940,517</u>	<u>\$ 53,114</u>	<u>\$ 14,704,092</u>	<u>\$ 495,067</u>	<u>\$ 95,017</u>
\$ 5,562 3,606 10,050	\$ 42,242 1,135,951 1,762,324	\$ 27,664 25,450	\$ 517,891 70,047	\$ 202 85,492 126,726	\$ 5,361 89,656
<u>19,218</u>	<u>2,940,517</u>	<u>53,114</u>	<u>587,938</u>	<u>212,420</u>	<u>95,017</u>
			14,116,154	282,647	
			<u>14,116,154</u>	<u>282,647</u>	
<u>\$ 19,218</u>	<u>\$ 2,940,517</u>	<u>\$ 53,114</u>	<u>\$ 14,704,092</u>	<u>\$ 495,067</u>	<u>\$ 95,017</u>

**ARLINGTON INDEPENDENT SCHOOL DISTRICT**

**COMBINING BALANCE SHEET**

**NONMAJOR GOVERNMENTAL FUNDS**

June 30, 2018

<b>Data Control Codes</b>		<b>255</b>	<b>263</b>	<b>288</b>
		<b>Title II-A Principal Training</b>	<b>Title III-A LEP</b>	<b>Title IV, Part A - SSAEP</b>
	<b>Assets</b>			
1110	Cash and cash equivalents	\$	\$	\$
	<b>Receivables:</b>			
1240	Receivables from other governments	460,175	898,564	2,119
1260	Due from other funds			
1290	Other receivables			
1300	Inventories			
1000	<b>Total Assets</b>	<u>\$ 460,175</u>	<u>\$ 898,564</u>	<u>\$ 2,119</u>
	<b>Liabilities:</b>			
	<b>Current Liabilities:</b>			
2110	Accounts payable	\$ 1,329	\$ 97,752	\$
2160	Accrued wages payable	73,432	147,891	
2170	Due to other funds	385,414	652,921	2,119
2300	Unearned revenue - other			
2000	<b>Total Liabilities</b>	<u>460,175</u>	<u>898,564</u>	<u>2,119</u>
	<b>Fund Balance:</b>			
	<b>Restricted:</b>			
3450	Federal/State funds grant restrictions			
3600	<b>Unassigned</b>			
	<b>Total Fund Balance</b>	<u></u>	<u></u>	<u></u>
4000	<b>Total liabilities and fund balance</b>	<u>\$ 460,175</u>	<u>\$ 898,564</u>	<u>\$ 2,119</u>



289	315	316	317	340
<u>Texas Literary Initiative</u>	<u>IDEA B - Discretionary</u>	<u>IDEA B - Formula (Deaf)</u>	<u>IDEA B - Preschool (Deaf)</u>	<u>SSA - IDEA C - Early Intervention (Deaf)</u>
\$	\$	\$	\$	\$
385,907	9,800 22,139	8,911		2,189
<u>\$ 385,907</u>	<u>\$ 31,939</u>	<u>\$ 8,911</u>	<u>\$</u>	<u>\$ 2,189</u>
\$ 3,600 75,359 306,948	\$ 31,318 621	\$ 8,911	\$	\$ 2,189
<u>385,907</u>	<u>31,939</u>	<u>8,911</u>	<u></u>	<u>2,189</u>
<u>\$ 385,907</u>	<u>\$ 31,939</u>	<u>\$ 8,911</u>	<u>\$</u>	<u>\$ 2,189</u>

**ARLINGTON INDEPENDENT SCHOOL DISTRICT**

**COMBINING BALANCE SHEET**

**NONMAJOR GOVERNMENTAL FUNDS**

*June 30, 2018*

<u>Data Control Codes</u>	<b>381</b>	<b>385</b>	<b>397</b>
<u>Data Control Codes</u>	<u>Adult Basic Education (ABE)</u>	<u>State Visual Impairment</u>	<u>Advanced Placement Incentive</u>
<b>Assets</b>			
1110	Cash and cash equivalents	\$	\$
<b>Receivables:</b>			
1240	Receivables from other governments	57	72
1260	Due from other funds	2,747	23,775
1290	Other receivables		
1300	Inventories		
1000	<b>Total Assets</b>	<u>\$ 57</u>	<u>\$ 23,775</u>
<b>Liabilities:</b>			
<b>Current Liabilities:</b>			
2110	Accounts payable	\$ 21	\$ 72
2160	Accrued wages payable		2,739
2170	Due to other funds	36	
2300	Unearned revenue - other		
2000	<b>Total Liabilities</b>	<u>57</u>	<u>2,811</u>
<b>Fund Balance:</b>			
<b>Restricted:</b>			
3450	Federal/State funds grant restrictions		8
3600	<b>Unassigned</b>		23,775
	<b>Total Fund Balance</b>	<u>8</u>	<u>23,775</u>
4000	<b>Total liabilities and fund balance</b>	<u>\$ 57</u>	<u>\$ 23,775</u>

410	411	414	426
<u>Instructional Materials Allotment</u>	<u>Technology Allotment</u>	<u>Texas Accelerated Science</u>	<u>High Quality Pre-K</u>
\$	\$	\$	\$
98,623		70,340	
<u>\$ 98,623</u>	<u>\$</u>	<u>\$ 70,340</u>	<u>\$</u>
\$ 31,027	\$	\$	\$
<u>31,027</u>	<u></u>	<u></u>	<u></u>
67,596		70,340	
<u>67,596</u>	<u></u>	<u>70,340</u>	<u></u>
<u>\$ 98,623</u>	<u>\$</u>	<u>\$ 70,340</u>	<u>\$</u>

**ARLINGTON INDEPENDENT SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2018**

		429	435	481
<b>Data Control Codes</b>		<b>Other State Programs</b>	<b>Regional Day School for the Deaf</b>	<b>AISD Access</b>
<b>Assets</b>				
1110	Cash and cash equivalents	\$	\$	\$
<b>Receivables:</b>				
1240	Receivables from other governments	27,504	215,704	
1260	Due from other funds			36,154
1290	Other receivables			
1300	Inventories			
1000	<b>Total Assets</b>	<u>\$ 27,504</u>	<u>\$ 215,704</u>	<u>\$ 36,154</u>
<b>Liabilities:</b>				
<b>Current Liabilities:</b>				
2110	Accounts payable	\$ 56	\$ 4,907	\$
2160	Accrued wages payable	10,752	34,950	
2170	Due to other funds	9,782	175,847	
2300	Unearned revenue - other			
2000	<b>Total Liabilities</b>	<u>20,590</u>	<u>215,704</u>	
<b>Fund Balance:</b>				
<b>Restricted:</b>				
3450	Federal/State funds grant restrictions	6,914		36,154
3600	<b>Unassigned</b>			
	<b>Total Fund Balance</b>	<u>6,914</u>		<u>36,154</u>
4000	<b>Total liabilities and fund balance</b>	<u>\$ 27,504</u>	<u>\$ 215,704</u>	<u>\$ 36,154</u>

490	491	497	
<u>Other Local Programs</u>	<u>Emerging Leaders</u>	<u>Arlington Education Foundation</u>	<u>Total Nonmajor Governmental Funds</u>
\$	\$	\$	\$ 12,581,907
			8,293,560
410		120,568	1,354,434
			6,876
			<u>2,566,360</u>
<u>\$ 410</u>	<u>\$</u>	<u>\$ 120,568</u>	<u>\$ 24,803,137</u>
\$	\$	\$ 10,396	\$ 786,613
			2,568,723
			6,733,631
4,750		110,170	114,920
<u>4,750</u>	<u>\$</u>	<u>120,566</u>	<u>10,203,887</u>
		2	14,603,590
(4,340)			(4,340)
<u>(4,340)</u>	<u>\$</u>	<u>2</u>	<u>14,599,250</u>
<u>\$ 410</u>	<u>\$</u>	<u>\$ 120,568</u>	<u>\$ 24,803,137</u>

**ARLINGTON INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS**  
*For the Year Ended June 30, 2018*

	206	211	220
<u>Data Control Codes</u>	<u>McKinney Homeless Education</u>	<u>Title I-A Improving Basic Programs</u>	<u>English Literacy &amp; Civics Ed.</u>
<b>Revenues</b>			
5700	\$	\$	\$
5800			
5900	170,377	14,822,032	571,890
5020	<u>170,377</u>	<u>14,822,032</u>	<u>571,890</u>
<b>Expenditures</b>			
<b>Current:</b>			
0011		7,464,264	423,252
0012		28,936	
0013		2,385,788	19,760
0021	36,688	2,386,179	126,611
0023		46,663	
0031		114,483	2,267
0032	98,765	688,266	
0033			
0034	9,928		
0035			
0036		102	
0051		884	
0061	24,996	1,706,467	
6030	<u>170,377</u>	<u>14,822,032</u>	<u>571,890</u>
1100			
<b>Other Financing Sources (Uses)</b>			
7915			
8911			
<b>Total Other Financing Sources (Uses)</b>			
1200			
0100			
3000	<u>\$</u>	<u>\$</u>	<u>\$</u>

Data Control Codes		429 Other State Programs	435 Regional Day School for the Deaf	481 AISD Access
	Revenues			
5700	Local, Intermediate and Out-of-State	\$	\$	\$
5800	State Program Revenues	192,304	728,894	
5900	Federal Program Revenues			
5020	Total Revenues	192,304	728,894	
	Expenditures			
	Current:			
0011	Instruction	26,269	725,130	
0012	Instructional Resources and Media Services	297		
0013	Curriculum and Instructional Staff Development		1,000	
0021	Instructional Leadership		100	
0023	School Leadership			
0031	Guidance, Counseling and Evaluation Services			
0032	Social work services	164,591		
0033	Health Services			
0034	Student Transportation			
0035	Food Services			
0036	Cocurricular/Extracurricular Activities			
0051	Facilities Maintenance and Operations	1,147		
0061	Community Services		2,664	
6030	Total Expenditures	192,304	728,984	
1100	Excess (deficiency) of revenues over expenditures			
	Other Financing Sources (Uses)			
7915	Transfers in			
8911	Transfers out			
	Total Other Financing Services (Uses)			
1200	Net change in fund balances			
0100	Fund Balance - July 1 (Beginning) as restated	\$ 6,914		\$ 36,154
3000	Fund Balance - June 30 (Ending)	\$ 6,914		\$ 36,154

223 Temporary Assistance for Needy Families (TANF)	224 IDEA B - Formula	225 IDEA B - Preschool	240 Child Nutrition Program	242 Summer Feeding Program TDA	244 Carl D. Perkins Technology
\$	\$	\$	\$ 5,939,748	\$	\$
			254,369		
75,135	10,024,745	199,209	25,255,826	651,715	720,074
75,135	10,024,745	199,209	31,449,943	651,715	720,074
73,858	8,035,899	199,209			261,126
	1,070,602				21,562
	57,716				28,845
1,277	805,816				408,541
	54,712				
			30,725,092	344,794	
			178,599		
75,135	10,024,745	199,209	30,903,691	344,794	720,074
			546,252	306,921	
			312,662	(312,662)	
			312,662	(312,662)	
			858,914	(5,741)	
			13,257,240	288,388	
\$	\$	\$	\$ 14,116,154	\$ 282,647	\$



**ARLINGTON INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS**  
*For the Year Ended June 30, 2018*

<b>Data Control Codes</b>		<b>255</b>	<b>263</b>	<b>288</b>
		<b>Title II-A Principal Training</b>	<b>Title III-A LEP</b>	<b>Title IV, Part A - SSAEP</b>
	<b>Revenues</b>			
5700	Local, Intermediate and Out-of-State	\$	\$	\$
5800	State Program Revenues			
5900	Federal Program Revenues	1,873,559	1,781,482	46,547
5020	<b>Total Revenues</b>	<u>1,873,559</u>	<u>1,781,482</u>	<u>46,547</u>
	<b>Expenditures</b>			
	<b>Current:</b>			
0011	Instruction		924,097	37,501
0012	Instructional Resources and Media Services			
0013	Curriculum and Instructional Staff Development	1,872,619	623,562	1,090
0021	Instructional Leadership	940	34,042	
0023	School Leadership		1,240	
0031	Guidance, Counseling and Evaluation Services		865	7,956
0032	Social work services			
0033	Health Services			
0034	Student Transportation			
0035	Food Services			
0036	Cocurricular/Extracurricular Activities			
0051	Facilities Maintenance and Operations			
0061	Community Services		197,676	
6030	<b>Total Expenditures</b>	<u>1,873,559</u>	<u>1,781,482</u>	<u>46,547</u>
1100	Excess (deficiency) of revenues over expenditures			
	<b>Other Financing Sources (Uses)</b>			
7915	Transfers in			
8911	Transfers out			
	<b>Total Other Financing Sources (Uses)</b>			
1200	Net change in fund balances			
0100	<b>Fund Balance - July 1 (Beginning), as restated</b>			
3000	<b>Fund Balance - June 30 (Ending)</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>

289	315	316	317	340
<u>Texas Literary Initiative</u>	<u>IDEA B - Discretionary</u>	<u>IDEA B - Formula (Deaf)</u>	<u>IDEA B - Preschool (Deaf)</u>	<u>SSA - IDEA C - Early Intervention (Deaf)</u>
\$	\$	\$	\$	\$
388,220	117,888			2,189
<u>388,220</u>	<u>117,888</u>			<u>2,189</u>
365,485	117,888			2,189
22,735				
<u>388,220</u>	<u>117,888</u>			<u>2,189</u>
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

**ARLINGTON INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS**  
*For the Year Ended June 30, 2018*

	381	385	397
<u>Data Control Codes</u>	<u>Adult Basic Education (ABE)</u>	<u>State Visual Impairment</u>	<u>Advanced Placement Incentive</u>
<b>Revenues</b>			
5700	\$	\$	\$
5800	34,250	21,593	16,245
5900			80,465
5020	<u>34,250</u>	<u>21,593</u>	<u>96,710</u>
<b>Expenditures</b>			
<b>Current:</b>			
0011	34,097	21,593	
0012			
0013			
0021			
0023			
0031	153		96,710
0032			
0033			
0034			
0035			
0036			
0051			
0061			
6030	<u>34,250</u>	<u>21,593</u>	<u>96,710</u>
1100			
<b>Other Financing Sources (Uses)</b>			
7915			
8911			
<b>Total Other Financing Sources (Uses)</b>			
1200			
0100		8	23,775
3000	<u>\$</u>	<u>\$ 8</u>	<u>\$ 23,775</u>

410	411	414	426
Instructional Materials Allotment	Technology Allotment	Texas Accelerated Science	High Quality Pre-K
\$ 2,584,436	\$	\$	\$ 979,434
<u>2,584,436</u>			<u>979,434</u>
2,676,086	31,642		881,848 69,912 21,483
<u>2,676,086</u>	<u>31,642</u>		<u>6,191</u>
(91,650)	(31,642)		979,434
<u>(91,650)</u>	<u>(31,642)</u>		
159,246	31,642	70,340	
<u>159,246</u>	<u>31,642</u>	<u>70,340</u>	
\$ 67,596	\$	\$ 70,340	\$
<u>\$ 67,596</u>	<u>\$</u>	<u>\$ 70,340</u>	<u>\$</u>

**ARLINGTON INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2018**

<u>Data Control Codes</u>	429	435	481
	<u>Other State Programs</u>	<u>Regional Day School for the Deaf</u>	<u>AISS Access</u>
<b>Revenues</b>			
5700	\$	\$	\$
5800	192,304	728,894	
5900			
5020	<u>192,304</u>	<u>728,894</u>	
<b>Expenditures</b>			
<b>Current:</b>			
0011	26,269	725,130	
0012	297		
0013		1,000	
0021		100	
0023			
0031			
0032	164,591		
0033			
0034			
0035			
0036			
0051	1,147		
0061		2,664	
6030	<u>192,304</u>	<u>728,894</u>	
1100			
<b>Other Financing Sources (Uses)</b>			
7915			
8911			
1200			
0100	<u>6,914</u>		<u>36,154</u>
3000	<u>\$ 6,914</u>	<u>\$</u>	<u>\$ 36,154</u>

490	491	497	
<u>Other Local Programs</u>	<u>Emerging Leaders</u>	<u>Arlington Education Foundation</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 183,617	\$	\$ 311,243	\$ 6,434,608
			4,811,525
			56,781,353
<u>183,617</u>		<u>311,243</u>	<u>68,027,486</u>
607		201,965	22,504,005
		36,234	135,379
		51,975	6,069,441
		449	2,671,570
	10,000		57,903
			1,438,068
			974,357
			54,712
			9,928
			31,069,886
		20,618	20,720
57,196			237,826
			1,937,994
<u>299,426</u>	<u>10,000</u>	<u>311,241</u>	<u>67,423,412</u>
<u>(115,809)</u>	<u>(10,000)</u>	<u>2</u>	<u>604,074</u>
			312,662
			<u>(312,662)</u>
(115,809)	(10,000)	2	604,074
<u>111,469</u>	<u>10,000</u>		<u>13,995,176</u>
<u>\$ (4,340)</u>	<u>\$</u>	<u>\$ 2</u>	<u>\$ 14,599,250</u>

**ARLINGTON INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**June 30, 2018**

*Exhibit H-3*

	<b>752</b>	<b>770</b>	
	<b>Print Shop</b>	<b>Workers' Compensation Fund</b>	<b>Total</b>
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 47,952	\$ 5,198,708	\$ 5,246,660
Receivables:			
Due from other funds	92,744	140,463	233,207
<b>Total Current Assets</b>	<u>140,696</u>	<u>5,339,171</u>	<u>5,479,867</u>
<b>Total Assets</b>	<u>140,696</u>	<u>5,339,171</u>	<u>5,479,867</u>
<b>Liabilities</b>			
<b>Current Liabilities:</b>			
Accounts payable	100	132,973	133,073
Accrued expenses		4,238,457	4,238,457
<b>Total current liabilities</b>	<u>100</u>	<u>4,371,430</u>	<u>4,371,530</u>
<b>Total Liabilities</b>	<u>100</u>	<u>4,371,430</u>	<u>4,371,530</u>
<b>Net Position</b>			
Unrestricted	140,596	967,741	1,108,337
<b>Total Net Position</b>	<u>\$ 140,596</u>	<u>\$ 967,741</u>	<u>\$ 1,108,337</u>

**ARLINGTON INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**INTERNAL SERVICE FUNDS**  
*For the Year Ended June 30, 2018*

*Exhibit H-4*

	752	770	
	<u>Print Shop</u>	<u>Workers' Compensation Fund</u>	<u>Total</u>
<b>Operating Revenues</b>			
Charges for services	\$ 479,945	\$ 1,907,906	\$ 2,387,851
<b>Total operating revenues</b>	<u>479,945</u>	<u>1,907,906</u>	<u>2,387,851</u>
<b>Operating Expenses</b>			
Purchased and contracted services	207,518		207,518
Supplies and materials	131,832		131,832
Claims expense and other operating expenses		2,053,350	2,053,350
<b>Total operating expenses</b>	<u>339,350</u>	<u>2,053,350</u>	<u>2,392,700</u>
Operating Income (Loss)	<u>140,595</u>	<u>(145,444)</u>	<u>(4,849)</u>
<b>Non-Operating Revenues (Expenses)</b>			
Earnings - temporary deposits and investments		76,889	76,889
<b>Total non-operating revenues (expenses)</b>		<u>76,889</u>	<u>76,889</u>
Change in Net Position	140,595	(68,555)	72,040
<b>Net Position - July 1 (Beginning)</b>	<u>1</u>	<u>1,036,296</u>	<u>1,036,297</u>
<b>Net Position - June 30 (Ending)</b>	<u>\$ 140,596</u>	<u>\$ 967,741</u>	<u>\$ 1,108,337</u>



**ARLINGTON INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**For The Year Ended June 30, 2018**

*Exhibit H-5*

	752 <u>Print Shop</u>	770 <u>Workers' Compensation Fund</u>	<u>Total</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>			
<b>Cash Flows from Operating Activities:</b>			
Cash received from user charges	\$ 479,945	\$ 1,905,299	\$ 2,385,244
Cash payments for insurance claims		(1,907,363)	(1,907,363)
Cash payments to suppliers	(265,349)		(265,349)
Cash payments for other operating expenses	(207,518)		(207,518)
<b>Net Cash Provided by (Used for) Operating Activities</b>	<u>7,078</u>	<u>(2,064)</u>	<u>5,014</u>
 <b>Cash Flows from Investing Activities:</b>			
Interest on investments		76,889	76,889
<b>Net Cash Provided by Investing Activities</b>		<u>76,889</u>	<u>76,889</u>
 Net Increase (decrease) in Cash and Cash Equivalents	7,078	74,825	81,903
Cash and Cash Equivalents at Beginning of Year	40,874	5,123,883	5,164,757
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 47,952</u>	<u>\$ 5,198,708</u>	<u>\$ 5,246,660</u>
 <b>Reconciliation to Balance Sheet:</b>			
Cash and Cash Equivalents Per Cash Flow	\$ 47,952	\$ 5,198,708	\$ 5,246,660
Cash and Cash Equivalents per Balance Sheet	<u>\$ 47,952</u>	<u>\$ 5,198,708</u>	<u>\$ 5,246,660</u>
 <b>Reconciliation of Operating Income (Loss) to Net Cash Provided by operating Activities:</b>			
Operating Income (Loss)	\$ 140,595	\$ (145,444)	\$ (4,849)
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</b>			
<b>Change in Assets and Liabilities:</b>			
Decrease (increase) in Interfund Receivables	(84,287)	(2,607)	(86,894)
Decrease (increase) in Prepaid Items	14,833		14,833
Increase (decrease) in Accounts Payable	(34,947)	(6,956)	(41,903)
Increase (decrease) in Interfund Payables	(29,116)		(29,116)
Increase (decrease) in Accrued Expenses		152,943	152,943
<b>Net Cash Provided by (Used for) Operating Activities</b>	<u>\$ 7,078</u>	<u>\$ (2,064)</u>	<u>\$ 5,014</u>

## **FIDUCIARY FUND**

### **Agency Fund**

Student Activity Fund – An unbudgeted fund that accounts for the receipt and disbursement of monies from student activity organizations. This fund has no equity; assets are equal to liabilities, and it does not include revenues and expenditures for general operations of the school district.



**Arlington**

INDEPENDENT SCHOOL DISTRICT

*More Than a Remarkable Education*

**ARLINGTON INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**For the Year Ended June 30, 2018**

*Exhibit H-6*

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2018</u>
<b>Student Activities</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 4,823,710	\$ 9,237,718	\$ 8,996,748	\$ 5,064,680
<b>Liabilities</b>				
Accounts payable	\$ 108,993	\$ 51,270	\$ 108,993	\$ 51,270
Due to student groups	4,714,717	9,237,718	8,939,025	5,013,410
<b>Total liabilities</b>	<u>\$ 4,823,710</u>	<u>\$ 9,288,988</u>	<u>\$ 9,048,018</u>	<u>\$ 5,064,680</u>



**Arlington**  
INDEPENDENT SCHOOL DISTRICT  
*More Than a Remarkable Education*

### **REQUIRED TEA SCHEDULES**

Section 21.256, Texas Education Code, requires an annual audit and authorizes the State Board of Education, with the approval of the State Auditor, to prescribe minimum regulations and report forms for the annual audit. *The Financial Accountability System Resource Guide* of the Texas Education Agency prescribes the forms and formats to be filed with the Texas Education Agency. This section fulfills the requirements for certain forms and formats required to be filed with the Texas Education Agency.

**ARLINGTON INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF DELINQUENT TAXES RECEIVABLE**  
*For the Year Ended June 30, 2018*

<u>Last Ten Fiscal Years</u>	<u>Tax Rates</u>		<u>Net Assessed/Appraised Value For School Tax Purposes</u>	<u>Beginning Balance 7/1/2017</u>
	<u>Maintenance</u>	<u>Debt Service</u>		
2009 and prior	Various	Various	Various	\$ 8,345,509
2010	1.040000	0.232000	20,756,079,556	733,162
2011	1.040000	0.295000	19,349,036,480	527,666
2012	1.040000	0.265500	19,472,765,823	570,402
2013	1.040000	0.261000	19,779,331,339	727,668
2014	1.040000	0.252170	20,220,917,724	775,404
2015	1.040000	0.308110	21,265,403,194	767,933
2016	1.040000	0.372950	21,317,959,305	1,456,158
2017	1.040000	0.350080	22,961,131,839	4,186,145
2018	1.040000	0.328670	24,852,974,719	
<b>1000 TOTALS</b>				<u>\$ 18,090,047</u>

9000 Portion of Row 1000 for Taxes Paid into Tax  
Increment Zone Under Chapter 311, Tax Code

<b>20</b>	<b>31</b>	<b>32</b>	<b>40</b>	<b>50</b>
<b>Current Year's Total Levy</b>	<b>Maintenance Total Collections</b>	<b>Debt Service Total Collections</b>	<b>Entire Year's Adjustments</b>	<b>Ending Balance 6/30/2018</b>
\$	\$ 92,960	\$ 16,984	\$ (7,343)	\$ 8,228,222
	31,205	6,961	(70,419)	624,577
	33,816	9,592	(50)	484,208
	34,095	8,704	(40,728)	486,875
	176,588	44,317	48,365	555,128
	147,513	35,768	17,863	609,986
	195,132	57,810	106,747	621,738
	817,932	293,317	674,819	1,019,728
	2,887,910	972,115	827,890	1,154,010
<u>345,476,231</u>	<u>258,517,861</u>	<u>81,699,101</u>	<u>                    </u>	<u>5,259,269</u>
<u>\$ 345,476,231</u>	<u>\$ 262,935,012</u>	<u>\$ 83,144,669</u>	<u>\$ 1,557,144</u>	<u>19,043,741</u>
	<b>Total taxes receivable per Exhibit C-1</b>			<u>\$ 19,043,741</u>
<u>\$ 1,659,241</u>	<u>\$ 1,659,241</u>			



**ARLINGTON INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**ORIGINAL BUDGET, AMENDED FINAL AND ACTUAL - CHILD NUTRITION**  
For the Year Ended June 30, 2018

Exhibit J-4

		<b>Child Nutrition</b>			
		<b>Budgeted Amounts</b>			
<b>Data Control Codes</b>		<b>Original</b>	<b>Final</b>	<b>Actual Amounts, GAAP Basis</b>	<b>Variance with Final Budget</b>
<b>Revenues</b>					
5700	Local revenues	\$ 6,702,133	\$ 6,702,133	\$ 5,939,748	\$ (762,385)
5800	State program revenues	190,000	190,000	254,369	64,369
5900	Federal program revenues	28,442,746	28,442,746	25,255,826	(3,186,920)
	<b>Total operating revenues</b>	<u>35,334,879</u>	<u>35,334,879</u>	<u>31,449,943</u>	<u>(3,884,936)</u>
<b>Expenditures:</b>					
0035	Food services	35,012,632	35,012,632	30,725,092	4,287,540
0051	Facilities maintenance and operations	185,274	185,274	178,599	6,675
	<b>Total expenditures</b>	<u>35,197,906</u>	<u>35,197,906</u>	<u>30,903,691</u>	<u>4,294,215</u>
1100	Excess (Deficiency) Revenues Over Expenditures	<u>136,973</u>	<u>136,973</u>	<u>546,252</u>	<u>409,279</u>
<b>Other Financing Sources</b>					
7915	Transfers in	<u>                    </u>	<u>                    </u>	<u>312,662</u>	<u>312,662</u>
	<b>Total other financing sources</b>	<u>                    </u>	<u>                    </u>	<u>312,662</u>	<u>312,662</u>
1200	Change in fund balance	136,973	136,973	858,914	721,941
0100	<b>Fund Balance - July 1 (beginning), restated</b>	<u>13,257,240</u>	<u>13,257,240</u>	<u>13,257,240</u>	<u>                    </u>
3000	<b>Fund Balance - June 30 (ending)</b>	<u>\$ 13,394,213</u>	<u>\$ 13,394,213</u>	<u>\$ 14,116,154</u>	<u>\$ 721,941</u>

**ARLINGTON INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**ORIGINAL BUDGET, AMENDED FINAL AND ACTUAL - DEBT SERVICE FUND**  
For the Year Ended June 30, 2018

Exhibit J-5

Data Control Codes		Debt Service			
		Budgeted Amounts		Actual Amounts, GAAP Basis	Variance with Final Budget
		Original	Final		
	<b>Revenues</b>				
5700	Local revenues	\$ 82,735,311	\$ 83,035,311	\$ 84,070,598	\$ 1,035,287
5800	State program revenues	1,649,048	1,649,048	2,032,531	383,483
5900	Federal program revenues	587,453	287,453	304,336	16,883
	<b>Total revenues</b>	<u>84,971,812</u>	<u>84,971,812</u>	<u>86,407,465</u>	<u>1,435,653</u>
	<b>Expenditures</b>				
	<b>Debt Service:</b>				
0071	Debt service expenditures	55,496,177	54,913,831	50,731,370	4,182,461
0072	Interest on long-term debt	28,251,725	28,251,725	33,016,318	(4,764,593)
0073	Bond issuance costs and fees	257,789	840,135	18,640	821,495
	<b>Total expenditures</b>	<u>84,005,691</u>	<u>84,005,691</u>	<u>83,766,328</u>	<u>239,363</u>
1100	Excess (deficiency) of revenues over expenditures	<u>966,121</u>	<u>966,121</u>	<u>2,641,137</u>	<u>1,675,016</u>
	<b>Other Financing Sources (Uses)</b>				
7901	Refunding bonds issued		77,262,213		(77,262,213)
7916	Premium or discount on issuance of bonds		500	244	(256)
8949	Payment to Bond Refunding Escrow Agent		(78,430,918)		78,430,918
	<b>Total other financing sources (uses)</b>		<u>(1,168,205)</u>	<u>244</u>	<u>1,168,449</u>
1200	Net change in fund balance	966,121	(202,084)	2,641,381	2,843,465
0100	<b>Fund balances - beginning</b>	<u>27,797,595</u>	<u>27,797,595</u>	<u>27,797,595</u>	
<b>3000</b>	<b>Fund balances - ending</b>	<u>\$ 28,763,716</u>	<u>\$ 27,595,511</u>	<u>\$ 30,438,976</u>	<u>\$ 2,843,465</u>

**ARLINGTON INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**ORIGINAL BUDGET, AMENDED FINAL AND ACTUAL - CAPITAL PROJECTS FUND**  
**For the Year Ended June 30, 2018**

*Exhibit J-6*

Data Control Codes		Capital Projects Fund			
		Budgeted Amounts		Actual Amounts, GAAP Basis	Variance with Final Budget
		Original	Final		
<b>Revenues</b>					
5700	Local revenues	\$ 3,600,000	\$ 5,300,000	\$ 6,379,551	\$ 1,079,551
	<b>Total revenues</b>	<u>3,600,000</u>	<u>5,300,000</u>	<u>6,379,551</u>	<u>1,079,551</u>
<b>Expenditures</b>					
<b>Current:</b>					
0011	Instruction	18,577,893	15,267,761	11,969,887	3,297,874
0013	Curriculum and instructional staff development		106,625	6,625	100,000
0023	School leadership		200,000	7,309	192,691
0034	Student transportation	5,131,843	4,823,403	721,905	4,101,498
0036	Extracurricular activities	750,000	500,000	186,612	313,388
0041	General administration		210,403	10,403	200,000
0051	Plant maintenance and operations	220,452,974	226,424,432	101,375,566	125,048,866
0052	Security and monitoring services	47,845	1,500,781	1,031,788	468,993
0053	Data processing services	6,142,123	9,339,084	8,513,535	825,549
<b>Debt Service:</b>					
0073	Bond issuance costs and fees	800,000	800,000	631,649	168,351
<b>Capital Outlay:</b>					
0081	Facilities acquisition and construction	<u>73,332,075</u>	<u>66,362,264</u>	<u>17,597,351</u>	<u>48,764,913</u>
	<b>Total expenditures</b>	<u>325,234,753</u>	<u>325,534,753</u>	<u>142,052,630</u>	<u>183,482,123</u>
1100	Excess (deficiency) of revenues over expenditures	<u>(321,634,753)</u>	<u>(320,234,753)</u>	<u>(135,673,079)</u>	<u>184,561,674</u>
<b>Other Financing Sources (Uses)</b>					
7911	Capital-related Debt Issued (Regular Bonds)	50,124,544	78,668,304	79,345,000	676,696
7912	Sale of real or personal property		6,762,037	6,762,037	
7915	Operating transfers in	21,781,723	377,000	21,781,723	21,404,723
7916	Premium or discount on issuance of bonds	<u>12,925,696</u>	<u>12,925,696</u>	<u>12,925,696</u>	
	<b>Total other financing sources (uses)</b>	<u>84,831,963</u>	<u>98,733,037</u>	<u>120,814,456</u>	<u>22,081,419</u>
1200	Net change in fund balance	(236,802,790)	(221,501,716)	(14,858,623)	206,643,093
0100	<b>Fund balances - beginning</b>	<u>236,551,376</u>	<u>236,551,376</u>	<u>236,551,376</u>	
<b>3000</b>	<b>Fund balances - ending</b>	<u>\$ (251,414)</u>	<u>\$ 15,049,660</u>	<u>\$ 221,692,753</u>	<u>\$ 206,643,093</u>

**STATISTICAL SECTION**  
*(Unaudited)*

*Statistical Tables are used to provide detailed data on the physical, economic, social and political characteristics of a government. They are intended to provide financial report users with a broader and more complete understanding of the government and its financial affairs than it is possible from the basic financial statements.*

*The District's Statistical Tables usually cover ten fiscal years and often present data from outside the accounting records. The tables are unaudited due to the nature of the information contained therein.*

	<b>Page</b>
<b>Financial Trends</b>	<b>122</b>
<p>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</p>	
<b>Revenue Capacity</b>	<b>132</b>
<p>The schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</p>	
<b>Debt Capacity</b>	<b>141</b>
<p>The schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</p>	
<b>Demographic and Economic Information</b>	<b>145</b>
<p>The schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</p>	
<b>Operating Information</b>	<b>151</b>
<p>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</p>	

## ARLINGTON INDEPENDENT SCHOOL DISTRICT

### Net Position By Component

Last Ten Fiscal Years

(Unaudited)

	2018	2017	2016	2015
<b>Governmental Net Position</b>				
Net investment in capital assets	\$ 168,904,696	\$ 31,929,478	\$ 70,466,966	\$ 94,478,337
Restricted for federal and state programs	14,603,590	737,936	610,145	384,459
Restricted for debt service	20,286,488	18,173,383	16,838,551	15,936,844
Unrestricted	<u>(372,835,728)</u>	<u>149,027,332</u>	<u>162,870,820</u>	<u>143,006,519</u>
Total Governmental Net Position	<u>(169,040,954)</u>	<u>199,868,129</u>	<u>250,786,482</u>	<u>253,806,159</u>
<b>Business-Type Net Position <sup>(1)</sup></b>				
Net investment in capital assets	-	11,045,198	10,500,180	10,278,226
Restricted for federal and state programs	<u>-</u>	<u>7,078,894</u>	<u>5,210,435</u>	<u>6,882,026</u>
Total Business-Type Net Position	<u>-</u>	<u>18,124,092</u>	<u>15,710,615</u>	<u>17,160,252</u>
<b>Total Primary Government Net Position</b>				
Net investment in capital assets	168,904,696	42,974,676	80,967,146	104,756,563
Restricted for federal and state programs	14,603,590	7,816,830	5,820,580	7,266,485
Restricted for debt service	20,286,488	18,173,383	16,838,551	15,936,844
Unrestricted	<u>(372,835,728)</u>	<u>149,027,332</u>	<u>162,870,820</u>	<u>143,006,519</u>
Total Primary Government Net Position	<u>\$(169,040,954)</u>	<u>\$ 217,992,221</u>	<u>\$ 266,497,097</u>	<u>\$ 270,966,411</u>

Note: The District's fiscal year end date was changed from August 31 to June 30, with the fiscal year ended June 30, 2012 being a ten month conversion year.

<sup>(1)</sup>The District converted its Food Service Program from a Business-Type Fund to a Special Revenue Fund in fiscal year 2018

Source: The Statement of Net Position for the Arlington Independent School District

Table 1

2014	2013	2012	2011	2010	2009
\$ 63,648,331	\$ 69,384,718	\$ 108,758,102	\$ 141,209,274	\$ 147,771,497	\$ 130,115,177
3,267,869	3,545,144	4,012,243	765,793	591,708	
13,376,345	13,151,459	13,521,565	10,372,956	11,514,055	11,493,475
<u>219,267,502</u>	<u>175,806,732</u>	<u>121,565,824</u>	<u>31,612,353</u>	<u>17,856,878</u>	<u>41,275,183</u>
<u>299,560,047</u>	<u>261,888,053</u>	<u>247,857,734</u>	<u>183,960,376</u>	<u>177,734,138</u>	<u>182,883,835</u>
9,573,377	8,031,599	6,490,976	6,836,367	5,073,483	4,842,862
<u>11,105,771</u>	<u>10,397,105</u>	<u>8,758,026</u>	<u>6,332,092</u>	<u>6,441,746</u>	<u>4,613,342</u>
<u>20,679,148</u>	<u>18,428,704</u>	<u>15,249,002</u>	<u>13,168,459</u>	<u>11,515,229</u>	<u>9,456,204</u>
73,221,708	77,416,317	115,249,078	148,045,641	152,844,980	134,958,039
14,373,640	13,942,249	12,770,269	765,793	591,708	
13,376,345	13,151,459	13,521,565	10,372,956	11,514,055	11,493,475
<u>219,267,502</u>	<u>175,806,732</u>	<u>121,565,824</u>	<u>37,944,445</u>	<u>24,298,624</u>	<u>45,888,525</u>
<u>\$ 320,239,195</u>	<u>\$ 280,316,757</u>	<u>\$ 263,106,736</u>	<u>\$ 197,128,835</u>	<u>\$ 189,249,367</u>	<u>\$ 192,340,039</u>

## ARLINGTON INDEPENDENT SCHOOL DISTRICT

### Expenses, Program Revenues, and Net Expenses

Last Ten Fiscal Years

(Unaudited)

	2018	2017	2016	2015
<b>Expenses</b>				
Governmental activities:				
Instruction	\$ 247,018,085	\$ 376,229,465	\$ 399,051,889	\$ 321,641,711
Instructional resources and media services	4,923,916	7,243,900	8,129,652	6,568,327
Curriculum and instructional staff development	10,317,798	13,947,095	13,199,858	11,706,779
Instructional leadership	8,398,817	11,444,870	9,924,616	6,918,312
School leadership	20,650,705	32,501,719	31,585,630	26,454,600
Guidance, counseling, and evaluation services	25,186,370	30,557,058	29,579,678	26,178,274
Social work services	2,074,384	3,243,077	2,700,653	2,360,625
Health services	4,421,671	6,429,062	5,992,175	5,025,111
Pupil transportation	14,316,258	13,381,080	11,888,600	12,436,347
Food services	26,820,768	421,005	807,280	591,766
Cocurricular/extracurricular activities	10,210,220	10,843,567	10,234,216	8,954,157
General administration	7,817,838	9,290,805	8,969,032	7,733,533
Facilities maintenance and operations	143,238,431	120,283,327	69,186,113	49,693,227
Security and monitoring services	7,340,452	8,737,173	7,287,373	6,309,707
Data processing services	8,827,130	12,241,900	10,186,722	14,815,067
Community services	(2,032,546)	2,729,040	2,339,909	2,902,788
Debt service - interest on long-term debt	30,339,181	27,958,981	28,397,762	21,421,011
Bond issuance cost and fees	650,289	-	-	-
Facilities repairs and maintenance	3,696,335	4,892,556	1,599,431	38,440,109
Payments to Juvenile Justice Alt. Ed. Program	57,534	77,478	72,885	67,467
Payments to Tax Increment Fund	2,393,136	1,677,277	1,096,490	7,028,326
Other intergovernmental charges	2,082,715	1,997,237	1,869,421	1,916,015
<b>Total governmental activities</b>	<u>578,749,487</u>	<u>696,127,672</u>	<u>654,099,385</u>	<u>579,163,259</u>
Business-type activities:				
Food services	-	33,527,597	33,604,463	30,500,382
<b>Total Expenses</b>	<u>578,749,487</u>	<u>729,655,269</u>	<u>687,703,848</u>	<u>609,663,641</u>
<b>Program Revenues</b>				
Governmental activities:				
Charges for services	9,167,905	5,868,531	3,188,625	3,136,176
Operating grants and contributions	(15,832,877)	67,640,176	90,044,617	70,491,908
<b>Total governmental activities</b>	<u>(6,664,972)</u>	<u>73,508,707</u>	<u>93,233,242</u>	<u>73,628,084</u>
Business-type activities:				
Charges for services	-	6,124,630	5,772,190	5,982,774
Operating grants and contributions	-	28,372,368	26,222,815	25,714,657
<b>Total business-type activities</b>	<u>-</u>	<u>34,496,998</u>	<u>31,995,005</u>	<u>31,697,431</u>
<b>Total Program Revenues</b>	<u>(6,664,972)</u>	<u>108,005,705</u>	<u>125,228,247</u>	<u>105,325,515</u>
<b>Net Expenses</b>	<u>\$ (585,414,459)</u>	<u>\$ (621,649,564)</u>	<u>\$ (562,475,601)</u>	<u>\$ (504,338,126)</u>

Note: The District's fiscal year end date was changed from August 31 to June 30, with the fiscal year ended June 30, 2012 being a ten month conversion year.

Source: The Statement of Activities for the Arlington Independent School District

Table 2

	2014	2013	2012	2011	2010	2009
\$	347,695,598	\$ 326,972,420	\$ 292,381,916	\$ 348,387,954	\$ 333,613,428	\$ 319,106,962
	7,048,633	6,274,891	5,963,914	6,897,415	7,124,969	6,762,018
	10,292,439	9,499,551	6,701,859	10,215,377	9,817,622	9,359,461
	7,124,368	6,687,141	5,435,172	7,334,939	7,370,271	6,965,450
	27,253,780	25,724,635	21,294,889	26,790,801	26,025,054	25,854,423
	25,530,501	23,682,670	17,621,819	22,504,083	21,797,944	21,258,719
	2,326,072	2,138,454	1,780,216	2,336,399	2,402,024	2,051,433
	5,501,273	5,108,523	4,840,254	5,197,041	5,221,341	5,157,522
	10,901,683	10,203,605	8,976,259	11,096,233	11,221,782	10,909,491
	388,674	432,435	344,969	322,046	527,576	546,162
	9,412,633	8,833,151	8,147,211	9,483,994	8,834,971	8,543,218
	7,033,855	6,540,185	5,499,431	6,986,698	7,344,859	7,559,030
	51,447,854	50,879,295	45,045,408	54,973,176	55,179,227	49,624,734
	5,144,430	4,942,866	3,835,434	4,839,013	5,272,936	4,904,875
	8,197,313	7,628,023	6,664,602	8,134,179	7,559,353	7,395,250
	3,179,647	3,115,412	2,835,888	3,991,485	3,615,273	3,195,293
	15,486,058	19,368,480	16,860,954	19,944,575	19,288,178	18,973,025
	-	-	-	-	-	493,392
	1,413,049	970,785	-	-	-	-
	53,396	41,125	266,250	350,625	402,500	494,910
	7,565,996	3,817,396	3,507,648	3,526,152	4,676,718	2,690,197
	<u>1,782,827</u>	<u>1,668,202</u>	<u>1,234,497</u>	<u>1,557,935</u>	<u>1,592,312</u>	<u>1,588,962</u>
	554,780,079	524,529,245	459,238,590	554,870,120	538,888,338	513,434,527
	<u>30,208,241</u>	<u>28,573,344</u>	<u>25,529,203</u>	<u>25,846,331</u>	<u>25,344,736</u>	<u>23,939,432</u>
	<u>584,988,320</u>	<u>553,102,589</u>	<u>484,767,793</u>	<u>580,716,451</u>	<u>564,233,074</u>	<u>537,373,959</u>
	2,864,989	2,956,248	2,682,308	2,992,981	2,981,285	2,733,447
	<u>65,603,117</u>	<u>62,110,376</u>	<u>55,880,066</u>	<u>123,583,489</u>	<u>106,339,356</u>	<u>67,719,599</u>
	<u>68,468,106</u>	<u>65,066,624</u>	<u>58,562,374</u>	<u>126,576,470</u>	<u>109,320,641</u>	<u>70,453,046</u>
	6,197,429	6,233,987	5,744,326	6,296,733	6,913,729	7,146,249
	<u>26,175,558</u>	<u>25,409,362</u>	<u>21,856,266</u>	<u>21,051,104</u>	<u>20,385,549</u>	<u>18,573,326</u>
	<u>32,372,987</u>	<u>31,643,349</u>	<u>27,600,592</u>	<u>27,347,837</u>	<u>27,299,278</u>	<u>25,719,575</u>
	<u>100,841,093</u>	<u>96,709,973</u>	<u>86,162,966</u>	<u>153,924,307</u>	<u>136,619,919</u>	<u>96,172,621</u>
\$	<u>(484,147,227)</u>	<u>(456,392,616)</u>	<u>(398,604,827)</u>	<u>(426,792,144)</u>	<u>(427,613,155)</u>	<u>(441,201,338)</u>



## ARLINGTON INDEPENDENT SCHOOL DISTRICT

### General Revenues and Total Change in Net Position

Last Ten Fiscal Years

(Unaudited)

	2018	2017	2016	2015
<b>Net expense</b>				
Governmental activities	\$ (585,414,459)	\$ (622,618,965)	\$ (560,866,143)	\$ (505,535,175)
Business-type activities	-	969,401	(1,609,458)	1,197,049
<b>Total net expenses</b>	<u>(585,414,459)</u>	<u>(621,649,564)</u>	<u>(562,475,601)</u>	<u>(504,338,126)</u>
<b>General Revenues</b>				
<b>Governmental Activities</b>				
Taxes				
Property taxes levied for general purposes	264,362,150	237,332,902	222,354,931	216,566,195
Property taxes levied for debt service	83,461,267	80,319,360	79,922,367	65,816,287
State Aid Formula Grants	210,290,252	236,250,430	237,366,093	239,828,021
Grants and contributions - not restricted	626,879	11,276,867	7,718,245	9,131,377
Investment earnings	8,787,821	5,238,265	1,966,781	458,884
Miscellaneous local and intermediate revenue	6,588,246	1,375,808	8,653,947	10,103,186
Special item - Gain on sale of asset	6,487,319			
Transfers out	-	(93,020)	(135,898)	(307,475)
<b>Total Government Activities</b>	<u>580,603,934</u>	<u>571,700,612</u>	<u>557,846,466</u>	<u>541,596,475</u>
<b>Business-type Activities <sup>(1)</sup></b>				
Unrestricted investment earnings	-	61,586	23,923	6,030
Grants and contributions - not restricted	-	-	-	8,000
Transfers in	-	93,020	135,898	307,475
<b>Total Business-type Activities</b>	<u>-</u>	<u>154,606</u>	<u>159,821</u>	<u>321,505</u>
<b>Total General Revenues</b>	<u>580,603,934</u>	<u>571,855,218</u>	<u>558,006,287</u>	<u>541,917,980</u>
<b>Change in Net Position</b>				
Governmental activities	(4,810,525)	(50,918,353)	(3,019,677)	36,061,300
Business-type activities	-	1,124,007	(1,449,637)	1,518,554
<b>Total change in net position</b>	<u>\$ (4,810,525)</u>	<u>\$ (49,794,346)</u>	<u>\$ (4,469,314)</u>	<u>\$ 37,579,854</u>

Source: The Statement of Activities for the Arlington Independent School District

<sup>(1)</sup>The District converted its Food Service Program from a Business-Type Fund to a Special Revenue Fund in fiscal year 2018

Note: The District's fiscal year end date was changed from August 31 to June 30, with the fiscal year ended

June 30, 2012 being a ten month conversion year.

Table 3

2014	2013	2012	2011	2010	2009
\$ (486,311,973)	\$ (459,462,621)	\$ (400,676,216)	\$ (428,293,650)	\$ (429,567,697)	\$ (442,981,481)
2,164,746	3,070,005	2,071,389	1,501,506	1,954,542	1,780,143
<u>(484,147,227)</u>	<u>(456,392,616)</u>	<u>(398,604,827)</u>	<u>(426,792,144)</u>	<u>(427,613,155)</u>	<u>(441,201,338)</u>
206,070,657	200,219,710	196,230,568	192,163,019	209,744,123	213,225,430
51,143,124	50,876,378	50,736,898	55,384,589	47,297,808	48,103,125
248,873,467	209,684,541	208,267,754	175,464,300	157,265,155	168,943,843
8,593,641	9,835,162	4,421,877	6,513,486	4,892,850	2,768,238
237,042	418,043	470,629	378,193	451,996	1,994,577
9,145,584	6,209,381	4,445,848	4,758,899	4,858,323	19,215,304
<u>(79,552)</u>	<u>(99,159)</u>	<u>-</u>	<u>(142,598)</u>	<u>(92,255)</u>	<u>(159,903)</u>
<u>523,983,963</u>	<u>477,144,056</u>	<u>464,573,574</u>	<u>434,519,888</u>	<u>424,418,000</u>	<u>454,090,614</u>
6,146	10,538	9,154	9,126	12,228	24,869
-	-	-	-	-	-
<u>79,552</u>	<u>99,159</u>	<u>-</u>	<u>142,598</u>	<u>92,255</u>	<u>159,903</u>
<u>85,698</u>	<u>109,697</u>	<u>9,154</u>	<u>151,724</u>	<u>104,483</u>	<u>184,772</u>
<u>524,069,661</u>	<u>477,253,753</u>	<u>464,582,728</u>	<u>434,671,612</u>	<u>424,522,483</u>	<u>454,275,386</u>
37,671,990	17,681,435	63,897,358	6,226,238	(5,149,697)	11,109,133
<u>2,250,444</u>	<u>3,179,702</u>	<u>2,080,543</u>	<u>1,653,230</u>	<u>2,059,025</u>	<u>1,964,915</u>
<u>\$ 39,922,434</u>	<u>\$ 20,861,137</u>	<u>\$ 65,977,901</u>	<u>\$ 7,879,468</u>	<u>\$ (3,090,672)</u>	<u>\$ 13,074,048</u>

**ARLINGTON INDEPENDENT SCHOOL DISTRICT**

Fund Balances, Governmental Funds

Last Ten Fiscal Years

(Unaudited)

	2018	2017	2016	2015
<b>Governmental Funds</b>				
General Fund				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-
Nonspendable	1,872,418	1,801,741	1,768,805	1,713,539
Restricted	-	-	1,388,971	578,140
Committed	-	7,754,294	17,100,000	4,729,182
Assigned	1,397,097	1,335,076	1,531,994	7,086,126
Unassigned	<u>198,622,637</u>	<u>188,562,124</u>	<u>182,935,118</u>	<u>174,656,116</u>
Total General Fund	<u>201,892,152</u>	<u>199,453,235</u>	<u>204,724,888</u>	<u>188,763,103</u>
All Other Governmental Funds				
<i>Reserved, reported in:</i>				
Debt Service Fund	-	-	-	-
Capital Projects Fund	-	-	-	-
Special Revenue Funds	-	-	-	-
<i>Unreserved, reported in:</i>				
Capital Projects Fund	-	-	-	-
Special Revenue Funds	-	-	-	-
<i>Restricted, reported in:</i>				
Debt Service Fund	30,438,976	27,797,595	25,723,015	22,539,596
Capital Projects Fund	184,633,256	224,989,653	259,672,376	166,150,566
Special Revenue Funds	14,603,590	737,936	610,145	384,459
<i>Committed, reported in:</i>				
Capital Projects Fund	37,059,497	11,561,723	10,296,787	9,022,742
Special Revenue Funds	10,642,895	30,376,914	29,434,664	28,335,237
<i>Unassigned, reported in:</i>				
Special Revenue Funds	<u>(4,340)</u>	<u>-</u>	<u>-</u>	<u>(2,284)</u>
Total All Other Governmental Funds	<u>277,373,874</u>	<u>295,463,821</u>	<u>325,736,987</u>	<u>226,430,316</u>
Total Governmental Funds	<u>\$ 479,266,026</u>	<u>\$ 494,917,056</u>	<u>\$ 530,461,875</u>	<u>\$ 415,193,419</u>

Note: During the fiscal year 2011, the District adopted GASB Statement No. 54. Implementing this standard affected the presentation of fund balance on the governmental funds balance sheet.

Note: The District's fiscal year end date was changed from August 31 to June 30, with the fiscal year ended June 30, 2012 being a ten month conversion year.

Source: The Balance Sheet of Governmental Funds for the Arlington Independent School District

Table 4

2014	2013	2012	2011	2010	2009
\$ -	\$ -	\$ -	\$ -	\$ 2,885,729	\$ 1,747,764
-	-	-	-	72,834,097	72,201,941
1,606,801	1,628,288	2,321,489	1,442,647	-	-
2,870,621	3,340,521	3,426,730	3,139,278	-	-
22,729,187	24,295,514	-	-	-	-
8,474,064	2,279,066	1,796,695	1,110,123	-	-
<u>153,115,642</u>	<u>124,747,892</u>	<u>131,710,852</u>	<u>82,699,694</u>	-	-
<u>188,796,315</u>	<u>156,291,281</u>	<u>139,255,766</u>	<u>88,391,742</u>	<u>75,719,826</u>	<u>73,949,705</u>
-	-	-	-	10,893,002	11,493,475
-	-	-	-	7,212,480	402,724
-	-	-	-	131,285	19,871
-	-	-	-	60,228,753	21,591,851
-	-	-	-	18,909,781	22,566,161
17,263,838	17,991,873	19,943,320	10,319,240	-	-
30,150,719	52,341,698	74,596,781	78,507,888	-	-
397,248	204,623	585,883	765,793	-	-
9,022,741	7,960,557	9,773,397	7,867,404	-	-
25,825,072	24,099,660	21,763,063	20,878,309	-	-
(2,284)	(410)	-	-	-	-
<u>82,657,334</u>	<u>102,598,001</u>	<u>126,662,444</u>	<u>118,338,634</u>	<u>97,375,301</u>	<u>56,074,082</u>
<u>\$ 271,453,649</u>	<u>\$ 258,889,282</u>	<u>\$ 265,918,210</u>	<u>\$ 206,730,376</u>	<u>\$ 173,095,127</u>	<u>\$ 130,023,787</u>

## ARLINGTON INDEPENDENT SCHOOL DISTRICT

### Governmental Funds Expenditures and Debt Service Ratio<sup>1</sup>

Last Ten Fiscal Years

(Unaudited)

	2018	2017	2016	2015
<b>Expenditures</b>				
Governmental Activities				
11 Instruction	\$ 350,493,989	\$ 349,061,853	\$ 365,893,789	\$ 341,740,353
12 Instructional resources and media services	6,660,952	6,732,653	7,670,575	6,965,671
13 Curriculum and staff development services	<u>12,274,734</u>	<u>13,340,775</u>	<u>12,654,301</u>	<u>12,037,844</u>
Total function 10	<u>369,429,675</u>	<u>369,135,281</u>	<u>386,218,665</u>	<u>360,743,868</u>
21 Instructional leadership	11,010,123	10,632,750	9,311,191	7,380,990
23 School leadership	<u>29,367,814</u>	<u>29,930,652</u>	<u>29,197,851</u>	<u>27,774,460</u>
Total function 20	<u>40,377,937</u>	<u>40,563,402</u>	<u>38,509,042</u>	<u>35,155,450</u>
31 Guidance, counseling, and evaluation services	29,510,682	28,302,660	27,506,017	27,418,043
32 Social work services	3,110,415	3,027,967	2,514,049	2,576,150
33 Health services	6,261,232	5,938,186	5,550,290	5,370,810
34 Student transportation	15,361,045	14,139,059	17,733,858	12,987,216
35 Food service	31,069,886	419,998	817,318	592,272
36 Extracurricular activities	<u>10,160,072</u>	<u>10,452,299</u>	<u>9,815,077</u>	<u>9,548,432</u>
Total function 30	<u>95,473,332</u>	<u>62,280,169</u>	<u>63,936,609</u>	<u>58,492,923</u>
41 General administration	<u>9,529,509</u>	<u>8,674,747</u>	<u>8,392,718</u>	<u>8,253,048</u>
Total function 40	<u>9,529,509</u>	<u>8,674,747</u>	<u>8,392,718</u>	<u>8,253,048</u>
51 Plant maintenance and operations	148,936,589	118,312,510	67,898,753	51,982,273
52 Security and monitoring services	8,950,601	8,156,756	7,085,194	6,591,625
53 Data processing services	<u>17,669,161</u>	<u>12,833,845</u>	<u>11,543,132</u>	<u>15,350,755</u>
Total function 50	<u>175,556,351</u>	<u>139,303,111</u>	<u>86,527,079</u>	<u>73,924,653</u>
61 Community services	<u>2,372,256</u>	<u>2,604,072</u>	<u>2,227,766</u>	<u>2,990,839</u>
Total function 60	<u>2,372,256</u>	<u>2,604,072</u>	<u>2,227,766</u>	<u>2,990,839</u>
71 Debt service				
71 Principal on long-term debt	51,281,455	53,325,019	53,223,746	41,178,329
72 Interest on long-term debt	33,205,341	28,401,733	25,591,148	23,127,591
73 Bond issuance costs and fees	<u>650,289</u>	<u>1,460,430</u>	<u>1,669,609</u>	<u>1,375,241</u>
Total function 70	<u>85,137,085</u>	<u>83,187,182</u>	<u>80,484,503</u>	<u>65,681,161</u>
81 Facilities acquisition/construction	<u>25,975,672</u>	<u>93,652,400</u>	<u>87,295,513</u>	<u>38,440,109</u>
Total function 80	<u>25,975,672</u>	<u>93,652,400</u>	<u>87,295,513</u>	<u>38,440,109</u>
95 Payments to Juvenile Justice Alt. Ed. Program	57,534	77,478	72,885	67,467
97 Payments to Tax Increment Fund	2,393,136	1,677,277	1,096,490	7,028,326
99 Other intergovernmental charges	<u>2,082,715</u>	<u>1,997,237</u>	<u>1,869,421</u>	<u>1,916,015</u>
Total function 90	<u>4,533,385</u>	<u>3,751,992</u>	<u>3,038,796</u>	<u>9,011,808</u>
Total Expenditures	<u>\$ 808,385,202</u>	<u>\$ 803,152,356</u>	<u>\$ 756,630,691</u>	<u>\$ 652,693,859</u>
Debt Service as a % of noncapital expenditures:	10.89%	11.52%	11.94%	10.65%

<sup>1</sup> Includes General, Debt Service, Capital Projects, and Special Revenue Funds; Excludes capital expenditures and bond issuance costs and fees.

Note: The District's fiscal year end date was changed from August 31 to June 30, with the fiscal year ended June 30, 2012 being a ten month conversion year.

Source: Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds - Governmental Funds

Table 5

2014	2013	2012	2011	2010	2009
\$ 333,760,496	\$ 315,443,325	\$ 282,673,930	\$ 337,517,461	\$ 321,288,764	\$ 306,723,075
6,759,756	6,013,136	5,701,051	6,627,414	6,842,736	6,512,774
<u>10,105,982</u>	<u>9,347,159</u>	<u>6,613,513</u>	<u>10,075,614</u>	<u>9,651,957</u>	<u>9,262,192</u>
<u>350,626,234</u>	<u>330,803,620</u>	<u>294,988,494</u>	<u>354,220,489</u>	<u>337,783,457</u>	<u>322,498,041</u>
6,836,929	6,408,693	5,253,816	7,086,068	7,156,101	6,790,192
<u>25,939,275</u>	<u>24,550,708</u>	<u>20,425,269</u>	<u>25,630,104</u>	<u>24,875,316</u>	<u>24,788,344</u>
<u>32,776,204</u>	<u>30,959,401</u>	<u>25,679,085</u>	<u>32,716,172</u>	<u>32,031,417</u>	<u>31,578,536</u>
24,417,906	22,666,317	16,979,919	21,652,300	20,957,060	20,489,517
2,325,244	2,137,027	1,736,929	2,245,542	2,402,098	2,055,563
5,233,736	4,872,288	4,623,820	4,956,320	4,993,365	4,946,724
13,196,865	12,524,372	8,723,934	15,807,145	10,714,690	10,529,201
388,210	433,000	349,393	323,496	639,414	593,065
<u>9,065,988</u>	<u>8,467,395</u>	<u>7,804,876</u>	<u>9,094,628</u>	<u>8,470,813</u>	<u>8,184,309</u>
<u>54,627,949</u>	<u>51,100,399</u>	<u>40,218,871</u>	<u>54,079,431</u>	<u>48,177,440</u>	<u>46,798,379</u>
<u>6,739,452</u>	<u>6,285,394</u>	<u>5,466,109</u>	<u>6,654,255</u>	<u>7,052,625</u>	<u>7,281,396</u>
<u>6,739,452</u>	<u>6,285,394</u>	<u>5,466,109</u>	<u>6,654,255</u>	<u>7,052,625</u>	<u>7,281,396</u>
50,130,534	49,651,274	43,947,936	53,716,243	53,638,705	47,613,777
5,207,624	5,540,877	3,780,303	4,905,258	5,246,305	4,699,965
<u>9,408,419</u>	<u>8,440,673</u>	<u>7,158,556</u>	<u>9,272,962</u>	<u>7,588,830</u>	<u>7,182,359</u>
<u>64,746,577</u>	<u>63,632,824</u>	<u>54,886,795</u>	<u>67,894,463</u>	<u>66,473,840</u>	<u>59,496,101</u>
<u>3,178,207</u>	<u>3,111,373</u>	<u>2,835,888</u>	<u>4,013,529</u>	<u>3,615,273</u>	<u>3,194,170</u>
<u>3,178,207</u>	<u>3,111,373</u>	<u>2,835,888</u>	<u>4,013,529</u>	<u>3,615,273</u>	<u>3,194,170</u>
41,621,319	37,769,533	37,834,692	38,553,033	28,870,288	29,539,530
16,065,298	20,349,329	10,554,395	20,227,161	19,431,220	20,028,332
485,189	682,386	587,366	686,532	468,727	258,622
<u>58,171,806</u>	<u>58,801,248</u>	<u>48,976,453</u>	<u>59,466,726</u>	<u>48,770,235</u>	<u>49,826,484</u>
<u>17,302,865</u>	<u>18,511,812</u>	<u>14,201,868</u>	<u>14,016,545</u>	<u>7,712,002</u>	<u>555,969</u>
<u>17,302,865</u>	<u>18,511,812</u>	<u>14,201,868</u>	<u>14,016,545</u>	<u>7,712,002</u>	<u>555,969</u>
53,396	41,125	266,250	350,625	402,500	494,910
7,565,996	3,817,396	3,507,648	3,526,152	4,676,718	2,690,197
<u>1,782,827</u>	<u>1,668,202</u>	<u>1,234,497</u>	<u>1,557,935</u>	<u>1,592,312</u>	<u>1,588,962</u>
<u>9,402,219</u>	<u>5,526,723</u>	<u>5,008,395</u>	<u>5,434,712</u>	<u>6,671,530</u>	<u>4,774,069</u>
<u>\$ 597,571,513</u>	<u>\$ 568,732,794</u>	<u>\$ 492,261,958</u>	<u>\$ 598,496,322</u>	<u>\$ 558,287,819</u>	<u>\$ 526,003,145</u>
10.03%	10.70%	10.18%	10.20%	8.79%	9.44%

**ARLINGTON INDEPENDENT SCHOOL DISTRICT**

Governmental Funds Revenues

Last Ten Fiscal Years<sup>1</sup>

(Unaudited)

	2018	2017	2016	2015
<b>Federal Sources</b>				
Federal grants	\$ 66,326,563	\$ 43,735,764	\$ 51,213,473	\$ 42,136,553
<b>State Sources</b>				
State education finance program	236,887,068	262,601,123	260,906,490	264,223,711
State grants and other sources	<u>6,875,943</u>	<u>3,371,404</u>	<u>9,567,134</u>	<u>12,912,613</u>
Total State Sources	<u>243,763,011</u>	<u>265,972,527</u>	<u>270,473,624</u>	<u>277,136,324</u>
<b>Local Sources</b>				
Property taxes	345,887,298	318,783,874	301,184,470	281,717,598
Capital Projects Funds	6,379,551	3,129,081	1,172,821	1,381,326
Athletic/extracurricular activities	716,776	742,334	699,435	647,589
Other local sources	<u>17,370,756</u>	<u>9,610,181</u>	<u>11,941,213</u>	<u>10,911,176</u>
Total Local Sources	<u>370,354,381</u>	<u>332,265,470</u>	<u>314,997,939</u>	<u>294,657,689</u>
Total Revenues	<u>\$ 680,443,955</u>	<u>\$ 641,973,761</u>	<u>\$ 636,685,036</u>	<u>\$ 613,930,566</u>

<sup>1</sup> Includes General, Debt Service, Capital Projects, and Special Revenue Funds

Note: The District's fiscal year end date was changed from August 31 to June 30, with the fiscal year ended June 30, 2012 being a ten month conversion year.

Note: As of July 1, 2017, the District closed its Business-Type Food Service Program and converted it to a Special Revenue Fund  
Source: Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds

Table 6

2014	2013	2012	2011	2010	2009
<u>\$ 41,952,884</u>	<u>\$ 43,385,720</u>	<u>\$ 36,002,530</u>	<u>\$ 97,835,232</u>	<u>\$ 80,665,294</u>	<u>\$ 37,598,710</u>
270,883,707	228,966,201	219,479,345	197,935,860	180,200,696	199,547,501
<u>9,900,166</u>	<u>8,966,911</u>	<u>11,896,826</u>	<u>7,008,854</u>	<u>7,268,336</u>	<u>1,947,977</u>
<u>280,783,873</u>	<u>237,933,112</u>	<u>231,376,171</u>	<u>204,944,714</u>	<u>187,469,032</u>	<u>201,495,478</u>
261,295,774	251,505,877	246,967,468	251,384,848	262,647,327	269,654,275
1,185,374	785,629	758,161	807,012	692,089	849,536
638,644	665,371	716,770	705,751	890,184	712,894
<u>6,863,764</u>	<u>9,670,141</u>	<u>7,365,653</u>	<u>9,094,658</u>	<u>(527,152)</u>	<u>14,677,265</u>
<u>269,983,556</u>	<u>262,627,018</u>	<u>255,808,052</u>	<u>261,992,269</u>	<u>263,702,448</u>	<u>285,893,970</u>
<u>\$ 592,720,313</u>	<u>\$ 543,945,850</u>	<u>\$ 523,186,753</u>	<u>\$ 564,772,215</u>	<u>\$ 531,836,774</u>	<u>\$ 524,988,158</u>



**ARLINGTON INDEPENDENT SCHOOL DISTRICT**  
**Other Financing Sources and Uses and Net Change in Fund Balances**  
**Last Ten Fiscal Years**  
**(Unaudited)**

	2018	2017	2016	2015
<b>Excess of revenues over (under) expenditures</b>	\$ (161,178,595)	\$ (161,178,595)	\$ (119,945,655)	\$ (38,763,293)
<b>Other financial sources (uses):</b>				
General long-term debt issued	79,345,000	176,981,368	220,300,000	159,485,000
General long-term debt refunding				
Premium or discount on issuance of bonds	12,925,940	27,183,879	14,618,702	18,221,181
Sale of real and personal property	6,762,037			2,886
Proceeds from capital leases				
Loan Issuance			431,307	4,113,971
Transfers in	22,094,385	377,000		
Transfers out	(22,094,385)	(478,477)	(135,898)	(307,475)
Payment to escrow agent		(78,429,994)		
Natural gas lease				987,500
<b>Total other financing sources (uses)</b>	<u>99,032,977</u>	<u>125,633,776</u>	<u>235,214,111</u>	<u>182,503,063</u>
<b>Net change in fund balances</b>	<u>\$ (62,145,618)</u>	<u>\$ (35,544,819)</u>	<u>\$ 115,268,456</u>	<u>\$ 143,739,770</u>

Note: The District's fiscal year end date was changed from August 31 to June 30, with the fiscal year ended June 30, 2012 being a ten month conversion year.

Source: Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds

Table 7

2014	2013	2012	2011	2010	2009
\$ (4,851,200)	\$ (24,786,944)	\$ 30,924,795	\$ (33,724,107)	\$ (26,451,045)	\$ (1,014,987)
16,180,000	16,390,000	44,364,966	64,372,485		
72,020,000	76,482,234			65,755,000	12,465,000
8,081,458	7,667,322	4,733,364	2,644,506	1,748,110	430,700
35,384	69,561	34,881	395,149	917,386	
			89,815	219,578	
433,107				974,566	3,924,908
	2,799	1,925,679		3,585,325	18,896
(79,552)	(98,958)	(1,925,679)	(142,598)	(3,677,580)	(156,799)
(79,254,833)	(82,754,942)	(20,870,172)			(12,647,727)
<u>17,415,564</u>	<u>17,758,016</u>	<u>28,263,039</u>	<u>67,359,357</u>	<u>69,522,385</u>	<u>4,034,978</u>
<u>\$ 12,564,364</u>	<u>\$ (7,028,928)</u>	<u>\$ 59,187,834</u>	<u>\$ 33,635,250</u>	<u>\$ 43,071,340</u>	<u>\$ 3,019,991</u>

Table 8

**ARLINGTON INDEPENDENT SCHOOL DISTRICT**  
 Appraised Value and Actual Value of Taxable Property  
 Last Ten Fiscal Years  
 (Unaudited)

Fiscal Year	<u>Appraised Value</u>			Total Estimated Taxable Value	Total Direct Rate
	Residential or Real Property	Personal Property	Less: Exemptions		
2009	\$ 20,718,304,882	\$ 4,232,461,721	\$4,044,966,210	\$ 20,905,800,393	1.278000
2010	20,903,886,353	4,346,942,585	4,494,749,382	20,756,079,556	1.272000
2011	20,041,660,089	3,858,013,644	4,550,637,253	19,349,036,480	1.335000
2012	20,018,366,118	4,131,626,701	4,677,226,996	19,472,765,823	1.305500
2013	20,281,235,605	4,289,821,428	4,792,406,539	19,778,650,494	1.301000
2014	20,953,089,907	4,746,111,559	4,992,128,887	20,707,072,579	1.292170
2015	21,668,162,540	5,218,291,540	5,125,379,155	21,761,074,925	1.348110
2016	22,082,482,932	3,911,103,646	5,576,541,645	20,417,044,933	1.412952
2017	24,109,273,225	4,869,585,583	6,016,359,735	22,961,131,805	1.390080
2018	27,201,847,710	5,336,037,386	7,684,910,377	24,852,974,719	1.368670

Source: Tarrant County

**ARLINGTON INDEPENDENT SCHOOL DISTRICT**

Direct and Overlapping Property Tax Rates

Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Local Maintenance	Debt Service	Total	Tarrant County <sup>2</sup>	City of Arlington	City of Fort Worth	City of Grand Prairie	Town of Pantego	City of Dalworthington Gardens
2008-09	1.040000	0.232000	1.272000	0.713857	0.648000	0.855000	0.669998	0.373270	0.262739
2009-10	1.040000	0.232000	1.272000	0.713567	0.648000	0.855000	0.669998	0.373270	0.262739
2010-11	1.040000	0.295000	1.335000	0.713537	0.648000	0.855000	0.669998	0.373270	0.262739
2011-12	1.040000	0.265500	1.305500	0.724867	0.648000	0.855000	0.669998	0.410000	0.262739
2012-13	1.040000	0.261000	1.301000	0.724867	0.648000	0.855000	0.669998	0.410000	0.262739
2013-14	1.040000	0.252170	1.292170	0.741397	0.648000	0.855000	0.669998	0.420000	0.262739
2014-15	1.040000	0.308110	1.348110	0.741397	0.648000	0.855000	0.669998	0.420000	0.262739
2015-16	1.040000	0.372952	1.412952	0.741397	0.648000	0.855000	0.669998	0.420000	0.253670
2016-17	1.040000	0.350080	1.390080	0.726027	0.644800	0.835000	0.669998	0.420000	0.273979
2017-18	1.040000	0.328670	1.368670	0.710389	0.639800	0.805000	0.669998	0.420000	0.374379

<sup>1</sup>Includes rates for operating and debt service costs

<sup>2</sup>Includes Tarrant County, Tarrant County College, Tarrant Regional Water District, JPS Health Network, and Tarrant County Emergency Services District

Source: Tarrant County and City of Grand Prairie  
[www.tad.org/data/rates](http://www.tad.org/data/rates)

Table 10

**ARLINGTON INDEPENDENT SCHOOL DISTRICT**

Direct and Overlapping Property Tax Levies  
 Last Ten Fiscal Years  
 (Unaudited)

Fiscal Year	AISD Property Tax Levy	Overlapping Levies					
		Tarrant County <sup>1</sup>	City of Arlington	City of Fort Worth	City of Grand Prairie	Town of Pantego	City of Dalworthington Gardens
2009	\$ 252,351,441	\$ 774,430,479	\$ 116,732,720	\$ 336,676,822	\$ 65,699,162	\$ 932,155	\$ 754,256
2010	250,819,373	789,844,701	115,724,665	345,778,617	64,170,530	939,334	790,591
2011	251,394,282	774,047,114	110,604,993	341,028,726	62,231,126	903,789	789,284
2012	248,339,784	798,447,284	111,088,494	348,384,651	63,267,520	988,951	799,455
2013	252,776,355	808,754,010	113,513,529	355,057,237	62,804,427	1,003,031	855,580
2014	263,208,691	823,644,959	115,683,433	362,833,021	65,947,913	1,004,406	839,569
2015	286,681,027	878,365,639	120,801,020	399,125,408	74,340,365	1,021,855	850,853
2016	301,216,129	917,135,535	125,022,763	421,938,109	82,529,622	1,047,712	849,150
2017	319,178,101	976,317,394	134,099,513	449,236,836	89,688,553	1,118,430	925,504
2018	345,476,231	1,045,684,183	146,934,416	483,233,200	90,594,498	1,246,141	1,246,877

<sup>1</sup> Includes Tarrant County, Tarrant County College, Tarrant Regional Water District, JPS Health Network, and Tarrant County Emergency Services District

Source: Tarrant County and City of Grand Prairie

**ARLINGTON INDEPENDENT SCHOOL DISTRICT**

Principal Property Taxpayers  
Current Year and Nine Years Ago  
(Unaudited)

	2018			2009		
	October 2017 Taxable Value	Rank	Percentage of Total Taxable Value	October 2008 Taxable Value	Rank	Percentage of Total Taxable Value
General Motors Corp.	\$ 595,641,100	1	2.30 %	\$ 345,589,081	1	1.65 %
Arlington Highlands LTD	180,490,507	2	0.70	114,732,975	5	0.55
Parks at Arlington, LP.	145,716,807	3	0.56	179,585,475	3	0.86
Oncor Electric Delivery Co., LLC	137,634,433	4	0.53	136,007,012	4	0.65
Bell Helicopter Textron, Inc	132,729,892	5	0.51	202,316,833	2	0.97
Grand Prairie Premium Outlets LP	129,573,649	6	0.50			0.00
Six Flags Fund II LTD	96,825,385	7	0.37	61,313,903	9	0.29
LSREF3 (BRAVO) LLC*	87,730,000	8	0.34			
Republic Beverage	80,356,469	9	0.31	64,048,492	8	0.31
Pioneer Industrial LLC	76,868,340	10	0.30			
Southwestern Bell				93,390,796	7	0.45
Usmd Surgical Hospital of Arlington				93,879,002	6	0.45
Bre RC Lincoln Square TX LP				59,061,363	10	0.28
	<u>\$ 1,663,566,582</u>		6.43 %	<u>\$ 1,349,924,932</u>		<u>6.46</u>

Source: Tarrant Appraisal District

%

Table 12

**ARLINGTON INDEPENDENT SCHOOL DISTRICT**  
Property Tax Levies and Collections  
Last Ten Fiscal Years  
(Unaudited)

Fiscal Year	Adjusted Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy	Delinquent Taxes	Amount	Percentage of Levy
2009	\$ 262,764,490	\$259,113,481	98.61	\$ 2,035,287	\$261,148,768	99.39
2010	259,090,293	255,811,075	98.73	895,788	256,706,863	99.08
2011	251,394,282	249,404,594	99.21	1,890,120	251,294,714	99.96
2012	248,339,783	243,830,921	98.18	4,363,127	248,194,048	99.94
2013	252,693,760	247,680,443	98.02	3,682,393	251,362,836	99.47
2014	263,208,691	257,643,578	97.89	3,144,286	260,787,864	99.08
2015	286,681,027	282,062,140	98.39	3,196,809	285,258,949	99.50
2016	301,212,106	296,234,937	98.35	3,845,613	300,080,550	99.62
2017	319,178,101	314,991,957	98.69	3,860,025	318,851,982	99.90
2018	345,476,231	340,216,962	98.48			

Source: Tarrant County

**ARLINGTON INDEPENDENT SCHOOL DISTRICT**

## Outstanding Debt By Type

Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Governmental Activities			Total Primary Government	Percentage of Personal Income	Total Outstanding Debt Per Capita
	General Obligation Bonds	Contractual Obligations	Capital Financing Agreements (Capital Leases)			
2009	\$ 412,879,198	\$2,273,511	\$ 240,452	\$ 415,393,161	<sup>1</sup>	\$ 1,125
2010	450,540,000	5,400,345	206,130	456,146,475	<sup>1</sup>	1,200
2011	477,462,485	4,694,885	211,961	482,369,331	<sup>1</sup>	1,237
2012	478,628,769	3,909,136	131,428	482,669,333	<sup>1</sup>	1,238
2013	459,641,810	3,045,158	59,636	462,746,604	<sup>1</sup>	1,187
2014	449,112,552	2,765,052	-	451,877,604	<sup>1</sup>	1,189
2015	579,044,900	6,032,929	-	585,077,829	<sup>1</sup>	1,558
2016	759,015,278	5,360,489	-	764,375,767	<sup>1</sup>	2,015
2017	832,206,507	4,102,184	-	836,308,691	<sup>1</sup>	2,197
2018	868,458,836	3,552,099	-	872,010,935	<sup>1</sup>	2,281

<sup>1</sup>Data was not available

Source: Notes to the Basic Financial Statements



Table 14

**ARLINGTON INDEPENDENT SCHOOL DISTRICT**  
Ratio of Net Bonded Debt to Assessed Value and Net Bonded Debt Per Capita  
Last Ten Fiscal Years  
(Unaudited)

<u>Fiscal Year</u>	<u>Population</u>	<u>Assessed Value</u>	<u>Gross Bonded Debt</u>	<u>Less Debt Service Funds (1)</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
2009	370,450	\$ 20,905,800,393	\$ 412,879,198	\$ 11,493,475	\$ 401,385,723	1.92	1,084
2010	380,085	20,756,079,556	450,540,000	10,893,002	439,646,998	2.12	1,157
2011	389,967	19,349,036,480	477,462,485	10,319,240	467,143,245	2.41	1,198
2012	389,967	19,472,765,823	465,377,451	19,943,320	445,434,131	2.29	1,142
2013	389,967	19,778,650,494	445,147,485	17,291,581	427,855,904	2.16	1,097
2014	380,084	20,707,072,579	569,009,719	18,083,876	550,925,843	2.66	1,449
2015	375,600	21,761,074,925	799,944,720	22,071,904	777,872,816	3.57	2,071
2016	379,370	20,417,044,933	813,958,853	21,685,528	792,273,325	3.88	2,088
2017	380,740	22,961,131,805	832,206,507	18,173,383	814,033,124	3.55	2,138
2018	382,230	24,852,974,719	868,458,836	20,286,488	848,172,348	3.41	2,219

Note: The District's fiscal year end date was changed from August 31 to June 30, with the fiscal year ended June 30, 2012 being a ten month conversion year.

(1) This is the amount of Restricted for Debt Service Net Position

Source: Arlington Independent School District CAFR notes to the financial statements

**ARLINGTON INDEPENDENT SCHOOL DISTRICT**

## Statement of Direct and Overlapping Debt

June 30, 2018

(Unaudited)

<u>Government Entity</u>	Net Amount Outstanding <u>Debt</u>	Estimated Percentage <u>Applicable</u> <sup>1</sup>	Estimated Share of Direct and Overlapping <u>Debt</u> <sup>2</sup>
Tarrant County <sup>3</sup>	\$ 341,095,000	15.31 %	\$ 52,221,645
City of Fort Worth	731,730,000	0.02	146,346
City of Arlington	441,995,000	80.20	354,479,990
City of Grand Prairie	250,185,000	36.92	92,368,302
City of Kennedale	11,150,000	2.10	234,150
Town of Pantego	60,000	97.73	58,638
City of Dalworthington Gardens	4,710,000	97.06	<u>4,571,526</u>
Subtotal, Overlapping Bonded Debt			504,080,597
Arlington Independent School District direct debt		100.00	<u>868,458,836</u>
Total direct and overlapping debt			<u>\$ 1,372,539,433</u>
Ratio of total direct and overlapping debt to:			
Assessed valuations for 2017 (\$25,861,424,634)		5.31 %	
Full valuations for 2017 (\$32,537,885,096)		4.22 %	
Amount of total direct and overlapping debt per:			
Enrollment (61,076)	\$ 22,473		
Average daily attendance (55,668.20)	24,656		
Per capita (estimated district population - 382,230)	3,591		

Source: Tarrant County, City of Fort Worth, City of Arlington, City of Grand Prairie, Town of Pantego,  
City of Dalworthington Gardens, City of Kennedale

<sup>1</sup> Estimated geographical percentage of the area of each entity that is within the boundaries of the Arlington Independent School District.

<sup>2</sup> This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the District.

Table 16

**ARLINGTON INDEPENDENT SCHOOL DISTRICT**

Legal Debt Margin Information  
Last Ten Fiscal Years  
(Unaudited)

<u>Fiscal Year</u>	<u>Debt Limit</u>	<u>Total Net Debt Applicable to Limit</u>	<u>Legal Debt Margin</u>	<u>Total Net Debt Applicable to Limit as a Percentage of Debt Limit</u>
2009	\$ 2,090,580,039	\$ 401,385,723	\$ 1,689,194,316	19.20
2010	2,075,607,956	439,646,998	1,635,960,958	21.18
2011	1,934,903,648	467,143,245	1,467,760,403	24.14
2012	1,947,276,582	445,434,131	1,501,842,451	22.87
2013	1,977,865,049	427,855,904	1,550,009,145	21.63
2014	2,076,933,696	550,925,843	1,526,007,853	26.53
2015	2,176,107,493	777,872,816	1,398,234,677	35.75
2016	2,041,704,493	792,273,325	1,249,431,168	38.80
2017	2,296,113,181	814,033,124	1,482,080,057	35.45
2018	2,485,297,472	848,172,348 <sup>(1)</sup>	1,637,125,124	34.13

Legal debt margin calculation for Fiscal Year 2018

Debt Limit (10% of Assessed Value)	2,485,297,472
Debt Applicable to Limit	<u>848,172,348</u>
Legal Debt Margin	<u>\$ 1,637,125,124</u>

<sup>(1)</sup> Net Bonded Debt reported on Table 14

Source: Arlington ISD 2018-19 Official Budget

**ARLINGTON INDEPENDENT SCHOOL DISTRICT**  
Demographic and Economic Statistics  
Last Ten Fiscal Years  
(Unaudited)

<u>Period</u> <u>Ending</u>	<u>City of Arlington</u> <u>Population</u> <sup>1</sup>	<u>Fort Worth</u> <u>Arlington</u> <u>Metro Division</u> <u>Population</u> <sup>2</sup>	<u>Fort Worth</u> <u>Arlington</u> <u>Metro Division</u> <u>Personal</u> <u>Income</u>	<u>Per</u> <u>Capita</u> <u>Personal</u> <u>Income</u> <sup>2</sup>	<u>City of</u> <u>Arlington</u> <u>Unemployment</u> <u>Rate</u> <sup>3</sup>
2009	370,450	4	4	4	4
2010	380,085	4	4	4	4
2011	389,967	2,231,390	4	4	8.3
2012	389,967	2,290,239	4	4	6.7
2013	389,967	2,409,121	4	4	5.6
2014	380,084	4	4	4	5.0
2015	375,600	4	4	4	3.9
2016	379,370	4	4	4	3.9
2017	380,740	4	4	4	4.0
2018	382,230	4	4	4	3.8

<sup>1</sup> Source: City of Arlington operating budget projection

<sup>2</sup> Source: Texas Workforce Commission or DSHS

<sup>3</sup> Source: Arlington Chamber of Commerce

<sup>4</sup> Data not available

**ARLINGTON INDEPENDENT SCHOOL DISTRICT**

Principal Employers

Ranked for Current Year and 2008

(Unaudited)

2018				
<u>Taxpayer</u>	<u>Type of Business</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Arlington Independent School District	Public Education	8,200	1	3.89 %
University of Texas at Arlington	Higher Education	5,300	2	2.52
General Motors	Automobile Assembly	4,484	3	2.13
Texas Health Resources	Health Care/Medical Service	4,063	4	1.93
Six Flags Over Texas	Amusement Park	3,800 <sup>1</sup>	5	1.80
The Parks Mall	Retail	3,500	6	1.66
GM Financial	Financial Service	3,300	7	1.57
City of Arlington	Government	2,509	8	1.19
J.P. Morgan Chase	Financial Service	1,965	9	0.93
Texas Rangers	Sports/Entertainment	1,881 <sup>1</sup>	10	0.89
Arlington Memorial Hospital	Medical Center			
Americredit	Finance			
Cowboys Stadium	Sports/Entertainment			
Medical Center of Arlington	Medical Center			
		39,002		18.51 %

<sup>1</sup> Includes part-time and peak seasonal employees

Source: City of Arlington (Total Arlington labor force in 2018 and 2009 was 210,694 and 199,090 respectively)

2008		
<u>Employees</u>	<u>Rank</u>	Percentage of Total City <u>Employment</u>
8,518	1	4.28 %
4,987	2	2.50
2,362	6	1.19
		-
3,200	4	1.61
		-
		-
3,111	5	1.56
		-
1,295	8	0.65
2,105	7	1.06
1,270	9	0.64
3,500	3	1.76
1,250	10	0.63
<u>31,598</u>		<u>15.88 %</u>

**ARLINGTON INDEPENDENT SCHOOL DISTRICT**

Full-Time Equivalent District Campus Employees

Last Ten Fiscal Years

(Unaudited)

	2018	2017	2016	2015	2014	2013	2012
<b>CLASSROOM TEACHERS</b>	4,149.8	4,150.3	4,132.0	4,089.1	4,113.2	4,051.2	3,931.4
<i>Athletic Trainer</i>	12.0	12.0	12.0	12.0	12.0	12.0	10.0
<i>Audiologist</i>	2.0	2.0	2.0	2.0	2.0	2.0	2.0
<i>Counselor</i>	168.0	166.0	169.0	161.0	149.4	148.5	147.6
<i>Educational Diagnostician</i>	57.9	57.9	57.0	53.1	51.9	50.5	49.6
<i>Librarian</i>	72.0	71.0	68.0	70.0	64.7	68.9	68.5
<i>LSSP/Psychologist</i>	22.0	23.0	24.0	21.0	17.9	19.0	17.0
<i>Occupational/Music Therapist</i>	16.0	15.0	9.0	9.0	9.0	9.2	9.0
<i>Other Campus Professional Personnel</i>	2.0	91.9	72.9	55.7	58.9	73.4	49.0
<i>Other Non-Instructional Prof. Personnel</i>	235.9	274.1	190.0	167.8	148.1	154.3	144.2
<i>Physical Therapist</i>	0.0	0.0	5.0	5.0	4.0	4.0	4.0
<i>Psychological Associate</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>School Nurse</i>	78.4	80.7	75.9	77.8	77.4	75.9	74.2
<i>Social Worker</i>	16.0	16.0	9.0	18.0	21.0	15.9	13.0
<i>Speech Therapist/Language Pathologist</i>	56.0	53.2	53.7	48.2	46.7	49.9	57.5
<i>Teacher Facilitator/Supervisor</i>	143.1	147.6	157.5	151.8	145.6	146.4	141.3
<i>Wotk-Based Learning Site Coordinator</i>	0.0	0.2	0.1	0.0	0.0	0.0	0.0
<b>PROFESSIONAL SUPPORT</b>	881.3	1,010.6	905.1	852.4	808.6	829.9	786.9
<u>Campus Administration:</u>							
<i>Principal</i>	78.0	78.8	75.0	75.0	72.0	71.5	72.7
<i>Assistant Principal</i>	130.6	134.8	135.8	126.8	128.4	126.1	120.1
<i>Teacher Supervisor</i>	1.0	1.0	0.0	0.0	0.0	0.0	0.0
<u>Central Administration:</u>							
<i>Superintendent</i>	1.0	1.0	1.0	1.0	1.0	1.0	1.0
<i>Asst/Assoc/Deputy Superintendent</i>	8.0	9.0	9.0	6.9	7.0	4.3	5.0
<i>Athletic Director</i>	0.0	0.0	3.0	1.0	1.0	1.0	1.0
<i>Director-Personnel</i>	0.0	0.0	2.0	3.0	3.0	3.0	3.0
<i>Program Dir/Exec Dir/Instr Officer</i>	8.0	26.0	13.0	13.0	12.0	11.8	12.0
<i>Teacher Supervisor</i>	28.4	34.9	17.0	19.0	21.0	21.7	22.0
<b>ADMINISTRATIVE STAFF</b>	255.0	285.5	255.8	245.7	245.4	240.4	236.8
<i>Certified Interpreter</i>	5.9	6.9	5.9	5.8	5.9	6.7	5.9
<i>Educational Aide</i>	771.1	807.6	805.1	805.0	852.7	835.0	792.8
<b>PARAPROFESSIONAL STAFF</b>	777.0	814.5	811.0	810.8	858.6	841.7	798.7
<b>AUXILIARY PERSONNEL</b>	2,221.1	2,037.0	2,038.0	2,066.1	2,029.2	2,006.0	1,950.5
<b>TOTAL EMPLOYEES</b>	8,284.2	8,297.9	8,142.0	8,064.1	8,055.0	7,969.2	7,704.3

SOURCE: PEIMS reports: Staff FTE by Role (PRF4D007/PDM1-110-006)

Table 19

2011	2010	2009
4,148.3	4,124.0	4,073.7
5.0	8.5	9.9
2.0	2.0	2.0
145.6	130.4	134.0
48.5	50.5	49.8
69.0	67.6	68.0
17.0	14.0	16.0
8.0	7.0	7.9
51.8	38.3	35.0
169.8	150.3	156.3
4.0	4.0	4.0
3.0	3.0	3.0
74.8	73.3	74.0
14.0	11.0	11.0
54.2	56.2	56.5
149.2	167.4	241.3
0.0	0.0	0.0
815.9	783.5	868.7
73.8	71.7	71.3
129.0	101.5	102.1
0.0	0.0	0.0
1.0	1.0	1.0
5.0	5.0	5.5
3.0	3.0	3.0
4.0	4.0	3.0
13.0	14.0	11.2
28.0	27.0	11.0
256.8	227.2	208.1
5.9	4.9	4.9
982.1	958.4	934.2
988.0	963.3	939.1
1,967.4	1,980.8	2,015.4
8,176.4	8,078.8	8,105.0





**Arlington**

INDEPENDENT SCHOOL DISTRICT

*More Than a Remarkable Education*

**ARLINGTON INDEPENDENT SCHOOL DISTRICT**

Operating Statistics  
Last Ten Fiscal Years  
(Unaudited)

<u>Fiscal Year</u>	<u>Enrollment</u> <sup>1</sup>	<u>General Fund Operating Expenditures</u>	<u>Cost Per Pupil</u>	<u>Percentage Change</u>	<u>Teaching Staff</u>	<u>Pupil- Teacher Ratio</u>	<u>Percentage of Students Receiving Free or Reduced-Price Meals</u>
2009	63,045	\$ 427,156,330	\$ 6,775	-0.62	4,236	14.88	54.70
2010	63,487	401,668,574	6,327	-6.61	4,228	15.02	59.72
2011	64,484	392,297,791	6,084	-3.84	4,301	14.99	62.98
2012	64,703	374,817,746	5,793	-4.78	3,931	16.46	65.34
2013	65,001	424,144,895	6,525	12.64	4,051	16.05	68.29
2014	64,688	456,594,071	7,058	8.17	4,113	15.73	68.42
2015	63,882	498,228,268	7,799	10.00	4,089	15.62	68.13
2016	63,210	485,172,828	7,676	-1.59	4,132	15.30	69.33
2017	62,181	520,232,220	8,366	9.00	4,238	14.67	69.23
2018	61,076	515,118,870	8,434	0.81	4,150	14.72	64.52

Note: The District's fiscal year end date was changed from August 31 to June 30, with the fiscal year ended June 30, 2012 being a ten month conversion year.

<sup>1</sup>Amounts reported to the Texas Education Agency Public Education Information Management System (PEIMS)

**ARLINGTON INDEPENDENT SCHOOL DISTRICT**

Capital Asset Information

June 30, 2017

(Unaudited)

	2018	2017	2016	2015	2014	2013
<b><u>Schools</u></b>						
Buildings	77	77	72	75	74	74
Portable buildings	113	152	159	178	175	175
Stadiums	2	2	2	2	3	3
Square Feet	9,612,920	9,577,003	8,822,763	8,737,066	8,695,043	8,687,448
Maximum Capacity	79,989	76,080	74,986	74,986	74,986	74,386
Enrollment	61,076	62,181	63,210	63,882	64,688	65,001
Vehicles	9	9	11	15	4	3
<b><u>Administration</u></b>						
Buildings	11	11	11	11	8	8
Portable buildings	2	4	2	3	3	3
Square Feet	313,679	313,679	313,679	310,607	165,767	165,767
Vehicles	6	6	6	12	10	11
<b><u>Maintenance and Operations</u></b>						
Buildings	7	7	7	7	3	3
Square Feet	99,966	99,666	99,666	99,666	128,376	128,376
Vehicles	222	203	215	199	184	182
<b><u>Transportation</u></b>						
Buildings	1	1	1	1	1	1
Square Feet	65,878	65,878	65,878	65,878	65,878	65,878
Vehicles	256	249	250	257	257	257
<b><u>Food Services</u></b>						
Buildings	3	3	3	3	3	3
Square Feet	103,774	103,774	103,774	103,774	97,436	97,436
Vehicles	32	29	28	26	18	16

Source: District records

Table 21

2012	2011	2010	2009
73	73	73	73
176	178	173	173
3	3	3	3
8,679,853	8,679,853	8,672,258	8,672,258
74,386	74,386	74,386	74,386
64703	64,484	63,487	63,045
3	3	3	3
8	8	8	8
3	3	3	3
165,767	165,767	165,767	165,767
13	11	11	11
3	3	3	3
128,376	128,376	128,376	128,376
189	189	189	189
1	1	1	1
65,878	65,878	65,878	65,878
259	239	239	239
3	3	3	3
97,436	97,436	97,436	97,436
16	15	14	14



**Arlington**

INDEPENDENT SCHOOL DISTRICT

*More Than a Remarkable Education*

**FEDERAL AWARDS SECTION**



**Arlington**  
INDEPENDENT SCHOOL DISTRICT  
*More Than a Remarkable Education*

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Arlington 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 9, 2018.

**Internal Control Over Financial Reporting**

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

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

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



### **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 that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

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

Houston, Texas  
November 9, 2018

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

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

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

We have audited Arlington 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 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.

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

Houston, Texas  
November 9, 2018

**ARLINGTON INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
*For the Year Ended June 30, 2018*

**I. Summary of Auditors' Results**

**Financial Statements**

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

**Federal Awards**

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

Identification of major programs

Name of Federal Program or Cluster	CFDA Numbers
<b>US Department of Agriculture</b>	
Child Nutrition Cluster:	
School Breakfast Program	10.553
National School Lunch Program	10.555
Summer Feeding Program	10.559
Carl D. Perkins Basic Grant	84.048A

Dollar Threshold Considered Between Type A and Type B Federal Programs	\$1,781,756
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Auditee qualified as low risk auditee?	No
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**ARLINGTON INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)**  
**For the Year Ended June 30, 2018**

**II. Financial Statement Findings**

There were no current year financial statement findings.

**III. Federal Awards Findings And Questioned Costs**

There were no current year federal award findings.

**ARLINGTON INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended June 30, 2018

*Exhibit K-1*  
Page 1 of 2

(1) Federal Grantor/ Pass-Through Grantor/ Program Title	District Fund Number	(2) Federal CFDA Number	2(A) Pass Through Entity Identifying Number	(3) Federal Expenditures
<b>U.S. Department of Defense</b>				
<b>Direct Programs:</b>				
<i>ROTC</i>	199	12.000	None	\$ 111,832
<b>Total U.S. Department of Defense</b>				<u>111,832</u>
<b>U.S. Department of Health and Human Services</b>				
<b>Passed Through Texas Health and Human Services Commission:</b>				
<b>Medicaid Cluster:</b>				
<i>Medicaid Administrative Claims (MAC)</i>	199	93.778	None	353,325
<b>Total Medicaid Cluster</b>				<u>353,325</u>
<b>Total Passed Through Texas Health and Human Services Commission</b>				<u>353,325</u>
<b>Passed Through Tarrant County Workforce Development Board:</b>				
<b>TANF Cluster:</b>				
<i>Temporary Assistance for Needy Family (TANF)</i>	223	93.558	17-SPC-AEL-001	76,720
<b>Total TANF Cluster</b>				<u>76,720</u>
<b>Total Passed Through Tarrant County Workforce Development Board</b>				<u>76,720</u>
<b>Total U.S. Department of Health and Human Services</b>				<u>430,045</u>
<b>U.S. Department of Justice</b>				
<b>Passed Through Texas Office of the Governor:</b>				
<i>Elevate Project</i>	289	16.540	JA 3297601	24,148
<b>Total Passed Through Texas Office of the Governor</b>				<u>24,148</u>
<b>Total U.S. Department of Justice</b>				<u>24,148</u>
<b>U.S. Department of Education</b>				
<b>Passed Through Texas Education Agency:</b>				
<i>ESEA, Title I, Part A - Improving Basic Programs</i>	211	84.010A	17610101220901	615,913
<i>ESEA, Title I, Part A - Improving Basic Programs</i>	211	84.010A	18610101220901	14,168,801
<i>Title I - School Improvement Program</i>	216	84.010A	17610112220901	5,853
<i>Title I - School Improvement Program</i>	216	84.010A	18610123220901	499,424
<i>Carl D. Perkins Basic Grant</i>	244	84.048A	17420006220901	56,616
<i>Carl D. Perkins Basic Grant</i>	244	84.048A	18420006220901	667,905
<i>ESEA Title II, Part A, Supporting EF</i>	255	84.367A	17694501220901	222,289
<i>ESEA Title II, Part A, Supporting EF</i>	255	84.367A	18694501220901	1,710,419
<i>Title III, Part A, LEP</i>	263	84.365A	17671001220901	161,525
<i>Title III, Part A, ELA</i>	263	84.365A	18671001220901	1,463,466
<i>Title III, Part A, Immigrant</i>	263	84.365A	17671003220901	3,844
<i>Title III, Part A, Immigrant</i>	263	84.365A	18671003220901	187,245
<i>Title IV, Part A, Subpart 1</i>	288	84.424A	186810101220901	48,017
<i>Summer School LEP</i>	289	84.369A	69551702	71,556
<i>Impact Aid for Displaced Students Program</i>	289	84.938C	51271901	293,255
<i>IDEA, Part C (Deaf)</i>	340	84.181A	183911012209013911	2,189
<i>AP/IB Test Fee Subsidies</i>	397	84.330B	51061701	80,465

**ARLINGTON INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended June 30, 2018

*Exhibit K-1*  
Page 2 of 2

(1) Federal Grantor/ Pass-Through Grantor/ Program Title	District Fund Number	(2) Federal CFDA Number	2(A) Pass Through Entity Identifying Number	(3) Federal Expenditures
<b>U.S. Department of Education (continued)</b>				
<b>Passed Through Texas Education Agency: (continued)</b>				
<b>Special Education Cluster:</b>				
<i>IDEA-B Formula</i>	224	84.027A	176600012209016000	\$ 1,086,313
<i>IDEA-B Formula</i>	224	84.027A	186600012209016000	9,254,574
<i>IDEA-B Preschool</i>	225	84.173A	176610012209016000	25,052
<i>IDEA-B Preschool</i>	225	84.173A	186610012209016000	180,446
<i>IDEA-B Discretionary (Deaf)</i>	315	84.027A	17660011220901	64,555
<i>IDEA-B Discretionary (Deaf)</i>	315	84.173A	186600112209016000	56,524
<b>Total Special Education Cluster:</b>				<u>10,667,464</u>
<b>Total Passed Through Texas Education Agency</b>				<u>30,926,246</u>
<b>Passed Through Fort Tarrant County Workforce Development Board:</b>				
<i>Federal Adult Education</i>	220	84.002	17-SPC-AEL-001	463,327
<i>Adult Education Professional Development</i>	220	84.002	17-SPC-AEL-001	20,774
<i>Adult Education EL Civics</i>	220	84.002	17-SPC-AEL-001	104,457
<b>Total Passed Through Tarrant County Workforce Development Board</b>				<u>588,558</u>
<b>Passed Through Region X Education Service Center:</b>				
<i>McKinney Vento Homeless Education</i>	206	84.196A	17-033	26,929
<i>McKinney Vento Homeless Education</i>	206	84.196A	18-037	148,826
<b>Total Passed Through Region X Education Service Center</b>				<u>175,755</u>
<b>Total Passed Through Programs</b>				<u>31,690,559</u>
<b>Total Department of Education</b>				<u>31,690,559</u>
<b>U.S. Department of Agriculture</b>				
<b>Passed Through Texas Department of Agriculture</b>				
<i>CACFP Supper Program</i>	240	10.558	01017	144,324
<b>Child Nutrition Cluster:</b>				
<i>Summer Feeding Program</i>	242	10.559	01017	651,715
<i>Non-Cash Assistance (Commodities)</i>				
<i>National School Lunch Program</i>	240	10.555	01017	1,801,455
<b>Total Passed Through Texas Department of Agriculture</b>				<u>2,453,170</u>
<b>Passed Through Texas Education Agency:</b>				
<i>National School Lunch Program</i>	240	10.555	71301801	18,805,953
<i>School Breakfast Program</i>	240	10.553	71401801	5,731,820
<b>Total Passed Through Texas Education Agency</b>				<u>24,537,773</u>
<b>Total Child Nutrition Cluster</b>				<u>26,990,943</u>
<b>Total Department of Agriculture</b>				<u>27,135,267</u>
<b>Total Expenditures of Federal Awards</b>				<u>\$ 59,391,851</u>

**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

**Note 2 - Summary of Significant Accounting Policies**

The District accounts for all awards under federal programs in the General and Certain Special Revenue Funds in accordance with the Texas Education Agency’s *Financial Accountability System Resource Guide*. These programs are accounted for using a current financial resources measurement focus.

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

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

**Note 3 - Reconciliation of Basic Financial Statements**

The following is a reconciliation of expenditures of federal awards program per the Schedule of Expenditures of Federal Awards and expenditures reported in the financial statements as follows:

Total federal sources per financial statements for Governmental Funds	\$ 66,326,563
Qualified School Construction Bond (QSCB) interest subsidy payments recorded in the Debt Service Fund	(304,336)
School Health and Related services (SHARS) reimbursements not reported in the Schedule of Expenditures of Federal Awards	<u>(6,630,376)</u>
Total federal expenditures on Schedule of Expenditures of Federal Awards	<u>\$ 59,391,851</u>



**ARLINGTON INDEPENDENT SCHOOL DISTRICT**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
*For the Year Ended June 30, 2018*

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

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

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

**I. Prior Audit Findings**

None Noted

**ARLINGTON INDEPENDENT SCHOOL DISTRICT**

***CORRECTIVE ACTION PLAN***

***For the Year Ended June 30, 2018***

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

As part of this responsibility, the District’s corrective action plans are presented below.

**I. Corrective Action Plan**

Not Applicable

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## DO NOT PRINT IN REPORT

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

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	\$1,295,339
SF11	Net Pension Assets (1920) at fiscal year-end.	\$-0-
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$128,887,686
SF13	Pension Expense (6147) at fiscal year-end.	