

**CHEROKEE INDEPENDENT SCHOOL
DISTRICT**

**ANNUAL FINANCIAL REPORT FOR THE
YEAR ENDED**

AUGUST 31, 2017

CERTIFICATE OF BOARD

Cherokee Independent School District
Name of School District

San Saba
County

206-903
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) ☒ approved ☐ disapproved for the year ended August 31, 2017 at a meeting of the Board of Trustees of such school district on the 22nd day of January, 2018.


Signature of Board Secretary


Signature of Board President

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

CHEROKEE INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2017

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Unmodified Opinions on Basic Financial Statements Accompanied by Required Supplementary Information and Other Information—State or Local Governmental Entity

Independent Auditor's Report

Cherokee Independent School District
P. O. Box 100
Cherokee, Texas 76832

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Cherokee Independent School District as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise the Cherokee Independent School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment,

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

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

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 Cherokee Independent School District as of August 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis and budgetary comparison information on pages 5 - 10 and 33 and 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cherokee Independent School District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the other information, such as the introductory and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Management's Discussion and Analysis's 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 Management's Discussion and Analysis is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Management's Discussion and Analysis has 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 December 12, 2017 on our consideration of the Cherokee Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Cherokee Independent School District's internal control over financial reporting and compliance.

Klein, Kraus and Company, LLC

Klein, Kraus and Company, LLC

Fredericksburg, Texas 78624

December 12, 2017

**CHEROKEE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED AUGUST 31, 2017**

In this section of the Annual Financial and Compliance Report, we, the managers of Cherokee Independent School District, discuss and analyze the District's financial performance for the fiscal year ended August 31, 2017. Please read it in conjunction with the independent auditors' report on page 2, and District's Basic Financial Statements which begin on page 11.

FINANCIAL HIGHLIGHTS

- The District's net assets decreased by \$68,180 as a result of this year's operations.
- During the year, the District had revenues that were \$68,180 less than the \$1,952,073 generated in expenses for governmental programs.
- Total cost of all of the District's programs was \$2,020,259.
- The General Fund ended the year with a fund balance of \$1,911,908.
- The resources available for appropriation were \$110,753 more than budgeted for the General Fund.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Assets and the Statement of Activities (on pages 11 and 12). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 13) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the district.

The notes to the financial statements (starting on page 18) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for non-major funds contain even more information about the District's individual funds. These are not required by TEA. The sections labeled TEA Required Schedules and Federal Awards Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

Reporting the District as a Whole

The Statement of Net Assets and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 11. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Assets includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as tuition received from students from outside the district and grants provided by the U.S. Department of Education to assist children with disabilities or from disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers or by TEA in equalization funding processes (general revenues). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net assets and changes in them. The District's net assets (the difference between assets and liabilities) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net assets 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 non-financial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

In the Statement of Net Assets and the Statement of Activities, the District has one kind of activity:

➤ Governmental activity - Most of the District's basic services are reported here, including the instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 13 and provide detailed information about the most significant funds - not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the No Child Left Behind Act from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities).

➤ Governmental funds - The District's basic services are reported in governmental funds. These use modified accrual accounting (a 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. We describe the differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 17. 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The District has implemented GASB Statement #34. Our comparative analysis focuses on the net assets (Table I) and changes in net assets (Table II) of the District's governmental and business-type activities.

Net assets of the District's governmental activities decreased from \$2,468,352 to \$2,406,405. Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - were \$435,878 at August 31, 2017.

Table I
Cherokee Independent School District

	NET ASSETS	
	Governmental Activities	
	2017	2016
Current and Other Assets	\$ 2,048,504	\$ 2,042,665
Capital Assets	776,980	834,773
Total Assets	2,825,484	2,877,438
Deferred Outflows Related to TRS	168,494	203,925
Liabilities	468,452	519,470
Long-Term Time Warrants	64,195	64,495
Total Liabilities	532,647	583,965
Deferred Inflows of Resources	54,926	29,046
Net Assets:		
Invested in Capital Assets -net of Related Debt	703,233	751,774
Restricted	1,267,294	1,340,086
Unrestricted	435,878	376,492
Total Net Assets	\$ 2,406,405	\$ 2,468,352

Table II
Cherokee Independent School District

CHANGES IN NET ASSETS

	Governmental Activities	
	2017	2016
Revenues:		
Program Revenues:		
Charges for Services	\$ 45,709	\$ 49,022
Operating Grants & Contributions	238,187	234,899
General Revenues:		
Maintenance & Operations Taxes	557,886	524,992
Grants and Contributions	1,074,982	1,051,573
Investment Earnings	12,924	7,292
Miscellaneous	22,385	19,584
Total Revenue	1,952,073	1,887,362
Expenses:		
Instruction	1,175,524	1,074,237
Instructional Resources & Media Services	16,877	22,728
Curriculum and Staff Development	3,396	2,815
School Leadership	104,801	109,455
Guidance, Counseling & Evaluation Services	7,126	-
Health Services	619	194
Student (Pupil) Transportation	37,620	44,054
Food Services	75,209	78,804
Co curricular/Extracurricular Activities	66,000	66,072
General Administration	221,535	207,240
Plant Maintenance and Operations	163,345	177,047
Security & Monitoring	4,012	471
Data Processing Services	114,911	98,297
Debt Service - interest	2,396	2,697
Capital Outlay	-	-
Payments to Fiscal Agent/Member Districts of SSA	26,888	22,355
Total Expenses	2,020,259	1,906,466
Increase/(Decrease) in Net Assets Before	(68,186)	(19,104)
Net Assets – Beginning	2,463,352	2,541,146
Prior Period Adjustments	6,239	(53,690)
Net Assets - Ending	\$ 2,406,405	\$ 2,468,352

The District's total revenues decreased by \$64,711 due mainly to a decrease in state funding and property taxes. The District's total expenditures increased by \$113,793 due to a increase in administrative expenditures and instruction costs. The total cost of all other programs and services was about the same as the previous year.

The cost of all governmental activities this year was \$2.020 million. However, as shown in the Statement of Activities on page 12, the amount that our taxpayers ultimately financed for these activities through District taxes was only \$557.8 thousand because some of the costs were paid by those who directly benefited from the programs (\$45.7 thousand) or by other governments and organizations that subsidized certain programs with grants and contributions (\$238.1 thousand) or by State equalization funding (\$1.075 million).

THE DISTRICT'S FUNDS

As the District completed the year, its General Fund (as presented in the balance sheet on page 13) reported a fund balance of \$1,911,908, which is more than last year's total of \$1,903,740.

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments fall into two categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts we estimated in August 2016). The second category involved amendments moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs.

The District's General Fund balance of \$1,911,908 reported on pages 13 & 15 differs from the General Fund's budgetary fund balance of \$1,254,991 reported in the budgetary comparison schedule on page 33. This is principally due to increased revenues over amounts budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

At the end of 2017, the District had \$1,883,938 invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance.

More detailed information about the District's capital assets is presented in Note III (F), page 24 to the financial statements.

Debt

At year-end the District had \$64,195 in debt versus \$ 73,747 last year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the fiscal-year 2018 budget and tax rates. The major factors are the economy, population growth, and unemployment. These indicators were taken into account when adopting the General Fund budget for 2018. Amounts available for appropriation in the General Fund budget are \$1,840,180 and expenditures are estimated to be \$1,881,361. These amounts are about the same as the previous year.

If these estimates are realized, the District's budgetary General fund balance is expected to decrease by the close of 2018.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Questions about this report or request for additional financial information should be addressed to the Central Administration Office, Cherokee Independent School District, Box 100, Cherokee, Texas, 76832.

BASIC FINANCIAL STATEMENTS

CHEROKEE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2017

EXHIBIT A-1

Data	Primary Government
Control	Governmental
Codes	Activities
ASSETS	
1110	Cash and Cash Equivalents \$ 1,945,841
1220	Property Taxes Receivable (Delinquent) 13,519
1230	Allowance for Uncollectible Taxes (2,163)
1240	Due from Other Governments 88,917
1410	Prepayments 2,390
	Capital Assets:
1510	Land 114,438
1520	Buildings, Net 509,652
1530	Furniture and Equipment, Net 152,890
1000	Total Assets 2,825,484
DEFERRED OUTFLOWS OF RESOURCES	
1705	Deferred Outflow Related to TRS 168,494
1700	Total Deferred Outflows of Resources 168,494
LIABILITIES	
2160	Accrued Wages Payable 69,252
2200	Accrued Expenses 1,525
2300	Unearned Revenue 48,983
	Noncurrent Liabilities
2501	Due Within One Year 9,863
2502	Due in More Than One Year 54,332
2540	Net Pension Liability (District's Share) 348,692
2000	Total Liabilities 532,647
DEFERRED INFLOWS OF RESOURCES	
2605	Deferred Inflow Related to TRS 54,926
2600	Total Deferred Inflows of Resources 54,926
NET POSITION	
3200	Net Investment in Capital Assets 703,233
3820	Restricted for Federal and State Programs 5,480
3860	Restricted for Capital Projects 1,251,814
3890	Restricted for Other Purposes 10,000
3900	Unrestricted 435,878
3000	Total Net Position \$ 2,406,405

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

CHEROKEE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2017

EXHIBIT B-1

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		3	4	
		Charges for	Operating	Primary Gov.
	Expenses	Services	Grants and Contributions	Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 1,175,524	\$ 7,664	\$ 174,512	\$ (993,348)
12 Instructional Resources and Media Services	16,877	-	780	(16,097)
13 Curriculum and Staff Development	3,396	-	-	(3,396)
23 School Leadership	104,801	-	6,243	(98,558)
31 Guidance, Counseling and Evaluation Services	7,126	-	545	(6,581)
33 Health Services	619	-	-	(619)
34 Student (Pupil) Transportation	37,620	-	858	(36,762)
35 Food Services	75,209	13,381	39,386	(22,442)
36 Extracurricular Activities	66,000	7,795	2,008	(56,197)
41 General Administration	221,535	-	6,106	(215,429)
51 Facilities Maintenance and Operations	163,345	16,869	3,829	(142,647)
52 Security and Monitoring Services	4,012	-	-	(4,012)
53 Data Processing Services	114,911	-	3,920	(110,991)
72 Debt Service - Interest on Long Term Debt	2,396	-	-	(2,396)
93 Payments related to Shared Services Arrangements	26,888	-	-	(26,888)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 2,020,259	\$ 45,709	\$ 238,187	(1,736,363)

Data Control Codes		
	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	557,886
GC	Grants and Contributions not Restricted	1,074,982
IE	Investment Earnings	12,924
MI	Miscellaneous Local and Intermediate Revenue	22,385
TR	Total General Revenues	1,668,177
CN	Change in Net Position	(68,186)
NB	Net Position - Beginning	2,468,352
PA	Prior Period Adjustment	6,239
NE	Net Position--Ending	\$ 2,406,405

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

CHEROKEE INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2017

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
ASSETS			
1110 Cash and Cash Equivalents	\$ 1,944,401	\$ 1,440	\$ 1,945,841
1220 Property Taxes - Delinquent	13,519	-	13,519
1230 Allowance for Uncollectible Taxes (Credit)	(2,163)	-	(2,163)
1240 Receivables from Other Governments	87,299	1,618	88,917
1260 Due from Other Funds	2	2,422	2,424
1410 Prepayments	2,390	-	2,390
1000 Total Assets	<u>\$ 2,045,448</u>	<u>\$ 5,480</u>	<u>\$ 2,050,928</u>
LIABILITIES			
2160 Accrued Wages Payable	\$ 69,252	\$ -	\$ 69,252
2170 Due to Other Funds	2,424	-	2,424
2200 Accrued Expenditures	1,525	-	1,525
2300 Unearned Revenues	48,983	-	48,983
2000 Total Liabilities	<u>122,184</u>	<u>-</u>	<u>122,184</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	11,356	-	11,356
2600 Total Deferred Inflows of Resources	<u>11,356</u>	<u>-</u>	<u>11,356</u>
FUND BALANCES			
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	5,480	5,480
3490 Other Restricted Fund Balance	10,000	-	10,000
Committed Fund Balance:			
3510 Construction	1,251,814	-	1,251,814
3600 Unassigned Fund Balance	650,094	-	650,094
3000 Total Fund Balances	<u>1,911,908</u>	<u>5,480</u>	<u>1,917,388</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 2,045,448</u>	<u>\$ 5,480</u>	<u>\$ 2,050,928</u>

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

CHEROKEE INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2017

Total Fund Balances - Governmental Funds	\$ 1,917,388
1 The District does not use internal service funds. Consequently, there is no entry here.	-
2 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$1,875,764 and the accumulated depreciation was (\$1,040,991). In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to decrease net position.	761,026
3 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2017 capital outlays and debt principal payments is to decrease net position.	17,726
4 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68. The net position related to TRS included a Deferred Resource Outflow in the amount of \$168,494, a Deferred Resource Inflow in the amount of \$54,926 and a net pension liability in the amount of \$348,692. This resulted in a decrease in net position.	(235,124)
5 The 2017 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(65,967)
6 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.	11,356
19 Net Position of Governmental Activities	\$ 2,406,405

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

CHEROKEE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 632,749	\$ 13,381	\$ 646,130
5800 State Program Revenues	1,145,554	9,619	1,155,173
5900 Federal Program Revenues	-	146,535	146,535
5020 Total Revenues	1,778,303	169,535	1,947,838
EXPENDITURES:			
Current:			
0011 Instruction	997,449	118,231	1,115,680
0012 Instructional Resources and Media Services	16,023	-	16,023
0013 Curriculum and Instructional Staff Development	3,282	-	3,282
0023 School Leadership	99,407	-	99,407
0031 Guidance, Counseling and Evaluation Services	6,777	-	6,777
0033 Health Services	598	-	598
0034 Student (Pupil) Transportation	36,129	-	36,129
0035 Food Services	1,892	69,745	71,637
0036 Extracurricular Activities	63,157	-	63,157
0041 General Administration	211,752	-	211,752
0051 Facilities Maintenance and Operations	164,485	-	164,485
0052 Security and Monitoring Services	3,878	-	3,878
0053 Data Processing Services	109,799	-	109,799
Debt Service:			
0071 Principal on Long Term Debt	9,552	-	9,552
0072 Interest on Long Term Debt	2,396	-	2,396
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	26,888	-	26,888
6030 Total Expenditures	1,753,464	187,976	1,941,440
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	24,839	(18,441)	6,398
OTHER FINANCING SOURCES (USES):			
7915 Transfers In	-	22,910	22,910
8911 Transfers Out (Use)	(22,910)	-	(22,910)
7080 Total Other Financing Sources (Uses)	(22,910)	22,910	-
1200 Net Change in Fund Balances	1,929	4,469	6,398
0100 Fund Balance - September 1 (Beginning)	1,903,740	1,011	1,904,751
1300 Increase (Decrease) in Fund Balance	6,239	-	6,239
3000 Fund Balance - August 31 (Ending)	\$ 1,911,908	\$ 5,480	\$ 1,917,388

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

CHEROKEE INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED AUGUST 31, 2017

Total Net Change in Fund Balances - Governmental Funds	\$	6,398
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The District does not use internal service funds. Consequently, there is no entry here.

Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2017 capital outlays and debt principal payments is to decrease net position.		17,726
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Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.		(65,967)
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Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position.		(7,226)
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GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$33,518. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net position liability. This caused a decrease in net position totaling \$30,543. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$22,092. The net result is a decrease in the change in net position.		(19,117)
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Change in Net Position of Governmental Activities	\$	(68,186)
--	----	----------

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

CHEROKEE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2017

EXHIBIT E-1

	Agency Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 56,251
Total Assets	<u>\$ 56,251</u>
LIABILITIES	
Accounts Payable	\$ 8
Due to Student Groups	56,243
Total Liabilities	<u>\$ 56,251</u>

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

CHEROKEE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cherokee Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in *Statement on Auditing Standards No. 69* of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

A. REPORTING ENTITY

The Board of Trustees (the "Board") is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, "The Financial Reporting Entity." There are no component units included within the reporting entity.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Assets and the Statement of Activities are government-wide financial statements. They report information on all of the Cherokee Independent School District nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants and other intergovernmental revenues.

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

Interfund activities between governmental funds appear as due to/due froms on the Governmental Fund Balance Sheet and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due froms on the government-wide Statement of Activities.

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

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

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

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

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

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. The District considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors some times require the District to refund all or part of the unused amount.

The Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Assets. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

D. FUND ACCOUNTING

The District reports the following major governmental funds:

1. **The General Fund** – The general fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

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

Governmental Funds:

1. **Special Revenue Funds** – The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.

Fiduciary Funds:

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

Student Activity Fund - accounts for various student organization funds which are held by the District in a custodial capacity.

E. **OTHER ACCOUNTING POLICIES**

1. For purposes of the statement of cash flows for proprietary funds, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased..
2. The District reports inventories of supplies at cost including consumable maintenance, instructional, office, athletic, and transportation items. Supplies are recorded as expenditures when they are consumed. Inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded as inventory and deferred revenue when received. When requisitioned, inventory and deferred revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount.

3. In the government-wide financial statements 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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

4. It is the District's policy to permit some employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the district. All vacation pay is accrued when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.
5. Capital assets, which include land, buildings, furniture and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

<u>Assets</u>	<u>Years</u>
Buildings	30
Building Improvements	30
Buses	10
Vehicles	5
Office Equipment	5
Computer Equipment	5

6. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.
7. When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.
8. The Data Control Codes refer to the account code structure prescribed by TEA in the *Financial Accountability System Resource Guide*. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a statewide data base for policy development and funding plans.
9. Beginning with fiscal year 2011, Cherokee Independent School District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". This Statement provides more clearly defined fund balance categories to make the nature and intent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Non-spendable fund balance - amounts that are not in spendable form or are required to be maintained intact.

Restricted fund balance - Amounts that can be spent only for specific purposes because of local, state or federal laws, or externally imposed conditions by grantors or creditors.

Committed fund balance - amounts constrained to specific purposes by the District itself, using its highest level of decision making authority (i.e. the Board of Trustees). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level of action to remove or change the constraint. The District establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. A fund balance commitment is further indicated in the budget document as a commitment of the fund.

Assigned fund balance - amounts the District intends to use for a specific purpose. Intent can be expressed by the District or by an official or body to which the Board of Trustees delegates the authority. The Board has delegated authority to the Superintendent to establish fund balance assignments.

Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported on the general fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent out of committed funds, then assigned funds, and finally unassigned funds.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY DATA

The Board of Trustees adopts an "appropriated budget" for the General Fund, and the Food Service Fund which is included in the Special Revenue Funds. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1 and the other report is in Exhibit J-3.

The following procedures are followed in establishing the budgetary data reflected in the general-purpose financial statements:

1. Prior to August 20th the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
3. Prior to August 20th, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. However, none of these were significant.
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end. A reconciliation of fund balances for both appropriated budget and non-appropriated budget special revenue funds is as follows:

		August 31, 2017 Fund Balance
Appropriated Budgeted Funds – Food Service	\$	4,040
Non-appropriated Budgeted Funds		1,440
All Special Revenue Funds	\$	<u>5,480</u>

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

The funds of the District must be deposited and invested under the terms of a contract, contents of which are set out in the **Depository Contract Law**. 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.

Deposits

At August 31, 2017, the carrying amount of the District's deposits (cash, certificates of deposit and interest-bearing savings accounts) was \$1,945,841 and the bank balance was \$1,974,508. The District's cash deposits at August 31, 2017 and during the twelve months ended August 31, 2017 were covered by sufficient FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

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

- a. Depository: Commercial National Bank; San Saba, Texas
- b. The highest combined balance of cash, savings and time deposits at the depository bank was \$2,292,744 and occurred during the month of February 2017.
- c. The fair market value of securities pledged as of the date of highest combined balance on deposit at the depository was \$2,332,055.
- d. Total amount of FDIC coverage at the time of the largest combined balance at the depository was \$250,000.

B. PROPERTY TAXES

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

C. DELINQUENT TAXES RECEIVABLE

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

D. INTERFUND BALANCES AND TRANSFERS

The District had the following interfund balances at August 31, 2017:

	<u>Due From</u>	<u>Due To</u>
<u>General Fund</u>		
General Fund	\$ 2	\$ 2
Special Revenue Fund		2,422
<u>Special Revenue Fund</u>		
General Fund	2,422	
Total	\$ <u>2,424</u>	\$ <u>2,424</u>

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at August 31, 2017, were as follows:

	<u>Property Taxes</u>	<u>Other Governments</u>	<u>Other</u>	<u>Total Receivables</u>
Governmental Activities:				
General Fund	\$ 13,519	\$ 87,299	\$ -	\$ 100,818
Other Funds	-	1,618	-	1,618
Total - Governmental Activities	\$ <u>13,519</u>	\$ <u>88,917</u>	\$ -	\$ <u>102,436</u>

Payables at August 31, 2017, were as follows:

	<u>Accounts Payable</u>	<u>Due To Other Governments</u>	<u>Salaries and Benefits</u>	<u>Accruals and Deferrals</u>	<u>Total Payables</u>
Governmental Activities:					
General Fund	\$ -	\$ -	\$ 69,252	\$ 1,525	\$ 70,777
Other Funds	-	-	-	-	-
Total - Gov. Activities	\$ -	\$ -	\$ 69,252	\$ 1,525	\$ 70,777

F. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the year ended August 31, 2017, was as follows:

	<u>Primary Government</u>			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
Land	\$ 114,438	\$ -	\$ -	\$ 114,438
Buildings and Improvements	1,152,714	-	-	1,152,714
Furniture and Equipment	212,670	8,174	-	220,844
Vehicles	395,942	-	-	395,942
Totals at Historic Cost	1,875,764	8,174	-	1,883,938
Less Accumulated Depreciation for:				
Buildings and Improvements	609,087	33,975	-	643,062
Furniture and Equipment	183,687	5,736	-	189,423
Vehicles	248,217	26,256	-	274,473
Total Accumulated Depreciation	1,040,991	65,967	-	1,106,958
Governmental Activities Capital Assets Net	\$ 834,773	\$ (57,793)	\$ -	\$ 776,980

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 38,681
Instructional Resources and Media Services	556
Curriculum Development and Instructional Staff Development	114
School Leadership	3,447
Guidance, Counseling and Evaluating Services	235
Health Services	21
Student (Pupil) Transportation	1,253
Food Services	2,484
Co curricular/Extracurricular Activities	2,190
General Administration	7,342
Plant Maintenance and Operations	5,703
Security & Monitoring	134
Data Processing Services	3,807
Total Depreciation Expense	\$ 65,967

G. SHORT and LONG TERM DEBT PAYABLE

The District accounts for short-term debts for maintenance purposes through the General Fund. Short-term debts include notes made in accordance with the provisions of the Texas Education Code Section 45.108. The proceeds from loans are shown in the financial statements as Other Resources and principal payments are shown as Other Uses.

The District had no short-term debt at August 31, 2017.

Bonded indebtedness of the District is reflected in the General Long-Term Debt Account Group. Current requirements for principal and interest expenditures are accounted for in the Debt Service Fund.

During FY 2014 the District borrowed \$102,731 in Time Warrants, Series 2013 through the Government Capital Corporation to purchase real estate. These warrants will be paid in 10 equal installments of \$11,948.34 including interest at a rate of 3.24%. Payments are due beginning February 1, 2014 and every February thereafter.

A summary of changes in general long-term debt for the year ended August 31, 2016 is as follows:

Description	Interest Rate Payable	Amounts Original Issue	Interest Current Year	Amounts Outstanding 9/01/16	Issued	Retired	Amounts Outstanding 8/31/17
Time Warrants -Series 2013	3.24%	\$ 102,731	\$ 2,396	\$ 73,748	\$ -	\$ 9,552	\$ 64,195
TOTAL			\$ 2,396	\$ 73,748	\$ -	\$ 9,552	\$ 64,195

Debt service requirements are as follows:

Year Ended August 31	General OBLIGATIONS		Total Requirements
	Principal	Interest	
2018	9,863	2,086	11,949
2019	10,183	1,765	11,948
2020	10,514	1,434	11,948
2021	10,856	1,092	11,948
2022-2023	22,779	1,117	23,897
TOTAL	\$ 64,195	7,494	71,689

I. COMMITMENTS UNDER OPERATING LEASES

The District has an ongoing commitment under operating lease for a photocopier with monthly payments of \$299.

J. HEALTH CARE COVERAGE

The District utilizes TRS-ActiveCare, the statewide health coverage program for public education employees established by the 77th Texas Legislature in 2002. Of the more than one thousand school districts/entities eligible to participate in TRS-ActiveCare, over 90 percent do so. The District employees are eligible to participate in one of three PPO plan options administered by Aetna and WellSystems and Caremark.

TRS-ActiveCare is a self-funded program, not an insured plan. Rates and benefits are not determined by the vendors administering the program, but are established by the TRS Trustees based on the claims experience of the plan.

During the year the District contributed \$225 toward the plan premiums for each enrolled employee.

K. DEFERRED REVENUE

Deferred revenue at year end consisted of the following:

	General Fund	Total
Property Taxes	\$ 11,356	\$ 11,356
State Revenues	48,983	48,983
Total Deferred Revenues	\$ 60,339	\$ 60,339

L. DUE FROM STATE AND FEDERAL AGENCIES

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2017, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from State Agencies except Summer Feeding Program which is received directly from the Texas Department of Human Services.

<u>Fund</u>	<u>State</u> <u>Entitlements</u>	<u>Federal</u> <u>Grants</u>	<u>Total</u>
General	\$ 84,450	\$ -	\$ 84,450
Special Revenue	-	1,618	1,618
Total	\$ 84,450	\$ 1,618	\$ 86,068

M. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

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

	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Revenue</u> <u>Fund</u>	<u>Total</u>
Property Taxes	\$ 581,058	\$ -	\$ 581,058
Penalties, Interest and Other Tax-related Income	3,550	-	3,550
Investment Income	12,924	-	12,924
Rent	16,869	-	16,869
Food Sales	-	13,381	13,381
Co-curricular Student Activities	7,795	-	7,795
Insurance Recovery	2,889	-	2,889
Other	7,664	-	7,664
Total	\$ 632,749	\$ 13,381	\$ 646,130

N. CHANGES IN LONG-TERM DEBT

Long-term activity for the year ended August 31, 2017, was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Principal</u> <u>Due Within</u> <u>One Year</u>
Governmental Activities:					
Bonds and Notes Payable:					
Time Warrants - Series 2013	\$ 73,747	\$ -	\$ 9,552	\$ 64,195	\$ 9,863
Other Liabilities:					
Capital Lease Purchase	-	-	-	-	-
Long-Term Liabilities	\$ 73,748	\$ -	\$ 9,552	\$ 64,195	\$ 9,863

O. LITIGATION

At August 31, 2017, Cherokee Independent School District was not involved in any reportable litigation.

P. COMMITMENTS AND CONTINGENCIES

The District participates in numerous State and Federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2017 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

Q. BUDGET

There were no unfavorable budget variances during the year ended August 31, 2017.

R. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2017, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage for each of the past three years.

S. DEFINED BENEFIT PENSION PLAN

Plan Description. Cherokee Independent School 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 .002 are covered by the system.

Pension Plan Fiduciary Net Position. Detailed information about the Teacher Retirement System's fiduciary net required supplementary information. That report may be obtained on the Internet website at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; or by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512)542-6592.

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

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 thru 2017. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees effective for fiscal year 2015 as discussed in Note 1 of the TRS 2014 CAFR. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2017.

	<u>Contribution Rates</u>	
	<u>2017</u>	<u>2016</u>
Member	7.7%	7.2%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Cherokee ISD 2017 Employer Contributions		\$33,518
Cherokee ISD 2017 Member Contributions		\$94,539
Cherokee ISD 2016 NECE On-Behalf Contributions		\$63,081

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

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

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

In addition to the employer contributions listed above, 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.

Actuarial Assumptions. The total pension liability in the August 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2016
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level Percentage of Payroll,
Open	
Remaining Amortization Period	30 years
Asset Valuation Method	Market Value
Discount Rate	8.00%
Long-term expected Investment Rate of Return*	8.00%
Inflation	2.5%
Salary Increases*	3.5% to 9.5%
Payroll Growth Rate	2.50%
Benefit Changes During the Year	None
Ad hoc post-employment benefit changes	None
*Includes Inflation of 3%	

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

Discount Rate. The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2016 are summarized below:

Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return*
Global Equity			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11%	.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	-.2%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy and Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk Parity			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
Total	100%		8.7%

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

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 2016 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
CISD's proportionate share of the net pension liability:	\$ 539,658	\$ 348,692	\$ 186,715

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2017, Cherokee Independent School District reported a liability of \$348,692 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Cherokee Independent School District. The amount recognized by Cherokee Independent School 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 Cherokee Independent School District were as follows:

District's Proportionate share of the collective net pension liability	\$ 348,692
State's proportionate share that is associated with the District	<u>748,767</u>
Total	<u>\$ 1,097,459</u>

The net pension liability was measured as of August 31, 2016 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, 2015 thru August 31, 2016.

At August 31, 2015 the employer's proportion of the collective net pension liability was .0009227% which was an decrease of 0.0001831% from its proportion measured as of August 31, 2015.

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

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

There was a change in employer contribution requirements that occurred after the measurement date of the net pension liability and the employer's reporting date. A 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees went into law effective 09/01/2013. The amount of the expected resultant change in the employer's proportion cannot be determined at this time.

For the year ended August 31, 2017, Cherokee Independent School District recognized pension expense of \$77,704 and revenue of \$77,704 for support provided by the State.

At August 31, 2017, Cherokee Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$5,467	\$ 10,412
Changes in actuarial assumptions	10,628	9,665
Difference between projected and actual investment earnings	29,526	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	89,355	34,849
Total as of August 31, 2016 measurement date	134,976	54,926
Contributions paid to TRS subsequent to the measurement date	33,518	-
Total	\$168,494	\$ 54,926

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

Year ended August 31:	Pension Expense Amount
2018	\$ 14,923
2019	14,923
2020	33,757
2021	13,476
2022	7,232
Thereafter	(4,261)

LONG-TERM LIABILITY DISCLOSURE

	Beginning Balance	Additions	Retirements	Ending Balance
Net Pension Liability	\$390,886	\$(12,876)	\$29,318	\$348,692

U. ADJUSTMENTS TO FUND BALANCE

There were adjustments to net asset and fund balance of \$(6,239) on Exhibit B-1 and \$6,239 on C-3 to adjust for prior period transactions.

V. SHARED SERVICES ARRANGEMENTS / JOINT VENTURES

The District participates in a shared service arrangement for Title III LEP funding year 2016-2017 with thirty-four other school districts. Although 0.40% of the activity of the shared service arrangement is attributable to the District's participation, the District does not account for revenues or expenditure in this program and does not disclose them in their financial statements. The District neither has a joint ownership interest in capital assets purchased by the fiscal agent, Education Service Center Region XV, nor does the District have a net equity interest in the exigencies that would give rise to a future additional benefit or burden to Cherokee Independent School District. The fiscal agent manager is responsible for all financial activities of the shared services arrangement. Presented below are the revenue and expenditures attributable to the District's participation.

Revenues:

Revenue Distributed by TEA	\$	<u>396</u>
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Expenditures:

Consulting Services	174
Supplies & Materials	212
Other	10
Total	\$ <u>396</u>

The District participates in a shared service arrangement for Title III LEP funding year 2015-2016 with thirty-four other school districts. Although 0.49% of the activity of the shared service arrangement is attributable to the District's participation, the District does not account for revenues or expenditure in this program and does not disclose them in their financial statements. The District neither has a joint ownership interest in capital assets purchased by the fiscal agent, Education Service Center Region XV, nor does the District have a net equity interest in the exigencies that would give rise to a future additional benefit or burden to Cherokee Independent School District. The fiscal agent manager is responsible for all financial activities of the shared services arrangement. Presented below are the revenue and expenditures attributable to the District's participation.

Revenues:	
Revenue Distributed by TEA	\$ 12

Expenditures:		
Consulting Services		12
Supplies & Materials		-
Other		
Total	\$	<u>12</u>

Revenues:	
Revenue Distributed by TEA	\$ 1,001

W. Subsequent Events

X. Medicare Part D – On Behalf Payments

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**REQUIRED SUPPLEMENTARY
INFORMATION**

CHEROKEE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 605,250	\$ 592,500	\$ 632,749	\$ 40,249
5800	State Program Revenues	1,095,129	1,075,050	1,145,554	70,504
5900	Federal Program Revenues	135,489	-	-	-
5020	Total Revenues	1,835,868	1,667,550	1,778,303	110,753
EXPENDITURES:					
Current:					
0011	Instruction	1,049,868	1,013,545	997,449	16,096
0012	Instructional Resources and Media Services	24,694	23,755	16,023	7,732
0013	Curriculum and Instructional Staff Development	6,450	6,450	3,282	3,168
0023	School Leadership	104,582	104,840	99,407	5,433
0031	Guidance, Counseling and Evaluation Services	1,550	7,050	6,777	273
0033	Health Services	2,000	2,000	598	1,402
0034	Student (Pupil) Transportation	55,865	55,880	36,129	19,751
0035	Food Services	88,601	2,803	1,892	911
0036	Extracurricular Activities	67,334	67,387	63,157	4,230
0041	General Administration	192,506	214,701	211,752	2,949
0051	Facilities Maintenance and Operations	171,972	181,937	164,485	17,452
0052	Security and Monitoring Services	8,000	8,000	3,878	4,122
0053	Data Processing Services	86,345	113,503	109,799	3,704
Debt Service:					
0071	Principal on Long Term Debt	10,000	10,000	9,552	448
0072	Interest on Long Term Debt	3,000	3,000	2,396	604
Capital Outlay:					
0081	Facilities Acquisition and Construction	550,000	419,500	-	419,500
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	40,000	40,000	26,888	13,112
6030	Total Expenditures	2,462,767	2,274,351	1,753,464	520,887
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(626,899)	(606,801)	24,839	631,640
OTHER FINANCING SOURCES (USES):					
8911	Transfers Out (Use)	41,061	(41,948)	(22,910)	19,038
1200	Net Change in Fund Balances	(585,838)	(648,749)	1,929	650,678
0100	Fund Balance - September 1 (Beginning)	1,903,740	1,903,740	1,903,740	-
1300	Increase (Decrease) in Fund Balance	-	-	6,239	6,239
3000	Fund Balance - August 31 (Ending)	\$ 1,317,902	\$ 1,254,991	\$ 1,911,908	\$ 656,917

CHEROKEE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2017

EXHIBIT G-2

	2017	2016	2015
District's Proportion of the Net Pension Liability (Asset)	0.0009227%	0.0011058%	0.0006347%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 348,692	\$ 390,886	\$ 169,538
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	748,767	639,494	588,374
Total	\$ 1,097,459	\$ 1,030,380	\$ 757,912
District's Covered-Employee Payroll	\$ 1,134,220	\$ 1,000,100	\$ 1,051,104
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	30.74%	39.08%	16.13%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.22%	78.43%	83.25%

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

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

CHEROKEE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2017

EXHIBIT G-3

	2017	2016	2015
Contractually Required Contribution	\$ 33,518	\$ 30,543	\$ 23,808
Contribution in Relation to the Contractually Required Contribution	(33,518)	(30,543)	(23,808)
Contribution Deficiency (Excess)	\$ -0-	\$ -0-	\$ -0-
District's Covered-Employee Payroll	\$ 1,227,775	\$ 1,134,220	\$ 1,000,100
Contributions as a Percentage of Covered-Employee Payroll	2.73%	2.69%	2.38%

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

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

COMBINING AND OTHER STATEMENTS

CHEROKEE INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2017

Data Control Codes		211	240	255	270
		ESEA I, A Improving Basic Program	National Breakfast and Lunch Program	ESEA II, A Training and Recruiting	ESEA VI, Pt B Rural & Low Income
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
1240	Receivables from Other Governments	-	1,618	-	-
1260	Due from Other Funds	-	2,422	-	-
1000	Total Assets	<u>\$ -</u>	<u>\$ 4,040</u>	<u>\$ -</u>	<u>\$ -</u>
FUND BALANCES					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	4,040	-	-
3000	Total Fund Balances	<u>-</u>	<u>4,040</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 4,040</u>	<u>\$ -</u>	<u>\$ -</u>

289	410	429	Total
Other Federal	State	Other State	Nonmajor
Special	Textbook	Special	Governmental
Revenue Funds	Fund	Revenue Funds	Funds
\$ -	\$ 1,440	\$ -	\$ 1,440
-	-	-	1,618
-	-	-	2,422
<u>\$ -</u>	<u>\$ 1,440</u>	<u>\$ -</u>	<u>\$ 5,480</u>

<u>-</u>	<u>1,440</u>	<u>-</u>	<u>5,480</u>
<u>-</u>	<u>1,440</u>	<u>-</u>	<u>5,480</u>
<u>\$ -</u>	<u>\$ 1,440</u>	<u>\$ -</u>	<u>\$ 5,480</u>

CHEROKEE INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	211 ESEA I, A Improving Basic Program	240 National Breakfast and Lunch Program	255 ESEA II, A Training and Recruiting	270 ESEA VI, Pt B Rural & Low Income
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ 13,381	\$ -	\$ -
5800 State Program Revenues	-	277	-	-
5900 Federal Program Revenues	90,089	37,217	5,010	14,219
5020 Total Revenues	90,089	50,875	5,010	14,219
EXPENDITURES:				
Current:				
0011 Instruction	90,089	-	5,010	14,219
0035 Food Services	-	69,745	-	-
6030 Total Expenditures	90,089	69,745	5,010	14,219
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(18,870)	-	-
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	22,910	-	-
1200 Net Change in Fund Balance	-	4,040	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ 4,040	\$ -	\$ -

289 Other Federal Special Revenue Funds	410 State Textbook Fund	429 Other State Special Revenue Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 13,381
-	8,642	700	9,619
-	-	-	146,535
-	8,642	700	169,535
-	8,213	700	118,231
-	-	-	69,745
-	8,213	700	187,976
-	429	-	(18,441)
-	-	-	22,910
-	429	-	4,469
-	1,011	-	1,011
\$ -	\$ 1,440	\$ -	\$ 5,480

T.E.A. REQUIRED SCHEDULES

CHEROKEE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2017

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2008 and prior years	Various	Various	\$ 324,140,908
2009	1.170000	0.000000	31,491,197
2010	1.170000	0.000000	37,273,333
2011	1.170000	0.000000	37,905,470
2012	1.170000	0.000000	39,003,248
2013	1.170000	0.000000	38,791,709
2014	1.170000	0.000000	40,996,901
2015	1.170000	0.000000	45,520,171
2016	1.170000	0.000000	45,872,991
2017 (School year under audit)	1.170000	0.000000	48,102,735
1000 TOTALS			

(10) Beginning Balance 9/1/2016		(20) Current Year's Total Levy		(31) Maintenance Collections		(32) Debt Service Collections		(40) Entire Year's Adjustments		(50) Ending Balance 8/31/2017	
\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
	-		-		-		-		-		-
	-		-		-		-		-		-
	-		-		-		-		-		-
	-		-		-		-		-		-
	-		-		-		-		-		-
	-		-		-		-		-		-
	3,355		-		312		-		(29)		3,014
	2,820		-		1,210		-		29		1,639
	15,947		-		14,253		-		-		1,694
	-		562,802		549,337		-		(6,293)		7,172
\$	22,122	\$	562,802	\$	565,112	\$	-	\$	(6,293)	\$	13,519

CHEROKEE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
 FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 12,750	\$ 12,750	\$ 13,381	\$ 631
5800	State Program Revenues	20,079	100	277	177
5900	Federal Program Revenues	135,489	31,000	37,217	6,217
5020	Total Revenues	168,318	43,850	50,875	7,025
EXPENDITURES:					
Current:					
0011	Instruction	124,468	-	-	-
0035	Food Services	85,798	85,798	69,745	16,053
6030	Total Expenditures	210,266	85,798	69,745	16,053
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(41,948)	(41,948)	(18,870)	23,078
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	41,061	41,948	22,910	(19,038)
1200	Net Change in Fund Balances	(887)	-	4,040	4,040
0100	Fund Balance - September 1 (Beginning)	-	-	-	-
3000	Fund Balance - August 31 (Ending)	\$ (887)	\$ -	\$ 4,040	\$ 4,040

**REPORTS ON
INTERNAL CONTROLS, COMPLIANCE
AND
FEDERAL AWARDS**

KLEIN, KRAUS & COMPANY, LLC

Certified Public Accountants

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MEMBER
TEXAS SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

MEMBER
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

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* (for a Governmental Entity)

(No Material Weaknesses Identified; No Significant Deficiencies Identified; No Reportable Instances of Noncompliance or Other Matters Identified)

Independent Auditor's Report

Cherokee Independent School District
P. O. Box 100
Cherokee, Texas 76832

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cherokee Independent School District, as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise Cherokee Independent School District's basic financial statements, and have issued our report thereon dated December 12, 2017.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 Cherokee Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Klein, Kraus and Company, LLC

Klein, Kraus and Company, LLC

Fredericksburg, Texas 78624

December 12, 2017

**Cherokee Independent School District
Schedule of Findings and Questioned Costs
For The Year Ended August 31, 2017**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

YES

NO

- Material weakness(es) identified?
- Significant deficiency(ies) identified not considered to be material weaknesses?

X

X

Noncompliance material to financial statements noted?

X

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?
- Significant deficiency(ies) identified not considered to be material weaknesses?

X

X

Type of auditor's report issued on compliance for major programs?

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Compliance Section 510(a)?

X

Identification of Major Programs

CFDA Number(s)

Name of Federal Program Cluster

There were no major programs.

- Dollar threshold used to distinguish between Type A and Type B programs: \$750,000
- Auditee qualified as low-risk auditee? X

II. Findings Relating to the Financial Statements Which Are Required to be Reported in Accordance with *Generally Accepted Government Auditing Standards*.

Current Year

- NONE -

Prior Year

Standards for maintaining proper records for the Child Nutrition Program and corresponding with applicants were not met.

**STATEMENT OF CORRECTIVE ACTION -
CURRENT YEAR DISCLOSURES**

- NONE -

**STATEMENT OF CORRECTIVE ACTION -
PRIOR YEAR DISCLOSURES**

The District will monitor applications more closely and follow-up on non-responding applicants to be sure that all requirements are met.

III. Findings and Questioned Costs for Federal Awards

Current Year

- NONE -

Prior Year

2016-001 - The District will monitor applications for free and reduced meals and follow up on non-respondent applicants more closely in the future.

CHEROKEE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2017

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	17610101206903	\$ 90,089
ESEA, Title VI, Part B - Rural & Low Income Prog.	84.358B	S358A146010	14,219
ESEA, Title VI, Part B - Rural & Low Income Prog.	84.358B	S358A166010	463
ESEA, Title VI, Part B - Rural & Low Income Prog.	84.358B	S358A156010	11,851
Total CFDA Number 84.358B			26,533
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	17694501206903	5,010
Total Passed Through State Department of Education			\$ 121,632
TOTAL U.S. DEPARTMENT OF EDUCATION			\$ 121,632
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553		\$ 7,141
*National School Lunch Program - Cash Assistance	10.555		26,503
*National School Lunch Prog. - Non-Cash Assistance	10.555		3,573
Total CFDA Number 10.555			30,076
Total Child Nutrition Cluster			37,217
Total Passed Through the State Department of Agriculture			\$ 37,217
TOTAL U.S. DEPARTMENT OF AGRICULTURE			\$ 37,217
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 158,849

*Clustered Programs

CHEROKEE INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2017

- For all Federal programs, the District uses the fund types specified in Texas Education Agency's *Financial Accountability System Resource Guide*. Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund.
- The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in a Special Revenue Fund or, in some instances, in the General Fund which are Governmental Fund type funds.

With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The modified accrual basis of accounting is used for the Governmental Fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

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

- The period performance for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 90 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Performance of Federal Funds, Part 3, Uniform Guidance Compliance Supplement.
- CFDA numbers for commodity assistance are the CFDA numbers of the programs under which USDA donated the commodities.

CHEROKEE ISD
BALANCE SHEET COMPARISON
FYE 2017, 2016, 2015, 2014, 2013

	2017	2016	2017 to 2016 \$ VARIANCE	2017 to 2016 % VARIANCE	2015	2014	2013
CASH & INVESTMENTS	\$ 1,945,841	\$ 2,012,205	(66,364)	-3.30	\$ 1,791,695	\$ 1,551,487	\$ 1,269,075
PROPERTY TAXES RECEIVABLE	11,356	18,581	(7,225)	-38.88	16,184	31,119	32,347
DUE FROM OTHER GOV'TS.	88,917	11,256	77,661	689.95	115,207	116,541	179,052
DUE FROM OTHER FUNDS	2,424	2,424	-	-	2	-	-
OTHER RECEIVABLES	-	-	-	-	-	-	3,000
DEFERRED EXPENDITURES	-	-	-	-	-	-	673
OTHER ASSETS	2,390	623	1,767	283.63	-	-	-
	<u>\$ 2,050,928</u>	<u>\$ 2,045,089</u>	<u>5,839</u>	<u>0.29</u>	<u>\$ 1,923,088</u>	<u>\$ 1,699,147</u>	<u>\$ 1,484,147</u>
ACCOUNTS PAYABLE	\$ -	\$ 3,010	(3,010)	-100.00	\$ 4,319	\$ 940	\$ 7,201
ACCRUED WAGES PAYABLE	69,252	63,984	5,268	8.23	56,178	51,197	50,310
DUE TO OTHER FUNDS	2,424	2,424	-	-	2	-	-
DUE TO OTHER GOVERNMENTS	-	-	-	-	-	-	-
ACCRUED EXPENDITURES	1,525	1,430	95	6.64	1,180	1,091	1,268
DEFERRED REVENUES	60,339	69,490	(9,151)	-13.17	16,184	31,119	33,327
	<u>133,540</u>	<u>140,338</u>	<u>(6,798)</u>	<u>-4.84</u>	<u>\$ 77,863</u>	<u>\$ 84,347</u>	<u>\$ 92,106</u>
FUND BALANCE	\$ 1,917,388	\$ 1,904,751	12,637	0.66	\$ 1,845,225	\$ 1,614,800	\$ 1,392,131

CHEROKEE ISD
REVENUE & EXPENDITURE COMPARISON
FY 2017, 2016, 2015, 2014, 2013

	<u>2017</u>		<u>2016</u>		<u>2017 to 2016</u>		<u>2017 to 2016</u>		<u>2015</u>		<u>2014</u>		<u>2013</u>	
	<u>\$</u>		<u>\$</u>		<u>\$ VARIANCE</u>		<u>% VARIANCE</u>		<u>\$</u>		<u>\$</u>		<u>\$</u>	
5700 LOCAL	\$	646,130	\$	609,234	36,896	6.06	\$	610,763	\$	564,043	\$	546,607		
5800 STATE		1,155,173		1,111,307	43,866	3.95		1,217,873		1,201,349		1,080,443		
5900 FEDERAL		146,535		145,749	786	0.54		172,762		186,315		193,047		
	<u>\$</u>	<u>1,947,838</u>	<u>\$</u>	<u>1,866,290</u>	<u>81,548</u>	<u>4.37</u>	<u>\$</u>	<u>2,001,398</u>	<u>\$</u>	<u>1,951,707</u>	<u>\$</u>	<u>1,820,097</u>		
11 INSTRUCTION	\$	1,115,680	\$	1,005,047	110,633	11.01	\$	936,410	\$	872,558	\$	863,128		
12 INSTRUCT. RES. & MEDIA SVCS.		16,023		21,102	(5,079)	-24.07		18656		24,123		23,251		
13 CURRICULUM		3,282		2,687	595	22.14		1482		5,002		4,806		
23 SCHOOL LEADERSHIP		99,407		100,754	(1,347)	-1.34		96681		92,782		88,910		
31 GUIDANCE & COUNSELING		6,777		-	6,777	-		389		21,146		5,069		
33 HEALTH SERVICES		598		186	412	221.51		408		2,411		1,600		
34 TRANSPORTATION		36,129		52,141	(16,012)	-30.71		73778		49,986		79,008		
35 FOOD SERVICE		71,637		74,535	(2,898)	-3.89		94434		79,591		80,052		
36 CO-CURRICULAR		63,157		61,961	1,196	1.93		54088		61,927		48,659		
41 GEN. ADMINISTRATION		211,752		193,885	17,867	9.22		168234		138,520		160,958		
51 PLANT MAINT. & OPRN.S.		164,485		167,221	(2,736)	-1.64		170968		199,135		253,084		
52 SECURITY & MONITORING SVCS.		3,878		452	3,426	757.96		24436		112		1,112		
53 DATA PROCESSING		109,799		91,578	18,221	19.90		81930		78,267		80,547		
61 COMMUNITY SVCS.		-		-	-	-		-		-		-		
70 DEBT SERVICE		11,948		11,949	(1)	-0.01		11949		11,902		43,304		
81 CAPITAL OUTLAY		-		4,500	(4,500)	-100.00		-		158,787		31,409		
93 SSA PAYMENTS		26,888		22,355	4,533	20.28		37130		36,410				
	<u>\$</u>	<u>1,941,440</u>	<u>\$</u>	<u>1,810,353</u>	<u>131,087</u>	<u>7.24</u>	<u>\$</u>	<u>1,770,973</u>	<u>\$</u>	<u>1,832,659</u>	<u>\$</u>	<u>1,764,897</u>		