

EASTLAND INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2018

Introductory Section

Eastland Independent School District
Annual Financial Report
For The Year Ended August 31, 2018

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CERTIFICATE OF BOARD

Eastland Independent School District
Name of School District

Eastland
County

067-903
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, 2018, at a meeting of the board of trustees of such school district on the 12 day of November, 2018.

Kelli Stacy
Signature of Board Secretary

Daniel Vukobratovic
Signature of Board President

Financial Section

BURL D. LOWERY
CERTIFIED PUBLIC ACCOUNTANT
Member A.I.C.P.A. & T.S.C.P.A.
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JOYCE CORNELIUS, C.P.A.

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Independent Auditor's Report

To the Board of Trustees
Eastland Independent School District
P.O. Box 31
Eastland, Texas 76448

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Eastland Independent School District ("the District") as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I 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 District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I 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.

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

Opinions

In my 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 Eastland Independent School District as of August 31, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and budgetary comparison information and schedule of the District's proportionate share of the net pension liability and schedule of District pension contributions, and schedule of the District's proportionate share of the net OPEB liability and schedule of District OPEB contributions identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Eastland Independent School District's basic financial statements. The introductory section and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is also not a required part of the basic financial statements.

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

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated November 6, 2018 on my consideration of Eastland Independent School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Eastland Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,



Burl D. Lowery
Certified Public Accountant

Brownwood, TX
November 6, 2018

EASTLAND INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED FOR THE FISCAL YEAR ENDED AUGUST 31, 2018

This section of Eastland Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended August 31, 2018. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total combined net assets were \$8,034,060 at August 31, 2018 and \$10,829,116 at August 31, 2017.
- During the year, the District's expenses were \$1,383,726 less than the \$9,946,319 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs was \$1,687,002 less than last year. The decrease in spending was from various decreased function level expenditures.
- The general fund reported a fund balance this year of \$5,152,119 as compared to a fund balance of \$3,738,042 in 2017. The general fund increased \$1,414,077 over last year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts-*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual* parts of the government, reporting the District's operations in more detail than the government-wide statements.
- The *governmental funds* statements tell how *general government* services were financed in the *short-term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short- and long-term* financial information about the activities the government operates *like businesses*.
- *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a *trustee* or *agent* for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report information about the District's net assets and how they have changed. Net assets-the difference between the District's assets and liabilities- is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health improving or deteriorating, respectively.
- To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District's tax base.

The government-wide financial statements of the District include the *Governmental activities*. Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services and general administration. Property taxes and grants finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant *funds*-not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.
- The District includes the Eastland ISD Public Facility Corporation (PFC) Debt Service Fund in its fund financial statements. The PFC is a blended component unit of the Eastland Independent School District.

The District has the following kinds of funds:

- *Governmental funds*-Most of the District's basic services are included in governmental funds, which focus on (1) how *cash* and *other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Proprietary funds*-Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. The District has no Proprietary Fund Types.
- We use *internal service funds* to report activities that provide workers compensation insurance for the District's other programs and activities.

- *Fiduciary funds*-The District is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that-because of a trust arrangement-can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We excluded these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations. These funds consist of (1) an agency fund - student activity funds that belong to the individual clubs and organizations and (2) scholarship trust funds that are used to provide scholarships to graduating seniors of the District.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets. The District's combined net positions were \$8,034,060 at August 31, 2018 and \$10,829,116 at August 31, 2017.

The District has various restricted net positions totaling \$389,223, which are restricted for state and federal programs, debt service, capital projects, and campus activities. The unrestricted net position at August 31, 2018 is a deficit of \$102,316. The deficit is the result of recognizing the net OPEB liability that has not been recognized in prior years. The net investment in capital assets was \$7,747,153.

Changes in net assets. The District's total revenues were \$9,946,319. A significant portion, 59%, of the District's revenue comes from taxes. State aid foundation grants provide 48% of the revenue. Only 3% of the District's revenue relates to charges for services.

The total cost of all programs and services was \$8,562,593; 49% of these costs are for instruction and instructional related services. (Expenditure Functions 11, 12, and 13)

Governmental Activities

- Property tax rates in 2017-2018 were \$1.04 per \$100 and \$0.185 for the new debt service. With the issuance of unlimited tax refunding bonds totaling \$3,305,000, the District paid off all of its old debt, except for the 2010 QSCB issue. In addition to the unlimited tax refunding bonds, the District also issued \$7,800,000 in unlimited tax building bonds. Taxable values increased approximately 6%. The increased values provided the District with approximately \$309,484 more revenue in the general fund than the prior year. Taxes assessed for the debt service were \$935,367.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$9,946,319, amounting to a decrease of \$986,630 (approximately 9%) over the preceding year. The decrease in revenues is a result of the negative operating grants and contributions that resulted from the recording of the OPEB activity that has not been recognized in the prior years.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget. Final budgeted expenditures were \$588,153 more than actual expenditures. Actual revenues were \$783,328 more than the final budgeted amount. The net change in fund balance had a positive variance of \$1,414,077. The District had adopted a balanced budget with a zero net change in fund balance; the actual net change in fund balance was an increase of \$1,414,077.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2018, the District had invested \$28,291,075 in a broad range of capital assets, including land, buildings, equipment, vehicles, and infrastructure. The net capital assets amounting to \$19,391,832 represents a net increase (including additions and deductions) of \$8,008,811 (a 70% increase) from last year. The additions to capital assets during the year included construction in progress amounting to \$8,450,193 as of August 31, 2018. The District added a fence and sprinkler system at the elementary campus and roll-up doors to the barn at the agriculture farm.

Long Term Debt

At year-end, the District had long-term debt consisting of unlimited tax refunding bonds, unlimited tax building bonds, and QSCB bonds totaling \$11,083,750. A more detailed analysis of the long-term debt is discussed in Note F of the Notes to the Financial Statements.

Net Pension Liability at August 31, 2018 was \$1,425,153. Net OPEB Liability at August 31, 2018 was \$2,980,378.

New Debt issued September 20, 2017

As discussed in Note E of the Notes to the Financial Statements, an election was held by the Eastland ISD on May 6, 2018. The voters of the Eastland ISD approved two propositions which included (1) the issuance of \$8,500,000 bonds for the purpose of acquiring, constructing and equipping school facilities, including security updates to District campuses, and (2) the issuance of \$3,700,000 of bonds to refinance old debt consisting of lease purchase agreements, loan agreements, and lease revenue refunding bonds. With these new bond issues, the Board of Trustees are authorized to levy an annual ad valorem tax sufficient to pay the principal and interest on the bonds. The refinancing of the old debt will save approximately \$330,915 over the life of the bonds. The refinancing of the old debt will also allow the District to cease encumbering the maintenance and operations tax for debt service. The new debt was issued on September 20, 2017.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised values used for the 2018-2019 budget preparation was \$535,232,060 net taxable value before frozen tax values as compared to the 2017-2018 net taxable value of \$513,662,282. The 2018 tax roll shows M&O taxes assessed as \$5,227,430 and I&S taxes assessed as \$980,727. The 2018 tax rate is \$1.04 for M&O and \$0.185 for I&S, which is the same rates as 2017. The increased valuations will provide the District with approximately \$234,000 more tax revenue for 2018-2019 for maintenance and operating. The taxes for the debt service total \$980,727. The District's summary of finances for state aid for 2018-2019 is indicating a decrease in state aid of \$450,000. This includes the foundation and available school fund revenue sources.
- General operating fund spending increases in the 2018-2019 budget. The District has budgeted total expenditures of \$9,989,354 for 2018-2019, which amounts to approximately 2.51% more expenditures than the original budgeted expenditures for 2017-2018.
- In addition, state foundation revenue fluctuates with student enrollment. The District's estimated refined average daily attendance on the 2018-2019 Summary of Finances is 1,025 students. The final refined average daily attendance for 2017-2018 was 1,081.

These indicators were taken into account when adopting the general fund budget for 2018-2019. The amount of unrestricted net position available for appropriation as of August 31, 2018 in the general fund budget is \$5,115,626. General Fund revenues and expenditures budgeted are both \$9,989,354 for 2018-2019. The 2018-2019 budget includes \$220,496 for capital outlay for remodeling of buildings.

Actual final general fund revenues for 2017-2018 were \$10,644,668 and actual final general fund expenditures were \$11,463,055. The District had other financing sources (uses) amounting to a net increase of \$2,189,868 which was related to the issuance of refunding bonds used to pay off old debt. The actual net change in fund balance was an increase of \$1,414,077.

If these estimated revenues and expenditures are realized, the District's budgetary general fund balance is not expected to change appreciably by the close of the 2018-2019 school year.

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 demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Administration Office.

**EASTLAND INDEPENDENT SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS - TABLES**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets. The District's combined net positions were \$8,034,060 at August 31, 2018 and \$10,829,116 at August 31, 2017.

Table 1
Eastland Independent School District's Net Position

	Governmental Activities	
	2018	2017
Current Assets:		
Cash and cash equivalents	\$6,352,866	\$3,617,744
Property taxes receivable net of uncollectible	\$82,977	\$77,744
Due from other governments	\$648,749	\$508,534
Other receivables	\$0	\$37,292
Unrealized expenses	\$0	\$42,656
Total Current Assets	\$7,084,592	\$4,283,970
Capital Assets:		
Land	\$675,113	\$675,116
Construction in progress	\$8,450,193	\$0
Buildings and improvements, net	\$9,288,234	\$9,630,256
Equipment and vehicles, net	\$566,351	\$686,308
Infrastructure, net	\$411,941	\$391,341
Net Capital Assets	\$19,391,832	\$11,383,021
Restricted Assets:		
Cash in Bank	\$36,493	\$51,751
Total Assets	\$26,512,917	\$15,718,742
Deferred Outflows of Resources:		
Deferred outflows of resources - refunding debt issue costs	\$199,204	\$0
Deferred outflows of resources - related to OPEB	\$48,661	\$0
Deferred outflows of resources - related to Pensions	\$562,609	\$786,377
Deferred Outflows of Resources	\$810,474	\$786,377
Current Liabilities:		
Accounts payable	\$1,088,182	\$54,482
Accrued liabilities	\$444,004	\$410,885
Unearned revenues	\$19,132	\$14,503
Total Current Liabilities	\$1,551,318	\$479,870
Long-term Liabilities:		
Due within One Year	\$398,863	\$328,359
Due in more than one year	\$11,426,961	\$3,032,657
Net OPEB Liability	\$2,980,378	\$0
Net pension liability	\$1,425,153	\$1,719,746
Total Long-term Liabilities	\$16,231,355	\$5,080,762
Total Liabilities	\$17,782,673	\$5,560,632
Deferred Inflows of Resources:		
Deferred inflows of resources - related to OPEB	\$1,246,698	\$0
Deferred inflows of resources - related to Pensions	\$259,960	\$115,371
Deferred Inflows of Resources	\$1,506,658	\$115,371
Net Position:		
Net Investment in capital assets	\$7,747,153	\$8,007,918
Restricted for state and federal programs	\$111,110	\$54,135
Restricted for debt service	\$161,994	\$17
Restricted for capital projects	\$88,848	\$51,732
Restricted for campus activities	\$27,271	\$0
Unrestricted	(\$102,316)	\$2,715,314
Total Net Position	\$8,034,060	\$10,829,116

EASTLAND INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - TABLES

Table 2
Eastland Independent School District's Changes in Net Position

	Governmental Activities	
	2018	2017
Program Revenues:		
Charges for services	\$268,410	\$237,037
Operating grants and contributions	(\$1,357,457)	\$1,333,774
Capital grants and contributions	\$149,159	\$0
General Revenues:		
Property taxes - General Fund	\$4,985,698	\$4,818,311
Property taxes - Debt Service	\$913,445	\$0
State aid - formula	\$4,786,411	\$4,474,448
Investment earnings	\$100,591	\$32,007
Other revenues	\$100,062	\$37,372
Total Revenues	<u>\$9,946,319</u>	<u>\$10,932,949</u>
Expenditures:		
Instruction	\$4,122,589	\$5,821,284
Instructional resources and media services	\$38,657	\$95,502
Curriculum development and staff development	\$23,379	\$21,909
Instructional Leadership	\$101,678	\$118,529
School leadership	\$415,492	\$647,796
Guidance and counseling services	\$101,026	\$155,385
Health services	\$27,095	\$29,753
Student (pupil) transportation	\$76,523	\$93,761
Food services	\$372,439	\$472,485
Curricular/extracurricular activities	\$450,179	\$481,894
General administration	\$389,586	\$501,112
Plant maintenance & operation	\$1,137,888	\$1,129,196
Security and monitoring services	\$39,485	\$30,844
Data processing services	\$101,764	\$130,194
Community services	\$33,648	\$48,397
Interest on long-term debt	\$407,897	\$114,109
Bond issuance costs and fees	\$168,232	\$2,500
Capital outlay - non-capitalized	\$171,313	\$0
Payments to fiscal agent/member districts SSA	\$203,228	\$209,590
Other intergovernmental charges	\$180,495	\$145,355
Total Expenditures	<u>8,562,593</u>	<u>10,249,595</u>
Excess (Deficiency) Before Other Resources, Uses, Transfers, and Special Items	\$1,383,726	\$683,354
Other Resources (Uses)		
Transfers In (Out)	<u>0</u>	<u>0</u>
Total Other Resources (Uses)	<u>0</u>	<u>0</u>
Special Items:		
Extraordinary Item Inflow	\$0	\$1,533
Extraordinary Item outflow	<u>\$0</u>	<u>\$0</u>
Increase (Decrease) in Net Position	\$1,383,726	\$684,887
Net Position - Beginning	\$10,829,115	\$10,144,229
Prior Period Adjustments - OPEB adjustments	<u>(\$4,178,781)</u>	<u>\$0</u>
Net Position - Ending	<u><u>\$8,034,060</u></u>	<u><u>\$10,829,116</u></u>

**EASTLAND INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - TABLES**

**Table 3
Eastland Independent School District's Capital Assets**

	Governmental Activities	
	2018	2017
Land	\$675,113	\$675,116
Construction in progress	\$8,450,193	\$0
Buildings and improvements	\$16,245,865	\$16,220,865
Equipment and vehicles	\$2,233,502	\$2,227,523
Infrastructure	686,402	645,851
Total Capital Assets	\$28,291,075	\$19,769,355
Total Accumulated Depreciation	\$8,899,243	\$8,386,334
Net Capital Assets	\$19,391,832	\$11,383,021

**Table 4
Eastland Independent School District's Long-term Debt**

	Governmental Activities	
	2018	2017
Capital lease	\$0	\$371,118
Capital lease - FEMA Safe Room	\$0	\$1,200,539
Maintenance tax note	\$0	\$488,241
Lease revenue bonds - QSCB - Public Facilities Corporation	\$323,750	\$366,853
Lease revenue refunding bonds - Public Facilities Corporation	\$0	\$934,266
Unlimited Tax Refunding Bonds, Series 2017	\$2,990,000	\$0
Unlimited Tax School Building Bonds, Series 2017	\$7,770,000	\$0
	\$11,083,750	\$3,361,017
Net OPEB Liability	\$2,980,378	\$0
Net Pension Liability	\$1,425,153	\$1,719,746
Total Long-Term Debt	\$15,489,281	\$5,080,763

Basic Financial Statements

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

		1
Data Control Codes		Governmental Activities
ASSETS:		
1110	Cash and Cash Equivalents	\$ 6,352,866
1225	Property Taxes Receivable (Net)	82,977
1240	Due from Other Governments	648,749
Capital Assets:		
1510	Land	675,113
1520	Buildings and Improvements, Net	9,288,234
1530	Furniture and Equipment, Net	566,351
1580	Construction in Progress	8,450,193
1590	Infrastructure, Net	411,941
1800	Restricted Assets	36,493
1000	Total Assets	<u>26,512,917</u>
DEFERRED OUTFLOWS OF RESOURCES:		
	Deferred Outflow of Resources - Debt Issue Costs	199,204
	Deferred Outflow Related to Pensions	562,609
	Deferred Outflow Related to OPEB	48,661
1700	Total Deferred Outflows of Resources	<u>810,474</u>
LIABILITIES:		
2110	Accounts Payable	1,088,182
2165	Accrued Liabilities	444,004
2300	Unearned Revenue	19,132
Noncurrent Liabilities:		
2501	Due Within One Year	398,863
2502	Due in More Than One Year	11,426,961
2540	Net Pension Liability	1,425,153
2545	Net OPEB Liability	2,980,378
2000	Total Liabilities	<u>17,782,673</u>
DEFERRED INFLOWS OF RESOURCES:		
	Deferred Inflow Related to Pensions	259,960
	Deferred Inflow Related to OPEB	1,246,698
2600	Total Deferred Inflows of Resources	<u>1,506,658</u>
NET POSITION:		
3200	Net Investment in Capital Assets	7,747,153
Restricted For:		
3820	State and Federal Programs	111,110
3850	Debt Service	161,994
3860	Capital Projects	88,848
3870	Campus Activities	27,271
3900	Unrestricted	(102,316)
3000	Total Net Position	<u>\$ 8,034,060</u>

The accompanying notes are an integral part of this statement.

EASTLAND INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2018

	1	3	4	5	
Data Control Codes	Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
	Governmental Activities:				
11	Instruction	\$ 4,122,589	\$ --	\$ (1,069,351)	
12	Instructional Resources and Media Services	38,657	--	(16,835)	
13	Curriculum and Staff Development	23,379	--	(629)	
21	Instructional Leadership	101,678	--	(12,667)	
23	School Leadership	415,492	9,752	(167,714)	
31	Guidance, Counseling, & Evaluation Services	101,026	--	(48,981)	
33	Health Services	27,095	--	(8,843)	
34	Student Transportation	76,523	--	(23,512)	
35	Food Service	372,439	129,518	281,896	
36	Cocurricular/Extracurricular Activities	450,179	94,508	(57,092)	
41	General Administration	389,586	--	(84,088)	
51	Facilities Maintenance and Operations	1,137,888	--	(113,778)	
52	Security and Monitoring Services	39,485	--	3,827	
53	Data Processing Services	101,764	--	(22,932)	
61	Community Services	33,648	34,632	(16,758)	
72	Interest on Long-term Debt	407,897	--	--	
73	Bond Issuance Costs and Fees	168,232	--	--	
81	Capital Outlay	171,313	--	--	
93	Payments Related to Shared Services Arrangement	203,228	--	--	
99	Other Intergovernmental Charges	180,495	--	--	
TG	Total Governmental Activities	8,562,593	268,410	(1,357,457)	
TP	Total Primary Government	\$ 8,562,593	\$ 268,410	\$ (1,357,457)	
	General Revenues:				
MT	Property Taxes, Levied for General Purposes				
DT	Property Taxes, Levied for Debt Service				
IE	Investment Earnings				
GC	Grants and Contributions Not Restricted to Specific Programs				
MI	Miscellaneous				
TR	Total General Revenues				
CN	Change in Net Position				
NB	Net Position - Beginning				
PA	Prior Period Adjustment				
	Net Position - Beginning, as Restated				
NE	Net Position - Ending				

The accompanying notes are an integral part of this statement.

Net (Expense)
Revenue and
Changes in
Net Position

Governmental
Activities

\$	(5,191,940)
	(55,492)
	(24,008)
	(114,345)
	(573,454)
	(150,007)
	(35,938)
	(100,035)
	38,975
	(412,763)
	(473,674)
	(1,251,666)
	(35,658)
	(124,696)
	(15,774)
	(407,897)
	(168,232)
	(22,154)
	(203,228)
	(180,495)
	<u>(9,502,481)</u>
	<u>(9,502,481)</u>

	4,985,698
	913,445
	100,591
	4,786,411
	100,062
	<u>10,886,207</u>
	<u>1,383,726</u>
	10,829,115
	(4,178,781)
	6,650,334
\$	<u><u>8,034,060</u></u>

EASTLAND INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
AUGUST 31, 2018

Data Control Codes	10 General Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
ASSETS:				
1110 <i>Cash and Cash Equivalents</i>	\$ 4,942,818	\$ 1,080,812	\$ 317,659	\$ 6,341,289
1225 <i>Taxes Receivable, Net</i>	77,907	--	5,070	82,977
1240 <i>Due from Other Governments</i>	625,853	--	22,896	648,749
1800 <i>Restricted Assets</i>	36,493	--	--	36,493
1000 Total Assets	<u>5,683,071</u>	<u>1,080,812</u>	<u>345,625</u>	<u>7,109,508</u>
LIABILITIES:				
Current Liabilities:				
2110 <i>Accounts Payable</i>	\$ 5,459	\$ 1,028,457	\$ --	\$ 1,033,916
2160 <i>Accrued Wages Payable</i>	382,549	--	32,777	415,326
2170 <i>Due to Other Funds</i>	42,689	--	--	42,689
2200 <i>Accrued Expenditures</i>	8,068	--	2,551	10,619
2300 <i>Unearned Revenue</i>	14,280	--	4,852	19,132
2000 Total Liabilities	<u>453,045</u>	<u>1,028,457</u>	<u>40,180</u>	<u>1,521,682</u>
DEFERRED INFLOWS OF RESOURCES:				
<i>Deferred Revenue</i>	77,907	--	5,070	82,977
2600 Total Deferred Inflows of Resources	<u>77,907</u>	<u>--</u>	<u>5,070</u>	<u>82,977</u>
FUND BALANCES:				
Restricted Fund Balances:				
3450 <i>Federal/State Funds Grant Restrictions</i>	--	--	111,110	111,110
3470 <i>Capital Acquisitions & Contractual Obligations</i>	36,493	52,355	--	88,848
3480 <i>Retirement of Long-Term Debt</i>	--	--	161,994	161,994
3490 <i>Other Restrictions of Fund Balance</i>	--	--	27,271	27,271
3600 <i>Unassigned</i>	5,115,626	--	--	5,115,626
3000 Total Fund Balances	<u>5,152,119</u>	<u>52,355</u>	<u>300,375</u>	<u>5,504,849</u>
Total Liabilities, Deferred Inflow				
4000 of Resources and Fund Balances	<u>\$ 5,683,071</u>	<u>\$ 1,080,812</u>	<u>\$ 345,625</u>	<u>\$ 7,109,508</u>

The accompanying notes are an integral part of this statement.

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

Total fund balances - governmental funds balance sheet \$ 5,504,849

Amounts reported for governmental activities in the Statement of Net Position
("SNP") are different because:

Capital assets used in governmental activities are not reported in the funds.	19,391,832
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	82,976
Payables for bond principal which are not due in the current period are not reported in the funds.	(11,083,749)
Payables for bond interest which are not due in the current period are not reported in the funds.	(18,058)
Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.	199,204
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(1,425,153)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(259,960)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	562,609
Bond premiums are amortized in the SNA but not in the funds.	(742,075)
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.	(2,980,378)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.	(1,246,698)
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.	48,661

Net position of governmental activities - Statement of Net Position \$ 8,034,060

The accompanying notes are an integral part of this statement.

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

Data Control Codes	10 General Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES:				
5700 <i>Local and Intermediate Sources</i>	\$ 5,415,572	\$ 25,115	\$ 1,074,277	\$ 6,514,964
5800 <i>State Program Revenues</i>	5,128,244	--	39,620	5,167,864
5900 <i>Federal Program Revenues</i>	100,852	--	749,867	850,719
5020 Total Revenues	<u>10,644,668</u>	<u>25,115</u>	<u>1,863,764</u>	<u>12,533,547</u>
EXPENDITURES:				
Current:				
0011 <i>Instruction</i>	5,102,993	--	436,066	5,539,059
0012 <i>Instructional Resources and Media Services</i>	56,626	--	--	56,626
0013 <i>Curriculum and Staff Development</i>	22,898	--	--	22,898
0021 <i>Instructional Leadership</i>	114,766	--	10,624	125,390
0023 <i>School Leadership</i>	592,684	--	--	592,684
0031 <i>Guidance, Counseling, & Evaluation Services</i>	153,310	--	--	153,310
0033 <i>Health Services</i>	36,223	--	--	36,223
0034 <i>Student Transportation</i>	99,943	--	--	99,943
0035 <i>Food Service</i>	11,841	--	411,949	423,790
0036 <i>Cocurricular/Extracurricular Activities</i>	494,382	--	--	494,382
0041 <i>General Administration</i>	471,332	--	--	471,332
0051 <i>Facilities Maintenance and Operations</i>	1,215,261	--	--	1,215,261
0052 <i>Security and Monitoring Services</i>	33,623	--	3,827	37,450
0053 <i>Data Processing Services</i>	123,212	--	--	123,212
0061 <i>Community Services</i>	51,575	--	424	51,999
0071 <i>Principal on Long-term Debt</i>	2,059,898	--	1,352,370	3,412,268
0072 <i>Interest on Long-term Debt</i>	13,559	--	390,366	403,925
0073 <i>Bond Issuance Costs and Fees</i>	210,911	--	195,582	406,493
0081 <i>Capital Outlay</i>	214,295	8,472,760	--	8,687,055
0093 <i>Payments to Shared Service Arrangements</i>	203,228	--	--	203,228
0099 <i>Other Intergovernmental Charges</i>	180,495	--	--	180,495
6030 Total Expenditures	<u>11,463,055</u>	<u>8,472,760</u>	<u>2,801,208</u>	<u>22,737,023</u>
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	<u>(818,387)</u>	<u>(8,447,645)</u>	<u>(937,444)</u>	<u>(10,203,476)</u>
Other Financing Sources and (Uses):				
7911 <i>Capital-Related Debt Issued (Regular Bonds)</i>	3,235,682	7,830,000	69,318	11,135,000
7915 <i>Transfers In</i>	--	--	1,003,218	1,003,218
7916 <i>Premium or Discount on Issuance of Bonds</i>	--	670,000	111,131	781,131
8911 <i>Transfers Out</i>	(1,003,218)	--	--	(1,003,218)
7080 Total Other Financing Sources and (Uses)	<u>2,232,464</u>	<u>8,500,000</u>	<u>1,183,667</u>	<u>11,916,131</u>
1200 Net Change in Fund Balances	<u>1,414,077</u>	<u>52,355</u>	<u>246,223</u>	<u>1,712,655</u>
0100 Fund Balances - Beginning	<u>3,738,042</u>	<u>--</u>	<u>54,152</u>	<u>3,792,194</u>
3000 Fund Balances - Ending	<u>\$ 5,152,119</u>	<u>\$ 52,355</u>	<u>\$ 300,375</u>	<u>\$ 5,504,849</u>

The accompanying notes are an integral part of this statement.

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

Net change in fund balances - total governmental funds	\$ 1,712,655
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	8,521,721
The depreciation of capital assets used in governmental activities is not reported in the funds.	(512,910)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	5,233
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	418,103
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	2,505,924
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	488,240
Bond issuance costs and similar items are amortized in the SOA but not in the funds.	(24,340)
The amortization of premiums on bonds is not reported in the funds.	39,057
(Increase) decrease in accrued interest from beginning of period to end of period.	(3,972)
The net revenue (expense) of internal service funds is reported with governmental activities.	0
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	(11,135,000)
Bond premiums are reported in the funds but not in the SOA.	(781,131)
Redemption premiums and other fees are reported in the funds but not in the SOA.	223,544
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	(73,764)
OPEB expense relating to GASB 75 is recorded in the SOA but not in the funds.	366
Change in net position of governmental activities - Statement of Activities	\$ <u>1,383,726</u>

The accompanying notes are an integral part of this statement.

EASTLAND INDEPENDENT SCHOOL DISTRICT**STATEMENT OF NET POSITION****INTERNAL SERVICE FUND****AUGUST 31, 2018**

Data Control Codes		Nonmajor Internal Service Fund	
		Insurance Fund	
ASSETS:			
Current Assets:			
1110	Cash and Cash Equivalents	\$	11,577
Receivables:			
1260	Due from Other Funds		42,689
	Total Current Assets		54,266
1000	Total Assets		54,266
LIABILITIES:			
Current Liabilities:			
2110	Accounts Payable	\$	54,266
	Total Current Liabilities		54,266
2000	Total Liabilities		54,266
NET POSITION:			
3000	Total Net Position	\$	--

The accompanying notes are an integral part of this statement.

EASTLAND INDEPENDENT SCHOOL DISTRICT**STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - INTERNAL SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2018**

Data Control Codes		Nonmajor Internal Service Fund	Insurance Fund
	OPERATING REVENUES:		
5700	<i>Local and Intermediate Sources</i>	\$ 43,246	
5020	Total Revenues		43,246
	OPERATING EXPENSES:		
6200	<i>Professional and Contracted Services</i>		43,246
6030	Total Expenses		43,246
1300	Change in Net Position		--
0100	Total Net Position - Beginning		--
3300	Total Net Position - Ending	\$ --	

The accompanying notes are an integral part of this statement.

EASTLAND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2018

	Internal Service Funds
Cash Flows from Operating Activities:	
<i>Cash Receipts (Payments) for Quasi-external</i>	
<i>Operating Transactions with Other Funds</i>	\$ 45,000
<i>Cash Payments to Other Suppliers for Goods and Services</i>	(37,303)
Net Cash Provided (Used) by Operating Activities	<u>7,697</u>
Cash Flows from Non-capital Financing Activities:	
<i>Operating Grants Received</i>	--
Net Cash Provided (Used) by Non-capital Financing Activities	<u>--</u>
Cash Flows from Capital and Related Financing Activities:	
<i>Contributed Capital</i>	--
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>--</u>
Cash Flows from Investing Activities:	
<i>Interest and Dividends on Investments</i>	--
Net Cash Provided (Used) for Investing Activities	<u>--</u>
Net Increase (Decrease) in Cash and Cash Equivalents	7,697
Cash and Cash Equivalents at Beginning of Year	3,880
Cash and Cash Equivalents at End of Year	<u>\$ 11,577</u>
Reconciliation of Operating Income to Net Cash	
Provided by Operating Activities:	
Operating Income (Loss)	\$ --
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities	
<i>Depreciation</i>	--
<i>Provision for Uncollectible Accounts</i>	--
Change in Assets and Liabilities:	
<i>Decrease (Increase) in Receivables</i>	1,754
<i>Increase (Decrease) in Accounts Payable</i>	5,943
Total Adjustments	<u>7,697</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 7,697</u>

The accompanying notes are an integral part of this statement.

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

			Agency Fund
Data Control Codes		Scholarship Trust Funds	Student Activity
ASSETS:			
1110	Cash and Cash Equivalents	\$ 161,359	\$ 63,686
1800	Restricted Assets	64,136	--
1000	Total Assets	<u>225,495</u>	<u>63,686</u>
LIABILITIES:			
Current Liabilities:			
2190	Due to Student Groups	\$ --	\$ 63,686
2000	Total Liabilities	<u>--</u>	<u>63,686</u>
NET POSITION:			
3800	Held in Trust	225,495	--
3000	Total Net Position	<u>\$ 225,495</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

EASTLAND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2018

	Private- Purpose Trusts
Additions:	
Investment Income	\$ 4,919
Net (Decrease) in Fair Value of Investments	3,072
Plan Member Contributions	40,164
Total Additions	<u>48,155</u>
Deductions:	
Scholarship Awards	50,350
Administrative Expenses	--
Total Deductions	<u>50,350</u>
Change in Net Position	(2,195)
Net Position-Beginning of the Year	227,690
Net Position-End of the Year	<u>\$ 225,495</u>

The accompanying notes are an integral part of this statement.

EASTLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

A. Summary of Significant Accounting Policies

The basic financial statements of Eastland Independent School District (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") applicable to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide ("Resource Guide"). The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

The Board of School Trustees ("Board"), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental reporting entity. The Eastland ISD Public Facility Corporation is a component unit of the District. The Eastland ISD PFC is included within the District's reporting entity as a blended component unit. See Note P for further discussion of the component unit.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Financial Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The District reports the following major governmental funds:

General Fund: This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

Capital Projects Fund: This fund accounts for the resources used for the acquisition and/or construction of capital facilities.

EASTLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

In addition, the District reports the following fund types:

Internal Service Funds: These funds are used to account for revenues and expenses related to services provided to parties inside the District. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. Because the principal users of the internal services are the District's governmental activities, this fund type is included in the "Governmental Activities" column of the government-wide financial statements.

Private-Purpose Trust Funds: These funds are used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments not reported in other fiduciary fund types.

Agency Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

b. Measurement Focus, Basis of Accounting

Government-wide, Proprietary, and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

3. Financial Statement Amounts

a. Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

EASTLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

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 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon 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.

c. Inventories and Prepaid Items

The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory in accordance with the Resource Guide.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30-50
Buildings	30-50
Building Improvements	20-25
Vehicles	2-15
Office Equipment	3-15
Computer Equipment	3-15

e. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide Statement of Net Position and governmental funds balance sheet) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

EASTLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2018

f. Receivable and Payable Balances

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

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

g. Interfund Activity

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

h. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

i. Data Control Codes

Data Control Codes appear in the rows and above the columns of certain financial statements. The TEA requires the display of these codes in the financial statements filed with TEA in order to ensure accuracy in building a statewide database for policy development and funding plans.

j. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's Board of Trustees. Committed amounts cannot be used for any other purpose unless the Board of Trustees removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Board of Trustees. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

EASTLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2018

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board of Trustees or by an official or body to which the Board of Trustees delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

k. Net Position Flow Assumption

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

l. Fund Balance Flow Assumptions

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

m. Negative Operating Grants and Contributions - Statement of Activities

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

During the year under audit, the NECE expense was negative due to changes in benefits within the TRS-care plan. The accrual for the proportionate share of that expense was a negative on-behalf revenue and negative on-behalf expense. This resulted in negative revenue for operating grants and contributions on the Statement of Activities.

EASTLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

Following are the effects on the Statement of Activities as a result of the negative on-behalf accruals recorded:

	Operating Grants and Contributions As Reported	Negative On-Behalf Accruals	Operating Grants and Contributions (Excluding On- Behalf Accruals)
11 - Instruction	\$ (1,069,351)	\$ (1,811,767)	\$ 742,416
12 - Instructional Resources and Media Services	(16,835)	(20,310)	3,475
13 - Curriculum and Instructional Staff Development	(629)	(747)	118
21 - Instructional Leadership	(12,667)	(28,005)	15,338
23 - School Leadership	(167,714)	(202,244)	34,530
31 - Guidance, Counseling and Evaluation Services	(48,981)	(59,066)	10,085
33 - Health Services	(8,843)	(10,872)	2,029
34 - Student (Pupil) Transportation	(23,512)	(28,272)	4,760
35 - Food Services	281,896	(69,351)	351,247
36 - Extracurricular Activities	(57,092)	(68,846)	11,754
41 - General Administration	(84,088)	(101,401)	17,313
51 - Facilities Maintenance and Operations	(113,778)	(137,203)	23,425
52 - Security and Monitoring Services	3,827	--	3,827
53 - Data Processing Services	(22,932)	(27,577)	4,645
61 - Community Services	(16,758)	(20,747)	3,989
	<u>\$ (1,357,457)</u>	<u>\$ (2,586,408)</u>	<u>\$ 1,228,951</u>

4. Pensions

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

5. New Accounting Standards Adopted

In fiscal year 2018, the District adopted a new statement of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

Statement No. 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about support for OPEB that is provided by other entities.

This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB.

The financial statements and note disclosures have been updated for the affects of the adoption of GASB Statement No. 75.

EASTLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

C. Deposits and Investments

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

1. Cash Deposits:

At August 31, 2018, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$6,468,688 and the bank balance was \$6,659,967. The District's cash deposits at August 31, 2018 and during the year ended August 31, 2018, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

EASTLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

The District's investment at August 31, 2018 is shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>		<u>Fair Value</u>
General Fund:			
Savings and Money Market Funds	N/A	\$ 4,183,582	
Lone Star Investment Pool	N/A	1	
Total District Investments			\$ 4,183,583
Fiduciary Funds:			
Scholarship Trust Funds			
Certificate of Deposit	1 year	\$ 2,769	
Lone Star Investment Pool	N/A	139,842	
Equity Stocks - Exxon	N/A	64,136	
Total Scholarship Trust Funds			\$ 206,747
Total Investments			\$ 4,390,330

3. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

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

At August 31, 2018, the District's investments, other than those which are obligations of or guaranteed by the U. S. Government, are rated as to credit quality as follows:

General Fund:

Lone Star Investment Pool \$ 1 Standard & Poor's Rating AAAM

Fiduciary Funds:

Lone Star Investment Pool \$ 139,842 Standard & Poor's Rating AAAM

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

At year end, the District was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

EASTLAND INDEPENDENT SCHOOL DISTRICT
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FOR THE YEAR ENDED AUGUST 31, 2018

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

Investment Accounting Policy

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Lone Star

The Lone Star Investment Pool (Lone Star) is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Texas Government Code, Chapter 791, and the Public Funds Investment Act, Texas Government Code, Chapter 2256. Lone Star is administered by First Public, a subsidiary of the Texas Association of School Boards (TASB), with Standish and American Beacon Advisors managing the investment and reinvestment of Lone Star's assets. State Street Bank provides custody and valuation services to Lone Star. All of the board of trustees' eleven members are Lone Star participants by either being employees or elected officials of a participant. Lone Star has established an advisory board composed of both pool members and non-members. Lone Star is rated AAA by Standard and Poor's and operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The District is invested in the Government Overnight Fund of Lone Star which seeks to maintain a net asset value of one dollar. Lone Star has 3 different funds: Government Overnight, Corporate Overnight and Corporate Overnight Plus. Government and Corporate Overnight maintain a net asset value of one dollar and the Corporate Overnight Plus maintains a net asset value of 50 cents.

EASTLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

D. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 675,116	\$ --	\$ --	\$ 675,116
Construction in progress	--	8,450,193	--	8,450,193
Total capital assets not being depreciated	675,116	8,450,193	--	9,125,309
<i>Capital assets being depreciated:</i>				
Buildings and improvements	16,220,865	25,000	--	16,245,865
Equipment	941,221	5,979	--	947,200
Vehicles	1,286,302	--	--	1,286,302
Infrastructure	645,851	40,551	--	686,402
Total capital assets being depreciated	19,094,239	71,530	--	19,165,769
Less accumulated depreciation for:				
Buildings and improvements	(6,590,609)	(367,022)	--	(6,957,631)
Equipment	(462,770)	(60,127)	--	(522,897)
Vehicles	(1,078,445)	(65,809)	--	(1,144,254)
Infrastructure	(254,509)	(19,952)	--	(274,461)
Total accumulated depreciation	(8,386,333)	(512,910)	--	(8,899,243)
Total capital assets being depreciated, net	10,707,906	(441,380)	--	10,266,526
Governmental activities capital assets, net	\$ 11,383,022	\$ 8,008,813	\$ --	\$ 19,391,835

Depreciation was charged to functions as follows:

Instruction	\$ 300,710
Instructional Resources and Media Services	3,077
Curriculum and Staff Development	1,244
Instructional Leadership	6,815
School Leadership	32,211
Guidance, Counseling, & Evaluation Services	8,332
Health Services	1,969
Student Transportation	5,432
Food Services	23,032
Extracurricular Activities	26,868
General Administration	25,616
Plant Maintenance and Operations	66,046
Security and Monitoring Services	2,035
Data Processing Services	6,696
Community Services	2,826
	<u>\$ 512,909</u>

During the school year, the District started an \$8.5 million construction project. The project included improvements made to the High School, Middle School, and Elementary buildings. The Project was almost complete in August, 2018. It included adding additional classrooms and an elevator at the High School. Renovations were done at the entrances of each of the campuses to make them more secure.

EASTLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

E. Interfund Balances and Activities

1. Due To and From Other Funds

There were no balances due to and due from other funds at August 31, 2018.

2. Transfers To and From Other Funds

Transfers to and from other funds at August 31, 2018, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General fund	Debt service fund - Public Facilities Corporation	\$ 1,003,218	Provide resources for repayment of capital lease and bonds
	Total	<u>\$ 1,003,218</u>	

F. Long-Term Obligations

The District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2018, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
Capital Lease Purchase	\$ 371,118	\$ --	\$ 371,118	\$ --	\$ --
Maintenance tax note	488,241	--	488,241	--	--
Lease Revenue Bonds - QSCB- Public Facilities Corp	366,853	--	43,103	323,750	43,864
Lease Revenue Refunding Bond Public Facilities Corp	934,266	--	934,266	--	--
Capital Lease Purchase - FEMA Safe Room	968,885	--	968,885	--	--
Capital Lease Purchase - FEMA Safe Room	231,654	--	231,654	--	--
Unlimited Tax Refunding Bonds, Series - 2017	--	3,305,000	315,000	2,990,000	315,000
Unlimited Tax School Building Bonds - 2017	--	7,830,000	60,000	7,770,000	40,000
Net OPEB Liability	--	5,226,075	2,245,697	2,980,378	--
Net Pension Liability	1,719,746	216,299	510,892	1,425,153	--
Total governmental activities	<u>\$ 5,080,763</u>	<u>\$ 16,577,374</u>	<u>\$ 6,168,856</u>	<u>\$ 15,489,281</u>	<u>\$ 398,864</u>

* Other long-term liabilities

The funds typically used to liquidate other long-term liabilities in the past are as follows:

Liability	Activity Type	Fund
Net Pension Liability *	Governmental	General
Net OPEB Liability *	Governmental	General

EASTLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2018, are as follows:

Year Ending August 31,	Governmental Activities		Total
	Principal	Interest	
2019	\$ 398,864	\$ 415,142	\$ 814,006
2020	419,635	402,943	822,578
2021	440,422	390,167	830,589
2022	461,222	376,816	838,038
2023	482,036	363,471	845,507
2024-2028	2,631,571	1,562,934	4,194,505
2029-2033	3,190,000	949,998	4,139,998
2034-2037	3,060,000	250,800	3,310,800
Totals	<u>\$ 11,083,750</u>	<u>\$ 4,712,271</u>	<u>\$ 15,796,021</u>

3. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of August 31, 2018, as follows:

On September 20, 2017, the District issued new bonded debt to refund all old outstanding debts, except for the QSCB bonded debt

The Eastland ISD issued a lease purchase agreement amounting to \$775,000 dated May 1, 2010 to refinance capital lease purchase debt incurred in prior years. The owner of the lease purchase debt agreement is Farmers and Merchants Bank, De Leon, Texas. The interest rate for the issue is 4.25% with quarterly payments of \$20,695 required. This debt was paid in full on September 20, 2017.

On August 1, 2014, the Board authorized a lease purchase agreement to purchase personal property consisting of the mechanical, electrical, plumbing, and engineering, suspended ceilings, painting, flooring, downspouts, and other related personal property to be installed and used in the FEMA Safe Room/Gymnasium that is being built. The lease purchase agreement is for a total of \$1,094,038 and has an interest rate of 3.6%. The owner of this debt was Prosperity Bank. This debt was paid in full on September 20, 2017.

On December 9, 2014, the Board authorized additional lease purchase funds to complete the personal property needed for the FEMA Safe Room/Gymnasium. The lease purchase agreement is for a total of \$257,500 and has an interest rate of 3.5%. Annual payments of \$23,040 began in October, 2015. The owner of the debt is City National Bank of Colorado City. This debt was paid in full on September 20, 2017.

4. Lease Revenue Refunding Bonds - Public Facilities Corporation

On October 12, 2010, the Eastland ISD Public Facility Corporation issued \$1,550,000 Lease Revenue Refunding Bonds 2010. On February 3, 2012, the Eastland ISD Public Facilities Corporation amended the payments schedules for the 2010 Lease Revenue Refunding Bonds. The original 2010 bonds were refunded and fully paid with proceeds of this issue. The interest rate was reduced from 4.25% to 3.00%. The maturity date for the new bonds remained the same as the old bonds - August 1, 2025. The quarterly payment is \$32,948. Lease Revenue Bonds - Qualified School Construction Bonds - Public Facilities Corporation. This debt was paid in full on September 20, 2017.

EASTLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2018

5. Qualified School Construction Bonds, Series 2010 (QSCB)

The Eastland ISD Public Facility Corporation issued Qualified School Construction Bonds, Series 2010 (QSCB) in May, 2010 in the amount of \$637,500. Owner of the debt is the First National Bank of Dalhart, Texas and the Trustee is Wells Fargo Bank, N.A., Oklahoma City, Oklahoma. Interest rate on these bonds is 1.75%. Quarterly payments of \$12,310 are due beginning December 2010 through the maturity date of June, 2025. The proceeds of the QSCB's were used to build a new Agriculture Science facility. This debt was the only debt of the District that was not a part of the refunding.

6. Long-Term Loan Agreement.

The Eastland ISD issued a Maintenance Tax Note amounting to \$662,500 dated June 1, 2010 to refinance the Repair and Replacement Note held by First Community Bank, N.A. The Maintenance Tax Note is owned by First Financial Bank, N.A. in Eastland, Texas.

On February 22, 2012, The District authorized the amendment of its loan agreement with the First Financial Bank - Eastland. The loan was paid off and refinanced to reduce the interest rate from 4.25% to 3.0%. Issuance costs amounting to \$12,711 were added to the balance of the loan. The reduction in the interest rate will reduce the quarterly payment from \$12,364 to \$11,374. This debt was paid in full on September 20, 2017.

7. New Debt issued September 20, 2017

At an election held by the Eastland ISD on May 6, 2017, the voters of the Eastland ISD approved two propositions which included (1) the issuance of \$8,500,000 bonds for the purpose of acquiring, constructing and equipping school facilities including security upgrades to District campuses and (2) the issuance of \$3,700,000 of bonds to refinance contracts secured by old debt consisting of lease purchase agreements, loan agreements, and lease revenue refunding bonds. With these new bond issues, the Board of Trustees will be authorized to levy an annual ad valorem tax sufficient to pay the principal and interest on the bonds.

Bonds issued as a result of the election consisted of (1) Unlimited Tax School Building Bonds, Series 2017 amounting to \$7,830,000 and (2) Unlimited Tax Redunding Bonds, Series 2017 amounting to \$3,305,000. Form 8038-G Information Return for Tax-Exempt Governmental Obligations reports the stated redemption price at maturity is \$11,135,000, the final maturity date is February 15, 2037, weighted average maturity is 11.49 years, and yield is 2.7862%. The uses of the proceeds shows bond issue costs of \$237,997, proceeds used to currently refund prior issues was \$3,235,682, and nonrefunding proceeds of the issue is \$8,500,000.

The bonds called for in Proposition 1 were sold on September 20, 2017. The purchase price was for the aggregate principal amount of \$7,830,000, plus a net reoffering premium of \$838,678.85, less and underwriter's discount \$57,547.60. The premium received on the bonds are used to pay costs of issuance amounting to \$111,131.25, the sum of \$57,547.60 applied to pay the underwriting discount, and \$670,000 to be used to pay costs of the Project. Total funds available to pay the costs of the Project equal \$8,500,000.

The bonds called for in Proposition 2 were sold on September 20, 2017. The purchase price of \$3,305,000 will be used (1) to currently refund old debt consisting of lease purchase agreements, lease revenue refunding bonds, and loan agreements, and (2) to pay issuance costs. Bond issue costs were \$69,318. All owners of the old debt consented to and acknowledged that the discharged obligations would be redeemed and paid in full on September 20, 2017.

Issuance of the Refunding Bonds totaling \$3,305,000 to refund the old debt will free up funds of the District's maintenance and operating tax rate which, in the past have been encumbered to pay debt. A comparison of New Debt Service to the Old Debt Service indicates a savings of \$330,916 over the next 13 years. Gross present value debt service savings is \$278,462.

EASTLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2018

G. Commitments Under Noncapitalized Leases

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

<u>Year Ending August 31,</u>	
2019	\$ 32,837
2020	32,837
Total Minimum Rentals	<u>\$ 65,674</u>
Rental Expenditures in 2018	<u>\$ 32,837</u>

H. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2018, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

I. Pension Plan

1. Plan Description

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

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

2. Pension Plan Fiduciary Net Position

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

3. 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

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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 in (1.) above.

4. Contributions

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

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

<u>Contribution Rates</u>		
	<u>2017</u>	<u>2018</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (NECE - State)	6.8%	6.8%
Employers	6.8%	6.8%
District's 2018 Employer Contributions	\$ 146,250	
District's 2018 Member Contributions	\$ 455,677	
NECE 2017 On-Behalf Contributions to District	\$ 322,607	

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

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

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

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

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

5. Actuarial Assumptions

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

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8%
Long-term expected Investment Rate of Return	8%
Inflation	2.5%
Salary Increases including inflation	3.5% to 9.5%
Payroll Growth Rate	2.5%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

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

6. Discount Rate

The discount rate used to measure the total pension liability was 8%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2017 are summarized below:

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Teacher Retirement System of Texas Asset Allocation and Long-Term Expected Real Rate of Return As of August 31, 2017			
Asset Class	Target Allocation*	Long-term Expected Geometric Real Rate of Return	Expected Contribution to Long-term Portfolio Returns **
Global Equity			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy & 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%

* Target allocations are based on the FY2014 policy model. Infrastructure was moved from Real Assets to Energy and Natural Resources in FY2017, but the reallocation does not affect the long term expected geometric real rate of return or expected contribution to long-term portfolio returns

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

7. 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 Net Pension Liability.

	1% Decrease in Discount Rate 7%	Discount Rate 8%	1% Increase in Discount Rate 9%
District's proportionate share of the net pension liability	\$ 2,402,526	\$ 1,425,153	\$ 611,331

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

At August 31, 2018, the District reported a liability of \$1,425,153 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 1,425,153
State's proportionate share that is associated with District	<u>3,153,980</u>
Total	<u>\$ 4,579,133</u>

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

At August 31, 2017 the employer's proportion of the collective net pension liability was 0.0044571%. which was an increase (decrease) of -14607899.9955429% from its proportion measured as of August 31, 2016.

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

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

For the year ended August 31, 2018, the District recognized pension expense of \$240,573 and revenue of \$240,573 for support provided by the State.

At August 31, 2018, the District reported its proportionate share of the TRS' deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:
(The amounts below will be the cumulative layers from the current and prior years combined)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 20,851	\$ 76,857
Changes in actuarial assumptions	64,918	37,164
Difference between projected and actual investment earnings	--	103,862
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	330,590	42,077
Contributions paid to TRS subsequent to the measurement date [to be calculated by employer]	<u>146,250</u>	<u>--</u>
Total	<u>\$ 562,609</u>	<u>\$ 259,960</u>

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The net amounts of the District'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
2019	\$ 30,326
2020	\$ 121,298
2021	\$ 23,338
2022	\$ (6,495)
2023	\$ (7,018)
Thereafter	\$ (5,050)

J. Defined Other Post-Employment Benefit Plans

1. Plan Description

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

2. OPEB Plan Fiduciary Net Position

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

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

<u>Net OPEB Liability:</u>	<u>Total</u>
Total OPEB liability	\$ 43,885,784,621
Less: plan fiduciary net position	<u>399,535,986</u>
Net OPEB liability	<u>\$ 43,486,248,635</u>
Net position as a percentage of total OPEB liability	0.91%

3. Benefits Provided

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

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

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

Monthly TRS-Care Plan Premium Rates Effective September 1, 2016 - December 31, 2017			
	TRS-Care 1 Basic Plan	TRS-Care 2 Optional Plan	TRS-Care 3 Optional Plan
Retiree*	\$ --	\$ 70	\$ 100
Retiree and Spouse	20	175	255
Retiree* and Children	41	132	182
Retiree and Family	61	237	337
Surviving Children Only * or surviving spouse	28	62	82

4. Contributions

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.0% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

Contribution Rates		
	2017	2018
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (NECE) - State	1.00%	1.25%
Employers	0.55%	0.75%
Federal/Private Funding Remitted by Employers	1.00%	1.25%
Current fiscal year District contributions		\$ 48,195
Current fiscal year Member contributions		\$ 38,467
2017 measurement year NECE contributions	\$ 52,813	

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to, regardless of whether they participate in the TRS-Care OPEB program. When employers hire a TRS retiree, they are required to pay to TRS-Care a monthly surcharge of \$535 per retiree.

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

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5. Actuarial Assumptions

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

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

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

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

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

Additional Actuarial Methods and Assumptions:

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

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

**Includes inflation at 2.50%

***Initial trend rates are 7.00% for non-Medicare retirees; 10.00% for Medicare retirees and 12.00% for prescriptions for all retirees. Initial trend rates decrease to an ultimate trend rate of 4.50% over a period of 10 years.

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6. Discount Rate

A single discount rate of 3.42% was used to measure the total OPEB liability. There was a change of 0.44% in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, there are no investments and the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected not to be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. The source of the municipal bond rate was fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of August 31, 2017.

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact on the net OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used in measuring the net OPEB liability.

	1% Decrease in Discount Rate (2.42%)	Current Single Discount Rate (3.42%)	1% Increase in Discount Rate (4.42%)
District's proportionate share of net OPEB liability	\$ 3,517,586	\$ 2,980,378	\$ 2,548,584

8. Healthcare Cost Trend Rates Sensitivity Analysis

The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1% less than and 1% greater than the assumed healthcare cost trend rate:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of net OPEB liability	\$ 2,481,463	\$ 2,980,378	\$ 3,635,018

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

At August 31, 2018, the District reported a liability of \$2,980,378 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	\$ 2,980,378
State's proportionate share that is associated with the District	\$ 4,417,433
Total	\$ 7,397,811

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

At August 31, 2017 the District's proportion of the collective net OPEB liability was 0.0068536. Since this is the first year of implementation, the District does not have the proportion measured as of August 31, 2016. The Notes to the Financial Statements for August 31, 2016 for TRS stated that the change in proportion was immaterial and, therefore, disregarded this year.

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10. Changes Since the Prior Actuarial Valuation.

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

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

The Affordable Care Act includes a 40% excise tax on high-cost health plans known as the "Cadillac tax." In this valuation the impact of this tax has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

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

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

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

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

For the year ended August 31, 2018, the District recognized OPEB expense of \$(1,478,190) and revenue of \$(1,478,190) for support provided by the State.

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

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual economic experience	\$ --	\$ 62,218
Changes in actuarial assumptions	--	1,184,480
Differences between projected and actual investment earnings	453	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	13	--
Contributions paid to TRS subsequent to the measurement date	48,195	
	<u>\$ 48,661</u>	<u>1,246,698</u>

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

Year ended August 31,	Amount
2019	\$ (164,442)
2020	\$ (164,442)
2021	\$ (164,442)
2022	\$ (164,442)
2023	\$ (164,555)
Thereafter	\$ (423,911)

K. Employee Health Care Coverage

During the year ended August 31, 2018, employees of the District were covered by TRS Active Care (the Plan). The District paid premiums of \$225 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to TRS Active Care.

L. Commitments and Contingencies

1. Contingencies

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

2. Litigation

No reportable litigation was pending against the District at August 31, 2018.

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M. Shared Services Arrangements

Shared Services Arrangement - Membership

The District participates in a shared services arrangement ("SSA") for a special education cooperative with the following school districts:

Member Districts:

Gorman ISD, fiscal agent of East End Education Coop

Ranger ISD

Cisco ISD

Eastland ISD

Moran ISD

The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Gorman ISD - East End Education Coop, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

Shared Services Arrangement - Memberships

The District participates in a shared services arrangement ("SSA") for ESEA Title II Part A, ESEA Title III Part A LEP, and Head Start Program with the Education Service Center, Region XIV as fiscal agent.

The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Education Service Center, Region XIV, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

N. TASB Risk Management Fund

Unemployment Compensation Pool:

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

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

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

The District's contribution to the unemployment compensation pool for 2017-2018 was \$4,486.

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Auto, Liability, and Property Programs

During the year ended August 31, 2018, the Eastland ISD participated in the following TASB Risk Management Fund (the Fund) programs:

Auto Liability
Auto Physical Damage
Property

Legal Liability
Privacy & Information Security

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

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

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

O. Group "Pooled Risk" Self-Insurance

The District is a participant in the West Texas Educational Insurance Association Workers' Compensation Self-Insurance Fund. The purpose of the Fund is to provide the statutory benefits for the fund members employees through self-insurance of workers' compensation prescribed by Article 8309h, Revised Civit Statutes of Texas, as amended.

The interlocal agreement between the Eastland Independent School District and the West Texas Educational Insurance Association Workers Compensation Self-Insurance Fund is for a term beginning on September 1 of each fiscal year. Either party may terminate the agreement upon 60 days written notice with the termination becoming effective at the end of the plan term currently in force.

The required contributions for each fund sponsor is based on the State Board of Insurance Workers' Compensation rates for the various payroll classification included in the fund members annual payroll. The interlocal agreement states that the District's maximum loss exposure for 2017-2018 is \$49,632. The fixed cost for the District for 2017-2018 is \$14,779, which has been recognized as an insurance expenditure in the District's records. The District has an estimated liability that will be needed for future payments on total unpaid claims of \$54,266. This includes both (a) claims that have been reported in the amount of \$24,694 and (b) estimated incurred but not reported (IBNR) in the amount of \$29,572. The estimated liability will not exceed the District's loss fund. The District is not responsible for claims and claims allocation expense beyond its individual loss fund.

The "pooled risk" self-insurance fund is managed by a six member board. Any excess of the cumulative contributions and investment earnings of all fund sponsors are available for reduction of annual contributions. The Fund retains \$500,000 for any one accident or occurrence and purchases stop loss protection for all amounts above that limit. The reinsurance carrier for the workers' compensation program is Midwest Employers Casualty Company. The Board reserved the right in the interlocal agreement to adjust this stop loss provision in the event that the fiscal soundness of the fund would justify such an adjustment and/or result in savings to Fund Members. All claims are processed and paid by the pool through the servicing contractor employed by the Fund.

EASTLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

P. Public Facilities Corporation

The Board of Trustees of the Eastland Independent School District created the Eastland ISD Public Facilities Corporation during the 2004-2005 fiscal year. The Corporation's management is appointed by the Board of Trustees of the District and is essentially the same as the management of the District. The Corporation was organized for the sole benefit of the Eastland ISD for the purpose of issuing lease revenue bonds to fund construction for the Eastland ISD. The lease revenue bonds issued by the Public Facilities Corporation will be repaid from future general fund revenues of the Eastland ISD.

The Eastland ISD Public Facilities Corporation is included in the financial statements of the Eastland Independent School District as a "blended component unit". The financial records of the Corporation are maintained using the modified accrual basis of accounting as employed by the Governmental Funds of the Eastland Independent School District. The future liability for the bond requirements is recorded as a liability of the Eastland Independent School District reporting unit.

During the year ended August 31, 2018, the District transferred \$51,903 from the District's General Fund to the Public Facility Corporation's Debt Service Fund for the payments that were due on the QSCB bonded debt. The District also transferred \$951,315 from the General Fund to the Public Facility Corporation to pay in full the 2010 Lease Revenue Refunding Bonds. The resources provided by the General Fund were from the bond proceeds received from the 2017 Unlimited Tax Refunding Bonds. The District accounts for these transfers as permanent transfers into its debt service fund and transfers out of its General Fund.

The Eastland ISD Public Facility Corporation issued Lease Revenue Qualified School Construction Bonds 2010 (QSCB) in May, 2010 in the amount of \$637,500. The proceeds of the bonds were used to build a new Ag Science facility. The bonds have an interest rate of 1.75%. Quarterly payments began in December 2010 and will continue through the maturity date of June 1, 2025. Each quarterly payment will be \$12,310. These bonds were not a part of the current year debt refunding.

The Eastland ISD Public Facility Corporation issued Lease Revenue Refunding Bonds 2010 on October 12, 2010. The proceeds of the bonds were used to prepay the outstanding balance of the 2009 Lease Revenue Refunding Bonds in the amount of \$1,484,572, a prepayment penalty of \$29,692, and issue costs of \$35,722. Total bonds issued were \$1,550,000. The bonds have an interest rate of 4.25%. On February 3, 2012, the Eastland ISD Public Facilities Corporation amended the payments schedules for the 2010 Lease Revenue Refunding Bonds. The original 2010 bonds were refunded and fully paid with the proceeds from the amendment. The interest rate was reduced from 4.25% to 3.00%. On September 20, 2017, the District paid the remaining debt on this issue in full at a redemption amount totaling \$951,315.

Additional information on the Public Facility Corporation can be found in Note F Long-Term Debt of this report.

Q. Government-Wide Net Position

With the adoption of Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, the District was required to record a prior period adjustment to its government-wide financial statements to report the prior year beginning balance of its proportionate share of OPEB liabilities. The prior period adjustment was a reduction of the net position of \$4,178,781. With that reduction of net position and the recording of the current year changes in the OPEB liability and Deferred Outflows and Deferred inflows related to the OPEB liabilities, the District has a deficit unrestricted net position amounting to \$102,316.

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

EASTLAND INDEPENDENT SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2018

EXHIBIT G-1
Page 1 of 2

Data Control Codes		1	2	3	Variance with
		Budgeted Amounts		Actual	Final Budget
		Original	Final		Positive (Negative)
REVENUES:					
5700	Local and Intermediate Sources	\$ 5,108,009	\$ 5,247,406	\$ 5,415,572	\$ 168,166
5800	State Program Revenues	4,636,879	4,613,934	5,128,244	514,310
5900	Federal Program Revenues	--	--	100,852	100,852
5020	Total Revenues	9,744,888	9,861,340	10,644,668	783,328
EXPENDITURES:					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	5,178,415	5,155,567	5,102,993	52,574
0012	Instructional Resources and Media Services	101,081	101,081	56,626	44,455
0013	Curriculum and Staff Development	63,291	63,291	22,898	40,393
	Total Instruction & Instr. Related Services	5,342,787	5,319,939	5,182,517	137,422
Instructional and School Leadership:					
0021	Instructional Leadership	111,302	117,302	114,766	2,536
0023	School Leadership	617,510	618,010	592,684	25,326
	Total Instructional & School Leadership	728,812	735,312	707,450	27,862
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	152,863	153,863	153,310	553
0033	Health Services	36,245	37,245	36,223	1,022
0034	Student (Pupil) Transportation	336,783	197,783	99,943	97,840
0035	Food Services	--	--	11,841	(11,841)
0036	Cocurricular/Extracurricular Activities	551,375	575,175	494,382	80,793
	Total Support Services - Student (Pupil)	1,077,266	964,066	795,699	168,367
Administrative Support Services:					
0041	General Administration	488,699	488,699	471,332	17,367
	Total Administrative Support Services	488,699	488,699	471,332	17,367
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	1,141,328	1,270,832	1,215,261	55,571
0052	Security and Monitoring Services	33,100	34,100	33,623	477
0053	Data Processing Services	126,514	128,514	123,212	5,302
	Total Support Services - Nonstudent Based	1,300,942	1,433,446	1,372,096	61,350
Ancillary Services:					
0061	Community Services	46,527	54,527	51,575	2,952
	Total Ancillary Services	46,527	54,527	51,575	2,952
Debt Service:					
0071	Principal on Long-Term Debt	--	2,059,898	2,059,898	--
0072	Interest on Long-Term Debt	--	13,559	13,559	--
0073	Bond Issuance Costs and Fees	--	210,911	210,911	--
	Total Debt Service	--	2,284,368	2,284,368	--
Capital Outlay:					
0081	Capital Outlay	250,000	355,496	214,295	141,201
	Total Capital Outlay	250,000	355,496	214,295	141,201

EASTLAND INDEPENDENT SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2018

EXHIBIT G-1
Page 2 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
	Intergovernmental Charges:				
0093	Payments to Fiscal Agent/Member Dist.-SSA	210,000	210,000	203,228	6,772
0099	Other Intergovernmental Charges	205,355	205,355	180,495	24,860
	Total Intergovernmental Charges	415,355	415,355	383,723	31,632
6030	Total Expenditures	9,650,388	12,051,208	11,463,055	588,153
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	94,500	(2,189,868)	(818,387)	1,371,481
	Other Financing Sources (Uses):				
7911	Capital-Related Debt Issued (Regular Bonds)	--	3,235,682	3,235,682	--
8911	Transfers Out	(94,500)	(1,045,814)	(1,003,218)	42,596
7080	Total Other Financing Sources and (Uses)	(94,500)	2,189,868	2,232,464	42,596
1200	Net Change in Fund Balance	--	--	1,414,077	1,414,077
0100	Fund Balance - Beginning	3,738,042	3,738,042	3,738,042	--
3000	Fund Balance - Ending	\$ 3,738,042	\$ 3,738,042	\$ 5,152,119	\$ 1,414,077

EASTLAND INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST TEN FISCAL YEARS **

	Fiscal Year			
	2018	2017	2016	2015
District's proportion of the net pension liability (asset)	0.0044571%	0.0045510%	0.0048935%	0.0027040%
District's proportionate share of the net pension liability (asset)	\$ 1,425,153	\$ 1,719,746	\$ 1,729,787	\$ 722,276
State's proportionate share of the net pension liability (asset) associated with the District	3,153,980	3,926,280	4,026,852	3,605,311
Total	<u>\$ 4,579,133</u>	<u>\$ 5,646,026</u>	<u>\$ 5,756,639</u>	<u>\$ 4,327,587</u>
District's covered-employee payroll	\$ 5,917,914	\$ 5,724,678	\$ 5,815,594	\$ 5,861,042
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	24.08%	30.04%	29.74%	12.32%
Plan fiduciary net position as a percentage of the total pension liability	82.17%	76.43%	78.43%	83.25%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

EASTLAND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST TEN FISCAL YEARS *

	Fiscal Year			
	2018	2017	2016	2015
Contractually required contribution	\$ 146,250	\$ 146,079	\$ 144,596	\$ 149,073
Contributions in relation to the contractually required contribution	(146,250)	(146,079)	(144,596)	(149,073)
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --
District's covered-employee payroll	\$ 5,917,894	\$ 5,724,842	\$ 5,724,678	\$ 5,815,594
Contributions as a percentage of covered-employee payroll	2.47%	2.55%	2.53%	2.56%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled this schedule provides the information for those years for which information is available.

EASTLAND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST TEN FISCAL YEARS *

	Measurement Year Ended 2017
District's proportion of the collective net OPEB liability	0.0068536%
District's proportionate share of the collective net OPEB liability	\$ 2,980,378
State proportionate share of the collective net OPEB liability associated with the District	\$ 4,417,433
Total	<u>\$ 7,397,811</u>
District's covered-employee payroll	\$ 5,724,842
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	52.06%
Plan fiduciary net position as a percentage of the total OPEB liability	0.91%

* This schedule is presented to illustrate the requirement to show information for 10 years.
However, until a full 10-year trend is compiled, this schedule provides the information
only for those years for which information is available.

EASTLAND INDEPENDENT SCHOOL DISTRICT*SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS**TEACHER RETIREMENT SYSTEM OF TEXAS**LAST TEN FISCAL YEARS **

	Fiscal Year Ended 2018
Statutorily or contractually required District contribution	\$ 274,275
Contributions recognized by OPEB in relation to statutorily or contractually required contribution	(274,275)
Contribution deficiency (excess)	\$ --
District's covered-employee payroll	\$ 5,917,894
Contributions as a percentage of covered-employee payroll	4.63%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

EASTLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED AUGUST 31, 2018

Budget

The official budget was prepared for adoption for all Governmental Fund Types. The budget was prepared in accordance with accounting practices generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data.:

- a. Prior to August 21 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
- c. Prior to the beginning of the fiscal year, the budget is legally enacted through passage of a resolution by the Board.

Once a budget is approved, it can be amended at function and fund level only 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. Such amendments are made before the fact, are reflected in the official minutes of the Board and are not made after fiscal year end as required by law.

Each amendment 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.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either cancelled or appropriately provided for in the subsequent year's budget. There were no end-of-year outstanding encumbrances that were provided for in the subsequent year's budget.

Defined Benefit Pension Plan

Changes of benefit terms

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

Changes of assumptions

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

*Combining Statements and Budget Comparisons
as Supplementary Information*

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

EASTLAND INDEPENDENT SCHOOL DISTRICT**COMBINING BALANCE SHEET****NONMAJOR GOVERNMENTAL FUNDS****AUGUST 31, 2018**

Data Control Codes	Special Revenue Funds	Debt Service Fund Public Facility Corporation Debt Service	Total Nonmajor Governmental Funds (See Exhibit C-1)
ASSETS:			
1110 <i>Cash and Cash Equivalents</i>	\$ 155,665	\$ 161,994	\$ 317,659
1225 <i>Taxes Receivable, Net</i>	--	5,070	5,070
1240 <i>Due from Other Governments</i>	22,896	--	22,896
1000 Total Assets	<u>178,561</u>	<u>167,064</u>	<u>345,625</u>
LIABILITIES:			
Current Liabilities:			
2160 <i>Accrued Wages Payable</i>	\$ 32,777	\$ --	\$ 32,777
2200 <i>Accrued Expenditures</i>	2,551	--	2,551
2300 <i>Unearned Revenue</i>	4,852	--	4,852
2000 Total Liabilities	<u>40,180</u>	<u>--</u>	<u>40,180</u>
DEFERRED INFLOWS OF RESOURCES:			
<i>Deferred Revenue</i>			
2600 Total Deferred Inflows of Resources	<u>--</u>	<u>5,070</u>	<u>5,070</u>
FUND BALANCES:			
Restricted Fund Balances:			
3450 <i>Federal/State Funds Grant Restrictions</i>	111,110	--	111,110
3480 <i>Retirement of Long-Term Debt</i>	--	161,994	161,994
3490 <i>Other Restrictions of Fund Balance</i>	27,271	--	27,271
3000 Total Fund Balances	<u>138,381</u>	<u>161,994</u>	<u>300,375</u>
Total Liabilities, Deferred Inflow			
4000 of Resources and Fund Balances	<u>\$ 178,561</u>	<u>\$ 167,064</u>	<u>\$ 345,625</u>

EASTLAND INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	Special Revenue Funds	Debt Service Fund Public Facility Corporation Debt Service	Total Nonmajor Governmental Funds (See Exhibit C-2)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 157,649	\$ 916,628	\$ 1,074,277
5800 <i>State Program Revenues</i>	39,620	--	39,620
5900 <i>Federal Program Revenues</i>	749,867	--	749,867
5020 Total Revenues	<u>947,136</u>	<u>916,628</u>	<u>1,863,764</u>
EXPENDITURES:			
Current:			
0011 <i>Instruction</i>	436,066	--	436,066
0021 <i>Instructional Leadership</i>	10,624	--	10,624
0035 <i>Food Service</i>	411,949	--	411,949
0052 <i>Security and Monitoring Services</i>	3,827	--	3,827
0061 <i>Community Services</i>	424	--	424
0071 <i>Principal on Long-term Debt</i>	--	1,352,370	1,352,370
0072 <i>Interest on Long-term Debt</i>	--	390,366	390,366
0073 <i>Bond Issuance Costs and Fees</i>	--	195,582	195,582
6030 Total Expenditures	<u>862,890</u>	<u>1,938,318</u>	<u>2,801,208</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>84,246</u>	<u>(1,021,690)</u>	<u>(937,444)</u>
Other Financing Sources and (Uses):			
7911 <i>Capital-Related Debt Issued (Regular Bonds)</i>	--	69,318	69,318
7915 <i>Transfers In</i>	--	1,003,218	1,003,218
7916 <i>Premium or Discount on Issuance of Bonds</i>	--	111,131	111,131
7080 Total Other Financing Sources and (Uses)	<u>--</u>	<u>1,183,667</u>	<u>1,183,667</u>
1200 Net Change in Fund Balances	<u>84,246</u>	<u>161,977</u>	<u>246,223</u>
0100 Fund Balances - Beginning	<u>54,135</u>	<u>17</u>	<u>54,152</u>
3000 Fund Balances - Ending	<u>\$ 138,381</u>	<u>\$ 161,994</u>	<u>\$ 300,375</u>

EASTLAND INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2018

Data Control Codes	205 Head Start	211 ESEA Title I Improving Basic Programs	225 IDEA-B Preschool Grant	237 ESEA Title IV SDFSC
ASSETS:				
1110 <i>Cash and Cash Equivalents</i>	\$ (12,991)	\$ 18,595	\$ --	\$ --
1240 <i>Due from Other Governments</i>	18,657	--	--	--
1000 Total Assets	<u>5,666</u>	<u>18,595</u>	<u>--</u>	<u>--</u>
LIABILITIES:				
Current Liabilities:				
2160 <i>Accrued Wages Payable</i>	\$ 5,145	\$ 16,868	\$ --	\$ --
2200 <i>Accrued Expenditures</i>	521	1,727	--	--
2300 <i>Unearned Revenue</i>	--	--	--	--
2000 Total Liabilities	<u>5,666</u>	<u>18,595</u>	<u>--</u>	<u>--</u>
FUND BALANCES:				
Restricted Fund Balances:				
3450 <i>Federal/State Funds Grant Restrictions</i>	--	--	--	--
3490 <i>Other Restrictions of Fund Balance</i>	--	--	--	--
3000 Total Fund Balances	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
4000 Total Liabilities and Fund Balances	<u>\$ 5,666</u>	<u>\$ 18,595</u>	<u>\$ --</u>	<u>\$ --</u>

240 National School Breakfast/Lunch Program	244 Career and Tech Basic Grant	255 ESEA Title II Training & Recruiting	270 ESEA, Title VI Part B, Subpart 2 Rural School	289 Emergency Impact Aid
\$ 127,029	\$ --	\$ --	\$ --	\$ (4,239)
--	--	--	--	4,239
<u>127,029</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
\$ 10,764	\$ --	\$ --	\$ --	\$ --
303	--	--	--	--
4,852	--	--	--	--
<u>15,919</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
111,110	--	--	--	--
--	--	--	--	--
<u>111,110</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>\$ 127,029</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

EASTLAND INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
AUGUST 31, 2018

EXHIBIT H-3
Page 2 of 2

Data Control Codes	410 State Textbook Fund	429 State Funded Special Revenue Fund	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds (See Exhibit H-1)
ASSETS:				
1110 <i>Cash and Cash Equivalents</i>	\$ --	\$ --	\$ 27,271	\$ 155,665
1240 <i>Due from Other Governments</i>	--	--	--	22,896
1000 Total Assets	<u>--</u>	<u>--</u>	<u>27,271</u>	<u>178,561</u>
LIABILITIES:				
Current Liabilities:				
2160 <i>Accrued Wages Payable</i>	\$ --	\$ --	\$ --	\$ 32,777
2200 <i>Accrued Expenditures</i>	--	--	--	2,551
2300 <i>Unearned Revenue</i>	--	--	--	4,852
2000 Total Liabilities	<u>--</u>	<u>--</u>	<u>--</u>	<u>40,180</u>
FUND BALANCES:				
Restricted Fund Balances:				
3450 <i>Federal/State Funds Grant Restrictions</i>	--	--	--	111,110
3490 <i>Other Restrictions of Fund Balance</i>	--	--	27,271	27,271
3000 Total Fund Balances	<u>--</u>	<u>--</u>	<u>27,271</u>	<u>138,381</u>
4000 Total Liabilities and Fund Balances	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 27,271</u>	<u>\$ 178,561</u>

EASTLAND INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	205 Head Start	211 ESEA Title I Improving Basic Programs	225 IDEA-B Preschool Grant	237 ESEA Title IV SDFSC
REVENUES:				
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ --	\$ --	\$ --
5800 <i>State Program Revenues</i>	--	--	--	--
5900 <i>Federal Program Revenues</i>	75,944	268,920	6,053	7,500
5020 <i>Total Revenues</i>	<u>75,944</u>	<u>268,920</u>	<u>6,053</u>	<u>7,500</u>
EXPENDITURES:				
Current:				
0011 <i>Instruction</i>	75,520	258,296	6,053	3,673
0021 <i>Instructional Leadership</i>	--	10,624	--	--
0035 <i>Food Service</i>	--	--	--	--
0052 <i>Security and Monitoring Services</i>	--	--	--	3,827
0061 <i>Community Services</i>	424	--	--	--
6030 <i>Total Expenditures</i>	<u>75,944</u>	<u>268,920</u>	<u>6,053</u>	<u>7,500</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>	--	--	--	--
1100 <i>Expenditures</i>	--	--	--	--
1200 <i>Net Change in Fund Balances</i>	--	--	--	--
0100 <i>Fund Balances - Beginning</i>	--	--	--	--
3000 <i>Fund Balances - Ending</i>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

240 National School Breakfast/Lunch Program	244 Career and Tech Basic Grant	255 ESEA Title II Training & Recruiting	270 ESEA, Title VI Part B, Subpart 2 Rural School	289 Emergency Impact Aid
\$ 130,378	\$ --	\$ --	\$ --	\$ --
2,355	--	--	--	--
336,191	9,483	22,924	18,613	4,239
<u>468,924</u>	<u>9,483</u>	<u>22,924</u>	<u>18,613</u>	<u>4,239</u>
--	9,483	22,924	18,613	4,239
--	--	--	--	--
411,949	--	--	--	--
--	--	--	--	--
--	--	--	--	--
<u>411,949</u>	<u>9,483</u>	<u>22,924</u>	<u>18,613</u>	<u>4,239</u>
56,975	--	--	--	--
<u>56,975</u>	--	--	--	--
54,135	--	--	--	--
<u>\$ 111,110</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

EASTLAND INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	410 State Textbook Fund	429 State Funded Special Revenue Fund	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds (See Exhibit H-2)
REVENUES:				
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ --	\$ 27,271	\$ 157,649
5800 <i>State Program Revenues</i>	34,680	2,585	--	39,620
5900 <i>Federal Program Revenues</i>	--	--	--	749,867
5020 <i>Total Revenues</i>	<u>34,680</u>	<u>2,585</u>	<u>27,271</u>	<u>947,136</u>
EXPENDITURES:				
Current:				
0011 <i>Instruction</i>	34,680	2,585	--	436,066
0021 <i>Instructional Leadership</i>	--	--	--	10,624
0035 <i>Food Service</i>	--	--	--	411,949
0052 <i>Security and Monitoring Services</i>	--	--	--	3,827
0061 <i>Community Services</i>	--	--	--	424
6030 <i>Total Expenditures</i>	<u>34,680</u>	<u>2,585</u>	<u>--</u>	<u>862,890</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>				
1100 <i>Expenditures</i>	--	--	27,271	84,246
1200 <i>Net Change in Fund Balances</i>	--	--	27,271	84,246
0100 <i>Fund Balances - Beginning</i>	--	--	--	54,135
3000 <i>Fund Balances - Ending</i>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 27,271</u>	<u>\$ 138,381</u>

EASTLAND INDEPENDENT SCHOOL DISTRICT
CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2018

EXHIBIT H-5

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ 25,115	\$ 25,115
5020 <i>Total Revenues</i>	--	25,115	25,115
EXPENDITURES:			
Capital Outlay:			
0081 <i>Capital Outlay</i>	8,500,000	8,472,760	27,240
<i>Total Capital Outlay</i>	8,500,000	8,472,760	27,240
6030 <i>Total Expenditures</i>	8,500,000	8,472,760	27,240
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>			
1100 <i>Expenditures</i>	(8,500,000)	(8,447,645)	52,355
Other Financing Sources (Uses):			
7911 <i>Capital-Related Debt Issued (Regular Bonds)</i>	7,830,000	7,830,000	--
7916 <i>Premium or Discount on Issuance of Bonds</i>	670,000	670,000	--
7080 <i>Total Other Financing Sources and (Uses)</i>	8,500,000	8,500,000	--
1200 <i>Net Change in Fund Balance</i>	--	52,355	52,355
0100 <i>Fund Balance - Beginning</i>	--	--	--
3000 <i>Fund Balance - Ending</i>	\$ --	\$ 52,355	\$ 52,355

Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

EASTLAND INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2018*

Year Ended August 31	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
2009 and Prior Years	\$	Various	\$	Various	\$	Various
2010		1.0367		--		360,821,570
2011		1.04		--		364,904,800
2012		1.04		--		394,617,368
2013		1.04		--		410,332,140
2014		1.04		--		454,330,667
2015		1.04		--		467,976,690
2016		1.04		--		443,201,602
2017		1.04		--		459,653,099
2018 (School Year Under Audit)		1.04		.185		483,921,402

1000 Totals

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

EXHIBIT J-1

10 Beginning Balance 9/1/17	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/18
\$ 44,911	\$ --	\$ 688	\$ --	\$ (636)	\$ 43,587
13,568	--	1,918	--	(99)	11,551
14,937	--	1,170	--	(99)	13,668
9,951	--	1,327	--	(498)	8,127
15,342	--	1,347	--	(331)	13,664
25,885	--	3,058	--	(949)	21,879
33,401	--	8,613	--	(965)	23,823
40,873	--	15,518	--	(700)	24,655
112,107	--	64,244	--	(3,702)	44,161
--	5,928,037	4,877,538	913,697	(10,011)	126,792
<u>\$ 310,976</u>	<u>\$ 5,928,037</u>	<u>\$ 4,975,421</u>	<u>\$ 913,697</u>	<u>\$ (17,990)</u>	<u>\$ 331,906</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

EASTLAND INDEPENDENT SCHOOL DISTRICT
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2018

EXHIBIT J-2

Data Control Codes		1	2	3 Variance Positive (Negative)
		Budget	Actual	
REVENUES:				
5700	Local and Intermediate Sources	\$ 122,200	\$ 130,378	\$ 8,178
5800	State Program Revenues	12,881	2,355	(10,526)
5900	Federal Program Revenues	305,678	336,191	30,513
5020	Total Revenues	440,759	468,924	28,165
EXPENDITURES:				
Current:				
Support Services - Student (Pupil):				
0035	Food Services	440,759	411,949	28,810
	Total Support Services - Student (Pupil)	440,759	411,949	28,810
6030	Total Expenditures	440,759	411,949	28,810
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	--	56,975	56,975
1200	Net Change in Fund Balance	--	56,975	56,975
0100	Fund Balance - Beginning	54,135	54,135	--
3000	Fund Balance - Ending	\$ 54,135	\$ 111,110	\$ 56,975

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**Independent Auditor's Report on Internal Control over Financial Reporting and
On Compliance and Other Matters Based on an Audit of Financial Statements
Performed In Accordance With Government Auditing Standards**

Board of Trustees
Eastland Independent School District
P.O. Box 31
Eastland, Texas 76448

Members of the Board of Trustees:

I 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 Eastland Independent School District, as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise Eastland Independent School District's basic financial statements, and have issued my report thereon dated November 6, 2018.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Eastland 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Eastland Independent School District's internal control. Accordingly, I do not express an opinion on the effectiveness of the Eastland 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.

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

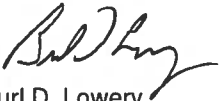
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Eastland Independent School District's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my 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 my 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.

Respectfully submitted,



Burl D. Lowery
Certified Public Accountant

Brownwood, TX
November 6, 2018

EASTLAND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2018

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

One or more material weaknesses identified?

_____ Yes X No

One or more significant deficiencies identified that
are not considered to be material weaknesses?

_____ Yes X None Reported

Noncompliance material to financial
statements noted?

_____ Yes X No

B. Financial Statement Findings

NONE

EASTLAND INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2018

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
<p>2017-001: Student Activity Funds</p> <p>Condition: There are some activities that are being accounted for in the Student Activity Funds that are for the benefit of the District.</p> <p>Recommendation: Any type of revenues that are for the general benefit of the District must be deposited into the general fund. The District must monitor the Student Activity Funds and make sure that only class or student clubs or student organizations are accounted for in the Student Activity Funds.</p>	Implemented	

EASTLAND INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2018

There were no current year findings.

EASTLAND INDEPENDENT SCHOOL DISTRICT**SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2018**

<u>Data Control Codes</u>		<u>Responses</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts and laws related to local, state or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other governmental agencies?	Yes
SF8	Did the school district <u>not</u> receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	What was the total accumulated accretion on capital appreciation bonds (CABs) included in government-wide financial statements at fiscal year-end?	\$ --
SF11	Net Pension Assets (object 1920) at fiscal year-end.	\$ --
SF12	Net Pension Liabilities (object 2540) at fiscal year-end.	\$ 1,425,153
SF13	Pension Expense (object 6147) at fiscal year-end.	\$

In correspondence to all school administrators dated November 1, 2017, the TEA's Director of Financial Compliance stated "For 2017, and until further notice, no data should be entered in the field for data feed Schedule L-1 question SF13. If the AFR and data feed has been submitted no additional steps need to be taken."