

EASTLAND INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2017

Introductory Section

Eastland Independent School District
Annual Financial Report
For The Year Ended August 31, 2017

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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, 2017, at a meeting of the board of trustees of such school district on the 13th day of November, 2017.

Signature of Board Secretary

Signature of Board President

Financial Section

BURL D. LOWERY
CERTIFIED PUBLIC ACCOUNTANT
311 CENTER AVENUE
BROWNWOOD, TEXAS 76801

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedule of the District's proportionate share of the net pension liability and schedule of District pension 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 1, 2017 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 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 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 1, 2017

EASTLAND INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED FOR THE FISCAL YEAR ENDED AUGUST 31, 2017

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, 2017. 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 \$10,829,116 AT August 31, 2017 and \$10,144,229 at August 31, 2016.
- During the year, the District's expenses were \$683,354 less than the \$10,932,949 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs was \$338,450 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 \$3,738,042 as compared to a fund balance of \$2,779,561 in 2016. The general fund increased \$958,481 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 \$10,829,116 at August 31, 2017 and \$10,144,229 at August 31, 2016.

The District has a restricted net position of \$105,884, which is restricted for state and federal programs in amounting to \$54,135, \$17 restricted for debt service, and \$51,732 restricted for capital projects, which leaves \$2,715,314 of unrestricted net position at August 31, 2017. The unrestricted net position represents resources available to fund the programs of the District next year. The net investment in capital assets was \$8,007,918.

Changes in net assets. The District's total revenues were \$10,932,949. A significant portion, 44%, of the District's revenue comes from taxes. State aid foundation grants provide 41% of the revenue, and federal and state operating grants provide 12% of the revenues for the District. Only 2% relates to charges for services.

The total cost of all programs and services was \$10,249,595; 58% of these costs are for instruction and instructional related services. (Expenditure Functions 11, 12, and 13)

Governmental Activities

- Property tax rates in 2016-2017 were \$1.04 per \$100, the same as in 2015-2016. Taxable values increased approximately 4%. The increased values provided the District with approximately \$171,390 more revenue than the prior year.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$10,932,949, amounting to an increase of \$244,408 (approximately 2.29%) over the preceding year. The increase in revenues is a result of increased property taxes and increased State aid.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget. Final budgeted expenditures were \$311,753 more than actual expenditures. Actual revenues were \$646,424 more than the final budgeted amount. The net change in fund balance had a positive variance of \$958,481. 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 \$958,481.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2017, the District had invested \$19,769,355 in a broad range of capital assets, including land, buildings, equipment, vehicles, and infrastructure. The net capital assets amounting to \$11,383,021 represents a net decrease (including additions and deductions) of \$475,647 (a 4% decrease) from last year.

The additions to capital assets during the year included stadium bleachers, trailer for ag science program, and a small piece of land located below the high school facilities.

Long Term Debt

At year-end, the District had long-term debt consisting of bonds, capital leases, and notes outstanding totaling \$3,361,017. A more detailed analysis of the long-term debt is discussed in Note E of the Notes to the Financial Statements.

Net Pension Liability at August 31, 2017 was \$1,719,746.

New Debt and Subsequent Event

As discussed in Note E of the Notes to the Financial Statements, an election was 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 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 will be 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. 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 2017-2018 budget preparation was \$462,941,250, which is \$27,585,557 more than the prior year. The tax rate of \$1.04 for 2017-2018 has remained the same as in the prior year. The new debt service rate is \$0.185. Total tax rate for 2017-2018 is \$1.225. The increased valuations will provide the District with approximately \$229,161 more tax revenue for 2017-2018 for maintenance and operating. The taxes for the debt service total \$933,077. The District's summary of finances for state aid for 2017-2018 is indicating an increase in state aid of \$28,105. This includes the foundation and available school fund revenue sources.
- General operating fund spending increases in the 2017-2018 budget. The District has budgeted total expenditures of \$9,744,888 for 2017-2018. That amounts to approximately 5.65% more expenditures than the original budgeted expenditures for 2016-2017.
- In addition, state foundation revenue fluctuates with student enrollment. The District's estimated refined average daily attendance on the 2017-2018 Summary of Finances is 1,025 students. The final refined average daily attendance for 2016-2017 was 1,038. The District's enrollment as of October 2017 was 1182.

These indicators were taken into account when adopting the general fund budget for 2017-2018. The amount of unrestricted net position available for appropriation as of August 31, 2017 in the general fund budget is \$3,738,042. General Fund revenues and expenditures budgeted are both \$9,744,888 for 2017-2018. The 2017-2018 budget includes approximately \$460,000 for capital outlay for school vehicle, buses, and remodeling of buildings.

Actual final general fund revenues for 2016-2017 were \$9,946,250 and actual final general fund expenditures were \$8,804,073. The actual net change in fund balance was an increase of \$958,481. The District had amended its budgeted revenues and budgeted expenditures to \$9,299,826 for 2016-2017 an increase of less than 1% over the original budget.

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 2017-2018 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 \$10,829,116 at August 31, 2017 and \$10,144,229 at August 31, 2016.

Table 1
Eastland Independent School District's Net Position

	Governmental Activities	
	2017	2016
Current Assets:		
Cash and cash equivalents	\$3,617,744	\$2,954,178
Property taxes receivable net of uncollectible	\$77,744	\$90,247
Due from other governments	\$508,534	\$253,726
Other receivables	\$37,292	\$2,061
Unrealized expenses	\$42,656	\$0
Total Current Assets	<u>\$4,283,970</u>	<u>\$3,300,212</u>
Capital Assets:		
Land	\$675,116	\$647,216
Construction in progress	\$0	\$0
Buildings and improvements, net	\$9,630,256	\$9,997,236
Equipment and vehicles, net	\$686,308	\$803,723
Infrastructure, net	\$391,341	\$410,492
Net Capital Assets	<u>\$11,383,021</u>	<u>\$11,858,667</u>
Restricted Assets:		
Cash in Bank	\$51,751	\$51,375
Total Assets	<u>\$15,718,742</u>	<u>\$15,210,254</u>
Deferred Outflows of Resources:		
Deferred Outflow Related to Pensions	<u>\$786,377</u>	<u>\$953,721</u>
Current Liabilities:		
Accounts payable	\$54,482	\$74,466
Accrued liabilities	\$410,885	\$395,215
Unearned revenues	\$14,503	\$12,585
Total Current Liabilities	<u>\$479,870</u>	<u>\$482,266</u>
Long-term Liabilities:		
Capital lease	\$371,118	\$436,384
Capital leases - FEMA Safe Room	\$1,200,539	\$1,278,771
Maintenance tax note	\$488,241	\$518,518
Lease revenue bonds - QSCB - Public Facilities Corporation	\$366,853	\$409,210
Lease revenue refunding bonds - Public Facilities Corporation	\$934,266	\$1,036,114
Net pension liability	\$1,719,746	\$1,729,787
Total Long-term Liabilities	<u>\$5,080,763</u>	<u>\$5,408,784</u>
Total Liabilities	<u>\$5,560,633</u>	<u>\$5,891,050</u>
Deferred Inflows of Resources:		
Deferred inflows related to pensions	<u>\$115,371</u>	<u>\$128,696</u>
Net Position:		
Net Investment in capital assets	\$8,007,918	\$8,164,306
Restricted for state and federal programs	\$54,135	\$14,863
Restricted for debt service	\$17	\$14
Restricted for capital projects	\$51,732	\$51,356
Unrestricted	\$2,715,314	\$1,913,690
Total Net Position	<u>\$10,829,116</u>	<u>\$10,144,229</u>

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

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

	Governmental Activities	
	2017	2016
Program Revenues:		
Charges for services	\$237,037	\$240,376
Operating grants and contributions	\$1,333,774	\$1,407,998
Capital grants and contributions	\$0	\$0
General Revenues:		
Property taxes	\$4,818,311	\$4,583,610
State aid - formula	\$4,474,448	\$4,355,258
Investment earnings	\$32,007	\$12,679
Other revenues	\$37,372	\$88,620
Total Revenues	<u>\$10,932,949</u>	<u>\$10,688,541</u>
Expenditures:		
Instruction	\$5,821,284	\$5,874,844
Instructional resources and media services	\$95,502	\$110,047
Curriculum development and staff development	\$21,909	\$34,899
Instructional Leadership	\$118,529	\$115,108
School leadership	\$647,796	\$663,766
Guidance and counseling services	\$155,385	\$199,815
Health services	\$29,753	\$59,982
Student (pupil) transportation	\$93,761	\$114,144
Food services	\$472,485	\$472,292
Curricular/extracurricular activities	\$481,894	\$488,752
General administration	\$501,112	\$445,821
Plant maintenance & operation	\$1,129,196	\$1,268,158
Security and monitoring services	\$30,844	\$36,638
Data processing services	\$130,194	\$206,999
Community services	\$48,397	\$50,963
Interest on long-term debt	\$114,109	\$123,889
Bond issuance costs and fees	\$2,500	\$2,500
Capital outlay	\$0	\$0
Payments to fiscal agent/member districts SSA	\$209,590	\$188,810
Other intergovernmental charges	\$145,355	\$130,618
Total Expenditures	<u>10,249,595</u>	<u>10,588,045</u>
Excess (Deficiency) Before Other Resources, Uses, Transfers, and Special Items	\$683,354	\$100,496
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	\$1,533	\$191,549
Extraordinary Item outflow	<u>\$0</u>	<u>(\$181,491)</u>
Increase (Decrease) in Net Position	\$684,887	\$110,554
Net Position - Beginning	\$10,144,229	\$10,033,675
Prior Period Adjustments	<u>\$0</u>	<u>\$0</u>
Net Position - Ending	<u><u>\$10,829,116</u></u>	<u><u>\$10,144,229</u></u>

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

Table 3
Eastland Independent School District's Capital Assets

	Governmental Activities	
	2017	2016
Land	\$675,116	\$647,216
Construction in progress	\$0	\$0
Buildings and improvements	\$16,220,865	\$16,220,865
Equipment and vehicles	\$2,227,523	\$2,191,950
Infrastructure	645,851	645,851
Total Capital Assets	\$19,769,355	\$19,705,882
Total Accumulated Depreciation	\$8,386,334	\$7,847,214
Net Capital Assets	<u>\$11,383,021</u>	<u>\$11,858,668</u>

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

	Governmental Activities	
	2017	2016
Capital lease	\$371,118	\$436,384
Capital lease - FEMA Safe Room	\$1,200,539	\$1,278,771
Maintenance tax note	\$488,241	\$518,518
Lease revenue bonds - QSCB - Public Facilities Corporation	\$366,853	\$409,210
Lease revenue refunding bonds - Public Facilities Corporation	\$934,266	\$1,036,114
	\$3,361,017	\$3,678,997
Net Pension Liability	\$1,719,746	\$1,729,787
Total Long-Term Debt	<u>\$5,080,763</u>	<u>\$5,408,784</u>

Basic Financial Statements

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

1

Data Control Codes		Governmental Activities
ASSETS:		
1110	Cash and Cash Equivalents	\$ 3,617,744
1225	Property Taxes Receivable (Net)	77,744
1240	Due from Other Governments	508,534
1290	Other Receivables (Net)	37,292
1410	Unrealized Expenses	42,656
Capital Assets:		
1510	Land	675,116
1520	Buildings and Improvements, Net	9,630,256
1530	Furniture and Equipment, Net	686,308
1590	Infrastructure, Net	391,341
1800	Restricted Assets	51,751
1000	Total Assets	<u>15,718,742</u>
DEFERRED OUTFLOWS OF RESOURCES:		
1705	Deferred Outflow Related to Pensions	786,377
1700	Total Deferred Outflows of Resources	<u>786,377</u>
LIABILITIES:		
2110	Accounts Payable	54,482
2165	Accrued Liabilities	410,885
2300	Unearned Revenue	14,503
Noncurrent Liabilities:		
2501	Due Within One Year	328,359
2502	Due in More Than One Year	3,032,657
2540	Net Pension Liability	1,719,746
2000	Total Liabilities	<u>5,560,632</u>
DEFERRED INFLOWS OF RESOURCES:		
2605	Deferred Inflow Related to Pensions	115,371
2600	Total Deferred Inflows of Resources	<u>115,371</u>
NET POSITION:		
3200	Net Investment in Capital Assets	8,007,918
Restricted For:		
3820	State and Federal Programs	54,135
3850	Debt Service	17
3860	Capital Projects	51,732
3900	Unrestricted	2,715,314
3000	Total Net Position	<u>\$ 10,829,116</u>

The accompanying notes are an integral part of this statement.

EASTLAND INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	Functions/Programs	1 Expenses	3 Program Revenues		4 Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
			Charges for Services			
						Governmental Activities
	Governmental Activities:					
11	Instruction	\$ 5,821,284	\$ 6,000	\$ 827,704	\$ (4,987,580)	
12	Instructional Resources and Media Services	95,502	--	6,487	(89,015)	
13	Curriculum and Staff Development	21,909	--	306	(21,603)	
21	Instructional Leadership	118,529	--	6,802	(111,727)	
23	School Leadership	647,796	--	42,036	(605,760)	
31	Guidance, Counseling, & Evaluation Services	155,385	--	13,224	(142,161)	
33	Health Services	29,753	--	2,051	(27,702)	
34	Student Transportation	93,761	--	3,931	(89,830)	
35	Food Service	472,485	131,100	348,045	6,660	
36	Cocurricular/Extracurricular Activities	481,894	64,647	16,364	(400,883)	
41	General Administration	501,112	--	22,157	(478,955)	
51	Facilities Maintenance and Operations	1,129,196	3,762	33,204	(1,092,230)	
52	Security and Monitoring Services	30,844	--	247	(30,597)	
53	Data Processing Services	130,194	--	5,501	(124,693)	
61	Community Services	48,397	31,528	3,935	(12,934)	
72	Interest on Long-term Debt	114,109	--	--	(114,109)	
73	Bond Issuance Costs and Fees	2,500	--	--	(2,500)	
93	Payments Related to Shared Services Arrangements	209,590	--	1,780	(207,810)	
99	Other Intergovernmental Charges	145,355	--	--	(145,355)	
TG	Total Governmental Activities	10,249,595	237,037	1,333,774	(8,678,784)	
TP	Total Primary Government	\$ 10,249,595	\$ 237,037	\$ 1,333,774	(8,678,784)	
	General Revenues:					
MT	Property Taxes, Levied for General Purposes				4,818,311	
IE	Investment Earnings				32,007	
GC	Grants and Contributions Not Restricted to Specific Programs				4,474,448	
MI	Miscellaneous				37,372	
	Special and Extraordinary Items:					
E1	Extraordinary Item Inflow				1,533	
TR	Total General Revenues				9,363,671	
CN	Change in Net Position				664,887	
NB	Net Position - Beginning				10,144,229	
NE	Net Position - Ending				\$ 10,829,116	

The accompanying notes are an integral part of this statement.

EASTLAND INDEPENDENT SCHOOL DISTRICT**BALANCE SHEET - GOVERNMENTAL FUNDS**

AUGUST 31, 2017

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds
ASSETS:			
1110 <i>Cash and Cash Equivalents</i>	\$ 3,590,518	\$ 23,346	\$ 3,613,864
1225 <i>Taxes Receivable, Net</i>	77,744	--	77,744
1240 <i>Due from Other Governments</i>	435,240	73,294	508,534
1260 <i>Due from Other Funds</i>	42,656	--	42,656
1290 <i>Other Receivables</i>	37,292	--	37,292
1410 <i>Unrealized Expenditures</i>	--	42,656	42,656
1800 <i>Restricted Assets</i>	51,751	--	51,751
1000 Total Assets	<u>4,235,201</u>	<u>139,296</u>	<u>4,374,497</u>
LIABILITIES:			
Current Liabilities:			
2110 <i>Accounts Payable</i>	\$ 6,159	\$ --	\$ 6,159
2160 <i>Accrued Wages Payable</i>	347,011	39,249	386,260
2170 <i>Due to Other Funds</i>	44,443	42,656	87,099
2200 <i>Accrued Expenditures</i>	7,357	3,181	10,538
2300 <i>Unearned Revenue</i>	14,445	58	14,503
2000 Total Liabilities	<u>419,415</u>	<u>85,144</u>	<u>504,559</u>
DEFERRED INFLOWS OF RESOURCES:			
<i>Deferred Revenue</i>	77,744	--	77,744
2600 Total Deferred Inflows of Resources	<u>77,744</u>	<u>--</u>	<u>77,744</u>
FUND BALANCES:			
Restricted Fund Balances:			
3450 <i>Federal/State Funds Grant Restrictions</i>	--	54,135	54,135
3470 <i>Capital Acquisitions & Contractual Obligations</i>	51,732	--	51,732
3480 <i>Retirement of Long-Term Debt</i>	--	17	17
3600 <i>Unassigned</i>	3,686,310	--	3,686,310
3000 Total Fund Balances	<u>3,738,042</u>	<u>54,152</u>	<u>3,792,194</u>
Total Liabilities, Deferred Inflow			
4000 of Resources and Fund Balances	<u>\$ 4,235,201</u>	<u>\$ 139,296</u>	<u>\$ 4,374,497</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, 2017

Total fund balances - governmental funds balance sheet	\$ 3,792,194
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	11,383,021
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	77,744
Payables for bond principal which are not due in the current period are not reported in the funds.	(1,301,119)
Payables for capital leases which are not due in the current period are not reported in the funds.	(1,571,657)
Payables for bond interest which are not due in the current period are not reported in the funds.	(14,087)
Payables for notes which are not due in the current period are not reported in the funds.	(488,240)
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(1,719,746)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(115,371)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	786,377
Net position of governmental activities - Statement of Net Position	\$ <u>10,829,116</u>

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, 2017

Data Control Codes		10		98
		General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:				
5700	Local and Intermediate Sources	\$ 5,007,389	\$ 131,373	\$ 5,138,762
5800	State Program Revenues	4,866,220	62,229	4,928,449
5900	Federal Program Revenues	72,641	730,456	803,097
5020	Total Revenues	9,946,250	924,058	10,870,308
EXPENDITURES:				
Current:				
0011	Instruction	4,898,843	448,954	5,347,797
0012	Instructional Resources and Media Services	89,058	--	89,058
0013	Curriculum and Staff Development	20,784	--	20,784
0021	Instructional Leadership	107,714	--	107,714
0023	School Leadership	599,724	--	599,724
0031	Guidance, Counseling, & Evaluation Services	143,879	--	143,879
0033	Health Services	27,747	--	27,747
0034	Student Transportation	88,040	--	88,040
0035	Food Service	--	435,412	435,412
0036	Cocurricular/Extracurricular Activities	451,148	--	451,148
0041	General Administration	463,309	--	463,309
0051	Facilities Maintenance and Operations	1,082,383	--	1,082,383
0052	Security and Monitoring Services	29,312	--	29,312
0053	Data Processing Services	122,451	--	122,451
0061	Community Services	44,666	417	45,083
0071	Principal on Long-term Debt	173,775	144,205	317,980
0072	Interest on Long-term Debt	78,396	36,991	115,387
0073	Bond Issuance Costs and Fees	--	2,500	2,500
0081	Capital Outlay	27,899	--	27,899
0093	Payments to Shared Service Arrangements	209,590	--	209,590
0099	Other Intergovernmental Charges	145,355	--	145,355
6030	Total Expenditures	8,804,073	1,068,479	9,872,552
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	1,142,177	(144,421)	997,756
Other Financing Sources and (Uses):				
7915	Transfers In	--	183,696	183,696
8911	Transfers Out	(183,696)	--	(183,696)
7080	Total Other Financing Sources and (Uses)	(183,696)	183,696	--
1200	Net Change in Fund Balances	958,481	39,275	997,756
0100	Fund Balances - Beginning	2,779,561	14,877	2,794,438
3000	Fund Balances - Ending	\$ 3,738,042	\$ 54,152	\$ 3,792,194

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, 2017*

Net change in fund balances - total governmental funds	\$ 997,756
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	63,472
The depreciation of capital assets used in governmental activities is not reported in the funds.	(539,118)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(12,503)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	143,498
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	144,205
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	30,277
(Increase) decrease in accrued interest from beginning of period to end of period.	1,278
The net revenue (expense) of internal service funds is reported with governmental activities.	(0)
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	(143,978)
Change in net position of governmental activities - Statement of Activities	<u>\$ 684,887</u>

The accompanying notes are an integral part of this statement.

EASTLAND INDEPENDENT SCHOOL DISTRICT**STATEMENT OF NET POSITION****INTERNAL SERVICE FUND****AUGUST 31, 2017**

Data Control Codes		Nonmajor Internal Service Fund
		Insurance Fund
ASSETS:		
	Current Assets:	
1110	Cash and Cash Equivalents	\$ 3,880
	Receivables:	
1260	Due from Other Funds	44,443
	Total Current Assets	48,323
1000	Total Assets	48,323
LIABILITIES:		
	Current Liabilities:	
2110	Accounts Payable	\$ 48,323
	Total Current Liabilities	48,323
2000	Total Liabilities	48,323
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, 2017

Data Control Codes		Nonmajor Internal Service Fund	Insurance Fund
	OPERATING REVENUES:		
5700	<i>Local and Intermediate Sources</i>	\$	11,643
5020	Total Revenues		<u>11,643</u>
	OPERATING EXPENSES:		
6200	<i>Professional and Contracted Services</i>		<u>11,643</u>
6030	Total Expenses		<u>11,643</u>
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, 2017

	Internal Service Funds
Cash Flows from Operating Activities:	
<i>Cash Receipts (Payments) for Quasi-external</i>	
<i>Operating Transactions with Other Funds</i>	\$ 33,646
<i>Cash Payments to Other Suppliers for Goods and Services</i>	(35,288)
Net Cash Provided (Used) by Operating Activities	<u>(1,642)</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	(1,642)
Cash and Cash Equivalents at Beginning of Year	5,522
Cash and Cash Equivalents at End of Year	<u>\$ 3,880</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>	22,002
<i>Increase (Decrease) in Accounts Payable</i>	(23,644)
Total Adjustments	(1,642)
Net Cash Provided (Used) by Operating Activities	<u>\$ (1,642)</u>

The accompanying notes are an integral part of this statement.

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

			Agency Fund
Data Control Codes		Scholarship Trust Funds	Student Activity
ASSETS:			
1110	Cash and Cash Equivalents	\$ 166,626	\$ 85,576
1800	Restricted Assets	61,064	--
1000	Total Assets	<u>227,690</u>	<u>85,576</u>
LIABILITIES:			
Current Liabilities:			
2190	Due to Student Groups	\$ --	\$ 85,576
2000	Total Liabilities	<u>--</u>	<u>85,576</u>
NET POSITION:			
3800	Held in Trust	227,690	--
3000	Total Net Position	<u>\$ 227,690</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, 2017

	Private- Purpose Trusts
Additions:	
Investment Income	\$ 908
Net (Decrease) in Fair Value of Investments	(8,648)
Gifts & Bequests	63,243
Total Additions	<u>55,503</u>
Deductions:	
Scholarship Awards	52,900
Benefits	--
Refunds of Contributions	--
Administrative Expenses	--
Total Deductions	<u>52,900</u>
Change in Net Position	2,603
Net Position-Beginning of the Year	225,087
Net Position-End of the Year	<u><u>\$ 227,690</u></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, 2017

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 N 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.

EASTLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

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, 2017

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, 2017

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. Compensated Absences

On retirement or death of certain employees, the District pays any accrued sick leave in a lump case payment to such employee or his/her estate. Individuals employed having completed ten years of continuous service in the District and who meet the requirements for retirement with the Texas Teacher Retirement System shall be reimbursed for any unused state leave. Upon retirement under the TRS, a professional employee is paid for accrued leave at the rate of \$50 per day up to a maximum of \$5,000 and an at-will employee is paid \$40 per day up to a maximum of \$4,000. The District does not accrue a liability for compensated balances because there is no way to estimate when an employee is going to retire. When an employee does retire, the District uses the governmental funds in the general fund to pay the compensated balance due.

h. 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

i. 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.

j. 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.

k. 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.

EASTLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

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.

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.

l. 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.

m. 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.

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 2017, the District adopted three new statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

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- Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*
- Statement No. 80, *Blending Requirements for Certain Component Units*
- Statement No. 82, *Pension Issues - An Amendment of GASB No. 67, No. 68 and No. 73*

- a. Statement No. 74 improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*.

The scope of this Statement includes OPEB plans, defined benefit and defined contribution that are administered through trusts that meet the following criteria:

- 1) Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- 2) OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- 3) OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria.

The District does not administer their OPEB plan through a trust that meets the criteria noted above. As a result, the adoption of GASB Statement No. 74 did not result in a change to the financial statements or note disclosures.

- b. GASB Statement No. 80 clarifies the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*, as amended.

This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*.

The District did not have any component units which met the definition noted above. As a result, the adoption of GASB Statement No. 80 did not result in a change to the financial statements or note disclosures.

- c. GASB Statement No. 82 addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68*, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related

EASTLAND INDEPENDENT SCHOOL DISTRICT

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measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

Prior to the issuance of this Statement, Statements 67 and 68 required presentation of covered employee payroll, which is the payroll of employees that are provided with pensions through the pension plan, and ratios that use that measure, in schedules of required supplementary information. This Statement amends Statements 67 and 68 to instead require the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure.

This Statement clarifies that a deviation, as the term is used in Actuarial Standards of Practice issued by the Actuarial Standards Board, from the guidance in an Actuarial Standard of Practice is not considered to be in conformity with the requirements of Statement 67, Statement 68, or Statement 73 for the selection of assumptions used in determining the total pension liability and related measures.

This Statement clarifies that payments that are made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement 67 and as employee contributions for purposes of Statement 68. It also requires that an employer's expense and expenditures for those amounts be recognized in the period for which the contribution is assessed and classified in the same manner as the employer classifies similar compensation other than pensions (for example, as salaries and wages or as fringe benefits).

The financial statements and note disclosures have been updated for the affects of the adoption of GASB Statement No. 82.

B. 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, 2017, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$3,912,431 and the bank balance was \$3,971,928. The District's cash deposits at August 31, 2017 and during the year ended August 31, 2017, 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.

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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.

The District's investment at August 31, 2017 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	\$ 3,480,197	
Lone Star Investment Pool	N/A	1	
Total District Investments			\$ 3,480,198
Fiduciary Funds:			
Scholarship Trust Funds			
Certificate of Deposit	1 year	\$ 3,034	
Lone Star Investment Pool	N/A	137,832	
Equity Stocks - Exxon	N/A	61,064	
Total Scholarship Trust Funds			\$ 201,930
Total Investments			\$ 3,682,128

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, 2017, 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 \$ 137,832 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.

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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.

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.

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The District's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

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 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.

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C. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 647,216	\$ 27,900	\$ --	\$ 675,116
Construction in progress	--	--	--	--
Total capital assets not being depreciated	647,216	27,900	--	675,116
<i>Capital assets being depreciated:</i>				
Buildings and improvements	16,220,865	--	--	16,220,865
Equipment	905,648	35,573	--	941,221
Vehicles	1,286,302	--	--	1,286,302
Infrastructure	645,851	--	--	645,851
Total capital assets being depreciated	19,058,666	35,573	--	19,094,239
Less accumulated depreciation for:				
Buildings and improvements	(6,223,629)	(366,980)	--	(6,590,609)
Equipment	(396,055)	(66,716)	--	(462,771)
Vehicles	(992,172)	(86,272)	--	(1,078,444)
Infrastructure	(235,360)	(19,150)	--	(254,510)
Total accumulated depreciation	(7,847,216)	(539,118)	--	(8,386,334)
Total capital assets being depreciated, net	11,211,450	(503,545)	--	10,707,905
Governmental activities capital assets, net	\$ 11,858,666	\$ (475,645)	\$ --	\$ 11,383,021

Depreciation was charged to functions as follows:

Instruction	\$ 342,627
Instructional Resources and Media Services	4,743
Curriculum and Staff Development	1,088
Instructional Leadership	5,886
School Leadership	32,169
Guidance, Counseling, & Evaluation Services	7,716
Health Services	1,478
Student Transportation	4,656
Food Services	23,463
Extracurricular Activities	23,931
General Administration	24,885
Plant Maintenance and Operations	56,076
Security and Monitoring Services	1,532
Data Processing Services	6,465
Community Services	2,403
	<u>\$ 539,118</u>

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D. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2017, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Other Governmental Funds	\$ 42,656	Preliminary construction costs
Internal Service Fund	General Fund	44,443	Specify purpose here
	Other Balances	--	
	Total	\$ 87,099	

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

2. Transfers To and From Other Funds

Transfers to and from other funds at August 31, 2017, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General fund	Public Facilities Corp - Debt Service Fund	\$ 183,696	Pay Capital Lease payments to Public Facilities Corporation
	Total	\$ 183,696	

E. 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, 2017, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Capital Lease Purchase	\$ 436,384	\$ --	\$ 65,266	\$ 371,118	\$ 68,084
Maintenance tax note	518,518	--	30,277	488,241	31,196
Lease Revenue Bonds - QSCB-					
Public Facilities Corp	409,210	--	42,357	366,853	43,103
Lease Revenue Refunding Bonds	--			--	
Public Facilities Corp	1,036,114	--	101,848	934,266	104,938
Capital Lease Purchase -	--			--	
FEMA Safe Room	1,032,568	--	63,683	968,885	65,975
Capital Lease Purchase -	--			--	
FEMA Safe Room	246,203	--	14,549	231,654	15,063
Net Pension Liability	1,729,787	243,728	253,769	1,719,746	--
Total governmental activities	\$ 5,408,784	\$ 243,728	\$ 571,749	\$ 5,080,763	\$ 328,359

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* 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

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2017, are as follows:

Year Ending August 31,	Governmental Activities		Total
	Principal	Interest	
2018	\$ 328,359	\$ 104,845	\$ 433,204
2019	339,096	94,108	433,204
2020	350,202	83,003	433,205
2021	361,692	71,513	433,205
2022	373,578	59,627	433,205
2023-2027	1,232,020	158,028	1,390,048
2028-2031	376,069	19,724	395,793
Totals	<u>\$ 3,361,016</u>	<u>\$ 590,848</u>	<u>\$ 3,951,864</u>

3. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of August 31, 2017, as follows:

Year Ending August 31:	Principal	Interest	Lease Payments
2018	\$ 149,122	\$ 57,554	\$ 206,676
2019	154,969	51,707	206,676
2020	161,047	45,629	206,676
2021	167,366	39,310	206,676
2022	173,934	32,742	206,676
2023-2027	519,205	100,271	619,476
2028-2031	246,013	13,297	259,310
Total Minimum Rentals	<u>\$ 1,571,656</u>	<u>\$ 340,510</u>	<u>\$ 1,912,166</u>
Rental Expenditures in 2017	<u>\$ 143,497</u>	<u>\$ 63,179</u>	<u>\$ 206,676</u>

The effective interest rate on capital leases is 4.25%, 3.60%, and 3.50%.

The capital leases are also included in the long-term debt requirements shown previously.

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. Maturity of the debt is July, 2022.

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 maturity of the debt is August 15, 2029. Annual payments of \$100,855 began August 15, 2016. The owner of the debt is Prosperity Bank.

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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%. The maturity date of the debt is October 1, 2029. Annual payments of \$23,040 begin October 1, 2015. The owner of the debt is City National Bank of Colorado City.

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.

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.

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. The note maturity date remained the same - July 2030.

7. New Debt and Subsequent Event

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

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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 is currently encumbered by the Refunded Obligations. 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.

The only old debt not refunded by the 2017 Bonds is the QSCB Tax Credit Bonds held by the Public Facilities Corporation. That debt will continue to be paid throughout its original maturity date June 2025. The quarterly payment on this debt is \$12,310.

F. Commitments Under Noncapitalized Leases

Commitments under operating (noncapitalized) lease agreements for equipment provide for minimum future rental payments as of August 31, 2017, as follows:

<u>Year Ending August 31,</u>	
2018	\$ 32,837
2019	32,837
2020	32,837
Total Minimum Rentals	\$ <u>98,511</u>
Rental Expenditures in 2017	\$ <u>32,837</u>

G. 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 2017, 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.

H. 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.

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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.texas.gov/TRS%20Documents/cafr_2016.pdf; 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 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 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

Contribution Rates		
	2016	2017
Member	7.2%	7.7%
Non-Employer Contributing Entity (NECE - State)	6.8%	6.8%
Employers	6.8%	6.8%
District's 2017 Employer Contributions	\$ 146,079	
District's 2017 Member Contributions	\$ 440,813	
NECE 2016 On-Behalf Contributions to District	\$ 330,778	

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).

EASTLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

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.

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 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, 2016 actuarial evaluation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2016
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.

EASTLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2016 are summarized below:

Teacher Retirement System of Texas Asset Allocation and Long-Term Expected Real Rate of Return As of August 31, 2016			
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%
* 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 2016 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	\$ 2,661,587	\$ 1,719,746	\$ 920,874

EASTLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

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

At August 31, 2017, the District reported a liability of \$1,719,746 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	\$	1,719,746
State's proportionate share that is associated with District		<u>3,926,280</u>
Total	\$	<u>5,646,026</u>

The net pension liability was measured as of August 31, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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, 2015 through August 31, 2016.

At August 31, 2016 the employer's proportion of the collective net pension liability was 0.004551%. which was an increase (decrease) of (.0003425%) from its proportion measured as of August 31, 2015.

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, 2017, the District recognized pension expense of \$407454 and revenue of \$407454 for support provided by the State.

At August 31, 2017, 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 26,965	\$ 51,351
Changes in actuarial assumptions	52,415	47,669
Difference between projected and actual investment earnings	145,624	
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	415,294	16,351
Contributions paid to TRS subsequent to the measurement date [to be calculated by employer]	<u>146,079</u>	
Total	<u>\$ 786,377</u>	<u>\$ 115,371</u>

EASTLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

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
2018	\$ 241,446
2019	\$ 95,367
2020	\$ 188,253
2021	\$ 88,231
2022	\$ 57,943
Thereafter	\$ (231)

I. Retiree Health Care Plans

1. TRS-Care

a. Plan Description

The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas (TRS). TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS web site at www.trs.state.tx.us under the TRS Publications heading, by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling the TRS Communications Department at 1-800-223-8778.

b. Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. The State of Texas contribution rate was 1% for fiscal years 2015 and 2014, and 0.5% for fiscal year 2013. The active public school employee contributions rates were 0.65% of public school payroll, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2017, 2016 and 2015. For the years ended August 31, 2017, 2016, and 2015, the State's contributions to TRS-Care were \$54,146, \$53,336, and \$53,941, respectively, the active member contributions were \$37,213, \$37,212, and \$37,801, respectively, and the District's contributions were \$35,588, \$42,115, and \$46,975, respectively, which equaled the required contributions each year.

2. Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2017, 2016, and 2015, the subsidy payments received by TRS-Care on behalf of the District were \$17,149, \$23,815, and \$24,726, respectively.

EASTLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

J. Employee Health Care Coverage

During the year ended August 31, 2017, 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.

K. 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, 2017.

L. 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.

EASTLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

M. 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 2016-2017 is \$63,077. The fixed cost for the District for 2016-2017 is \$17,678, 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 \$48,323. This includes both (a) claims that have been reported in the amount of \$22,619 and (b) estimated incurred but not reported (IBNR) in the amount of \$25,704. 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.

N. 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, 2017, the District transferred \$183,696 from the District's General Fund to the Public Facility Corporation's Debt Service Fund for the payments that were due on the bonded debt. 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.

EASTLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

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%. The first quarterly payment of \$30,127 was paid November 1, 2010. Subsequent to that payment, the remaining quarterly payments are \$34,885 each. Payments are due in November, February, May and August of each year until the maturity date of August 1, 2025.

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%. Bond issuance costs amounted to \$30,322. The maturity date for the bonds remained at August 1, 2025. The new quarterly payment is now \$32,948, a reduction of \$1,937 each quarter. The Public Facilities Corporation will save approximately \$134,764 in interest costs with the new payment schedule.

Additional information on the Public Facility Corporation can be found in Note E Long-Term Debt of this report. The 2010 Lease Revenue Refunding Bonds, as amended on February 3, 2012, were part of the refunding of debt in the 2017 Bond Issue. On the redemption date of September 20, 2017, the bonds were redeemed for a total redemption amount of \$951,315. As of September 20, 2017, those bonds are fully paid. The QSCB 2010 bonds will continue to be paid according to the payment schedule until the maturity date of June 1, 2025.

O. Extraordinary Items

The District had extraordinary other resources which consisted of the receipt of insurance proceeds for damages to a school-owned vehicle. The vehicle was repaired during the school year. Management has reviewed all transactions and events subsequent to August 31, 2017. The event described above is the only event that requires disclosure.

P. Preliminary Construction Costs

The District paid \$42,656 of preliminary construction costs during the fiscal year ended August 31, 2017. The 2017 Bond Issue specifies that certain preliminary costs can be reimbursed by the bond proceeds. The \$42,656 will be refunded to the General Fund during the next fiscal year.

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, 2017

EXHIBIT G-1
Page 1 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
	REVENUES:				
5700	<i>Local and Intermediate Sources</i>	\$ 4,715,990	\$ 4,728,310	\$ 5,007,389	\$ 279,079
5800	<i>State Program Revenues</i>	4,507,612	4,507,612	4,866,220	358,608
5900	<i>Federal Program Revenues</i>	--	63,904	72,641	8,737
5020	Total Revenues	9,223,602	9,299,826	9,946,250	646,424
	EXPENDITURES:				
	Current:				
	Instruction & Instructional Related Services:				
0011	<i>Instruction</i>	4,917,384	4,924,273	4,898,843	25,430
0012	<i>Instructional Resources and Media Services</i>	98,908	98,908	89,058	9,850
0013	<i>Curriculum and Staff Development</i>	58,245	33,245	20,784	12,461
	Total Instruction & Instr. Related Services	5,074,537	5,056,426	5,008,685	47,741
	Instructional and School Leadership:				
0021	<i>Instructional Leadership</i>	108,115	109,115	107,714	1,401
0023	<i>School Leadership</i>	612,131	612,131	599,724	12,407
	Total Instructional & School Leadership	720,246	721,246	707,438	13,808
	Support Services - Student (Pupil):				
0031	<i>Guidance, Counseling and Evaluation Services</i>	184,691	164,691	143,879	20,812
0033	<i>Health Services</i>	31,665	31,665	27,747	3,918
0034	<i>Student (Pupil) Transportation</i>	224,779	165,279	88,040	77,239
0036	<i>Cocurricular/Extracurricular Activities</i>	443,978	479,409	451,148	28,261
	Total Support Services - Student (Pupil)	885,113	841,044	710,814	130,230
	Administrative Support Services:				
0041	<i>General Administration</i>	418,541	474,191	463,309	10,882
	Total Administrative Support Services	418,541	474,191	463,309	10,882
	Support Services - Nonstudent Based:				
0051	<i>Plant Maintenance and Operations</i>	1,146,243	1,186,243	1,082,363	103,860
0052	<i>Security and Monitoring Services</i>	31,000	31,000	29,312	1,688
0053	<i>Data Processing Services</i>	118,861	124,861	122,461	2,410
	Total Support Services - Nonstudent Based	1,296,104	1,342,104	1,234,146	107,958
	Ancillary Services:				
0061	<i>Community Services</i>	44,211	45,211	44,666	545
	Total Ancillary Services	44,211	45,211	44,666	545
	Debt Service:				
0071	<i>Principal on Long-Term Debt</i>	287,000	173,900	173,775	125
0072	<i>Interest on Long-Term Debt</i>	147,850	78,450	78,396	54
	Total Debt Service	434,850	252,350	252,171	179
	Capital Outlay:				
0081	<i>Capital Outlay</i>	--	27,899	27,899	--
	Total Capital Outlay	--	27,899	27,899	--

EASTLAND INDEPENDENT SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2017

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	<i>Payments to Fiscal Agent/Member Dist.-SSA</i>	210,000	210,000	209,590	410
0099	<i>Other Intergovernmental Charges</i>	140,000	145,355	145,355	--
	Total Intergovernmental Charges	350,000	355,355	354,945	410
6030	Total Expenditures	9,223,602	9,115,826	8,804,073	311,753
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	--	184,000	1,142,177	958,177
	Other Financing Sources (Uses):				
8911	<i>Transfers Out</i>	--	(184,000)	(183,696)	304
7080	Total Other Financing Sources and (Uses)	--	(184,000)	(183,696)	304
1200	Net Change in Fund Balance	--	--	958,481	958,481
0100	Fund Balance - Beginning	2,779,561	2,779,561	2,779,561	--
3000	Fund Balance - Ending	\$ 2,779,561	\$ 2,779,561	\$ 3,738,042	\$ 958,481

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		
	2017	2016	2015
District's proportion of the net pension liability (asset)	0.0045510%	0.0048935%	0.00270400%
District's proportionate share of the net pension liability (asset)	\$ 1,719,746	\$ 1,729,787	\$ 722,276
State's proportionate share of the net pension liability (asset) associated with the District	3,926,280	4,026,852	3,605,311
Total	<u>\$ 5,646,026</u>	<u>\$ 5,756,639</u>	<u>\$ 4,327,587</u>
District's covered-employee payroll	\$ 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	30.04%	29.74%	12.32%
Plan fiduciary net position as a percentage of the total pension liability	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		
	2017	2016	2015
Contractually required contribution	\$ 146,079	\$ 144,596	\$ 149,073
Contributions in relation to the contractually required contribution	(146,079)	(144,596)	(149,073)
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered-employee payroll	\$ 5,724,842	\$ 5,724,678	\$ 5,815,594
Contributions as a percentage of covered-employee payroll	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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED AUGUST 31, 2017

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, 2017

Data Control Codes		Special Revenue Funds	Debt Service Fund Public Facilities Corp - Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds (See Exhibit C-1)
ASSETS:					
1110	Cash and Cash Equivalents	\$ 23,329	\$ 17	\$ --	\$ 23,346
1240	Due from Other Governments	73,294	--	--	73,294
1410	Unrealized Expenditures	--	--	42,656	42,656
1000	Total Assets	<u>96,623</u>	<u>17</u>	<u>42,656</u>	<u>139,296</u>
LIABILITIES:					
Current Liabilities:					
2160	Accrued Wages Payable	\$ 39,249	\$ --	\$ --	\$ 39,249
2170	Due to Other Funds	--	--	42,656	42,656
2200	Accrued Expenditures	3,181	--	--	3,181
2300	Unearned Revenue	58	--	--	58
2000	Total Liabilities	<u>42,488</u>	<u>--</u>	<u>42,656</u>	<u>85,144</u>
FUND BALANCES:					
Restricted Fund Balances:					
3450	Federal/State Funds Grant Restrictions	54,135	--	--	54,135
3480	Retirement of Long-Term Debt	--	17	--	17
3000	Total Fund Balances	<u>54,135</u>	<u>17</u>	<u>--</u>	<u>54,152</u>
4000	Total Liabilities and Fund Balances	<u>\$ 96,623</u>	<u>\$ 17</u>	<u>\$ 42,656</u>	<u>\$ 139,296</u>

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

Data Control Codes	Special Revenue Funds	Debt Service Fund Public Facilities Corp - Debt Service Fund	Total Nonmajor Governmental Funds (See Exhibit C-2)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 131,370	\$ 3	\$ 131,373
5800 <i>State Program Revenues</i>	62,229	--	62,229
5900 <i>Federal Program Revenues</i>	730,456	--	730,456
5020 <i>Total Revenues</i>	<u>924,055</u>	<u>3</u>	<u>924,058</u>
EXPENDITURES:			
Current:			
0011 <i>Instruction</i>	448,954	--	448,954
0035 <i>Food Service</i>	435,412	--	435,412
0061 <i>Community Services</i>	417	--	417
0071 <i>Principal on Long-term Debt</i>	--	144,205	144,205
0072 <i>Interest on Long-term Debt</i>	--	36,991	36,991
0073 <i>Bond Issuance Costs and Fees</i>	--	2,500	2,500
6030 <i>Total Expenditures</i>	<u>884,783</u>	<u>183,696</u>	<u>1,068,479</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>			
1100 <i>Expenditures</i>	<u>39,272</u>	<u>(183,693)</u>	<u>(144,421)</u>
Other Financing Sources and (Uses):			
7915 <i>Transfers In</i>	--	183,696	183,696
7080 <i>Total Other Financing Sources and (Uses)</i>	--	<u>183,696</u>	<u>183,696</u>
1200 <i>Net Change in Fund Balances</i>	<u>39,272</u>	<u>3</u>	<u>39,275</u>
0100 <i>Fund Balances - Beginning</i>	14,863	14	14,877
3000 <i>Fund Balances - Ending</i>	<u>\$ 54,135</u>	<u>\$ 17</u>	<u>\$ 54,152</u>

EASTLAND INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
AUGUST 31, 2017

Data Control Codes	205 Head Start	211 ESEA Title I Improving Basic Programs	225 IDEA-B Preschool Grant
ASSETS:			
1110 <i>Cash and Cash Equivalents</i>	\$ (5,447)	\$ (7,384)	\$ --
1240 <i>Due from Other Governments</i>	10,859	29,673	--
1000 Total Assets	<u>5,412</u>	<u>22,289</u>	<u>--</u>
LIABILITIES:			
Current Liabilities:			
2160 <i>Accrued Wages Payable</i>	\$ 4,850	\$ 20,230	\$ --
2200 <i>Accrued Expenditures</i>	562	2,059	--
2300 <i>Unearned Revenue</i>	--	--	--
2000 Total Liabilities	<u>5,412</u>	<u>22,289</u>	<u>--</u>
FUND BALANCES:			
Restricted Fund Balances:			
3450 <i>Federal/State Funds Grant Restrictions</i>	--	--	--
3000 Total Fund Balances	<u>--</u>	<u>--</u>	<u>--</u>
4000 Total Liabilities and Fund Balances	<u>\$ 5,412</u>	<u>\$ 22,289</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	273 Math and Science Partnerships
\$ 44,920	\$ --	\$ --	\$ (432)	\$ --
20,461	--	3,483	432	--
<u>65,381</u>	<u>--</u>	<u>3,483</u>	<u>--</u>	<u>--</u>
\$ 11,010	\$ --	\$ 3,159	\$ --	\$ --
236	--	324	--	--
--	--	--	--	--
<u>11,246</u>	<u>--</u>	<u>3,483</u>	<u>--</u>	<u>--</u>
54,135	--	--	--	--
<u>54,135</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>\$ 65,381</u>	<u>\$ --</u>	<u>\$ 3,483</u>	<u>\$ --</u>	<u>\$ --</u>

EASTLAND INDEPENDENT SCHOOL DISTRICT**COMBINING BALANCE SHEET****NONMAJOR SPECIAL REVENUE FUNDS**

AUGUST 31, 2017

Data Control Codes	410 State Textbook Fund	429 State Funded Special Revenue Fund	Total Nonmajor Special Revenue Funds (See Exhibit H-1)
ASSETS:			
1110 <i>Cash and Cash Equivalents</i>	\$ 58	\$ (8,386)	\$ 23,329
1240 <i>Due from Other Governments</i>	--	8,386	73,294
1000 Total Assets	<u>58</u>	<u>--</u>	<u>96,623</u>
LIABILITIES:			
Current Liabilities:			
2160 <i>Accrued Wages Payable</i>	\$ --	\$ --	\$ 39,249
2200 <i>Accrued Expenditures</i>	--	--	3,181
2300 <i>Unearned Revenue</i>	58	--	58
2000 Total Liabilities	<u>58</u>	<u>--</u>	<u>42,488</u>
FUND BALANCES:			
Restricted Fund Balances:			
3450 <i>Federal/State Funds Grant Restrictions</i>	--	--	54,135
3000 Total Fund Balances	<u>--</u>	<u>--</u>	<u>54,135</u>
4000 Total Liabilities and Fund Balances	<u>\$ 58</u>	<u>\$ --</u>	<u>\$ 96,623</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, 2017

Data Control Codes	205 Head Start	211 ESEA Title I Improving Basic Programs	225 IDEA-B Preschool Grant
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ --	\$ --
5800 <i>State Program Revenues</i>	--	--	--
5900 <i>Federal Program Revenues</i>	65,570	260,191	6,750
5020 Total Revenues	<u>65,570</u>	<u>260,191</u>	<u>6,750</u>
EXPENDITURES:			
Current:			
0011 <i>Instruction</i>	65,153	260,191	6,750
0035 <i>Food Service</i>	--	--	--
0061 <i>Community Services</i>	417	--	--
6030 Total Expenditures	<u>65,570</u>	<u>260,191</u>	<u>6,750</u>
1100 Excess (Deficiency) of Revenues Over (Under)	--	--	--
1100 Expenditures	--	--	--
1200 Net Change in Fund Balances	--	--	--
0100 Fund Balances - Beginning	--	--	--
3000 Fund Balances - Ending	<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	273 Math and Science Partnerships
\$ 131,370	\$ --	\$ --	\$ --	\$ --
11,865	--	--	--	300
331,449	10,000	33,081	23,415	--
<u>474,684</u>	<u>10,000</u>	<u>33,081</u>	<u>23,415</u>	<u>300</u>
--	10,000	33,081	23,415	300
435,412	--	--	--	--
--	--	--	--	--
<u>435,412</u>	<u>10,000</u>	<u>33,081</u>	<u>23,415</u>	<u>300</u>
39,272	--	--	--	--
<u>39,272</u>	--	--	--	--
14,863	--	--	--	--
<u>\$ 54,135</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, 2017

Data Control Codes	410 State Textbook Fund	429 State Funded Special Revenue Fund	Total Nonmajor Special Revenue Funds (See Exhibit H-2)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ --	\$ 131,370
5800 <i>State Program Revenues</i>	30,732	19,332	62,229
5900 <i>Federal Program Revenues</i>	--	--	730,456
5020 <i>Total Revenues</i>	<u>30,732</u>	<u>19,332</u>	<u>924,055</u>
EXPENDITURES:			
Current:			
0011 <i>Instruction</i>	30,732	19,332	448,954
0035 <i>Food Service</i>	--	--	435,412
0061 <i>Community Services</i>	--	--	417
6030 <i>Total Expenditures</i>	<u>30,732</u>	<u>19,332</u>	<u>884,783</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>			
1100 <i>Expenditures</i>	--	--	39,272
1200 <i>Net Change in Fund Balances</i>	--	--	39,272
0100 <i>Fund Balances - Beginning</i>	--	--	14,863
3000 <i>Fund Balances - Ending</i>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 54,135</u>

EASTLAND INDEPENDENT SCHOOL DISTRICT
CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2017

EXHIBIT H-5

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5020 Total Revenues	\$ --	\$ --	\$ --
EXPENDITURES:			
Capital Outlay:			
0081 Capital Outlay	50,000	--	50,000
Total Capital Outlay	50,000	--	50,000
6030 Total Expenditures	50,000	--	50,000
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	(50,000)	--	50,000
Other Financing Sources (Uses):			
7911 Capital-Related Debt Issued (Regular Bonds)	50,000	--	(50,000)
7080 Total Other Financing Sources and (Uses)	50,000	--	(50,000)
0100 Fund Balance - Beginning	--	--	--
3000 Fund Balance - Ending	\$ --	\$ --	\$ --

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, 2017

Year Ended August 31	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
2008 and Prior Years	\$	Various	\$	Various	\$	Various
2009		1.0367		--		365,826,830
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 (School Year Under Audit)		1.04		--		459,653,099

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 9/1/16	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/17
\$ 44,721	\$ --	\$ 5,968	\$ --	\$ (2,777)	\$ 35,975
9,942	--	863	--	(143)	8,936
14,847	--	996	--	(283)	13,568
17,015	--	1,702	--	(376)	14,937
15,360	--	3,167	--	(2,241)	9,951
21,237	--	5,779	--	(116)	15,942
44,321	--	18,064	--	(371)	25,885
75,778	--	42,581	--	204	33,401
117,767	--	79,122	--	2,228	40,873
--	4,780,392	4,649,957	--	(18,329)	112,107
<u>\$ 360,988</u>	<u>\$ 4,780,392</u>	<u>\$ 4,808,199</u>	<u>\$ --</u>	<u>\$ (22,205)</u>	<u>\$ 310,976</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

EASTLAND INDEPENDENT SCHOOL DISTRICT
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2017

EXHIBIT J-2

Data Control Codes		1	2	3 Variance Positive (Negative)
		Budget	Actual	
REVENUES:				
5700	Local and Intermediate Sources	\$ 122,670	\$ 131,370	\$ 8,700
5800	State Program Revenues	16,200	11,865	(4,335)
5900	Federal Program Revenues	303,000	331,449	28,449
5020	Total Revenues	441,870	474,684	32,814
EXPENDITURES:				
Current:				
Support Services - Student (Pupil):				
0035	Food Services	441,870	435,412	6,458
	Total Support Services - Student (Pupil)	441,870	435,412	6,458
6030	Total Expenditures	441,870	435,412	6,458
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	--	39,272	39,272
1200	Net Change in Fund Balance	--	39,272	39,272
0100	Fund Balance - Beginning	14,863	14,863	--
3000	Fund Balance - Ending	\$ 14,863	\$ 54,135	\$ 39,272

BURL D. LOWERY
CERTIFIED PUBLIC ACCOUNTANT
311 CENTER AVENUE
BROWNWOOD, TEXAS 76801

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, 2017, 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 1, 2017.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item(s) 2017-001, that I consider to be significant deficiencies.

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 1, 2017

EASTLAND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2017

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?

 X Yes None Reported

Noncompliance material to financial
statements noted?

 Yes X No

B. Financial Statement Findings

2017-001: Student Activity Funds

Condition: There are some activities that are being accounted for in the Student Activity Funds that are for the benefit of the District.

Cause: Some miscellaneous revenues are being accounted for in the student activity fund that should be deposited into the general fund.

Criteria: Revenues for the benefit of the District are required to be deposited in the general fund.

Effect: Revenues for the general benefit are not being properly accounted for.

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 Fund.

Cause:

EASTLAND INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2017

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
<p>2016-001: State Mandated Program Revenue for Career and Technology</p> <p>Condition: The District did not spend 58% of its Career and Technology Technology mandated program revenue as required.</p> <p>Recommendation: The District should review its career and technology program to determine how to spend the required 58% of the revenues on direct instructional costs for that program.</p>	Implemented	
<p>2016-002: Use of Student Activity Funds</p> <p>Condition: Some of the Student Activity Funds are being expended for supplies, services, and small equipment that are for the general benefit of the District.</p> <p>Recommendation: Any type of supplies, services, or equipment that is to be used in the classroom or for co-curricular programs should be paid for out of the general fund. Profits from fundraisers used to buy supplies, equipment, or services that are for the benefit of the school district programs need to be transferred into the general fund so that the costs can be paid out of the general fund. Donations that will be spent on costs that benefit the District must be deposited into the general fund. If the student group or class is making purchases that benefit the school district, the money should be transferred from the student activity group or class into the general fund to actually purchase the supplies or equipment.</p> <p>See current year finding.</p>	Not Implemented	<p>We have tried to correct this error and have made progress. We will continue to monitor the Student Activities Funds and make adjustments as needed.</p>

EASTLAND INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2017

2017-001: We will monitor the Student Activity Funds more closely. Student Activity Funds will be used only for class activities, student organizations, and student clubs.

EASTLAND INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2017*

<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.	\$ 1,719,746
SF13	Pension Expense (object 6147) at fiscal year-end.	\$