

**ELGIN INDEPENDENT
SCHOOL DISTRICT**

**Annual Financial Report
for the Fiscal Year Ended
August 31, 2017**



ELGIN INDEPENDENT SCHOOL DISTRICT

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CERTIFICATE OF BOARD

Elgin Independent School District Bastrop 011-902
Name of School District County 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 fiscal year ended August 31, 2017 at a meeting of the Board of Trustees of such school district on the 18 day of December, 2017.



Signature of Board Secretary



Signature of Board President

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

FINANCIAL SECTION



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INDEPENDENT AUDITORS' REPORT

The Board of Trustees of
Elgin Independent School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Elgin 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.

Auditors' Responsibility

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

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

"A Registered Investment Advisor"

This firm is not a CPA firm

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of August 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund 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, the schedule of the District's proportionate share of the net pension liability, the schedule of District contributions, and notes to the required supplementary information on pages 5 through 12, 44, 45, and 46, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Maxwell Locke + Ritter LLP

Austin, Texas
December 15, 2017

ELGIN INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Elgin Independent School District's (the "District") annual financial report presents our discussion and analysis of the District's financial performance during the 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 net position at August 31, 2017 was approximately \$13.6 million.
- The fund balance for the General Fund at August 31, 2017 was approximately \$15.8 million, a decrease of approximately \$244 thousand from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three parts: 1.) government-wide financial statements, 2.) fund financial statements, and 3.) notes to the basic financial statements. This report also contains required supplementary information and other financial information in addition to the basic financial statements themselves.

Government-wide financial statements - The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to that of a private sector business.

The Statement of Net Position presents information on all of the District's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator as to whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods such as uncollected property taxes.

The government-wide financial statements distinguish functions of the District that are principally supported by taxes, intergovernmental revenues, and user fees and charges (governmental activities). The governmental activities of the District include the education of District students and the programs necessary to support such education.

Fund Financial Statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements.

By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The District maintains numerous governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund and Debt Service Fund as they are considered to be major funds. Data from the other funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The District adopts an annual appropriated budget for the General Fund. A budgetary comparison statement has been provided for this fund to demonstrate compliance with this budget. Supplementary budgetary comparison statements have also been prepared for the Food Service and Debt Service Funds and are included in the Combining and Individual Fund Statements section of this report.

Fiduciary Funds - The District is the trustee, or *fiduciary*, for certain funds. 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 position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

Notes to Basic Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information - The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to basic financial statements. Certain information required by the Texas Education Agency and the federal government regarding tax collection and grant expenditures is also presented along with required supplementary information related to the District's contributions to a cost-sharing pension plan with the Teacher Retirement System of Texas.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This two-year comparison provides an indication of the District's financial wellbeing. Increases and decreases in net position may serve over time as a useful indicator of a government's financial position. At August 31, 2017, the District's combined assets and deferred outflows of resources exceeded its liabilities and deferred inflows by approximately \$13.6 million, which is an increase of approximately \$2.8 million from the prior year combined net position of approximately \$10.8 million.

Net position at August 31, 2017 as compared to August 31, 2016, can be presented as follows:

**Elgin Independent School District's
Net Position**

	(in thousands)	
	August 31, 2017	August 31, 2016
Current assets:		
Cash and temporary investments	\$ 20,452	\$ 20,477
Property taxes, net	832	767
Due from other governments	600	1,120
Other assets	46	43
Total current assets	21,930	22,407
Non-current assets-		
Capital assets, net of accumulated depreciation	61,128	60,098
Total assets	\$ 83,058	\$ 82,505
Deferred outflows of resources:		
Deferred charges on refundings	\$ 1,827	\$ 1,641
Pension contributions after measurement date	943	814
Deferred outflows related to pension liability	3,355	3,691
Total deferred outflows of resources	\$ 6,125	\$ 6,146
Current liabilities:		
Accounts payable and accrued liabilities	\$ 3,098	\$ 3,127
Bond interest payable	420	378
Bonds and accretion payable	4,545	4,191
Capital lease payable	421	224
Due to other governments	16	2
Unearned revenue	229	198
Total current liabilities	8,729	8,120
Long-term liabilities:		
Bonds and accretion payable	55,212	59,782
Capital lease payable	1,376	147
Net pension liability	9,685	9,127
Total liabilities	\$ 75,002	\$ 77,176
Deferred inflows of resources-		
Deferred inflows related to pension liability	\$ 558	\$ 677
Net position:		
Net investment in capital assets	\$ 2,668	\$ (1,080)
Restricted	1,497	1,828
Unrestricted	9,458	10,050
Total net position	\$ 13,623	\$ 10,798

The District covers 165 square miles and is located in the northwest portion of Bastrop County, with segments in eastern Travis County and southern Lee County. Property values have increased 40% in the last five years. Enrollment has increased by 6% over the last five years.

Investment in capital assets (e.g., land, buildings and improvements, and furniture and equipment) less any related debt used to acquire those assets that is still outstanding is \$2.7 million. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, generally property taxes, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's net position, \$1.5 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$9.5 million, may be used to meet the District's ongoing obligations.

Net position may be restricted for a variety of uses by the District. These restrictions are imposed by bond covenants or grant agreements. Restricted net assets are available for use in the designated areas only. Unrestricted net position may be used by the District to meet ongoing operating obligations as determined by the Board of Trustees (the "Board").

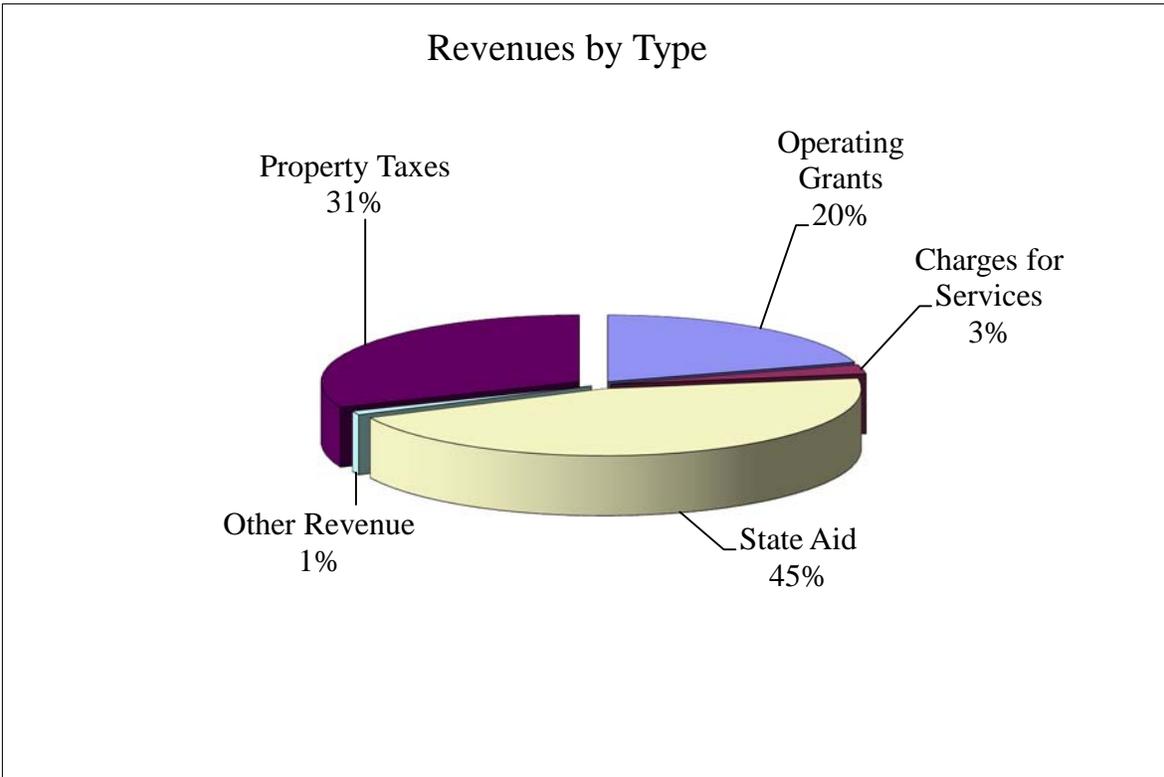
Government-wide activities

Governmental activities increased the District’s net position by \$2.8 million for the year ended August 31, 2017. Key elements of this increase are as follows:

**Elgin Independent School District’s
Changes in Net Position**

	(in thousands)	
	Year Ended August 31, 2017	Year Ended August 31, 2016
Revenues:		
Program revenues:		
Charges for services	\$ 1,186	\$ 1,078
Operating grants and contributions	10,813	10,444
General revenues:		
Property taxes	16,656	15,302
State aid - formula grants	24,198	24,256
Investment earnings	189	102
Miscellaneous	297	279
Total revenues	53,339	51,461
Expenses:		
Instruction	25,095	23,988
Instructional resources and media services	509	609
Curriculum and staff development	1,247	1,044
Instructional leadership	1,997	1,861
School leadership	2,531	2,365
Guidance, counseling and evaluation services	1,579	1,560
Social work services	271	274
Health services	269	279
Student transportation	2,154	1,847
Food services	2,873	2,673
Extracurricular activities	1,698	1,489
General administration	1,660	1,580
Facilities maintenance and operations	4,721	4,683
Security and monitoring services	277	272
Data processing services	840	707
Community services	437	379
Debt service	2,097	1,998
Facilities acquisition and construction	26	9
Payments related to shared services arrangements	21	21
Other intergovernmental charges	212	212
Total governmental activities	50,514	47,850
Change in net position	2,825	3,611
Net position beginning	10,798	7,187
Net position ending	\$ 13,623	\$ 10,798

Overall property taxes account for 31% of the District’s revenue sources while state funding represents 45%. Operating grants account for 20% of revenue sources.



FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS

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

Governmental funds

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, the District’s governmental funds reported a combined ending fund balance of \$17,754,011. Of this amount, \$15,016,858 constitutes unassigned fund balance available for use in the General Fund activities at the District’s discretion. The remainder of the fund balance is nonspendable, restricted or assigned to indicate that it is nonspendable due to being in the form of prepaid items or it is not available for new spending because it will be used for bond projects, debt service and other obligations of the District.

The Texas Education Agency recommends that districts keep a fund balance that is between 12% to 20% of annual general fund operating expenditures. As a measure of the General Fund’s liquidity, unassigned fund balance represents 36% of the total General Fund expenditures.

The Debt Service Fund has a total fund balance of \$268,967, all of which is restricted for the payment of debt service. The net decrease in fund balance during the year in the Debt Service Fund was \$414,483. This decrease was primarily due an increase in principal debt payments.

Other governmental funds, which consist of Special Revenue Funds, have total fund balances of \$1,650,520, an increase of \$99,469 since last year. Combining schedules for the Special Revenue Funds are provided in this report on pages 47 through 52.

BUDGETARY HIGHLIGHTS

The District had general fund budget amendments during the 2016-17 fiscal year that increased the budget by \$3,086,533. The major amendment was for \$2.5 million for various capital projects, including high school turf replacement, roof replacement and renovations at Booker T. Washington Elementary, repairs at Neidig Elementary and a modular building for Elgin Elementary. There was also an amendment for the transfer of \$700,000 from the General Fund to the Debt Service Fund to make annual debt service payments.

Key differences between the final amended budget and actual amounts can be briefly summarized as follows:

- Excess budgeted instructional expenditures related to the teacher growth fund, campus supplies and materials, and contracted services
- Excess budgeted student transportation expenditures related to contracted services, fuel and capital outlay
- Excess budgeted facilities maintenance and operations expenditures related to payroll, utilities and contracted services

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets for its governmental activities at August 31, 2017 amounts to approximately \$61.1 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and furniture and equipment.

**Elgin Independent School District
Capital Assets
(Net of accumulated depreciation)**

Land	\$ 1,485,355
Buildings and improvements	56,356,824
Furniture and equipment	<u>3,286,268</u>
Total	<u>\$ 61,128,447</u>

Additional information on the District's capital assets can be found in Note 7 of this report.

Long-term Debt

At the end of the current fiscal year the District had total bonded debt outstanding of approximately \$53.1 million. The bonded debt constitutes a direct obligation of the District from a continuing, direct ad valorem tax levied against all taxable property of the District without legal limit as to rate or amount. The bonds are also guaranteed by the corpus of the Permanent School fund of the State of Texas. Both Standard & Poor's Rating Services and Moody's Investors Services have provided bond ratings of A+ and A1, respectively, to the District's outstanding debt obligations.

Additional information on the District's long-term debt can be found in Note 9 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered population growth and available resources from State revenues and tax revenues when setting the fiscal year 2018 budget and tax rate. The student population increased by approximately 0.4%. Assessed property values increased by approximately 14.94% over last year. The District adopted a \$39,895,347 budget for fiscal year 2018. The budget will be funded through a \$1.54 overall tax rate consisting of a \$1.17 M&O tax rate and \$0.37 I&S tax rate, State Per Capita and Foundation revenues, and other local revenues. The total tax rate adopted is the same total tax rate adopted in fiscal year 2017. The 2018 fiscal year budget is approximately 0.4% more than the 2017 fiscal year final amended budget. If the District does not incur any unforeseen expenditures or reductions in revenues, it should accomplish the task of educating the students in the District with the available resources.

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 Business Services Department at Elgin Independent School District: (512) 281-3434.

BASIC FINANCIAL STATEMENTS

ELGIN INDEPENDENT SCHOOL DISTRICT
Statement of Net Position
August 31, 2017

	<u>Governmental Activities</u>
ASSETS:	
Cash and temporary investments	\$ 20,452,065
Receivables:	
Property taxes - delinquent	1,224,067
Allowance for uncollectible taxes	(391,702)
Due from other governments	600,364
Other receivables	3,259
Inventory	28,544
Prepaid items	13,230
Capital assets (net of accumulated depreciation):	
Land	1,485,355
Buildings and improvements	56,356,824
Furniture and equipment	3,286,268
	83,058,274
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred charges on bond refundings	1,827,283
Pension contributions after measurement date	942,838
Deferred outflows related to pension liability	3,355,108
	6,125,229
LIABILITIES:	
Current liabilities:	
Accounts payable	1,229,278
Payroll deductions and withholdings	266,454
Accrued wages payable	1,602,277
Bond interest payable	419,648
Bonds payable	4,545,000
Capital lease payable	421,320
Due to other governments	16,073
Unearned revenue	229,369
Noncurrent liabilities:	
Bonds payable	53,945,990
Accretion payable	1,266,317
Capital lease payable	1,375,827
Net pension liability	9,684,542
	75,002,095
DEFERRED INFLOWS OF RESOURCES-	
Deferred inflows related to pension liability	558,379
NET POSITION:	
Net investment in capital assets	2,667,593
Restricted for:	
Debt service	47,825
Food service	1,449,688
Unrestricted	9,457,923
	\$ 13,623,029

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

ELGIN INDEPENDENT SCHOOL DISTRICT
Statement of Activities
Year Ended August 31, 2017

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Changes in</u>
			<u>Contributions</u>	<u>Net Position</u>
				<u>Governmental</u>
				<u>Activities</u>
Governmental activities:				
Instruction	\$ 25,095,324	306,830	4,171,709	(20,616,785)
Instructional resources and media services	508,871	-	62,858	(446,013)
Curriculum and staff development	1,247,105	-	465,663	(781,442)
Instructional leadership	1,997,530	-	565,878	(1,431,652)
School leadership	2,530,667	-	296,911	(2,233,756)
Guidance, counseling, and evaluation services	1,578,916	-	408,618	(1,170,298)
Social work services	271,098	-	147,909	(123,189)
Health services	268,589	-	13,700	(254,889)
Student transportation	2,153,685	-	156,584	(1,997,101)
Food services	2,872,916	426,185	2,524,993	78,262
Extracurricular activities	1,698,116	425,494	35,248	(1,237,374)
General administration	1,660,438	27,300	59,167	(1,573,971)
Facilities maintenance and operations	4,720,817	-	188,628	(4,532,189)
Security and monitoring services	276,900	-	4,350	(272,550)
Data processing services	839,687	-	24,909	(814,778)
Community services	437,427	-	96,745	(340,682)
Debt service	2,096,797	-	1,589,071	(507,726)
Facilities acquisition and construction	26,031	-	-	(26,031)
Payments related to shared services arrangements	20,684	-	-	(20,684)
Other intergovernmental charges	212,023	-	-	(212,023)
Total governmental activities	<u>\$ 50,513,621</u>	<u>1,185,809</u>	<u>10,812,941</u>	<u>(38,514,871)</u>
General revenues:				
Property taxes levied for general purposes				\$ 12,659,088
Property taxes levied for debt service				3,996,613
State aid-formula grants				24,198,395
Investment earnings				188,683
Miscellaneous				296,652
Total general revenues				<u>41,339,431</u>
Change in net position				2,824,560
Net position - beginning				<u>10,798,469</u>
Net position - ending				<u>\$ 13,623,029</u>

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

ELGIN INDEPENDENT SCHOOL DISTRICT

Balance Sheet Governmental Funds August 31, 2017

	General	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS:				
Cash and temporary investments	\$ 18,227,408	357,241	1,867,416	20,452,065
Receivables:				
Property taxes - delinquent	932,146	291,921	-	1,224,067
Allowance for uncollectible taxes	(298,287)	(93,415)	-	(391,702)
Due from other governments	178,080	1,729	420,555	600,364
Due from other funds	183,339	634	128	184,101
Other receivables	-	-	3,259	3,259
Inventory	-	-	28,544	28,544
Prepaid items	13,230	-	-	13,230
Total assets	\$ 19,235,916	558,110	2,319,902	22,113,928
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:				
Liabilities:				
Accounts payable	\$ 1,015,561	-	213,717	1,229,278
Payroll deductions and withholdings	266,454	-	-	266,454
Accrued wages payable	1,470,034	-	132,243	1,602,277
Due to other funds	762	-	183,339	184,101
Due to other governments	14,697	-	1,376	16,073
Unearned revenue	25	90,637	138,707	229,369
Total liabilities	2,767,533	90,637	669,382	3,527,552
Deferred inflows of resources-				
Deferred revenue - property taxes	633,859	198,506	-	832,365
Fund balances:				
Nonspendable-				
Prepaid items	13,230	-	-	13,230
Restricted for:				
Retirement of long-term debt	-	268,967	-	268,967
Food service	-	-	1,449,688	1,449,688
Assigned to:				
Authorized construction	304,436	-	-	304,436
Retirement of long-term debt	500,000	-	-	500,000
Campus activities	-	-	200,832	200,832
Unassigned	15,016,858	-	-	15,016,858
Total fund balances	15,834,524	268,967	1,650,520	17,754,011
Total liabilities, deferred inflows of resources and fund balances	\$ 19,235,916	558,110	2,319,902	
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds				\$ 61,128,447
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds				832,365
The following liabilities and deferred inflows and outflows of resources are not due and payable in the current period and, therefore, are not reported in the funds:				
Bonds payable, including premiums				(58,490,990)
Less: Deferred charges on refundings				1,827,283
Accretion payable				(1,266,317)
Bond interest payable				(419,648)
Capital lease payable				(1,797,147)
Net pension liability				(9,684,542)
Pension contributions after measurement date				942,838
Deferred outflows related to pension liability				3,355,108
Deferred inflows related to pension liability				(558,379)
Net position of governmental activities				\$ 13,623,029

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

ELGIN INDEPENDENT SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended August 31, 2017

	General	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:				
Local and intermediate sources	\$ 13,399,866	4,004,385	857,456	18,261,707
State program revenues	25,858,168	1,589,071	300,790	27,748,029
Federal program revenues	606,604	-	6,630,562	7,237,166
Total revenues	39,864,638	5,593,456	7,788,808	53,246,902
EXPENDITURES:				
Current:				
Instruction	20,747,579	-	2,518,803	23,266,382
Instructional resources and media services	421,459	-	49,092	470,551
Curriculum and staff development	738,036	-	446,980	1,185,016
Instructional leadership	1,365,105	-	509,925	1,875,030
School leadership	2,143,180	-	179,918	2,323,098
Guidance, counseling, and evaluation services	1,053,733	-	426,077	1,479,810
Social work services	121,685	-	140,178	261,863
Health services	239,075	-	5,012	244,087
Student transportation	2,820,478	-	71,169	2,891,647
Food services	-	-	2,850,836	2,850,836
Extracurricular activities	1,322,701	-	352,433	1,675,134
General administration	1,519,839	-	-	1,519,839
Facilities maintenance and operations	4,487,859	-	55,735	4,543,594
Security and monitoring services	269,889	-	-	269,889
Data processing services	774,805	-	-	774,805
Community services	323,354	-	83,181	406,535
Debt service	277,021	6,845,791	-	7,122,812
Facilities acquisition and construction	2,504,402	-	-	2,504,402
Payments related to shared services arrangements	20,684	-	-	20,684
Other intergovernmental charges	212,023	-	-	212,023
Total expenditures	41,362,907	6,845,791	7,689,339	55,898,037
Excess (deficiency) of revenues over (under) expenditures	(1,498,269)	(1,252,335)	99,469	(2,651,135)
OTHER FINANCING SOURCES (USES):				
Issuance of refunding bonds	-	21,960,000	-	21,960,000
Premium on sale of bonds	-	2,561,831	-	2,561,831
Payments to refunded bond escrow agent	-	(24,114,724)	-	(24,114,724)
Proceeds from capital lease	1,684,531	-	-	1,684,531
Transfers in	-	430,745	-	430,745
Transfers out	(430,745)	-	-	(430,745)
Total other financing sources, net	1,253,786	837,852	-	2,091,638
Net change in fund balances	(244,483)	(414,483)	99,469	(559,497)
Fund balances - beginning	16,079,007	683,450	1,551,051	18,313,508
Fund balances - ending	\$ 15,834,524	268,967	1,650,520	17,754,011

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

ELGIN INDEPENDENT SCHOOL DISTRICT
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended August 31, 2017

Net change in fund balances-total governmental funds	\$ (559,497)
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures.	
However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Capital outlay	4,707,848
Disposal of capital assets	(45,659)
Depreciation expense	(3,631,574)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in deferred tax revenue	65,138
Bond and capital lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.	
Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Bond proceeds, including premiums	(24,521,831)
Payments to refunded bond escrow agent	24,114,724
Repayment of bond principal	3,844,734
Proceeds from capital lease	(1,684,531)
Repayment of capital lease principal	258,056
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Change in accretion payable	259,168
Change in bond interest payable	(41,832)
Amortization of deferred charges on bond refundings	(227,503)
Amortization of bond premiums	933,392
Pension contributions made during the measurement year	815,895
Change in pension contributions made after the measurement date	128,581
Proportionate share of collective pension expense	(1,373,234)
Adjustment for ending deferred inflows and outflows related to net pension liability	(217,315)
Change in net position of governmental activities	\$ 2,824,560

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

ELGIN INDEPENDENT SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
Year Ended August 31, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Local and intermediate sources	\$ 13,144,194	13,216,128	13,399,866	183,738
State program revenues	25,493,093	25,493,093	25,858,168	365,075
Federal program revenues	458,400	458,400	606,604	148,204
Total revenues	<u>39,095,687</u>	<u>39,167,621</u>	<u>39,864,638</u>	<u>697,017</u>
EXPENDITURES:				
Current:				
Instruction	20,256,456	20,515,427	20,747,579	(232,152)
Instructional resources and media services	439,086	439,086	421,459	17,627
Curriculum and staff development	776,714	746,557	738,036	8,521
Instructional leadership	1,375,347	1,371,169	1,365,105	6,064
School leadership	2,166,770	2,156,470	2,143,180	13,290
Guidance, counseling, and evaluation services	1,011,904	1,068,374	1,053,733	14,641
Social work services	124,364	124,364	121,685	2,679
Health services	255,913	255,913	239,075	16,838
Student transportation	2,114,377	2,873,371	2,820,478	52,893
Extracurricular activities	1,309,451	1,372,451	1,322,701	49,750
General administration	1,570,404	1,567,404	1,519,839	47,565
Facilities maintenance and operations	4,868,715	4,494,774	4,487,859	6,915
Security and monitoring services	282,097	282,097	269,889	12,208
Data processing services	763,981	791,217	774,805	16,412
Community services	307,411	326,850	323,354	3,496
Debt service	278,360	497,888	277,021	220,867
Facilities acquisition and construction	180,000	2,840,661	2,504,402	336,259
Payments related to shared services arrangements	30,000	30,000	20,684	9,316
Other intergovernmental charges	230,000	215,000	212,023	2,977
Total expenditures	<u>38,341,350</u>	<u>41,969,073</u>	<u>41,362,907</u>	<u>606,166</u>
Excess (deficiency) of revenues over (under) expenditures	<u>754,337</u>	<u>(2,801,452)</u>	<u>(1,498,269)</u>	<u>1,303,183</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from capital lease	-	1,169,256	1,684,531	515,275
Transfers out	-	(700,000)	(430,745)	269,255
Total other financing sources, net	-	469,256	1,253,786	784,530
Net change in fund balance	754,337	(2,332,196)	(244,483)	2,087,713
Fund balance - beginning	<u>16,079,007</u>	<u>16,079,007</u>	<u>16,079,007</u>	<u>-</u>
Fund balance - ending	<u>\$ 16,833,344</u>	<u>13,746,811</u>	<u>15,834,524</u>	<u>2,087,713</u>

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

ELGIN INDEPENDENT SCHOOL DISTRICT
Statement of Fiduciary Net Position
Agency Fund
August 31, 2017

	<u>Agency Fund</u>
ASSETS-	
Cash and temporary investments	\$ 26,342
Total assets	<u>\$ 26,342</u>
LIABILITIES:	
Accounts payable	\$ 12
Due to student groups	26,330
Total liabilities	<u>\$ 26,342</u>

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

ELGIN INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED AUGUST 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Reporting Entity

This report includes those activities, organizations and functions which are related to the Elgin Independent School District (the "District") and which are controlled by or dependent upon the District's governing body, the Board of Trustees (the "Board"). The Board, a seven member group, is the level of government which has governance responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the District. Since the District receives funding from local, state and federal government sources, it must comply with the requirements of the entities providing those funds. However, the District is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board ("GASB"), since Board members are elected by the public and have decision making authority. In addition, there are no component units included within the reporting entity.

The accounting policies of the District comply with the rules prescribed by the Texas Education Agency's ("TEA") Financial Accountability System Resource Guide. These accounting policies conform to generally accepted accounting principles applicable to state and local governments.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities, which are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District has no business-type activities.

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the fiduciary fund statements, although agency funds have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, and 2) operating grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Major revenue sources considered susceptible to accrual include state and federal program revenues and interest income. No accrual for property taxes collected within sixty days of year end has been made as such amounts are deemed immaterial; delinquent property taxes at year end that are not collected within sixty days of year end are reported as deferred inflows of resources.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

The District reports the following major governmental funds:

The General Fund includes financial resources used for general operations. It is a budgeted fund, and any unassigned fund balance is considered resources available for current operations.

The Debt Service Fund includes debt service taxes and other revenues collected to retire bond principal and to pay interest due. It is a budgeted fund.

Additionally, the District reports the following fund types:

Special Revenue Funds are governmental funds which include resources restricted, committed, or assigned for specific purposes by a grantor or the Board. Federally financed programs where unused balances are returned to the grantor at the close of specified project periods are accounted for in these funds. The District uses project accounting to maintain integrity for the various sources of funds.

The Agency Fund is an unbudgeted fund and is used to account for activities of student groups and other types of activities requiring clearing accounts. This fund has no equity, assets are equal to liabilities, and it does not include revenues and expenditures for general operations of the District.

Budgetary Information

Budgets are prepared annually for the General Fund, Debt Service Fund, and Food Service Fund (special revenue fund) on the modified accrual basis, which is consistent with generally accepted accounting principles. A formal budget is prepared by August 20th and is adopted by the Board at a public meeting after ten days public notice of the meeting has been given. The legal level of control for budgeted expenditures is the function level within the budgeted funds. Amendments to the budget are required prior to expending amounts greater than the budgeted amounts at the function level. Budgets are controlled at the departmental or campus level, the same level at which responsibility for operations is assigned. The budget was amended by the Board as needed throughout the year. The instruction function in the General Fund exceeded the budgeted amounts by \$232,152 for the year ended August 31, 2017.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31st, and encumbrances outstanding at that time are to be either canceled or provided for in the subsequent year's budget. There were no material outstanding encumbrances at August 31, 2017 that were provided for in the subsequent year's budget.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity

Cash and Cash Equivalents - The District considers all liquid investments with original maturities of 90 days or less to be cash equivalents.

Investments - Temporary investments throughout the year consisted of investments in external investment pools. External investment pools are recognized at amortized cost as permitted by GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. The District is entitled to invest any and all of its funds in certificates of deposit, direct debt securities of the United States of America or the State of Texas, certain Federal agency securities and other types of municipal bonds, fully collateralized repurchase agreements, commercial paper and local government investment pools. The District's investment policies and types of investments are governed by Section 2256 of the Texas Government Code ("Public Funds Investment Act"). The District's management believes that it complied with the requirements of the Public Funds Investment Act and the District's investment policy. The District accrues interest on temporary investments based on the terms and effective interest rates of the specific investments.

Capital Assets - Capital assets, which include land, buildings and improvements, and furniture and equipment, are reported in the governmental activities column in the government-wide financial statements. The District has no infrastructure assets. Capital assets are defined by the District as assets with an initial, individual cost of \$5,000. Such assets are recorded at historical cost if purchased or at acquisition value at the date of donation, if donated. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized. Capital assets (other than land) are depreciated using the straight line method over the following estimated useful lives: buildings and improvements - 10 to 30 years, furniture and equipment - 5 to 15 years.

Ad Valorem Property Taxes - Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectibles 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.

Accumulated Sick Leave Liability - The State of Texas (the "State") has created a minimum sick leave program consisting of five days of sick leave per year with no limit on accumulation and transferability among districts for every person regularly employed in Texas public schools. Each district's local board is required to establish a sick leave plan. Local school districts may provide additional sick leave beyond the State minimum. The District's policy is not to provide reimbursement upon termination of employment with the District. Accordingly, no liability for accrued compensated absences has been established by the District.

Fund Equity/Net Position - The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. See Note 10 for additional information on those fund balance classifications.

Inventories - Inventories consist of expendable supplies held for consumption. Inventories are charged to expenditures when consumed. Supply inventory is recorded at cost using the FIFO method.

Federal food commodities inventory is stated at fair value and at year-end is recorded as unearned revenue. Revenue is recognized at fair value when commodities are distributed to schools.

Prepaid Items - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are charged to expenditures when consumed.

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

Deferred Outflows and Inflows of Resources - The District complies with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which provides guidance for reporting the financial statement elements of deferred outflows of resources, which represent the consumption of the District's net position that is applicable to a future reporting period, and deferred inflows of resources, which represent the District's acquisition of net position applicable to a future reporting period.

The District complies with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. See Note 8 and Note 12 for additional information on deferred inflows and outflows of resources.

Fair Value Measurements - The District complies with GASB Statement No. 72, *Fair Value Measurement and Application*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

- Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access
- Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity
- Level 3 inputs are unobservable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value:

- Market approach - uses prices generated by market transactions involving identical or comparable assets or liabilities
- Cost approach - uses the amount that currently would be required to replace the service capacity of an asset (replacement cost)
- Income approach - uses valuation techniques to convert future amounts to present amounts based on current market expectations.

Use of Estimates - The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Recently Issued Accounting Pronouncements

In June 2015, the GASB issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for fiscal years beginning after June 15, 2017. The objective of GASB Statement No. 75 is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. GASB Statement No. 75 establishes standards for measuring and recognizing liabilities, deferred outflows of resources and deferred inflows of resources, and expense/expenditures. GASB Statement No. 75 also identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. In addition, GASB Statement No. 75 addresses the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit other postemployment benefits plan and for employers whose employees are provided with defined contribution other postemployment benefits. Management is evaluating the effects that the full implementation of GASB Statement No. 75 will have on its financial statements for the year ended August 31, 2018.

In June 2017, the GASB issued GASB Statement No. 87, *Leases*, effective for fiscal years beginning after December 15, 2019. The objective of GASB Statement No. 87 is to improve accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. GASB Statement No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB Statement No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and deferred inflow of resources. Management is evaluating the effects that the full implementation of GASB Statement No. 87 will have on its financial statements for the year ended August 31, 2021.

2. CASH AND TEMPORARY INVESTMENTS

The Public Funds Investment Act authorizes the District to invest in funds under a written investment policy, which is approved annually by the Board. The primary objectives of the District's investment strategy, in order of priority, are preservation and safety of principal, liquidity and yield.

The District is authorized to invest in the following investment instruments provided that they meet the guidelines established in the investment policy:

- Obligations of, or guaranteed by, governmental entities
- Certificates of deposit and share certificates
- Fully collateralized repurchase agreements
- Banker's acceptance
- Commercial paper
- Money market funds and no-load mutual funds
- Public funds investment pools

The District’s funds are required to be deposited and invested under the terms of a depository contract pursuant to the School Depository Act. The depository bank deposits for safekeeping and trust with the District’s agent 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 dollar amount of Federal Deposit Insurance Corporation (“FDIC”) insurance. Therefore, the District is not exposed to custodial credit risk.

Under the depository contract, the District, at its own discretion, may invest funds in time deposits and certificates of deposit provided by the depository bank at interest rates approximating United States Treasury Bill rates.

At August 31, 2017, the carrying amount of the District’s deposits was \$8,429,983 and the bank balance was \$8,719,586.

The District’s deposits with financial institutions 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. The deposits were collateralized in accordance with Texas law and TEA maintains copies of all safekeeping receipts in the name of the District.

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

- Name of depository bank: Prosperity Bank
- Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$16,660,597.
- Largest cash, savings and time deposit combined account balance amounted to \$9,900,779 and occurred during the month of September 2016.
- Total amount of FDIC coverage at the time of highest combined balance was \$250,000.

Investments held at August 31, 2017 consisted of the following:

Type	Fair Value	Weighted Average Maturity (Days)	Standard & Poor’s Rating
Local governmental investment pools:			
Texas TERM	\$ 7,088,990	79	AAAf - AAAm
Lone Star	4,959,434	1	AAAm
Total	<u>\$ 12,048,424</u>		

The District had investments in two external local government investment pools at August 31, 2017: Texas TERM Local Investment Pool (“Texas TERM”) and Lone Star Investment Pool (“Lone Star”). Although Lone Star is not registered with the SEC as an investment company, it operates in a manner consistent with the SEC’s Rule 2a7-of the Investment Company Act of 1940. These investments are stated at amortized cost in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

Texas TERM is organized in conformity with the Public Funds Investment Act. Texas TERM provides for a fixed rate, fixed-term investment for a period of 60 days to one year. TexasDAILY is a portfolio of Texas TERM and provides daily access to funds. Texas TERM is overseen by an advisory board composed of participants and non-participant members elected by the participant shareholders of Texas TERM. The advisory board is responsible for the overall management of Texas TERM, including formulation and implementation of its investment and operating policies. In addition, the advisory board members select and oversee the activities of the investment advisor and custodian of Texas TERM and monitor investment performance and the method of valuing the shares. Texas TERM is a floating net assets value fund, which is a non-2a7 fund. It is a fundamental objective of Texas TERM to assure the return of principal and interest at the date planned for redemption of shares; however the net asset value of shares may fluctuate prior to the planned redemption date.

Lone Star is governed by an eleven member board of trustees, in which all of the members are also participants in Lone Star. The board meets quarterly to review operations, adopt or make changes to the investment policy, review financial activity and approve contractor agreements. Lone Star also has an advisory board consisting of participants and nonparticipants. RBC Dain Rauscher, Inc. is an independent consultant for Lone Star that reviews daily operations, analyzes all investment transactions for compliance with the Public Funds Investment Act, and performs monitoring activities. The Bank of New York provides custody and valuation services for Lone Star. American Beacon Advisors and Standish Mellon provide other investment management services. Lone Star’s investment policy stipulates that it must invest in accordance with the Public Funds Investment Act.

In accordance with GASB Statement No. 79, the local government investment pools do not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. These pools do not impose any liquidity fees or redemption gates.

Credit Risk - At August 31, 2017, investments were included in local government investment pools in compliance with the District’s investment policy.

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 District, and are held by either the counterparty or the counterparty’s trust department or agent not in the District’s name. At August 31, 2017, the District was not exposed to custodial credit risk.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investments in a single issuer. At August 31, 2017, the District was not exposed to concentration of credit risk.

Interest Rate Risk - As a means of minimizing risk of loss due to interest rate fluctuations, the investment policy requires that maturities for internally created pool fund groups will not exceed the dollar weighted average maturity of 180 days. Maturities of any other individual investment owned by the District should not exceed one year from the time of purchase. The Board may specifically authorize a longer maturity for a given investment, within legal limits. The District considers the holdings in a local government investment pool to have a one day weighted average maturity due to the fact that the share position can usually be redeemed each day at the discretion of the shareholders, unless there has been a significant change in value. At August 31, 2017, investments were included in local government investment pools which have a weighted average maturity of 79 days and 1 day for Texas TERM and Lone Star, respectively.

3. APPRAISAL DISTRICT

The Texas Legislature in 1979 adopted a comprehensive Property Tax Code (the “Code”) which established a county-wide appraisal district and an appraisal review board in each county in the State. The Bastrop Central Appraisal District (the “Appraisal District”) is responsible for the recording and appraisal of all property in the District. Under the Code, the District’s Board sets the tax rates on property and the Appraisal District’s tax department provides tax collection services. The Appraisal District is required under the Code to assess property at 100% of its appraised value. Further, real property must be reappraised at least every four years. Under certain circumstances, taxpayers and taxing units, including the District, may challenge orders of the Appraisal Review Board through various appeals and, if necessary, legal action.

Property taxes are levied as of October 1 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, and penalties and interest that are ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period, including those property taxes expected to be collected during a 60 day period after the end of the District’s fiscal year. The assessed value at January 1, 2016, upon which the October 2016 levy was based, was \$1,055,525,950. The District levied taxes based on a combined tax rate of \$1.54 per \$100 of assessed valuation for local maintenance (general governmental services) and debt service.

In May 1993, the Texas Legislature passed Senate Bill 7. Senate Bill 7 significantly changed certain aspects of the school finance system relative to accountability, teacher appraisal, career ladder, funding allotments, district local share, distribution of Foundation School Funds, tax limitations and rollback tax provisions. Funding equalization for school districts is a major component of the bill. Districts with wealth per student in excess of \$319,500 are required to take action to bring their wealth down to the equalized State level. Each year, the TEA notifies school districts in which property wealth per Weighted Average Daily Attendance (“WADA”) meets or exceeds \$319,500. However, the final determination of whether a school district will be required to make recapture payments is based on the district’s tax effort and the extent to which the district’s wealth per WADA exceeds the first equalized wealth level of \$514,000. The District was not above the equalized wealth level for the 2016-2017 fiscal year.

4. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully fund certain activities. The District also receives entitlements from the State through the School Foundation and Per Capita Programs. These amounts are reported in the basic financial statements as Due from Other Governments and are summarized below at August 31, 2017.

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
State entitlements	\$ 144,055	-	-	144,055
Federal and state grants	2,178	-	420,555	422,733
Other	31,847	1,729	-	33,576
Total	<u>\$ 178,080</u>	<u>1,729</u>	<u>420,555</u>	<u>600,364</u>

5. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds.” The composition of interfund balances at August 31, 2017 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Funds	\$ 183,339
Debt Service Fund	General Fund	634
Nonmajor Governmental Funds	General Fund	128

During the year, the General Fund transferred \$430,745 to the Debt Service Fund for current year principal and interest payments.

6. UNEARNED REVENUE

At August 31, 2017, unearned revenue in governmental funds consisted of the following:

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
Federal and state grants	\$ -	-	138,707	138,707
Other	25	90,637	-	90,662
Total	<u>\$ 25</u>	<u>90,637</u>	<u>138,707</u>	<u>229,369</u>

7. CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,485,355	-	-	1,485,355
Construction in progress	1,935,456	-	(1,935,456)	-
Total capital assets, not being depreciated	<u>3,420,811</u>	<u>-</u>	<u>(1,935,456)</u>	<u>1,485,355</u>
Capital assets, being depreciated:				
Buildings and improvements	93,850,711	4,481,435	-	98,332,146
Furniture and equipment	6,088,723	2,161,869	(1,095,067)	7,155,525
Total capital assets, being depreciated	<u>99,939,434</u>	<u>6,643,304</u>	<u>(1,095,067)</u>	<u>105,487,671</u>
Less accumulated depreciation for:				
Buildings and improvements	(38,838,988)	(3,136,334)	-	(41,975,322)
Furniture and equipment	(4,423,425)	(495,240)	1,049,408	(3,869,257)
Total accumulated depreciation	<u>(43,262,413)</u>	<u>(3,631,574)</u>	<u>1,049,408</u>	<u>(45,844,579)</u>
Total capital assets, being depreciated, net	<u>56,677,021</u>	<u>3,011,730</u>	<u>(45,659)</u>	<u>59,643,092</u>
Governmental activities capital assets, net	<u>\$ 60,097,832</u>	<u>3,011,730</u>	<u>(1,981,115)</u>	<u>61,128,447</u>

Depreciation expense was charged to functions/programs of the District as follows:

Governmental activities:

Instruction	\$ 1,830,197
Instructional resources and media services	37,183
Curriculum and staff development	65,113
Instructional leadership	120,436
School leadership	189,082
Guidance, counseling, and evaluation services	92,965
Social work services	10,736
Health services	21,092
Student transportation	248,836
Food services	251,514
Extracurricular activities	113,697
General administration	134,087
Facilities maintenance and operations	395,940
Security and monitoring services	23,811
Data processing services	68,357
Community services	28,528
Total depreciation expense - governmental activities	<u>\$ 3,631,574</u>

8. DEFERRED CHARGES ON BOND REFUNDINGS

The following is a summary of changes in deferred charges on bond refundings for the year ended August 31, 2017:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Deferred charges on bond refundings	<u>\$ 1,640,328</u>	<u>414,458</u>	<u>(227,503)</u>	<u>1,827,283</u>

9. LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended August 31, 2017:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
General obligation bonds	\$ 58,679,984	21,960,000	(27,545,000)	53,094,984
Premium on bonds	3,767,567	2,561,831	(933,392)	5,396,006
Capital lease payable	370,672	1,684,531	(258,056)	1,797,147
Accretion payable	1,525,485	350,832	(610,000)	1,266,317
Total	<u>\$ 64,343,708</u>	<u>26,557,194</u>	<u>(29,346,448)</u>	<u>61,554,454</u>

Bonded debt consists of the following at August 31, 2017:

General obligation bonds:

<u>Series</u>	<u>Date of Issue</u>	<u>Amounts of Original Issue</u>	<u>Matures Through</u>	<u>Interest Rate</u>	<u>Outstanding at 8-31-17</u>	<u>Due Within One Year</u>
2006	11-15-06	9,329,984	2021	4.00 - 4.125%	4,984	-
2008	2-15-08	9,500,000	2018	3.50 - 4.00%	505,000	505,000
2012	6-1-12	8,860,000	2028	2.50 - 3.50%	7,080,000	780,000
2013	5-16-13	8,430,000	2028	2.00 - 3.50%	7,715,000	500,000
2014	6-5-14	8,720,000	2026	2.00 - 4.00%	8,420,000	155,000
2015	9-29-15	8,220,000	2025	2.00 - 4.00%	7,410,000	835,000
2016A	10-13-16	7,785,000	2029	2.00 - 4.00%	7,785,000	155,000
2016B	12-29-16	8,135,000	2024	4.00%	8,135,000	1,615,000
2017	5-4-17	<u>6,040,000</u>	2028	3.00 - 4.00%	<u>6,040,000</u>	<u>-</u>
Total		<u>\$ 75,019,984</u>			<u>\$ 53,094,984</u>	<u>\$ 4,545,000</u>

For the general obligation bonds, the District has pledged as collateral the proceeds of a continuing, direct annual tax levied against taxable property within the District without limitation as to rate. The Texas Education Code generally prohibits issuance of additional ad valorem tax bonds if the tax rate needed to pay aggregate principal and interest amounts of the District's tax bond indebtedness exceeds \$0.50 per \$100 of assessed valuation of taxable property within the District. The District's debt service rate for the current year is \$0.37.

On October 13, 2016, the District issued \$7,785,000 of Series 2016A Unlimited Tax Refunding Bonds to refund \$8,960,000 of outstanding Series 2006 bond principal in order to lower its overall debt service requirements. The net proceeds of \$8,815,266 (after payment of \$140,716 in underwriting fees, insurance, and other issuance costs) and the District's contribution of \$192,447 was deposited with an escrow agent to provide the debt service payment on the bonds refunded. As a result, \$8,960,000 of bond principal is considered defeased and the liability for these bonds was removed from the basic financial statements. These defeased bonds were called during the current fiscal year and are no longer considered defeased at August 31, 2017. The advance refunding reduced debt service payments by \$1,828,296 and resulted in an economic gain of \$1,612,954.

On December 29, 2016, the District issued \$8,135,000 of Series 2016B Unlimited Tax Refunding Bonds to refund \$8,510,000 of outstanding Series 2007 bond principal in order to lower its overall debt service requirements. The net proceeds of \$8,702,984 (after payment of \$131,754 in underwriting fees, insurance, and other issuance costs) and the District's contribution of \$157,221 was deposited with an escrow agent to provide the debt service payment on the bonds refunded. As a result, \$8,510,000 of bond principal is considered defeased and the liability for these bonds was removed from the basic financial statements. These defeased bonds were called during the current fiscal year and are no longer considered defeased at August 31, 2017. The reacquisition price exceeded the net carrying amount of the old debt by \$192,984. This amount is recorded as a deferred outflow of resources and amortized over the remaining life of the refunded debt which is shorter than the life of the new debt issued. The advance refunding reduced debt service payments by \$638,831 and resulted in an economic gain of \$599,867.

On May 4, 2017, the District issued \$6,040,000 of Series 2017 Unlimited Tax Refunding Bonds to refund \$6,375,000 of outstanding Series 2008 bond principal in order to lower its overall debt service requirements. The net proceeds of \$6,596,474 (after payment of \$134,637 in underwriting fees, insurance, and other issuance costs) and the District's contribution of \$65,536 was deposited with an escrow agent to provide the debt service payment on the bonds refunded. As a result, \$6,375,000 of bond principal is considered defeased and the liability for these bonds was removed from the basic financial statements. The reacquisition price exceeded the net carrying amount of the old debt by \$221,474. This amount is recorded as a deferred outflow of resources and amortized over the remaining life of the refunded debt which is shorter than the life of the new debt issued. The advance refunding reduced debt service payments by \$487,089 and resulted in an economic gain of \$430,108.

The annual principal installments for each of the outstanding issues vary each year. At August 31, 2017, the debt service requirements of bonded indebtedness to maturity are as follows:

Year Ended August 31,	Principal	Interest	Total
2018	\$ 4,545,000	1,758,651	6,303,651
2019	4,655,000	1,619,650	6,274,650
2020	4,058,968	2,271,558	6,330,526
2021	4,536,016	1,641,810	6,177,826
2022	4,185,000	2,043,701	6,228,701
2023 - 2027	25,225,000	3,685,453	28,910,453
2028 - 2032	5,890,000	257,826	6,147,826
Total	<u>\$ 53,094,984</u>	<u>13,278,649</u>	<u>66,373,633</u>

The outstanding Series 2006, and Series 2014 Bonds include both Serial and Capital Appreciation Bonds. The interest shown above, with respect to the Capital Appreciation Bonds, includes the interest to be paid on bonds maturing in the respective years and does not include accrued interest on bonds not maturing in those years.

In the current year, the District defeased outstanding general obligation bonds through the Series 2017 Refunding Bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for the future debt service payments on the old bonds. Accordingly, the trust account assets and defeased bonds are not included in the District's financial statements. At August 31, 2017, outstanding bonds of \$6,375,000 are considered defeased.

As of August 31, 2017, there were no general obligation bonds authorized by voters of the District, but unissued.

The District financed the purchase of a server through a capital lease agreement (the “Server Agreement”) with a finance company. The purchase price of the server was \$47,739 which equates to the capital lease principal amount. Under the terms of the Second Server Agreement, principal and interest payments of \$16,908 are due annually beginning on August 31, 2015 through September 1, 2017. At the end of the lease term, the District has a bargain purchase option allowing the District to acquire the server for no consideration. The effective interest rate on the lease is 3.54%.

The District financed the purchase of teacher laptops through a capital lease agreement (the “Laptop Agreement”) with a finance company. The purchase price of the server was \$321,341 which equates to the capital lease principal amount. Under the terms of the Laptop Agreement, principal and interest payments of \$69,851 are due annually beginning on January 1, 2015 through January 1, 2019. At the end of the lease term, the District has a bargain purchase option allowing the District to acquire the server for no consideration. The effective interest rate on the lease is 2.07%.

The District financed the purchase of copiers through a capital lease agreement (the “Copier Agreement”) with a finance company. The purchase price of the copiers was \$515,275 which equates to the capital lease principal amount. Under the terms of the Copier Agreement, principal and interest payments of \$9,415 are due monthly beginning on July 15, 2017 through June 15, 2022. At the end of the lease term, the District has a bargain purchase option allowing the District to purchase all copiers for one dollar. Per the Copier Agreement, the District has the option of purchasing the copiers starting in July 2019. The effective interest rate on the lease is 3.49%.

The District financed the purchase of a server through a capital lease agreement (the “Server Agreement”) with a finance company. The purchase price of the server was \$41,676 which equates to the capital lease principal amount. Under the terms of the Second Server Agreement, principal and interest payments of \$14,555 are due annually beginning on November 1, 2016 through September 1, 2018. At the end of the lease term, the District has a bargain purchase option allowing the District to acquire the server for no consideration. The effective interest rate on the lease is 4.85%.

The District financed the purchase of maintenance vehicles through a capital lease agreement (the “Vehicle Agreement”) with a finance company. The purchase price of the vehicles was \$136,010 which equates to the capital lease principal amount. Under the terms of the Vehicle Agreement, principal and interest payments of \$2,442 are due monthly beginning on June 26, 2017 through May 26, 2022. At the end of the lease term, the District has a bargain purchase option allowing the District to acquire the vehicles for no consideration. The effective interest rate on the lease is 2.98%.

The District financed the purchase of school buses through a capital lease agreement (the “Bus Agreement”) with a finance company. The purchase price of the buses was \$991,570 which equates to the capital lease principal amount. Under the terms of the Bus Agreement, principal and interest payments of \$207,342 are due annually beginning on September 20, 2017 through September 20, 2021. At the end of the lease term, the District has a bargain purchase option allowing the District to acquire the buses for no consideration. The effective interest rate on the lease is 2.50%.

Capital lease payment requirements are as follows:

Year Ended August 31,	Principal	Interest	Total
2018	\$ 421,320	29,622	450,942
2019	395,525	38,508	434,033
2020	326,003	25,867	351,870
2021	335,384	16,486	351,870
2022	318,915	6,800	325,715
Total	<u>\$ 1,797,147</u>	<u>117,283</u>	<u>1,914,430</u>

10. FUND BALANCES

The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Those fund balance classifications are described below.

Nonspendable - Amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact.

Restricted - Amounts that can be spent only for specific purposes because of constraints imposed by external providers, or imposed by constitutional provisions or enabling legislation.

Committed - Amounts that can only be used for specific purposes pursuant to approval by formal action by the Board.

Assigned - For the General Fund, amounts that are appropriated by the Board that are to be used for specific purposes. For all other governmental funds, any remaining positive amounts not previously classified as nonspendable, restricted or committed.

Unassigned - Amounts that are available for any purpose; these amounts can be reported only in the District's General Fund.

The detail of the fund balances are included in the Governmental Funds Balance Sheet on page 15.

Fund balance of the District may be committed for a specific purpose by formal action of the Board, the District's highest level of decision-making authority. Commitments may be established, modified, or rescinded only through a resolution approved by the Board. The Board may also assign fund balance for a specific purpose.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

11. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

For the year ended August 31, 2017, revenues from local and intermediate sources in governmental funds consisted of the following:

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
Property taxes	\$ 12,430,540	3,921,412	-	16,351,952
Food service	-	-	426,185	426,185
Investment income	156,411	25,014	7,258	188,683
Penalties, interest, and other tax related income	180,652	57,959	-	238,611
Tuition and fees from patrons	225,261	-	-	225,261
Co-curricular student activities	83,050	-	342,444	425,494
Other	323,952	-	81,569	405,521
Total	<u>\$ 13,399,866</u>	<u>4,004,385</u>	<u>857,456</u>	<u>18,261,707</u>

12. DEFINED BENEFIT PENSION PLANS

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 TRS. TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

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

Pension Plan Fiduciary Net Position

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

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, in which the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

Contributions

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 83rd Texas Legislature, General Appropriations Act ("GAA") established the employer contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature GAA established the employer contribution rates for fiscal years 2016 and 2017.

	2016	2017
Contribution Rates:		
Member	7.2%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
2017 District Contributions		\$ 942,838
2017 Member Contributions		\$ 2,131,273
2017 NECE On-behalf Contributions		\$ 1,535,944

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

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

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

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

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

Actuarial Assumptions

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

Valuation Date	August 31, 2016
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.5%
Salary Increases including inflation	3.50% to 9.50%
Payroll Growth Rate	2.50%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

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

Discount Rate

The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8.0%. 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 TRS' target asset allocation as of August 31, 2016 are summarized below:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Return*
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%
Hedge Funds (Stable Value)	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 and Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk Parity			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
Total	100%		8.7%

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

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.

	<u>1% Decrease in Discount Rate (7.0%)</u>	<u>Discount Rate (8.0%)</u>	<u>1% Increase in Discount Rate (9.0%)</u>
District's proportionate share of the net pension liability	\$ 14,988,408	\$ 9,684,542	\$ 5,185,791

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 \$9,684,542 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	\$ 9,684,542
State's proportionate share that is associated with the District	<u>15,052,449</u>
Total	<u>\$ 24,736,991</u>

The net pension liability was measured as of August 31, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2015 through August 31, 2016.

At August 31, 2016 the employer's proportion of the collective net pension liability was 0.0256% which was a decrease of 0.0002% from its proportion measured as of August 31, 2015.

Changes Since the Prior Actuarial Valuation

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

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 \$1,588,911 and revenue of \$1,562,085 for support provided by the State.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 151,852	\$ 289,175
Changes in actuarial assumptions	295,167	268,443
Difference between projected and actual investment earnings	820,067	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	2,088,022	761
Contributions paid to TRS subsequent to the measurement date	<u>942,838</u>	<u>-</u>
Total	<u>\$ 4,297,946</u>	<u>\$ 558,379</u>

The \$942,838 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended August 31, 2018. The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>Pension Expense Amount</u>
Year ended August 31:	
2018	\$ 492,554
2019	492,554
2020	1,015,632
2021	452,362
2022	292,713
Thereafter	50,914

13. RETIREE HEALTH PLAN

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 TRS. TRS-Care provides health care coverage for certain persons (and their dependents) who retired under TRS. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.02 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. 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 calling the TRS Communications Department at 1-800-223-8778, or by writing to the Communications Department of the TRS of Texas at 1000 Red River Street, Austin, Texas 78701.

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. Contribution rates and amounts are shown in the table below for fiscal years 2015-2017.

Contribution Rates:

Year	Active Member		State		School District	
	Rate	Amount	Rate	Amount	Rate	Amount
2017	.65%	\$ 179,915	1.0%	\$ 276,789	.55%	\$ 152,237
2016	.65%	166,344	1.0%	255,919	.55%	140,757
2015	.65%	154,450	1.0%	237,611	.55%	130,687

14. HEALTH CARE COVERAGE

During the year ended August 31, 2017, employees of the District were covered by a health insurance plan (the “Health Plan”). The District contributed \$250 per month per employee to the Health Plan, and employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. All contributions were paid to a licensed insurer. The Health Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

The District recognizes as revenues and expenditures retiree drug subsidy reimbursements under the provisions of Medicare Part D made by the federal government to TRS on behalf of the District. For the year ended August 31, 2017, reimbursements of \$127,538 were received by TRS and allocated to the District.

15. RISK MANAGEMENT

The District’s risk management program includes coverages through third party insurance providers for property, automobile liability, school professional liability, crime, workers compensation and other miscellaneous bonds. During the year ended August 31, 2017, there were no significant reductions in insurance coverage from coverage in the prior year. Losses in excess of the various deductible levels are covered through traditional indemnity coverage for buildings and contents, and vehicle liability with various insurance firms. Settled claims have not exceeded insurance limits for the past three years.

The District participates in a public entity risk pool for its workers compensation insurance (the Worker’s Compensation Plan”), administered by the Texas Association of School Boards Worker’s Compensation Self-Insurance Fund. The District pays overhead expenses annually and actual claims liabilities up to a maximum amount determined annually. Claims in excess of the District’s guaranteed annual cap are paid by the pool. The Worker’s Compensation Plan is documented by contractual agreement. The contract between the District, the licensed insurer and other participants of the self-funded pool is renewable in September 2017, and the terms of coverage and contributions and premium costs are included in the contractual provisions. Under the Worker’s Compensation Plan, the District’s estimated aggregate liability is \$1,427,103 for fiscal year 2016-17 of which \$1,246,291 has been paid. The District’s estimated outstanding loss and aggregate liability at August 31, 2017 was \$180,812 and is reflected with accounts payable in the District’s governmental funds balance sheet.

16. COMMITMENTS AND CONTINGENCIES

The District participates in a number of federal financial assistance programs. Although the District’s grant programs have been audited in accordance with the provisions of the Uniform Guidance through August 31, 2017, these programs are subject to financial and compliance audits. The amounts, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

At August 31, 2017, the District was obligated under operating leases for certain office equipment. Rent expenditures incurred under operating leases for the year ended August 31, 2017 were \$14,367. Future minimum lease payments on these operating leases is as follows:

2018	\$ 6,843
2019	6,843
2020	6,473
2021	4,624
2022	3,468
Total	<u>\$ 28,251</u>

17. SHARED SERVICES ARRANGEMENTS

The District participates in a Shared Services Arrangement which provides speech therapists for special education to member districts, including Hays Consolidated ISD, Bastrop ISD, La Grange ISD, Smithville ISD, the City of Bastrop, the City of Smithville, Bastrop County and Region XIII Education Service Center. All services are provided by the fiscal agent and the member districts provide the funds to the fiscal agent.

**REQUIRED
SUPPLEMENTARY INFORMATION**

ELGIN INDEPENDENT SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Liability
Teacher Retirement System of Texas
8/31/2017**

	<u>2016*</u>	<u>2015*</u>	<u>2014*</u>	<u>2013*</u>
District's proportion of the net pension liability	\$ 0.0256%	0.0258%	0.0164%	0.0164%
District's proportionate share of the net pension liability	9,684,542	9,127,203	4,377,302	5,374,968
State's proportionate share of the net pension liability associated with the District	<u>15,052,449</u>	<u>13,887,393</u>	<u>11,787,479</u>	<u>14,469,625</u>
Total	<u>\$ 24,736,991</u>	<u>23,014,596</u>	<u>16,164,781</u>	<u>19,844,593</u>
District's covered-employee payroll (for Measurement Year)	\$ 25,591,885	23,761,108	22,326,922	21,154,912
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	37.84%	38.41%	19.61%	25.41%
Plan fiduciary net position as a percentage of the total pension liability	78.00%	78.43%	83.25%	78.17%
Plan's net pension liability as a percentage of covered employee payroll	92.75%	91.94%	72.90%	93.10%

* The amounts presented for each Plan year are as of August 31, plan information was unavailable prior to 2013.

** Schedule should provide ten years of Plan information, but data was unavailable prior to 2013.

ELGIN INDEPENDENT SCHOOL DISTRICT
Schedule of District Contributions
Teacher Retirement System of Texas
Last 10 Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contributions	\$ 942,838	\$ 814,257	\$ 764,556	\$ 426,572	\$ 488,370
Contributions in relation to the contractual required contributions	<u>942,838</u>	<u>814,257</u>	<u>764,556</u>	<u>426,572</u>	<u>488,370</u>
Contribution deficiency (excess)	<u>\$ -</u>				
District's covered employee payroll	\$ 27,678,861	\$ 25,591,885	23,761,108	22,326,922	21,154,912
Contributions as a percentage of covered payroll	3.41%	3.18%	3.22%	1.91%	2.31%
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contractually required contributions	\$ 274,011	\$ 331,234	\$ 304,601	\$ 354,261	\$ 237,053
Contributions in relation to the contractual required contributions	<u>274,011</u>	<u>331,234</u>	<u>304,601</u>	<u>354,261</u>	<u>237,053</u>
Contribution deficiency (excess)	<u>\$ -</u>				
District's covered employee payroll	20,034,111	\$ 20,529,357	20,230,568	18,690,630	17,533,279
Contributions as a percentage of covered payroll	1.37%	1.61%	1.51%	1.90%	1.35%

ELGIN INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED AUGUST 31, 2017

1. CHANGE IN ASSUMPTIONS

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

**COMBINING AND INDIVIDUAL FUND
STATEMENTS**

ELGIN INDEPENDENT SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Special Revenue Funds
August 31, 2017

	Education for Homeless Children and Youth	Title I Grants to Local Educational Agencies	Migrant Education State Grant Program	Special Education Grants to States	Special Education Preschool Grants	National School Breakfast and Lunch Program	Summer Food Service Program for Children
Assets:							
Cash and temporary investments	\$ -	-	-	-	-	1,404,095	135,049
Receivables:							
Due from other governments	-	98,281	9,048	41,875	-	132,999	-
Due from other funds	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	3,259	-
Inventory	-	-	-	-	-	28,544	-
Total assets	<u>\$ -</u>	<u>98,281</u>	<u>9,048</u>	<u>41,875</u>	<u>-</u>	<u>1,568,897</u>	<u>135,049</u>
Liabilities and fund balances:							
Liabilities:							
Accounts payable	\$ -	10,170	27	2,704	-	179,928	-
Accrued wages payable	-	28,622	-	26,539	-	45,786	-
Due to other funds	-	59,489	9,021	12,632	-	-	-
Due to other governments	-	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	28,544	-
Total liabilities	<u>-</u>	<u>98,281</u>	<u>9,048</u>	<u>41,875</u>	<u>-</u>	<u>254,258</u>	<u>-</u>
Fund balances:							
Restricted	-	-	-	-	-	1,314,639	135,049
Assigned	-	-	-	-	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,314,639</u>	<u>135,049</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>98,281</u>	<u>9,048</u>	<u>41,875</u>	<u>-</u>	<u>1,568,897</u>	<u>135,049</u>

(continued)

ELGIN INDEPENDENT SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Special Revenue Funds (continued)
August 31, 2017

	Career and Technical Education Basic Grants to States	Improving Teacher Quality State Grants	English Language Acquisition State Grants	21st Century Community Learning Centers	Medical Assistance Program	Elementary and Secondary School Counseling Programs	Innovative Approaches to Literacy Program
Assets:							
Cash and temporary investments	\$ -	-	-	-	4,249	12,292	-
Receivables:							
Due from other governments	-	29,440	15,431	62,624	-	14,773	796
Due from other funds	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-
Total assets	<u>\$ -</u>	<u>29,440</u>	<u>15,431</u>	<u>62,624</u>	<u>4,249</u>	<u>27,065</u>	<u>796</u>
Liabilities and fund balances:							
Liabilities:							
Accounts payable	\$ -	4,783	875	828	-	7,111	-
Accrued wages payable	-	-	-	11,342	-	19,954	-
Due to other funds	-	24,657	14,556	50,454	-	-	796
Due to other governments	-	-	-	-	1,026	-	-
Unearned revenue	-	-	-	-	3,223	-	-
Total liabilities	<u>-</u>	<u>29,440</u>	<u>15,431</u>	<u>62,624</u>	<u>4,249</u>	<u>27,065</u>	<u>796</u>
Fund balances:							
Restricted	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>29,440</u>	<u>15,431</u>	<u>62,624</u>	<u>4,249</u>	<u>27,065</u>	<u>796</u>

(continued)

ELGIN INDEPENDENT SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Special Revenue Funds (continued)
August 31, 2017

	Grants for State Assessments and Related Activities	Advanced Placement Initiatives	Instructional Materials Allotment	State Funded Special Revenue	Campus Activity	Texas Methodist Foundation	Elgin Education Foundation	Total Special Revenue Funds
Assets:								
Cash and temporary investments	\$ -	-	16,610	5,950	204,214	84,730	227	1,867,416
Receivables:								
Due from other governments	-	9,450	-	5,838	-	-	-	420,555
Due from other funds	-	-	-	-	128	-	-	128
Other receivables	-	-	-	-	-	-	-	3,259
Inventory	-	-	-	-	-	-	-	28,544
Total assets	<u>\$ -</u>	<u>9,450</u>	<u>16,610</u>	<u>11,788</u>	<u>204,342</u>	<u>84,730</u>	<u>227</u>	<u>2,319,902</u>
Liabilities and fund balances:								
Liabilities:								
Accounts payable	\$ -	-	-	3,554	3,510	-	227	213,717
Accrued wages payable	-	-	-	-	-	-	-	132,243
Due to other funds	-	9,450	-	2,284	-	-	-	183,339
Due to other governments	-	-	-	350	-	-	-	1,376
Unearned revenue	-	-	16,610	5,600	-	84,730	-	138,707
Total liabilities	<u>-</u>	<u>9,450</u>	<u>16,610</u>	<u>11,788</u>	<u>3,510</u>	<u>84,730</u>	<u>227</u>	<u>669,382</u>
Fund balances:								
Restricted	-	-	-	-	-	-	-	1,449,688
Assigned	-	-	-	-	200,832	-	-	200,832
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>200,832</u>	<u>-</u>	<u>-</u>	<u>1,650,520</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>9,450</u>	<u>16,610</u>	<u>11,788</u>	<u>204,342</u>	<u>84,730</u>	<u>227</u>	<u>2,319,902</u>

ELGIN INDEPENDENT SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended August 31, 2017

	Education for Homeless Children and Youth	Title I Grants to Local Educational Agencies	Migrant Education State Grant Program	Special Education Grants to States	Special Education Preschool Grants	National School Breakfast and Lunch Program	Summer Food Service Program for Children
Revenues:							
Local and intermediate sources	\$ -	-	-	-	-	433,114	1,137
State program revenues	-	-	-	-	-	21,942	-
Federal program revenues	2,376	1,041,096	146,373	710,802	9,228	2,470,811	76,106
Total revenues	2,376	1,041,096	146,373	710,802	9,228	2,925,867	77,243
Expenditures:							
Current:							
Instruction	2,376	694,910	101,241	557,163	8,862	-	-
Instructional resources and media services	-	12,142	-	-	-	-	-
Curriculum and staff development	-	240,366	-	1,035	-	-	-
Instructional leadership	-	79,838	45,077	133,286	-	-	-
School leadership	-	3,108	-	-	-	-	-
Guidance, counseling and evaluation services	-	1,716	55	19,318	366	-	-
Social work services	-	-	-	-	-	-	-
Health services	-	-	-	-	-	-	-
Student transportation	-	-	-	-	-	-	-
Food services	-	-	-	-	-	2,784,622	54,477
Extracurricular activities	-	-	-	-	-	-	-
Facilities maintenance and operations	-	-	-	-	-	55,735	-
Community services	-	9,016	-	-	-	-	-
Total expenditures	2,376	1,041,096	146,373	710,802	9,228	2,840,357	54,477
Excess (Deficiency) of revenues over (under) expenditures	-	-	-	-	-	85,510	22,766
Fund balances - beginning	-	-	-	-	-	1,229,129	112,283
Fund balances - ending	\$ -	-	-	-	-	1,314,639	135,049

(continued)

ELGIN INDEPENDENT SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Special Revenue Funds (continued)
Year Ended August 31, 2017

	Career and Technical Education Basic Grants to States	Improving Teacher Quality State Grants	English Language Acquisition State Grants	21st Century Community Learning Centers	Medical Assistance Program	Elementary and Secondary School Counseling Programs	Innovative Approaches to Literacy Program
Revenues:							
Local and intermediate sources	\$ -	-	-	-	-	-	-
State program revenues	-	-	-	-	-	-	-
Federal program revenues	54,282	114,371	119,266	1,204,130	9,998	584,380	79,188
Total revenues	<u>54,282</u>	<u>114,371</u>	<u>119,266</u>	<u>1,204,130</u>	<u>9,998</u>	<u>584,380</u>	<u>79,188</u>
Expenditures:							
Current:							
Instruction	51,782	26,654	52,968	759,393	850	11,835	5,994
Instructional resources and media services	-	-	-	-	-	-	31,950
Curriculum and staff development	2,500	86,381	66,298	-	-	-	2,500
Instructional leadership	-	-	-	128,074	8,779	85,027	29,844
School leadership	-	1,336	-	175,404	-	-	-
Guidance, counseling and evaluation services	-	-	-	-	182	335,603	-
Social work services	-	-	-	-	-	140,178	-
Health services	-	-	-	5,012	-	-	-
Student transportation	-	-	-	71,169	-	-	-
Food services	-	-	-	-	-	11,737	-
Extracurricular activities	-	-	-	-	-	-	-
Facilities maintenance and operations	-	-	-	-	-	-	-
Community services	-	-	-	65,078	187	-	8,900
Total expenditures	<u>54,282</u>	<u>114,371</u>	<u>119,266</u>	<u>1,204,130</u>	<u>9,998</u>	<u>584,380</u>	<u>79,188</u>
Excess (Deficiency) of revenues over (under) expenditures	-	-	-	-	-	-	-
Fund balances - beginning	-	-	-	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(continued)

ELGIN INDEPENDENT SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Special Revenue Funds (continued)
Year Ended August 31, 2017

	Grants for State Assessments and Related Activities	Advanced Placement Initiatives	Instructional Materials Allotment	State Funded Special Revenue	Campus Activity	Texas Methodist Foundation	Elgin Education Foundation	Total Special Revenue Funds
Revenues:								
Local and intermediate sources	\$ -	-	-	-	343,626	69,791	9,788	857,456
State program revenues	-	9,450	122,257	147,141	-	-	-	300,790
Federal program revenues	8,155	-	-	-	-	-	-	6,630,562
Total revenues	<u>8,155</u>	<u>9,450</u>	<u>122,257</u>	<u>147,141</u>	<u>343,626</u>	<u>69,791</u>	<u>9,788</u>	<u>7,788,808</u>
Expenditures:								
Current:								
Instruction	8,155	-	109,757	121,858	-	217	4,788	2,518,803
Instructional resources and media services	-	-	-	-	-	-	5,000	49,092
Curriculum and staff development	-	9,450	12,500	25,283	-	667	-	446,980
Instructional leadership	-	-	-	-	-	-	-	509,925
School leadership	-	-	-	-	-	70	-	179,918
Guidance, counseling and evaluation services	-	-	-	-	-	68,837	-	426,077
Social work services	-	-	-	-	-	-	-	140,178
Health services	-	-	-	-	-	-	-	5,012
Student transportation	-	-	-	-	-	-	-	71,169
Food services	-	-	-	-	-	-	-	2,850,836
Extracurricular activities	-	-	-	-	352,433	-	-	352,433
Facilities maintenance and operations	-	-	-	-	-	-	-	55,735
Community services	-	-	-	-	-	-	-	83,181
Total expenditures	<u>8,155</u>	<u>9,450</u>	<u>122,257</u>	<u>147,141</u>	<u>352,433</u>	<u>69,791</u>	<u>9,788</u>	<u>7,689,339</u>
Excess (Deficiency) of revenues over (under) expenditures	-	-	-	-	(8,807)	-	-	99,469
Fund balances - beginning	-	-	-	-	209,639	-	-	1,551,051
Fund balances - ending	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>200,832</u>	<u>-</u>	<u>-</u>	<u>1,650,520</u>

ELGIN INDEPENDENT SCHOOL DISTRICT
Major Governmental Fund - Debt Service Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year Ended August 31, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Local and intermediate sources	\$ 3,855,405	3,855,405	4,004,385	148,980
State program revenues	1,926,431	1,926,341	1,589,071	(337,270)
Total revenues	<u>5,781,836</u>	<u>5,781,746</u>	<u>5,593,456</u>	<u>(188,290)</u>
EXPENDITURES-				
Debt service	6,480,691	7,303,001	6,845,791	457,210
Total expenditures	<u>6,480,691</u>	<u>7,303,001</u>	<u>6,845,791</u>	<u>457,210</u>
Deficiency of revenues under expenditures	(698,855)	(1,521,255)	(1,252,335)	268,920
OTHER FINANCING SOURCES (USES):				
Issuance of refunding bonds	-	21,960,000	21,960,000	-
Premium on sale of bonds	-	2,561,831	2,561,831	-
Payment to refunded bond escrow agent	-	(24,114,724)	(24,114,724)	-
Transfers in	-	700,000	430,745	(269,255)
Total other financing sources, net	-	1,107,107	837,852	(269,255)
Net change in fund balance	(698,855)	(414,148)	(414,483)	(335)
Fund balance - beginning	<u>683,450</u>	<u>683,450</u>	<u>683,450</u>	<u>-</u>
Fund balance - ending	<u>\$ (15,405)</u>	<u>269,302</u>	<u>268,967</u>	<u>(335)</u>

ELGIN INDEPENDENT SCHOOL DISTRICT
Nonmajor Special Revenue Fund - Food Service
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year Ended August 31, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Local and intermediate sources	\$ 462,200	462,200	433,114	(29,086)
State program revenues	25,000	25,000	21,942	(3,058)
Federal program revenues	2,439,920	2,439,920	2,470,811	30,891
Total revenues	<u>2,927,120</u>	<u>2,927,120</u>	<u>2,925,867</u>	<u>(1,253)</u>
EXPENDITURES-				
Current:				
Food services	2,722,961	3,237,409	2,784,622	452,787
Facilities maintenance and operations	50,000	166,308	55,735	110,573
Total expenditures	<u>2,772,961</u>	<u>3,403,717</u>	<u>2,840,357</u>	<u>563,360</u>
Excess (Deficiency) of revenues over (under) expenditures	154,159	(476,597)	85,510	562,107
Net change in fund balances	154,159	(476,597)	85,510	562,107
Fund balance - beginning	<u>1,229,129</u>	<u>1,229,129</u>	<u>1,229,129</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,383,288</u>	<u>752,532</u>	<u>1,314,639</u>	<u>562,107</u>

OTHER SCHEDULES

ELGIN INDEPENDENT SCHOOL DISTRICT
Schedule of Delinquent Taxes Receivable
Year Ended August 31, 2017

Years Ended	Tax Rates		Assessed/ Appraised Value for School Tax Purposes	Beginning Balance 8/31/2016	Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustment	Ending Balance 8/31/2017
	Maintenance	Debt Service							
2008 & Prior	Various	Various	\$ Various	\$ 116,125	-	4,294	1,366	(14,304)	96,161
2009	1.04	0.44	836,970,743	41,854	-	1,522	644	(700)	38,988
2010	1.04	0.41	840,425,203	50,742	-	3,288	1,296	(627)	45,531
2011	1.04	0.50	858,363,312	53,824	-	3,740	1,798	(729)	47,557
2012	1.04	0.50	834,387,200	61,408	-	9,779	4,701	(961)	45,967
2013	1.17	0.37	873,949,606	82,542	-	17,414	5,507	(961)	58,660
2014	1.17	0.37	883,145,467	120,746	-	34,194	10,814	(431)	75,307
2015	1.17	0.37	943,149,397	179,448	-	40,430	12,786	1,116	127,348
2016	1.17	0.37	1,013,763,136	421,586	-	155,531	49,186	(25,796)	191,073
2017	1.17	0.37	1,055,525,950	-	16,489,702	12,160,348	3,833,314	1,435	497,475
Totals				\$ 1,128,275	16,489,702	12,430,540	3,921,412	(41,958)	1,224,067

ELGIN INDEPENDENT SCHOOL DISTRICT
EXHIBIT L-1 - SCHEDULE OF REQUIRED RESPONSES TO SELECTED
SCHOOL FIRST INDICATORS
As of August 31, 2017

Data Control Codes	Description	Responses
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year-end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	\$ 1,266,317
SF11	Net Pension Assets (1920) at fiscal year-end.	\$ -
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$ 9,684,542
SF13	Pension Expense (6147) at fiscal year end.	\$ 1,588,911

FEDERAL AWARDS SECTION



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**INDEPENDENT AUDITORS’ 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***

The Board of Trustees of
Elgin Independent School District:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Elgin 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, and have issued our report thereon dated December 15, 2017.

Internal Control Over Financial Reporting

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

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

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

*“A Registered Investment Advisor”
This firm is not a CPA firm*

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

Compliance and Other Matters

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

Purpose of this Report

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

Maxwell Locke + Ritter LLP

Austin, Texas
December 15, 2017



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

The Board of Trustees of
Elgin Independent School District:

Report on Compliance for Each Major Federal Program

We have audited Elgin Independent School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2017. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

"A Registered Investment Advisor"

This firm is not a CPA firm

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2017.

Report on Internal Control Over Compliance

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

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

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

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

Maxwell Locke + Ritter LLP

Austin, Texas
December 15, 2017

ELGIN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended August 31, 2017

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Fund for the Improvement of Education Cluster			
Direct Funding:			
Elementary and Secondary School Counseling Programs	84.215E	S215E150091	\$ 119,757
Elementary and Secondary School Counseling Programs	84.215E	S215E150093	72,210
Elementary and Secondary School Counseling Programs	84.215E	S215E150091-16	189,289
Elementary and Secondary School Counseling Programs	84.215E	S215E150093-16	189,428
Elementary and Secondary School Counseling Programs	84.215E	CN-F2S-PLN-15-TX-05	23,425
Total CFDA Number 84.215E			594,109
Innovative Approaches to Literacy Program	84.215G	S215G140035	79,696
Total Fund for the Improvement of Education Cluster			673,805
Total Direct Funding			673,805
Passed Through Texas Education Agency:			
Title I Grants to Local Educational Agencies	84.010A	17610101011902	875,372
Title I Grants to Local Educational Agencies	84.010A	18610101011902	68,601
Title I Grants to Local Educational Agencies	84.010A	17610112011902000	121,112
Total CFDA Number 84.010A			1,065,085
Migrant Education State Grant Program	84.011A	17615001011902	140,718
Migrant Education State Grant Program	84.011A	18615001011902	9,021
Total CFDA Number 84.011A			149,739
Special Education Cluster			
Special Education Grants to States	84.027A	176600010119026600	681,559
Special Education Grants to States	84.027A	186600010119026600	29,243
Total CFDA Number 84.027A			710,802
Special Education Preschool Grants	84.173A	176610010119026610	9,228
Total CFDA Number 84.173A			9,228
Total Special Education Cluster			720,030
Career and Technical Education - Basic Grants to States	84.048A	16420006011902	55,029
Twenty-First Century Community Learning Centers	84.287	1769502477110011	1,231,567
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367A	16694501011902	8,282
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367A	17694501011902	109,028
Total CFDA Number 84.367A			117,310
English Language Acquisition State Grants	84.365A	17671001011902	106,466
English Language Acquisition State Grants	84.365A	18671001011902	12,809
Total CFDA Number 84.365A			119,275
Grants for State Assessments and Related Activities	84.369A	69551502	8,155
Total Passed Through Texas Education Agency			3,466,190
Passed Through Education Service Center Region XIII:			
Education for Homeless Children and Youth	84.196	011902	2,376
Total Passed Through Education Service Center Region XIII			2,376
TOTAL DEPARTMENT OF EDUCATION			4,142,371
U.S. DEPARTMENT OF AGRICULTURE			
Child Nutrition Cluster			
Passed Through Texas Education Agency:			
National School Lunch Program	10.555	71301701	1,525,612
School Breakfast Program	10.553	71401701	766,586
Total Passed Through Texas Education Agency			2,292,198
Passed Through Texas Department of Agriculture-			
Summer Food Service Program for Children	10.559		76,106
Total Passed Through Texas Department of Agriculture			76,106
Passed Through the Texas Department of Human Services-			
Non-cash assistance - Food Distribution Program	10.555		178,613
Total Passed Through Texas Department of Human Services			178,613
Total Child Nutrition Cluster			2,546,917
TOTAL DEPARTMENT OF AGRICULTURE			2,546,917
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through Texas Health and Human Services Commission:			
Medical Assistance Program	93.778		9,998
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			9,998
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 6,699,286

ELGIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED AUGUST 31, 2017

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Elgin Independent School District (the "District") under programs of the federal government for the year ended August 31, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, change in net position, or cash flows of the District.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The expenditures reported on the Schedule are reported using the modified accrual basis of accounting, with the exception of the National School Lunch Program, the School Breakfast Program, the Summer Feeding Program for Children, and the Food Distribution Program. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become available and measurable, and expenditures in the accounting period in which the fund liability is incurred, if measurable. Expenditures in the National School Lunch Program, the School Breakfast Program, the Summer Feeding Program for Children, and the Food Distribution Program are not specifically attributable to this revenue source and are shown on the Schedule in an amount equal to revenue for balancing purposes only. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited to reimbursement.

The District has elected to not use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Relationship to Basic Financial Statements

Expenditures of federal awards are reported in the District's basic financial statements in the General Fund and special revenue funds.

Relationship to Federal Financial Reports

Amounts reported in the Schedule agree with the amounts reported in the related federal financial reports in all significant respects.

Valuation of Non-cash Programs

The District values revenues and expenditures for the Food Distribution Program based on the value of commodities received.

ELGIN INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED AUGUST 31, 2017

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued on whether the financial statements were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted?

yes no

FEDERAL AWARDS

Internal control over major federal programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Type of auditors' report issued on compliance for major federal programs:

Child Nutrition Cluster

Unmodified

Twenty-First Century Community Learning Centers

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

yes no

Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
	Child Nutrition Cluster:
10.553	School Breakfast Program
10.555	National School Lunch Program
10.555	Noncash Food Distribution Program
10.559	Summer Food Service Program for Children
84.287	Twenty-First Century Community Learning Centers

Dollar threshold used to distinguish between type A
and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

yes no

ELGIN INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED AUGUST 31, 2017

SECTION II - FINANCIAL STATEMENT FINDINGS

No findings required to be reported in accordance with *Government Auditing Standards* for the years ended August 31, 2017 and 2016.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings or questioned costs required to be reported in accordance with 2 CFR 200.516(a) for the years ended August 31, 2017 and 2016.