

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

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ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2017

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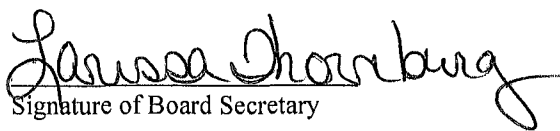
CERTIFICATE OF BOARD

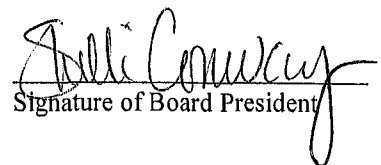
Anna Independent School District
Name of School District

Collin
County

043-902
Co. - Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) ☒ approved _____ disapproved for the year ended August 31, 2017, at a meeting of the Board of Trustees of such school district on the 14th day of December, 2017.


Signature of Board Secretary


Signature of Board President

**HANKINS, EASTUP, DEATON,
TONN & SEAY**
A PROFESSIONAL CORPORATION

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

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

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 Standard* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District'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 Anna Independent School 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* on pages 5 through 10 and the *pension schedules* on pages 50 through 52 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 Anna Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements and the required TEA schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance, and is also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, the required TEA 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 nonmajor fund financial statements, the required TEA 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 6, 2017 on our consideration of Anna Independent School District's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Anna Independent School District's internal control over financial reporting and compliance.

Hankins, Eastup, Deaton, Tonn & Seay

Hankins, Eastup, Deaton, Tonn & Seay, PC
Denton, Texas

December 6, 2017

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

As management of Anna Independent School District, we offer readers of the District's financial statement this narrative overview and analysis of the financial activities of the District for the year ended August 31, 2017. Please read this narrative in conjunction with the independent auditors' report on page 3, and the District's Basic Financial Statements that begin on page 12.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of Anna Independent School District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$2,587,268 (net position). Of this amount, \$1,171,945, represents unrestricted net position.
- The District's total net position increased by \$173,943 during the fiscal year.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$17,713,296. Approximately 41% of this total amount, \$7,238,907, is unassigned and available for use within the District's fund balance policies.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$7,238,907 or 25.6% of the total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 12 and 13). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 14) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the District.

The notes to the financial statements (starting on page 27) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for nonmajor funds contain even more information about the District's individual funds. The sections labeled TEA Required Schedules and Federal Awards Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 12. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all of the District's assets and deferred outflows of resources; and liabilities and deferred inflows of resources at the end of the year while the Statement of Activities includes all revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting (the basis used by private sector companies).

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

These two statements report the District's net position and changes in them. The District's net position (the difference between assets and deferred outflows of resources; less liabilities and deferred inflows of resources) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position is one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider nonfinancial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, we divide the District into two kinds of activities:

- **Governmental activities**—Most of the District's basic services are reported here, including the instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.
- **Business-type activities**—The District does not have any programs in which it charges a fee to “customers” to help it cover all or most of the cost of services it provides. Thus, the District had no business-type activities during the current fiscal year.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 14 and provide detailed information about the most significant funds—not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the No Child Left Behind Act from the U.S. Department of Education. The District's administration establishes other funds to help it control and manage money for particular purposes (like campus activities). The District's two kinds of funds – governmental and proprietary – use different accounting approaches.

· **Governmental funds**—Most of the District's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

· **Proprietary funds**—The District reports the activities for which it charges users (whether outside customers or other units of the District) in proprietary funds using the same accounting methods employed in the Statement of Net Position and the Statement of Activities. The internal service fund reports the District's self-insurance workers compensation program that provides services for the District's other programs and activities.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities. The District's fiduciary activity is reported in a separate Statement of Fiduciary Assets and Liabilities on page 26. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in this fund are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The analysis below presents both current and prior year data and discusses significant changes in the accounts. Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental activities.

Net position of the District's governmental activities increased from \$2,413,325 to \$2,587,268. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$1,171,945 at August 31, 2017.

Table I
NET POSITION

	Governmental Activities	
	2017	2016
Current and other assets	\$ 21,027,105	\$ 46,606,918
Capital assets	122,308,232	98,810,743
Total assets	<u>143,335,337</u>	<u>145,417,661</u>
Deferred outflows of resources	6,444,529	5,508,546
Long-term liabilities	143,282,690	143,570,648
Other liabilities	3,045,904	4,595,065
Total liabilities	<u>146,328,594</u>	<u>148,165,713</u>
Deferred inflows of resources	864,004	347,169
Net Position:		
Net investments in capital assets	995,741	(1,259,105)
Restricted	419,582	480,761
Unrestricted	1,171,945	3,191,669
Total net position	<u>\$ 2,587,268</u>	<u>\$ 2,413,325</u>

Table II
CHANGES IN NET POSITION

	Governmental Activities	
	2017	2016
Revenues:		
Program Revenues:		
Charges for services	\$ 1,477,722	\$ 981,065
Operating grants and contributions	5,598,739	3,938,865
General Revenues:		
Maintenance and operations taxes	9,964,073	8,571,639
Debt service taxes	4,258,855	3,673,682
State aid	17,937,851	19,022,087
Investment earnings	215,307	106,240
Miscellaneous	73,715	115,015
Total Revenues	<u>39,526,262</u>	<u>36,408,593</u>
Expenses:		
Instruction, curriculum and media services	19,089,214	16,545,255
Instructional and school leadership	1,880,242	1,764,791
Student support services	2,807,315	2,351,889
Child nutrition	1,635,576	1,570,698
Cocurricular activities	1,626,171	1,449,712
General administration	1,454,852	1,174,058
Plant maintenance, security and data processing	5,277,392	4,512,509
Debt services	5,432,088	5,093,291
Facilities acquisition and construction	42,670	21,533
Juvenile Justice Alternative Education Program	17,114	1,416
Other intergovernmental charges	89,685	58,450
Total Expenses	<u>39,352,319</u>	<u>34,543,602</u>
Increase (Decrease) in Net Position	173,943	1,864,991
Net Position - beginning of year	<u>2,413,325</u>	<u>548,334</u>
Net Position - end of year	<u>\$ 2,587,268</u>	<u>\$ 2,413,325</u>

The District had an increase in revenue of 8.6%. Local tax revenues increased due to a 22.0% increase in taxable property values. State Foundation revenue decreased due to increased local tax collections, even though there was a 5.6% increase in average daily attendance. Certain adjustments were necessary in the preparation of the 2016-17 Budget to enable the District to maintain a sound financial position.

- Average daily attendance increased by approximately 163 students.
- The District's General Fund expenditures increased \$4.1 million. Much of this increase was due to staff salary increases, new positions because of enrollment growth, and increases in other expenses necessary for growth in the District.
- The District's maintenance and operations (M&O) tax rate remained \$1.17 per \$100 valuation. The District's debt service tax rate remained \$0.50 per \$100 valuation.

The cost of all governmental activities for the current fiscal year was \$39,352,319. However, as shown in the Statement of Activities on page 13, the amount that our taxpayers ultimately financed for these activities through District taxes was only \$14,222,928 because some of the costs were paid by those who directly benefited from the programs (\$1,477,722) or by other governments and organizations that subsidized certain programs with grants and contributions (\$5,598,739) or by State equalization funding (\$17,937,851).

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 14) reported a combined fund balance of \$17,713,296, which is \$24,097,344 less than last year's total of \$41,810,640. Included in this year's total change in fund balance is an increase of \$2,097,047 in the District's General Fund, a decrease of \$451,310 in the Debt Service Fund, and a decrease of \$25,871,413 in the Capital Projects Fund.

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments fall into three categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts we estimated in August 2016). The second category includes changes that the Board made during the year to reflect new information regarding revenue sources and expenditure needs. The principal amendments in this case were amendments to reflect additional revenues and personnel and other costs. The third category involves amendments moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs.

The District's General Fund balance of \$12,243,907 reported on page 18 differs from the General Fund's budgetary fund balance of \$9,846,860 reported in the budgetary comparison schedule on page 22. This is principally due to cost savings achieved during the year based on the final amended budget and actual revenues in excess of budgeted amounts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At August 31, 2017, the District had \$122,308,232 invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This amount represents a net increase of \$23,497,489, or 23.8 percent, more than last year.

More detailed information about the District's capital assets is presented in Note 4 to the financial statements.

Debt Administration

At year-end, the District had \$138,067,113 in long-term debt outstanding (including accreted interest on bonds) versus \$138,903,775 last year—a decrease of \$836,662. The District's general obligation bond rating is AAA (as a result of guarantees of the Texas Permanent School Fund) according to national rating agencies.

More detailed information about the District's long-term liabilities is presented in Note 5 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The District expects average daily attendance to increase during the 2017-2018 school year. Total state aid is expected to be relatively the same due to higher local tax collections.
- The District's General Fund expenditures are budgeted to increase approximately \$2.9 million. The increase is due to staff raises and additional positions required by enrollment growth.
- The 2017-2018 General Fund budget has budgeted revenues equal to budgeted expenditures (\$31.2 million).
- The District's 2017-2018 tax rate remained the same as the prior year; \$1.17 per \$100 taxable value maintenance and operations rate and \$0.50 per \$100 taxable value debt service rate for a total tax rate of \$1.67.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office at Anna Independent School District, 501 S. Sherley Ave., Anna, Texas 75409, (972) 924-1000.

BASIC FINANCIAL STATEMENTS

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

EXHIBIT A-1

Data	Primary Government
Control	Governmental
Codes	Activities
ASSETS	
1110	Cash and Cash Equivalents \$ 17,764,990
1120	Current Investments 1,048,323
1220	Property Taxes Receivable (Delinquent) 262,982
1230	Allowance for Uncollectible Taxes (26,299)
1240	Due from Other Governments 1,972,065
1250	Accrued Interest 44
1410	Prepayments 5,000
	Capital Assets:
1510	Land 2,858,941
1520	Buildings, Net 101,911,256
1530	Furniture and Equipment, Net 1,873,470
1580	Construction in Progress 15,664,565
1000	Total Assets 143,335,337
DEFERRED OUTFLOWS OF RESOURCES	
1701	Deferred Charges on Bond Refundings 2,961,024
1705	Deferred Outflows Related to TRS 3,483,505
1700	Total Deferred Outflows of Resources 6,444,529
LIABILITIES	
2110	Accounts Payable 1,335,659
2140	Accrued Interest Payable 200,509
2160	Accrued Wages Payable 1,369,862
2200	Accrued Expenses 21,408
2300	Unearned Revenue 118,466
	Noncurrent Liabilities
2501	Due Within One Year 2,220,000
2502	Due in More Than One Year 135,847,113
2540	Net Pension Liability (District's Share) 5,215,577
2000	Total Liabilities 146,328,594
DEFERRED INFLOWS OF RESOURCES	
2605	Deferred Inflows Related to TRS 864,004
2600	Total Deferred Inflows of Resources 864,004
NET POSITION	
3200	Net Investment in Capital Assets 995,741
3820	Restricted for Federal and State Programs 395,298
3880	Restricted for Scholarships 24,284
3900	Unrestricted 1,171,945
3000	Total Net Position \$ 2,587,268

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

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

EXHIBIT B-1

Data Control Codes	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	1	3	4	6
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 18,490,944	\$ 557,497	\$ 1,951,086	\$ (15,982,361)
12 Instructional Resources and Media Services	402,351	-	17,644	(384,707)
13 Curriculum and Staff Development	195,919	-	12,745	(183,174)
21 Instructional Leadership	224,572	-	12,842	(211,730)
23 School Leadership	1,655,670	-	89,957	(1,565,713)
31 Guidance, Counseling and Evaluation Services	579,844	-	30,964	(548,880)
33 Health Services	290,417	-	14,608	(275,809)
34 Student (Pupil) Transportation	1,937,054	-	384,340	(1,552,714)
35 Food Services	1,635,576	646,946	915,935	(72,695)
36 Extracurricular Activities	1,626,171	241,682	36,948	(1,347,541)
41 General Administration	1,454,852	1,812	139,550	(1,313,490)
51 Facilities Maintenance and Operations	3,592,708	29,785	84,175	(3,478,748)
52 Security and Monitoring Services	347,699	-	8,710	(338,989)
53 Data Processing Services	1,336,985	-	76,536	(1,260,449)
72 Debt Service - Interest on Long Term Debt	5,258,804	-	1,822,699	(3,436,105)
73 Debt Service - Bond Issuance Cost and Fees	173,284	-	-	(173,284)
81 Capital Outlay	42,670	-	-	(42,670)
95 Payments to Juvenile Justice Alternative Ed. Prg.	17,114	-	-	(17,114)
99 Other Intergovernmental Charges	89,685	-	-	(89,685)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 39,352,319	\$ 1,477,722	\$ 5,598,739	(32,275,858)
Data Control Codes	General Revenues:			
	Taxes:			
MT	Property Taxes, Levied for General Purposes			9,964,073
DT	Property Taxes, Levied for Debt Service			4,258,855
SF	State Aid - Formula Grants			17,937,851
IE	Investment Earnings			215,307
MI	Miscellaneous Local and Intermediate Revenue			73,715
TR	Total General Revenues			32,449,801
CN	Change in Net Position			173,943
NB	Net Position - Beginning			2,413,325
NE	Net Position--Ending			\$ 2,587,268

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

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

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
ASSETS			
1110 Cash and Cash Equivalents	\$ 11,021,992	\$ 131,543	\$ 5,876,277
1120 Investments - Current	1,028,323	-	-
1220 Property Taxes - Delinquent	185,162	77,820	-
1230 Allowance for Uncollectible Taxes (Credit)	(18,517)	(7,782)	-
1240 Receivables from Other Governments	1,760,965	-	-
1250 Accrued Interest	-	-	-
1410 Prepayments	5,000	-	-
1000 Total Assets	<u>\$ 13,982,925</u>	<u>\$ 201,581</u>	<u>\$ 5,876,277</u>
LIABILITIES			
2110 Accounts Payable	\$ 271,146	\$ -	\$ 1,005,739
2160 Accrued Wages Payable	1,284,695	-	-
2200 Accrued Expenditures	16,532	-	-
2300 Unearned Revenues	-	51,816	-
2000 Total Liabilities	<u>1,572,373</u>	<u>51,816</u>	<u>1,005,739</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	166,645	70,038	-
2600 Total Deferred Inflows of Resources	<u>166,645</u>	<u>70,038</u>	<u>-</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3430 Prepaid Items	5,000	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3470 Capital Acquisition and Contractual Obligation	-	-	4,870,538
3480 Retirement of Long-Term Debt	-	79,727	-
3490 Other Restricted Fund Balance	-	-	-
Committed Fund Balance:			
3510 Construction	5,000,000	-	-
3545 Other Committed Fund Balance	-	-	-
3600 Unassigned Fund Balance	7,238,907	-	-
3000 Total Fund Balances	<u>12,243,907</u>	<u>79,727</u>	<u>4,870,538</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 13,982,925</u>	<u>\$ 201,581</u>	<u>\$ 5,876,277</u>

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

		Total Governmental Funds	
Other Funds			
\$	444,673	\$	17,474,485
	20,000		1,048,323
	-		262,982
	-		(26,299)
	211,100		1,972,065
	44		44
	-		5,000
<u>\$</u>	<u>675,817</u>	<u>\$</u>	<u>20,736,600</u>
\$	-	\$	1,276,885
	85,167		1,369,862
	4,876		21,408
	66,650		118,466
	<u>156,693</u>		<u>2,786,621</u>
	-		236,683
	<u>-</u>		<u>236,683</u>
	-		5,000
	395,298		395,298
	-		4,870,538
	-		79,727
	24,284		24,284
	-		5,000,000
	99,542		99,542
	-		7,238,907
	<u>519,124</u>		<u>17,713,296</u>
<u>\$</u>	<u>675,817</u>	<u>\$</u>	<u>20,736,600</u>

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

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$ 17,713,296
1 The District uses an internal service fund to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	231,731
2 Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund financial statements.	151,885,888
3 Accumulated depreciation is not reported in the fund financial statements.	(29,577,656)
4 Bonds payable are not reported in the fund financial statements.	(119,240,024)
5 Accreted interest payable on capital appreciation bonds is not reported in the fund financial statements.	(8,923,060)
6 Bond premiums on outstanding bonds payable are not recognized in the fund financial statements.	(9,904,029)
7 The deferred charge on bond refundings is not recognized in the fund financial statements.	2,961,024
8 Property tax revenue reported as unavailable revenue in the fund financial statements is recognized as revenue in the government-wide financial statements.	236,683
9 Interest on outstanding debt is accrued in the government-wide financial statements, whereas in the fund financial statements interest expenditures are reported when due.	(200,509)
10 Included in the items related to government-wide long-term debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 and 71 in the amount of \$5,215,577, Deferred Inflows of Resources related to TRS in the amount of \$864,004, and Deferred Outflows of Resources related to TRS in the amount of \$3,483,305. This results in a decrease in Net Position in the amount of \$2,596,076.	(2,596,076)
19 Net Position of Governmental Activities	\$ 2,587,268

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

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

Data Control Codes		10 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:				
5700	Total Local and Intermediate Sources	\$ 10,372,836	\$ 4,297,779	\$ 107,926
5800	State Program Revenues	19,465,528	1,822,699	-
5900	Federal Program Revenues	421,416	-	-
5020	Total Revenues	30,259,780	6,120,478	107,926
EXPENDITURES:				
Current:				
0011	Instruction	15,178,353	-	-
0012	Instructional Resources and Media Services	369,047	-	-
0013	Curriculum and Instructional Staff Development	186,285	-	-
0021	Instructional Leadership	193,882	-	-
0023	School Leadership	1,491,279	-	-
0031	Guidance, Counseling and Evaluation Services	516,218	-	-
0033	Health Services	258,977	-	-
0034	Student (Pupil) Transportation	1,940,063	-	-
0035	Food Services	-	-	-
0036	Extracurricular Activities	1,070,064	-	-
0041	General Administration	1,261,355	-	-
0051	Facilities Maintenance and Operations	3,339,241	-	-
0052	Security and Monitoring Services	378,687	-	-
0053	Data Processing Services	1,263,368	-	-
Debt Service:				
0071	Principal on Long Term Debt	95,600	1,870,000	-
0072	Interest on Long Term Debt	2,785	4,697,060	-
0073	Bond Issuance Cost and Fees	-	173,284	-
Capital Outlay:				
0081	Facilities Acquisition and Construction	615,778	-	25,979,339
Intergovernmental:				
0095	Payments to Juvenile Justice Alternative Ed. Prg.	17,114	-	-
0099	Other Intergovernmental Charges	89,685	-	-
6030	Total Expenditures	28,267,781	6,740,344	25,979,339
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	1,991,999	(619,866)	(25,871,413)
OTHER FINANCING SOURCES (USES):				
7901	Refunding Bonds Issued	-	8,540,000	-
7912	Sale of Real and Personal Property	105,048	-	-
7916	Premium or Discount on Issuance of Bonds	-	760,066	-
8949	Other (Uses)	-	(9,131,510)	-
7080	Total Other Financing Sources (Uses)	105,048	168,556	-
1200	Net Change in Fund Balances	2,097,047	(451,310)	(25,871,413)
0100	Fund Balance - September 1 (Beginning)	10,146,860	531,037	30,741,951
3000	Fund Balance - August 31 (Ending)	\$ 12,243,907	\$ 79,727	\$ 4,870,538

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

		Total	
Other		Governmental	
Funds		Funds	
\$	815,596	\$	15,594,137
	383,274		21,671,501
	1,682,396		2,103,812
	2,881,266		39,369,450
	1,147,815		16,326,168
	1,000		370,047
	7,338		193,623
	-		193,882
	-		1,491,279
	-		516,218
	-		258,977
	-		1,940,063
	1,427,286		1,427,286
	163,683		1,233,747
	1,812		1,263,167
	-		3,339,241
	4,000		382,687
	-		1,263,368
	-		1,965,600
	-		4,699,845
	-		173,284
	-		26,595,117
	-		17,114
	-		89,685
	2,752,934		63,740,398
	128,332		(24,370,948)
	-		8,540,000
	-		105,048
	-		760,066
	-		(9,131,510)
	-		273,604
	128,332		(24,097,344)
	390,792		41,810,640
\$	519,124	\$	17,713,296

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

Total Net Change in Fund Balances - Governmental Funds	\$ (24,097,344)
The District uses an internal service fund to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. The net income of the internal service fund is reported with governmental activities. The net effect of this consolidation is to increase net position.	32,994
Current year capital asset additions are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. The effect of reclassifying the current year capital asset additions is to increase net position.	27,199,062
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position in the government-wide financial statements.	(3,663,315)
Current year long-term debt principal payments on bonds payable and payments of accreted interest on capital appreciation bonds are expenditures in the fund financial statements, but are shown as reductions in long-term debt in the government-wide financial statements.	1,965,600
Current year interest accretion on capital appreciation bonds payable is not recognized in the fund financial statements, but is shown as an increase in long-term debt in the government-wide financial statements.	(831,084)
Interest expense on outstanding debt is accrued in the government-wide financial statements, whereas in the fund financial statements, interest expenditures are reported when due.	84,983
Revenues from property taxes are reported as unavailable revenue in the fund financial statements until they are considered available to finance current expenditures, but such revenues are recognized when assessed, net of an allowance for uncollectible amounts, in the government-wide financial statements.	(51,285)
Current year amortization of the premium on bonds payable is not recognized in the fund financial statements, but is shown as a reduction in long-term debt in the government-wide financial statements.	352,212
Current year amortization of the deferred charge on bond refundings is not recognized in the fund financial statements, but is shown as a reduction of the deferred charge in the government-wide financial statements.	(141,354)

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

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

Current year issuances of bonds are shown as other financing sources in the fund financial statements, but are shown as increases in long-term debt in the government-wide financial statements.	(8,540,000)
The premiums on the current year issuances of bonds are recorded as other financing sources in the fund financial statements, but are shown as an increase in long-term debt in the government-wide financial statements.	(760,066)
The current year payment to the escrow agent for refunding debt is an other financing use in the fund financial statements, but is reported as a reduction in long-term debt in the government-wide financial statements. The payment of \$9,131,510 included the payment to refund bonds of \$8,650,000 plus accrued interest of \$23,716 and a deferred loss on bond refundings of \$457,794.	9,107,794
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. TRS contributions made after the measurement date of 8/31/2016 caused the change in the ending net position to increase by \$83,246. These contributions were replaced with the District's pension expense for the year of \$529,242, which caused a decrease in the change in net position. The net effect of all of these is to decrease the change in net position by \$445,996.	(445,996)
The original cost of capital assets sold is not reflected in the fund financial statements.	(38,258)
Change in Net Position of Governmental Activities	<u>\$ 173,943</u>

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

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

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 10,055,338	\$ 10,182,838	\$ 10,372,836	\$ 189,998
5800	State Program Revenues	17,431,908	18,679,408	19,465,528	786,120
5900	Federal Program Revenues	-	370,000	421,416	51,416
5020	Total Revenues	27,487,246	29,232,246	30,259,780	1,027,534
EXPENDITURES:					
Current:					
0011	Instruction	14,840,542	15,040,542	15,178,353	(137,811)
0012	Instructional Resources and Media Services	340,201	425,201	369,047	56,154
0013	Curriculum and Instructional Staff Development	159,212	189,212	186,285	2,927
0021	Instructional Leadership	209,983	209,983	193,882	16,101
0023	School Leadership	1,523,204	1,523,204	1,491,279	31,925
0031	Guidance, Counseling and Evaluation Services	534,329	534,329	516,218	18,111
0033	Health Services	279,256	279,256	258,977	20,279
0034	Student (Pupil) Transportation	1,361,040	2,186,040	1,940,063	245,977
0036	Extracurricular Activities	1,041,306	1,166,306	1,070,064	96,242
0041	General Administration	1,270,524	1,270,524	1,261,355	9,169
0051	Facilities Maintenance and Operations	3,269,929	3,319,929	3,339,241	(19,312)
0052	Security and Monitoring Services	387,500	487,500	378,687	108,813
0053	Data Processing Services	1,052,220	1,317,220	1,263,368	53,852
0061	Community Services	10,000	10,000	-	10,000
Debt Service:					
0071	Principal on Long Term Debt	35,000	105,000	95,600	9,400
0072	Interest on Long Term Debt	5,000	5,000	2,785	2,215
Capital Outlay:					
0081	Facilities Acquisition and Construction	125,000	490,000	615,778	(125,778)
Intergovernmental:					
0095	Payments to Juvenile Justice Alternative Ed. Prg.	15,000	30,000	17,114	12,886
0099	Other Intergovernmental Charges	78,000	98,000	89,685	8,315
6030	Total Expenditures	26,537,246	28,687,246	28,267,781	419,465
1100	Excess of Revenues Over Expenditures	950,000	545,000	1,991,999	1,446,999
OTHER FINANCING SOURCES (USES):					
7912	Sale of Real and Personal Property	-	105,000	105,048	48
8911	Transfers Out (Use)	(950,000)	(950,000)	-	950,000
7080	Total Other Financing Sources (Uses)	(950,000)	(845,000)	105,048	950,048
1200	Net Change in Fund Balances	-	(300,000)	2,097,047	2,397,047
0100	Fund Balance - September 1 (Beginning)	10,146,860	10,146,860	10,146,860	-
3000	Fund Balance - August 31 (Ending)	\$ 10,146,860	\$ 9,846,860	\$ 12,243,907	\$ 2,397,047

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

ANNA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AUGUST 31, 2017

	Governmental Activities -
	Internal Service Fund
<hr/>	
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 290,505
Total Assets	<u>290,505</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	<u>58,774</u>
Total Liabilities	<u>58,774</u>
NET POSITION	
Unrestricted Net Position	<u>231,731</u>
Total Net Position	<u><u>\$ 231,731</u></u>

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

ANNA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2017

	Governmental Activities -
	Internal Service Fund
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 118,267
Total Operating Revenues	118,267
OPERATING EXPENSES:	
Other Operating Costs	86,567
Total Operating Expenses	86,567
Operating Income	31,700
NONOPERATING REVENUES (EXPENSES):	
Earnings from Temporary Deposits & Investments	1,294
Total Nonoperating Revenues (Expenses)	1,294
Change in Net Position	32,994
Total Net Position - September 1 (Beginning)	198,737
Total Net Position - August 31 (Ending)	\$ 231,731

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

ANNA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2017

	Governmental Activities -
	Internal Service Fund
<u>Cash Flows from Operating Activities:</u>	
Cash Received from District	\$ 118,268
Cash Payments for Insurance Claims	(115,796)
Net Cash Provided by Operating Activities	<u>2,472</u>
<u>Cash Flows from Investing Activities:</u>	
Interest and Dividends on Investments	<u>1,294</u>
Net Increase in Cash and Cash Equivalents	3,766
Cash and Cash Equivalents at Beginning of Year	<u>286,739</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 290,505</u></u>
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating Income:	\$ 31,700
Effect of Increases and Decreases in Current Assets and Liabilities:	
Increase (decrease) in Accounts Payable	<u>(29,228)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 2,472</u></u>

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

ANNA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
AUGUST 31, 2017

	Agency Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 128,424
Total Assets	<u>\$ 128,424</u>
LIABILITIES	
Accounts Payable	\$ 1,947
Due to Student Groups	<u>126,477</u>
Total Liabilities	<u>\$ 128,424</u>

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Anna Independent School District's (the "District") combined financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide (FAR). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

A. REPORTING ENTITY

The Board of Trustees, a seven member group, has fiscal accountability over all activities related to public elementary and secondary education within the jurisdiction of the District. The board of trustees is elected by the public. The trustees as a body corporate have the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency (Agency) or to the State Board of Education are reserved for the trustees, and the Agency may not substitute its judgment for the lawful exercise of those powers and duties by the trustees. The District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards.

The District's basic financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District

Based on the aforementioned criteria, Anna Independent School District has no component units.

B. BASIS OF PRESENTATION

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. Governmental activities, which normally 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 had no business-type activities.

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

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

Fund Financial Statements:

The District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The District has presented the following major governmental funds:

1. **General Fund** - This fund is established to account for resources financing the fundamental operations of the District, in partnership with the community, in enabling and motivating students to reach their full potential. All revenues and expenditures not required to be accounted for in other funds are included here. This is a budgeted fund and any fund balances are considered resources available for current operations. Fund balances may be appropriated by the Board of Trustees to implement its responsibilities.
2. **Debt Service Fund** - This fund is established to account for payment of principal and interest on long-term general obligation debt and other long-term debts for which a tax has been dedicated. This is a budgeted fund. Any unused debt service fund balances are transferred to the General Fund after all of the related debt obligations have been met.
3. **Capital Projects Fund** - This fund is established to account for proceeds, from the sale of bonds and other resources to be used for Board authorized acquisition, construction, or renovation, as well as, furnishings and equipping of major capital facilities.

Additionally, the District reports the following fund types:

1. **Special Revenue Funds** - These funds are established to account for federally financed or expenditures legally restricted for specified purposes. In many special revenue funds, any unused balances are returned to the grantor at the close of specified project periods. For funds in this fund type, project accounting is employed to maintain integrity for the various sources of funds.
2. **Internal Service Fund** - The District utilizes an Internal Service Fund to account for revenues and expenses related to services provided to parties inside the District on a cost reimbursement basis. This fund facilitates distribution of support costs to the users of support services. The District has an internal service fund for its self-insured workers compensation plan.
3. **Agency Funds** - These custodial funds are used to account for activities of student groups and other organizational activities requiring clearing accounts. Financial resources for the Agency funds are recorded as assets and liabilities; therefore, these funds do not include revenues and expenditures and have no fund equity. If any unused resources are declared surplus by the student groups, they are transferred to the General Fund with a recommendation to the Board for an appropriate utilization through a budgeted program.

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

The internal service fund is a proprietary fund type. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary fund includes the cost of personal and contractual services. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or non-current) are included in the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

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.

The revenues susceptible to accrual are property taxes, charges for services, interest income and intergovernmental revenues. All other Governmental Fund Type revenues are recognized when received.

Revenues from state and federal grants are recognized as earned when the related program expenditures are incurred. Funds received but unearned are reflected as deferred revenues, and funds expended but not yet received are shown as receivables.

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

Revenue from investments, including governmental external investment pool, is based upon fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Most investments are reported at amortized cost when the investments have remaining maturities of one year or less at time of purchase. External investment pool are permitted to report short-term debt investments at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer, or other factors. For that purpose, a pool's short-term investments are those with remaining maturities of up to ninety days.

In accordance with the FAR, the District has adopted and installed an accounting system which exceeds the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. Specifically, the District's accounting system uses codes and the code structure presented in the Accounting Code Section of the FAR.

D. BUDGETARY CONTROL

Formal budgetary accounting is employed for all required Governmental Fund Types, as outlined in TEA's FAR module, and is presented on the modified accrual basis of accounting consistent with generally accepted accounting principles. The budget is prepared and controlled at the function level within each organization to which responsibility for controlling operations is assigned.

The official school budget is prepared for adoption for required Governmental Fund Types prior to August 20 of the preceding fiscal year for the subsequent fiscal year beginning September 1. The budget is formally adopted by the Board of Trustees at a public meeting held at least ten days after public notice has been given. The budget is prepared by fund, function, object, and organization. The budget is controlled at the organizational level by the appropriate department head or campus principal within Board allocations. Therefore, organizations may transfer appropriations as necessary without the approval of the board unless the intent is to cross fund, function or increase the overall budget allocations. Control of appropriations by the Board of Trustees is maintained within Fund Groups at the function code level and revenue object code level.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, the Debt Service Fund and the Food Service Fund. The other special revenue funds adopt project-length budgets which do not correspond to the District's fiscal year. Each annual budget is presented on the modified accrual basis of accounting. The budget is amended throughout the year by the Board of Trustees. Such amendments are reflected in the official minutes of the Board.

A reconciliation of fund balances for both appropriated budget and nonappropriated budget special revenue funds is as follows:

August 31, 2017	
<u>Fund Balance</u>	
Appropriated Budget Funds - Food Service Special Revenue Fund	\$395,298
Nonappropriated Budget Funds	<u>123,826</u>
All Special Revenue Funds	<u>\$519,124</u>

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

E. ENCUMBRANCE ACCOUNTING

The District employs encumbrance accounting, whereby encumbrances for goods or purchased services are documented by purchase orders and contracts. An encumbrance represents a commitment of Board appropriation related to unperformed contracts for goods and services. The issuance of a purchase order or the signing of a contract creates an encumbrance but does not represent an expenditure for the period, only a commitment to expend resources. Appropriations lapse at August 31 and encumbrances outstanding at that time are either canceled or appropriately provided for in the subsequent year's budget. The District had no material encumbrances outstanding at August 31, 2017.

F. INVENTORIES

The District records purchases of supplies as expenditures.

G. PREPAID ITEMS

Prepaid balances are for payments made by the District in the current year to provide services occurring in the subsequent fiscal year, and the nonspendable fund balance has been recognized to signify that a portion of fund balance is not available for other subsequent expenditures.

H. INTERFUND RECEIVABLES AND PAYABLES

Short-term amounts owed between funds are classified as "Due to/from other funds". Interfund loans are classified as "Advances to/from other funds" and are offset by a fund balance reserve account.

I. CAPITAL ASSETS

Capital assets, which includes property, plant, equipment, and infrastructure assets, are reported in the applicable governmental activities columns in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant and equipment.

Assets capitalized have an original cost of \$5,000 or more and over one-year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings and Improvements	15-50 Years
Furniture and Equipment	3-15 Years

J. COMPENSATED ABSENCES

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

ANNA INDEPENDENT SCHOOL DISTRICT
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FOR THE YEAR ENDED AUGUST 31, 2017

K. CASH EQUIVALENTS

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

L. NET POSITION

Net position represents the difference between assets and deferred outflows of resources; and liabilities and deferred inflows of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislations adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

M. LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when incurred.

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

N. RISK MANAGEMENT

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

O. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2. FUND BALANCES

The District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent.

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Fund Balance Classification: The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The District has classified prepayments as being nonspendable as these items are not expected to be converted to cash.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are to be used for future servicing of the District's bonded debt and are restricted through debt covenants. Unspent bond proceeds are restricted for future capital acquisition programs. Food service and other Federal and State grant resources are restricted because their use is restricted pursuant to the mandates of the National School Lunch and Breakfast Program or other grant requirements. The District has a scholarship fund restricted for student scholarships.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District's Board of Trustees. The Board of Trustees establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This can also be done through adoption and amendment of the budget. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Board of Trustees have committed resources as of August 31, 2017 for future construction.
- Assigned: This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Trustees or through the Board of Trustees delegating this responsibility to other individuals in the District. Under the District's adopted policy, only the Board of Trustees may assign amounts for specific purposes. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.
- Unassigned: This classification includes all amounts not included in other spendable classifications, including the residual fund balance of the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Trustees has provided otherwise in its commitment or assignment actions.

The details of the fund balances are included in the Governmental Funds Balance Sheet and are described below:

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General Fund

Prepayments of \$5,000 are considered nonspendable fund balance. The Board of Trustees have committed a total of \$5.0 million of the General Fund fund balance for future construction.

The General Fund has unassigned fund balance of \$7,238,097 at August 31, 2017.

Other Major Funds

The Debt Service Fund has restricted funds of \$79,727 at August 31, 2017 consisting primarily of property tax collections that are restricted for debt service payments on bonded debt.

The Capital Projects Fund has funds of \$4,870,538 restricted for capital acquisition.

Other Funds

The fund balance of \$99,542 of the Campus Activity Fund (a special revenue fund) is shown as committed due to Board policy committing those funds to campus activities. The fund balance of \$24,284 in the Scholarship Fund is shown as restricted for student scholarships. The following special revenue funds fund balances are restricted by Federal or State grant restrictions:

National Breakfast & Lunch Program	<u>\$395,298</u>
Total	<u>\$395,298</u>

NOTE 3. DEPOSITS AND INVESTMENTS

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

1. Cash Deposits:

At August 31, 2017, the carrying amount of the District's deposit checking accounts and interest-bearing demand accounts was \$3,891,206 and the bank balance was \$4,654,068. The District's cash deposits at 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.

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2. Investments:

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy. That policy addresses the following risks:

- a. Custodial Credit Risk – Deposits: In the case of deposits, this is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. As of August 31, 2017, the District's cash deposits (including certificates of deposit) totaled \$4,654,068. This entire amount was either collateralized with securities held by the District's agent or covered by FDIC insurance. Thus, the District's deposits are not exposed to custodial credit risk.
- b. Custodial Credit Risk - Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At August 31, 2017, the District held investments in seven bank certificates of deposit and in one public funds investment pool (TexSTAR). The District is not exposed to custodial credit risk for its certificates of deposit and money market fund as all are collateralized with securities held by the District's agent. Investments in external investment pools are considered unclassified as to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.
- c. Credit Risk: This is the risk that an issuer or other counterparty to an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. The credit quality rating for TexSTAR Investment Pool at year-end was AAAM (Standard & Poor's).
- d. Interest Rate Risk: This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The weighted average maturity for Lone Star is less than 90 days. Additionally, all investments in bank certificates of deposit are covered by the District's depository pledge. The money market fund is also fully collateralized by pledged securities.
- e. Foreign Currency Risk: This is the risk that exchange rates will adversely affect the fair value of an investment. At August 31, 2017, the District was not exposed to foreign currency risk.

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- f. **Concentration of Credit Risk:** This is the risk of loss attributed to the magnitude of the District's investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. At August 31, 2017, the District did not have more than 5 percent invested with a single issuer. The District's investments in the public funds investment pool are not subject to the concentration risk.

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

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

The District's investments at August 31, 2017, are shown below:

<u>Name</u>	<u>Carrying Amount</u>	<u>Market Value</u>
TexSTAR Investment Pool	\$14,008,735	\$14,008,735
Certificates of Deposit	<u>1,048,323</u>	<u>1,048,323</u>
Total	<u>\$15,057,058</u>	<u>\$15,057,058</u>

Fair Value Measurements

The District categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgement and considers factors specific to each asset or liability.

ANNA INDEPENDENT SCHOOL DISTRICT
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Assets and Liabilities Measured at Fair Value on a Recurring Basis

		<u>Fair Value Measurements Using</u>		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Investments by Fair Value level:</u>	<u>Balance at 8/31/17</u>			
Certificates of Deposit	<u>\$1,048,323</u>	<u>\$ -</u>	<u>\$1,048,323</u>	<u>\$ -</u>

The fair value of the certificates of deposit at August 31, 2017 was determined based on level 2 inputs. The District estimates the fair value of these investments using inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

The District's investment in the State Investment Pool (a statewide 2a7-like external investment pool) is not required to be measured at fair value but is measured at amortized cost.

NOTE 4. CAPITAL ASSETS

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

	<u>Balance September 1</u>	<u>Additions/ Completions</u>	<u>Retirement/ Adjustments</u>	<u>Balance August 31</u>
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ 2,897,199	\$ -	\$ 38,258	\$ 2,858,941
Construction in Progress	<u>9,702,188</u>	<u>26,552,447</u>	<u>20,590,070</u>	<u>15,664,565</u>
Total Capital assets not being depreciated	<u>12,599,387</u>	<u>26,552,447</u>	<u>20,628,328</u>	<u>18,523,506</u>
Capital assets, being depreciated				
Buildings and Improvements	109,164,455	20,590,070	-	129,754,525
Furniture and Equipment	876,853	86,945	-	963,798
Vehicles	<u>2,084,389</u>	<u>559,670</u>	<u>-</u>	<u>2,644,059</u>
Total capital assets being depreciated	<u>112,125,697</u>	<u>21,236,685</u>	<u>-</u>	<u>133,362,382</u>
Less accumulated depreciation for:				
Buildings and Improvements	(24,469,902)	(3,373,367)	-	(27,843,269)
Furniture and Equipment	(541,953)	(62,173)	-	(604,126)
Vehicles	<u>(902,486)</u>	<u>(227,775)</u>	<u>-</u>	<u>(1,130,261)</u>
Total accumulated depreciation	<u>(25,914,341)</u>	<u>(3,663,315)</u>	<u>-</u>	<u>(29,577,656)</u>
Total capital assets, being depreciated, net	<u>86,211,356</u>	<u>17,573,370</u>	<u>-</u>	<u>103,784,726</u>
Governmental activities capital assets, net	<u>\$ 98,810,743</u>	<u>\$44,125,817</u>	<u>\$20,628,328</u>	<u>\$122,308,232</u>

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

Governmental activities:	
Instruction	\$1,998,468
Instructional Resources & Media Services	25,237
Instructional Leadership	25,237
School Leadership	126,195
Guidance, Counseling & Evaluation Services	50,479
Health Services	25,237
Student (Pupil) Transportation	331,999
Food Services	190,761
Cocurricular/Extracurricular Activities	376,736
General Administration	132,433
Plant Maintenance and Operations	323,142
Security and Monitoring	1,332
Data Processing	56,059
Total depreciation expense-Governmental activities	<u>\$3,663,315</u>

NOTE 5. LONG-TERM DEBT

Long-term debt includes par bonds and capital appreciation (deep discount) serial bonds. All long-term debt represents transactions in the District's governmental activities.

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

The following is a summary of the changes in the District's Long-term Debt for the year ended August 31, 2017:

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding 9/1/2016	Issued Current Year	Interest Accretion	Retired/ Refunded	Amounts Outstanding 8/31/2017	Due Within One Year
Bonded Indebtedness:								
1998 School Bldg. & Refunding Bonds	5.00%	\$ 7,677,991	\$ 137,991	\$ -	\$ -	\$ -	\$ 137,991	\$ -
2007 Unlimited Tax Bldg. Bonds	6.00%	15,000,000	340,000	-	-	340,000	-	-
2008 Unlimited Tax Bldg. Bonds	5.50%	9,995,000	9,055,000	-	-	8,850,000	205,000	205,000
2009 Refunding Bonds	6.00%	5,355,000	3,215,000	-	-	410,000	2,805,000	425,000
2009 Unlimited Tax Bldg. Bonds	4.75%	6,250,000	6,250,000	-	-	-	6,250,000	-
2010 Unlimited Tax Bldg. Bonds	5.00%	5,800,000	5,800,000	-	-	-	5,800,000	-
2010A Unlimited Tax Bldg. Bonds	4.67%	16,896,583	16,896,583	-	-	-	16,896,583	-
2011 Unlimited Tax Bldg. Bonds	5.42%	7,495,450	7,495,450	-	-	-	7,495,450	-
2012 Unlimited Tax Bldg. Bonds	4.15%	3,500,000	3,500,000	-	-	-	3,500,000	140,000
2013 Refunding Bonds	2.85%	8,450,000	8,450,000	-	-	-	8,450,000	-
2014 Refunding Bonds	2.66%	7,440,000	6,955,000	-	-	560,000	6,395,000	545,000
2015 Refunding Bonds	2.61%	8,870,000	8,720,000	-	-	305,000	8,415,000	305,000
2016 Unlimited Tax Bldg. Bonds	5.00%	14,940,000	14,940,000	-	-	-	14,940,000	-
2016 School Bldg. & Refunding Bonds	5.00%	29,465,000	29,465,000	-	-	-	29,465,000	575,000
2017 Refunding Bonds	3.50-4.00%	8,540,000	-	8,540,000	-	55,000	8,485,000	25,000
Total Bonded Indebtedness:			<u>121,220,024</u>	<u>8,540,000</u>	<u>-</u>	<u>10,520,000</u>	<u>119,240,024</u>	<u>2,220,000</u>
Other Direct Obligations:								
Accreted Interest -								
Capital Appreciation Bonds			8,091,976	-	831,084	-	8,923,060	-
Premiums/Discounts on Bonds Payable			9,496,175	760,066	-	352,212	9,904,029	-
Capital Leases Payable			<u>95,600</u>	<u>-</u>	<u>-</u>	<u>95,600</u>	<u>-</u>	<u>-</u>
Total Other Obligations:			<u>17,683,751</u>	<u>760,066</u>	<u>831,084</u>	<u>447,812</u>	<u>18,827,089</u>	<u>-</u>
Total Obligations of District			<u>\$138,903,775</u>	<u>\$9,300,066</u>	<u>\$ 831,084</u>	<u>\$10,967,812</u>	<u>\$138,067,113</u>	<u>\$2,220,000</u>

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Presented below is a summary of general obligation bond requirements to maturity:

Year Ended August 31,	<u>General Obligation</u>		Total
	<u>Principal</u>	<u>Interest</u>	<u>Requirements</u>
2018	\$ 2,220,000	\$ 4,611,706	\$ 6,831,706
2019	2,750,000	4,543,256	7,293,256
2020	3,260,000	4,467,707	7,727,707
2021	3,365,000	4,380,105	7,745,105
2022	3,380,000	4,353,119	7,733,119
2023-2027	15,875,906	22,792,925	38,668,831
2028-2032	19,188,157	19,405,675	38,593,832
2033-2037	19,640,213	18,930,205	38,570,418
2038-2042	13,847,104	24,166,571	38,013,675
2043-2047	17,405,472	19,733,053	37,138,525
2048-2051	<u>18,308,172</u>	<u>11,028,828</u>	<u>29,337,000</u>
	<u>\$119,240,024</u>	<u>\$138,413,150</u>	<u>\$257,653,174</u>

The 1998, 2009, 2010, 2010A, 2011, and 2013 bond series include Capital Appreciation Bonds. No interest is paid on these bonds prior to maturity. The bonds mature variously between 2022 and 2051. Interest accrues on these bonds each semi-annually even though the interest is not paid until maturity.

General Obligation Bonds are direct obligations issued on a pledge of the general taxing power for the payment of the debt obligations of the District. General Obligation Bonds require the District to compute, at the time taxes are levied, the rate of tax required to provide (in each year bonds are outstanding) a fund to pay interest and principal at maturity. The District is in compliance with this requirement.

There are a number of limitations and restrictions contained in the various general obligation bonds indentures. The District is in compliance with all significant limitations and restrictions at August 31, 2017.

NOTE 6. DEBT ISSUANCES AND DEFEASED DEBT

In March 2017, the District issued \$8,540,000 (par value) in Unlimited Tax Refunding Bonds Series 2017 to advance refund \$8,650,000 (par value) of outstanding bonds. The net proceeds of \$9,131,510 (\$8,540,000 par amount of the bonds plus \$760,066 of premium paid on the bonds less \$168,556 of underwriting fees and other issuance costs) were used to purchase U.S. and State and Local Government Securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, \$8,650,000 of those bonds will be repaid from the irrevocable trust when the bonds reach their call date in August 2018.

The refunding was undertaken to reduce the District's total debt service payments by \$1,636,020 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$1,285,584.

On August 31, 2017, \$8,540,000 of defeased bonds remain outstanding due to the 2017 refunding.

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The District's deferred charges on bond refundings are as follows:

Balance – August 31, 2016	\$2,644,584
Current year deferred charge on bond refundings	457,794
Current period amortization	<u>(141,354)</u>
Balance – August 31, 2017	<u>\$2,961,024</u>

NOTE 7. PROPERTY TAXES

Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The District levies its taxes on October 1 on the assessed (appraised) value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. The assessed value of the property tax roll upon which the levy for the 2016-17 fiscal year was based was \$878,602,507. Taxes are delinquent if not paid by June 30. Delinquent taxes are subject to both penalty and interest charges plus 15% delinquent collection fees for attorney costs.

The tax rates assessed for the year ended August 31, 2017, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.17 and \$0.50 per \$100 valuation, respectively, for a total of \$1.67 per \$100 valuation.

Current tax collections for the year ended August 31, 2017 were 99.3% of the year-end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting 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. As of August 31, 2017, property taxes receivable, net of estimated uncollectible taxes, totaled \$166,645 and \$70,038 for the General and Debt Service Funds, respectively.

Property taxes are recorded as receivables and unavailable revenues at the time the taxes are assessed. Revenues are recognized as the related ad valorem taxes are collected.

NOTE 8. DEFINED BENEFIT PENSION PLAN

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

Pension Plan Fiduciary Net Position. Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at http://www.trs.texas.gov/TRS%20Documents/cafr_2016.pdf; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

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

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

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

Contribution Rates

	<u>2016</u>	<u>2017</u>
Member	7.2%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Anna ISD FY2017 Employer Contributions	\$	524,108
Anna ISD FY2017 Member Contributions	\$	1,436,843
Anna ISD 2017 NECE On-Behalf Contributions	\$	973,360

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 the TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

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

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

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

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

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district 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	2.50%
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.

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

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

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

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

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

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
Anna ISD's proportionate share of the net pension liability:	\$8,071,955	\$5,215,577	\$2,792,790

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2017, Anna Independent School District reported a liability of \$5,215,577 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Anna Independent School District. The amount recognized by Anna Independent School District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with Anna Independent School District were as follows:

District's Proportionate share of the collective net pension liability	\$ 5,215,577
State's proportionate share that is associated with the District	<u>10,741,073</u>
Total	<u>\$15,956,650</u>

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

At August 31, 2016 the employer's proportion of the collective net pension liability was .01380202%, an increase of .00059962% from its proportionate share of .0132024% at 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, Anna Independent School District recognized pension expense of \$1,114,667 and revenue of \$1,114,667 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 81,779	\$ 155,734
Changes in actuarial assumptions	158,961	144,569
Difference between projected and actual investment earnings	1,005,049	563,404
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	1,713,608	297
Contributions paid to TRS subsequent to the measurement date	524,108	-
Total	\$3,483,505	\$ 864,004

\$524,108 reported as deferred outflows of resources 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. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

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

Year ended August 31:	Pension Expense Amount
2018	\$ 377,318
2019	377,318
2020	659,020
2021	355,674
2022	263,242
Thereafter	62,821

NOTE 9. SCHOOL DISTRICT RETIREE HEALTH PLAN

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

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. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2017, 2016 and 2015. 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. For the year ended August 31, 2017, the State's contributions to TRS-Care was \$181,893, the active member contributions was \$121,286, and the school district's contributions was \$107,428, which equaled the required contributions each year.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments are recognized as equal revenues and expenditures/expenses by the District. For the year ended August 31, 2017, the contribution made on behalf of the District was \$86,632.

NOTE 10. HEALTH CARE

During the year ended August 31, 2017, employees of Anna Independent School District were covered by a health insurance plan (the Plan). The District contributed \$315 per month per employee to the Plan and employees, at their option, authorized payroll withholdings to pay any additional contribution and contributions for dependents. All contributions were paid to a fully insured plan.

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

NOTE 11. WORKERS COMPENSATION

The District participates in the Texas Educational Insurance Association Workers Compensation Self-Insurance Joint Fund. The District is partially self-funded to a loss fund maximum of \$68,988 for the 16-17 fiscal year. Additionally, the District incurred fixed costs of \$28,542 for their share of claims administration, loss control, record keeping, and cost of excess insurance.

Claims Administrative Services, Inc provides claims administration. Reinsurance is provided for aggregate claim losses exceeding \$500,000 for the entire pool. The fixed cost charge is based on total payroll paid by the District. Increases or decreases in the fixed costs will adjust subsequent year charges.

The accrued liability for workers compensation self-insurance of \$211,972 includes incurred but not reported claims. This liability is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," which require that a liability for claims be reported if information indicates that it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. The liability recorded is an undiscounted actuarial calculation.

Changes in workers compensation claims liability amounts in fiscal years 2017 and 2016 are represented below:

Fiscal Year	September 1 Claims Liability	Claims and Changes in Estimates	Claims Payments	August 31 Claims Liability
2017	\$88,002	\$22,464	\$51,692	\$58,774
2016	95,884	30,923	38,805	88,002

NOTE 12. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation, Per Capita, Existing Debt Allotment, and Instruction Facilities Allotment Programs. Amounts due from federal and state governments as of August 31, 2017, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from Other Governments.

Fund	State Entitlements	Federal Grants	Local Governments	Total
General	\$1,760,965	\$ -	\$ -	\$1,760,965
Special Revenue	-	211,100	-	211,100
Debt Service	-	-	-	-
Total	<u>\$1,760,965</u>	<u>\$211,100</u>	<u>\$ -</u>	<u>\$1,972,065</u>

NOTE 13. LITIGATION AND CONTINGENCIES

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

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

NOTE 14. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

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

	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Total
Property Taxes	\$ 9,921,548	\$ -	\$4,241,006	\$ -	\$14,162,554
Food Sales	-	646,946	-	-	646,946
Investment Income	87,018	224	20,140	107,926	215,308
Penalties, interest and other tax related income	75,026	-	36,633	-	111,659
Co-curricular student activities	81,267	-	-	-	81,267
Other	207,977	168,426	-	-	376,403
Total	<u>\$10,372,836</u>	<u>\$815,596</u>	<u>\$4,297,779</u>	<u>\$107,926</u>	<u>\$15,594,137</u>

NOTE 15. UNEARNED REVENUE

Unearned revenue at year-end consisted of the following:

	General Fund	Special Revenue Fund	Debt Service Fund	Total
State Grants	\$ -	\$34,716	\$51,816	\$ 86,532
National Breakfast & Lunch Program	-	29,692	-	29,692
Local Grants	-	2,242	-	2,242
	<u>\$ -</u>	<u>\$66,650</u>	<u>\$51,816</u>	<u>\$118,466</u>

NOTE 16. CONSTRUCTION COMMITMENTS

As of August 31, 2017, the District had entered into a construction contract for construction of a new elementary school totaling \$17,585,000. At August 31, 2017, there was \$4,657,677 remaining costs under that contract. These costs will be paid from the District's Capital Projects Fund.

NOTE 17. EXCESS OF EXPENDITURES OVER APPROPRIATIONS BY FUNCTION

The Texas Education Agency requires the budgets for certain Governmental fund types to be filed with the Texas Education Agency. The budget should not be exceeded in any functional category under TEA requirements. Expenditures exceeded appropriations in three functional categories in the General Fund and one functional category in the Child Nutrition Program Fund for the year ended August 31, 2017.

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REQUIRED SUPPLEMENTARY INFORMATION

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

EXHIBIT G-1

	2017	2016	2015
District's Proportion of the Net Pension Liability (Asset)	0.013802%	0.0132024%	0.0064117%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 5,215,577	\$ 4,666,873	\$ 1,712,653
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	10,741,073	9,854,522	7,678,140
Total	<u>\$ 15,956,650</u>	<u>\$ 14,521,395</u>	<u>\$ 9,390,793</u>
District's Covered-Employee Payroll	\$ 16,520,599	\$ 15,052,120	\$ 12,981,815
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	31.57%	31.00%	13.19%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.00%	78.43%	83.25%

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

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

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

EXHIBIT G-2

	2017	2016	2015
Contractually Required Contribution	\$ 524,108	\$ 440,862	\$ 404,223
Contribution in Relation to the Contractually Required Contribution	(524,108)	(440,862)	(404,223)
Contribution Deficiency (Excess)	\$ -0-	\$ -0-	\$ -0-
District's Covered-Employee Payroll	\$ 18,669,026	\$ 16,520,599	\$ 15,052,120
Contributions as a Percentage of Covered-Employee Payroll	2.81%	2.67%	2.69%

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

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

ANNA INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
PENSION INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2017

PENSION INFORMATION

Changes of benefit terms.

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

Changes of assumptions.

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

COMBINING SCHEDULES

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

Data Control Codes		211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program
ASSETS					
1110	Cash and Cash Equivalents	\$ (35,173)	\$ (40,952)	\$ (1,825)	\$ 420,251
1120	Investments - Current	-	-	-	-
1240	Receivables from Other Governments	44,279	73,884	1,825	52,744
1250	Accrued Interest	-	-	-	-
1000	Total Assets	<u>\$ 9,106</u>	<u>\$ 32,932</u>	<u>\$ -</u>	<u>\$ 472,995</u>
LIABILITIES					
2160	Accrued Wages Payable	\$ 8,272	\$ 29,881	\$ -	\$ 47,014
2200	Accrued Expenditures	834	3,051	-	991
2300	Unearned Revenues	-	-	-	29,692
2000	Total Liabilities	<u>9,106</u>	<u>32,932</u>	<u>-</u>	<u>77,697</u>
FUND BALANCES					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	395,298
3490	Other Restricted Fund Balance	-	-	-	-
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>395,298</u>
4000	Total Liabilities and Fund Balances	<u>\$ 9,106</u>	<u>\$ 32,932</u>	<u>\$ -</u>	<u>\$ 472,995</u>

EXHIBIT H-1 (Cont'd)

244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	289 Other Federal Special Revenue Funds	410 State Textbook Fund	429 Other State Special Revenue Funds	461 Campus Activity Funds	496 Local Grants
\$ -	\$ (4,387)	\$ (33,981)	\$ -	\$ 34,716	\$ -	\$ 99,542	\$ 2,242
-	-	-	-	-	-	-	-
-	4,387	33,981	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,716</u>	<u>\$ -</u>	<u>\$ 99,542</u>	<u>\$ 2,242</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	34,716	-	-	2,242
-	-	-	-	34,716	-	-	2,242
-	-	-	-	-	-	99,542	-
-	-	-	-	-	-	99,542	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,716</u>	<u>\$ -</u>	<u>\$ 99,542</u>	<u>\$ 2,242</u>

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

Data Control Codes		499 Scholarship Fund	Total Nonmajor Governmental Funds
ASSETS			
1110	Cash and Cash Equivalents	\$ 4,240	\$ 444,673
1120	Investments - Current	20,000	20,000
1240	Receivables from Other Governments	-	211,100
1250	Accrued Interest	44	44
1000	Total Assets	<u>\$ 24,284</u>	<u>\$ 675,817</u>
LIABILITIES			
2160	Accrued Wages Payable	\$ -	\$ 85,167
2200	Accrued Expenditures	-	4,876
2300	Unearned Revenues	-	66,650
2000	Total Liabilities	<u>-</u>	<u>156,693</u>
FUND BALANCES			
Restricted Fund Balance:			
3450	Federal or State Funds Grant Restriction	-	395,298
3490	Other Restricted Fund Balance	24,284	24,284
Committed Fund Balance:			
3545	Other Committed Fund Balance	-	99,542
3000	Total Fund Balances	<u>24,284</u>	<u>519,124</u>
4000	Total Liabilities and Fund Balances	<u>\$ 24,284</u>	<u>\$ 675,817</u>

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

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ 646,946
5800 State Program Revenues	-	-	-	44,230
5900 Federal Program Revenues	294,981	439,339	3,388	867,487
5020 Total Revenues	294,981	439,339	3,388	1,558,663
EXPENDITURES:				
Current:				
0011 Instruction	294,981	439,339	3,388	-
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	-	-	-	-
0035 Food Services	-	-	-	1,427,286
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0052 Security and Monitoring Services	-	-	-	-
6030 Total Expenditures	294,981	439,339	3,388	1,427,286
1200 Net Change in Fund Balance	-	-	-	131,377
0100 Fund Balance - September 1 (Beginning)	-	-	-	263,921
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ 395,298

244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	289 Other Federal Special Revenue Funds	410 State Textbook Fund	429 Other State Special Revenue Funds	461 Campus Activity Funds	496 Local Grants
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	162,226	\$ 6,200
-	-	-	-	336,782	2,262	-	-
14,353	13,079	45,109	4,660	-	-	-	-
14,353	13,079	45,109	4,660	336,782	2,262	162,226	6,200
14,353	5,741	45,109	4,660	336,782	2,262	-	1,200
-	-	-	-	-	-	-	1,000
-	7,338	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	163,183	-
-	-	-	-	-	-	1,812	-
-	-	-	-	-	-	-	4,000
14,353	13,079	45,109	4,660	336,782	2,262	164,995	6,200
-	-	-	-	-	-	(2,769)	-
-	-	-	-	-	-	102,311	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	99,542	\$ -

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

Data Control Codes	499 Scholarship Fund	Total Nonmajor Governmental Funds
REVENUES:		
5700 Total Local and Intermediate Sources	\$ 224	\$ 815,596
5800 State Program Revenues	-	383,274
5900 Federal Program Revenues	-	1,682,396
5020 Total Revenues	224	2,881,266
EXPENDITURES:		
Current:		
0011 Instruction	-	1,147,815
0012 Instructional Resources and Media Services	-	1,000
0013 Curriculum and Instructional Staff Development	-	7,338
0035 Food Services	-	1,427,286
0036 Extracurricular Activities	500	163,683
0041 General Administration	-	1,812
0052 Security and Monitoring Services	-	4,000
6030 Total Expenditures	500	2,752,934
1200 Net Change in Fund Balance	(276)	128,332
0100 Fund Balance - September 1 (Beginning)	24,560	390,792
3000 Fund Balance - August 31 (Ending)	\$ 24,284	\$ 519,124

REQUIRED T.E.A. SCHEDULES

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

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2008 and prior years	Various	Various	\$ Various
2009	1.040050	0.500000	525,093,885
2010	1.040050	0.500000	510,322,117
2011	1.040000	0.500000	503,954,679
2012	1.040000	0.500000	492,532,013
2013	1.040000	0.500000	506,216,299
2014	1.040000	0.500000	557,470,288
2015	1.040000	0.500000	643,402,062
2016	1.170000	0.500000	720,037,066
2017 (School year under audit)	1.170000	0.500000	878,602,507
1000 TOTALS			

(10) Beginning Balance 9/1/2016	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2017
\$ 34,518	\$ -	\$ 319	\$ 96	\$ (793)	\$ 33,310
7,068	-	155	75	-	6,838
8,415	-	266	128	-	8,021
9,514	-	5,617	2,700	7,093	8,290
20,100	-	10,788	5,187	7,868	11,993
29,298	-	12,933	6,218	9,274	19,421
36,698	-	20,719	9,961	15,761	21,779
47,859	-	24,229	11,649	14,621	26,602
109,654	-	49,314	21,074	(3,952)	35,314
-	13,943,454	9,793,245	4,185,147	126,352	91,414
<u>\$ 303,124</u>	<u>\$ 13,943,454</u>	<u>\$ 9,917,585</u>	<u>\$ 4,242,235</u>	<u>\$ 176,224</u>	<u>\$ 262,982</u>

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

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 565,000	\$ 565,000	\$ 646,946	\$ 81,946
5800	State Program Revenues	6,664	6,664	44,230	37,566
5900	Federal Program Revenues	810,000	855,000	867,487	12,487
5020	Total Revenues	1,381,664	1,426,664	1,558,663	131,999
EXPENDITURES:					
0035	Food Services	1,381,664	1,426,664	1,427,286	(622)
6030	Total Expenditures	1,381,664	1,426,664	1,427,286	(622)
1200	Net Change in Fund Balances	-	-	131,377	131,377
0100	Fund Balance - September 1 (Beginning)	263,921	263,921	263,921	-
3000	Fund Balance - August 31 (Ending)	\$ 263,921	\$ 263,921	\$ 395,298	\$ 131,377

ANNA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 4,169,499	\$ 4,169,899	\$ 4,297,779	\$ 127,880
5800	State Program Revenues	1,637,522	1,637,699	1,822,699	185,000
5020	Total Revenues	5,807,021	5,807,598	6,120,478	312,880
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	1,870,000	1,870,000	1,870,000	-
0072	Interest on Long Term Debt	4,867,647	4,867,647	4,697,060	170,587
0073	Bond Issuance Cost and Fees	19,951	184,735	173,284	11,451
6030	Total Expenditures	6,757,598	6,922,382	6,740,344	182,038
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(950,577)	(1,114,784)	(619,866)	494,918
OTHER FINANCING SOURCES (USES):					
7901	Refunding Bonds Issued	-	8,536,228	8,540,000	3,772
7915	Transfers In	950,000	950,000	-	(950,000)
7916	Premium or Discount on Issuance of Bonds	-	760,066	760,066	-
8949	Other (Uses)	-	(9,131,510)	(9,131,510)	-
7080	Total Other Financing Sources (Uses)	950,000	1,114,784	168,556	(946,228)
1200	Net Change in Fund Balances	(577)	-	(451,310)	(451,310)
0100	Fund Balance - September 1 (Beginning)	531,037	531,037	531,037	-
3000	Fund Balance - August 31 (Ending)	\$ 530,460	\$ 531,037	\$ 79,727	\$ (451,310)

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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*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Anna Independent School District, as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise Anna Independent School District's basic financial statements, and have issued our report dated December 6, 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 District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2017-001.

District's Response to Finding

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 District's internal control or on compliance. This report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hankins, Eastup, Deaton, Tonn & Seay

Hankins, Eastup, Deaton, Tonn & Seay, PC
Denton, Texas

December 6, 2017

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

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

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Anna Independent School 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 Anna Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Anna Independent School 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 Anna Independent School 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 Anna Independent School 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 Anna Independent School 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.



Hankins, Eastup, Deaton, Tonn & Seay, PC
Denton, Texas

December 6, 2017

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

I. Summary of Auditor's Results

1. Type of auditor's report issued on the financial statements: Unmodified.
2. Internal control over financial reporting:
Material weakness(es) identified: None
Significant deficiency(ies) identified that are not considered to be material weaknesses: None reported
3. Noncompliance which is material to the financial statements: None
4. Internal controls over major federal programs:
Material weakness(es) identified: None
Significant deficiency(ies) identified that are not considered to be material weaknesses: None reported
5. Type of auditor's report on compliance for major federal programs: Unmodified.
6. Did the audit disclose findings which are required to be reported in accordance with 2 CFR 200.516(a)?: No
7. Major programs include:
Child Nutrition Cluster:
CFDA 10.553 School Breakfast Program
CFDA 10.555 National School Lunch Program
8. Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.
9. Low risk auditee: Yes

II. Findings Related to the Financial Statements

Finding 2017-001 Expenditures over Appropriations

Criteria: Texas Education Code, Section 44.002 through 44.006 establishes the legal basis for budget development in school districts. No funds may be expended in any manner other than as provided in the adopted budget. The Texas Education Agency has adopted regulations that require compliance at the functional expenditure level.

Condition Found: The District overexpended Functional expenditure categories during the year and at the end of the fiscal year.

Questioned Costs: None

Instances/Universe: Expenditures of the legally required budgeted funds are distributed into twenty-three functional expenditure categories. The District overexpended four of the functional categories.

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

II. Findings Related to the Financial Statements-continued

Cause: Due to personnel turnover, several adjustments that increased expenditures were required to be recorded after the final budget amendment was approved in August 2017.

Effect The District appears to not have been in compliance with Texas Education Code, Section 44.002 through 44.006.

Recommendations: The District should begin a monthly review of functional categories and anticipate necessary amendments. Management should bring these amendments to the board and request approval for authority to change the budget. Once approved, all amendments should be posted to the general ledger to ensure compliance with state statutes.

III. Findings and Questioned Costs Related to Federal Awards

None

IV. Other Findings Which are Required to be Reported in Accordance With *Generally Accepted Government Auditing Standards*

None

V. CORRECTIVE ACTION PLAN:

Finding 2017-001 – Expenditures over Appropriations

The District will continue to monitor and amend the budget as necessary. The District has hired a Staff Accountant. Additional procedures will be implemented as part of the fiscal year-end close to amend the budget as needed.

Completion Date – August 31, 2017

Contact Person – Thomas O’Neal, Deputy Superintendent

ANNA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF STATUS OF PRIOR FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2017

Prior Year Findings:

2016-001 Expenditures over Appropriations

The District continues to have expenditure accounts that exceed functional category appropriations. The current year expenditures in excess of appropriations were due to year-end adjustments necessitated by staff turnover in key business office positions.

Status: In Progress

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

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through Region 10 Education Service Center</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	17610101057950	\$ 294,981
Title III, Part A - English Language Acquisition	84.365A	17615002057950	45,109
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	17694501057950	13,079
Total Passed Through Region 10 Education Service Center			\$ 353,169
<u>Passed Through State Department of Education</u>			
*IDEA - Part B, Formula	84.027	176600010439026600	\$ 439,339
*IDEA - Part B, Preschool	84.173	176610010439026610	3,388
Total Special Education Cluster (IDEA)			442,727
Career and Technical - Basic Grant	84.048	17420006043902	14,353
Summer School LEP	84.369A	69551702	4,660
Total Passed Through State Department of Education			\$ 461,740
TOTAL U.S. DEPARTMENT OF EDUCATION			\$ 814,909
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	71401701	\$ 164,932
*National School Lunch Program - Cash Assistance	10.555	71301701	616,321
*National School Lunch Prog. - Non-Cash Assistance	10.555	71301701	86,234
Total CFDA Number 10.555			702,555
Total Child Nutrition Cluster			867,487
Total Passed Through the State Department of Agriculture			\$ 867,487
TOTAL U.S. DEPARTMENT OF AGRICULTURE			\$ 867,487
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 1,682,396

*Clustered Programs

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

1. The District uses the fund types specified in Texas Education Agency's Financial Accountability System Resource Guide. Special Revenue Funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund. Generally, unused balances are returned to the grantor at the close of specified project periods.
2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in a Special Revenue Fund which is a Governmental Fund type. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current position.

The modified accrual basis of accounting is used for the Governmental Fund types and Agency Funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

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

3. The District participates in numerous state and Federal grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2017, may be impaired. In the opinion of the District, there are not significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions has been recorded in the accompanying combined financial statements for such contingencies.
4. The District also received \$386,230 of School Health and Related Services (SHARS) payments and \$35,186 of E-Rate reimbursements. These payments are not considered Federal awards for purposes of the Schedule of Expenditures of Federal Awards and were recorded as Federal revenues in the General Fund.

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