

Annual Financial Report

For the Year Ended
June 30, 2018

Ector County Independent School District
Odessa, Texas

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2018

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ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2018

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INTRODUCTORY SECTION

CERTIFICATE OF BOARD

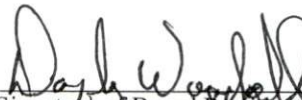
Ector County Independent School District
Name of School District

Ector
County

068901
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 June 30, 2018 at a meeting of the Board of Trustees of such school district on the 13th day of November, 2018.

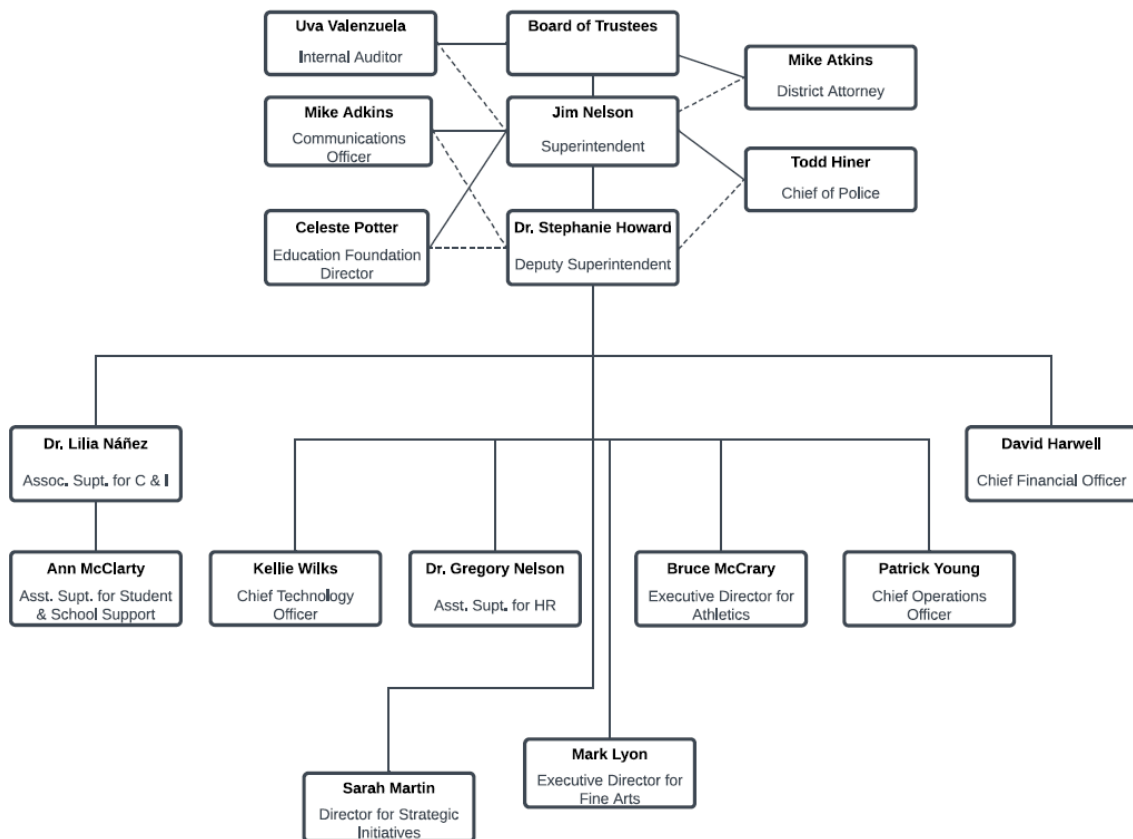

Signature of Board Secretary


Signature of Board President

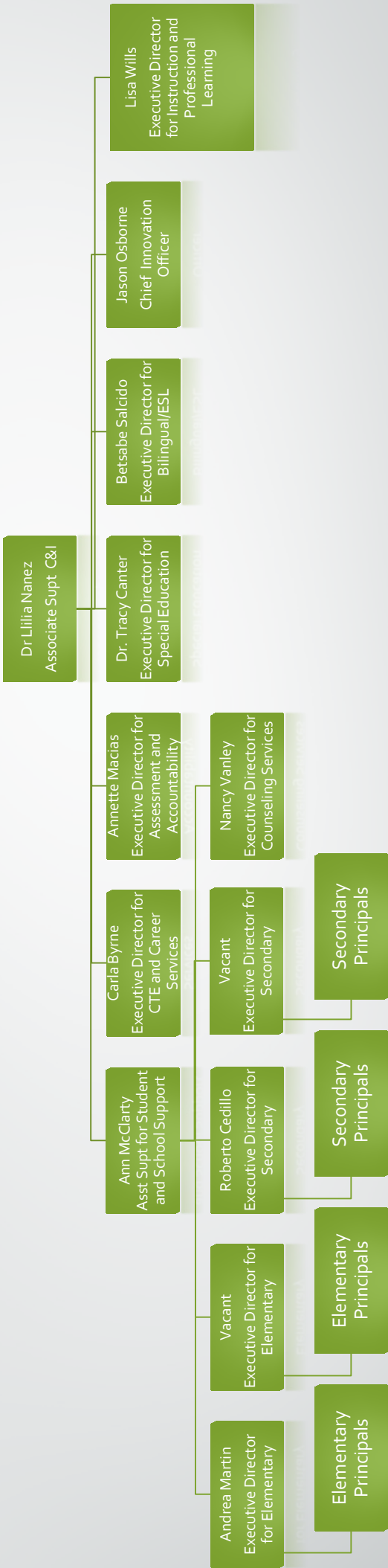
If the Board of Trustees disapproved of the auditor's report, the reason(s) for disapproving it is (are): (attach list as necessary)



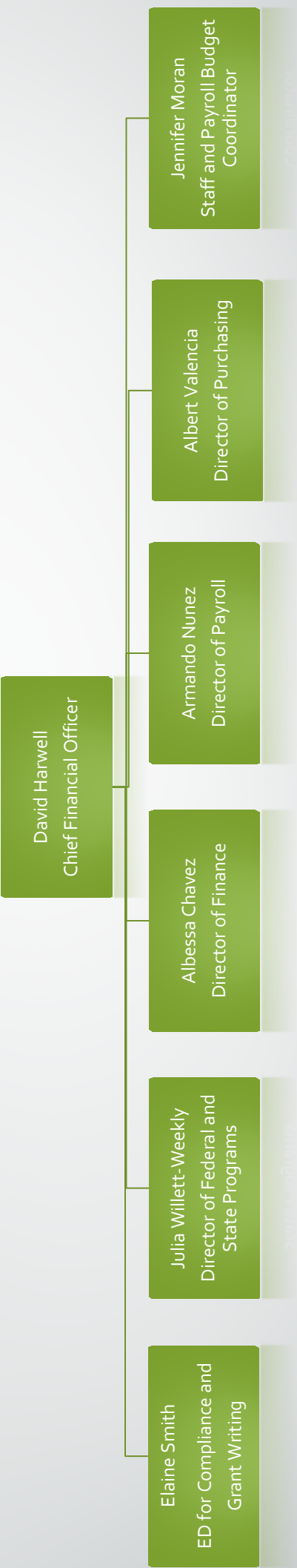
2018-2019 ORGANIZATIONAL CHART



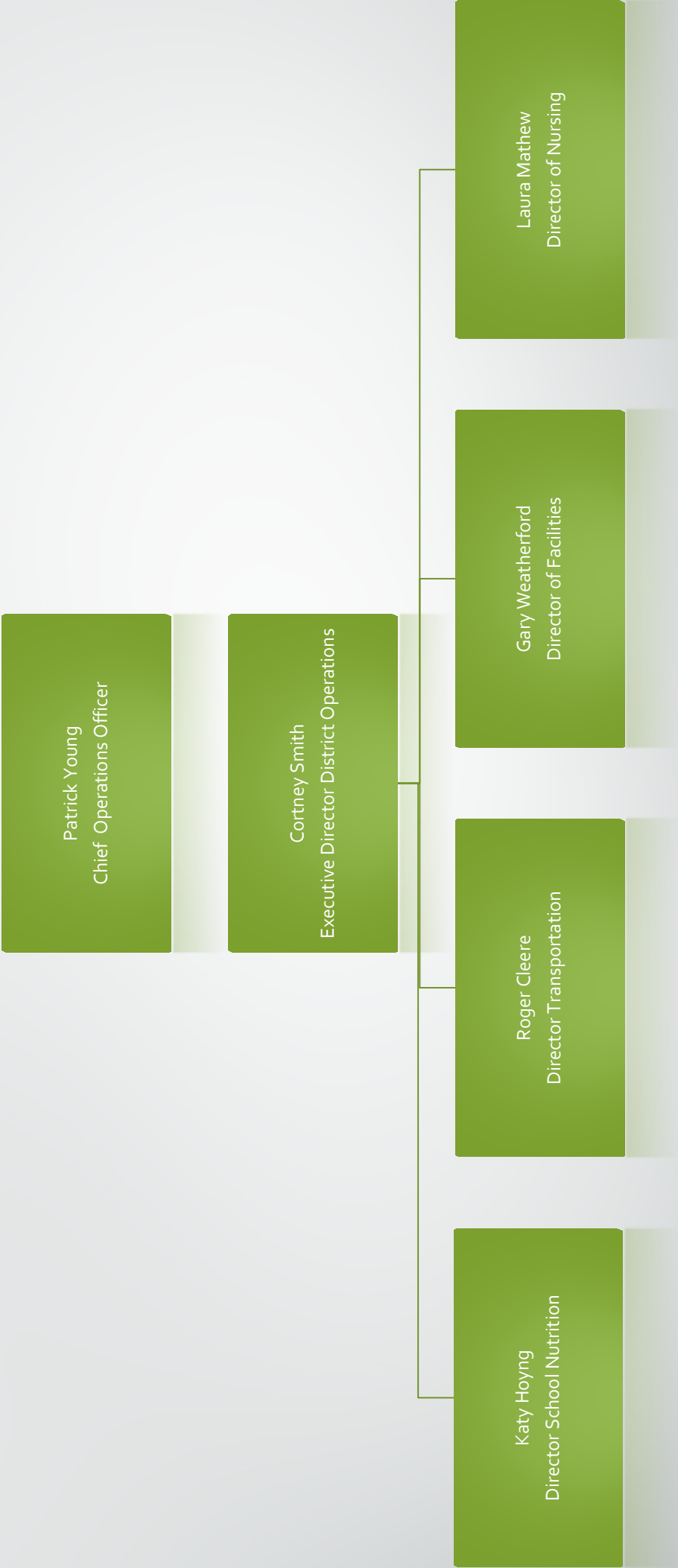
ECISD Organization Chart C&I 2018-2019



ECISD Organization Chart Finance2018-2019



ECISD Organization Chart Operations 2018-2019



ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT

Board of Trustees and Consultants and Advisors

Board of Trustees

Doyle Woodall	President
Donna Smith	Vice President
Delma Abalos	Secretary
Steve Brown	Member
Carol Gregg	Member
Ray Beaty	Member
Nelson Minyard	Member

Consultants and Advisors

Johnson Miller & Co., CPA's PC	Independent Auditors
Atkins, Hollman, Jones, Peacock, Lewis, and Lyon	General Counsel
McCall, Parkhurst & Horton, LLP	Bond Counsel
BOK Financial Securities, Inc.	Financial Advisor
Frost Bank	Official Depository

FINANCIAL SECTION



Independent Auditors' Report

Board of Trustees
Ector County Independent School District
802 N. Sam Houston
Odessa, TX 79761

Members of the Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Ector County Independent School District (the "District"), as of June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

Auditors' Responsibility (Continued)

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4-13, Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual-General Fund on page 65, Schedule of the District's Proportionate Share of the Net Pension Liability Teacher Retirement System of Texas on page 66, Schedule of District Contributions Teacher Retirement System of Texas on page 67, Schedule of the District's Proportionate Share of the Net OPEB Liability Teacher Retirement System of Texas (page 68), Schedule of the District's Contributions for Other Post – Employment Benefits Teacher Retirement System of Texas (page 69) and the notes to the required Supplementary Information (pages 70-71) 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 Matters (Continued)

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the financial statements. The Texas Education Agency requires Texas school districts to include certain information in the Annual Financial Report in conformity with laws and regulations of the state of Texas. The information is in Exhibits J-1 through J-5. These schedules are not a required part of the financial statements.

The combining and individual nonmajor fund financial statements, the Schedule of Expenditures of Federal Awards and Exhibits J-1 through J-5 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 and the Schedule of Expenditures of Federal Awards and Exhibits J-1 through J-5 are fairly stated, in all material respects, in relation to the financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Johnson, Miller & Co., CPAs PC". The signature is written in a cursive, flowing style.

Odessa, Texas
November 13, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of Ector County Independent School District, discuss and analyze the District's financial performance for the fiscal year ended June 30, 2018. Please read it in conjunction with the independent auditors' report on page 1, and the District's Basic Financial Statements which begin on page 14.

USING THIS ANNUAL REPORT

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 14 and 15-16). 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 17) 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 services. The remaining statements and 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 28) 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. These are not required by the Texas Education Agency (TEA). The sections labeled TEA Required Schedules and Federal Awards Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 6. Its primary purpose is to show whether the District is more financially sound as a result of the year's activities. The Statement of Net Position includes all the District's assets, deferred outflows, liabilities, and deferred inflows as of the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

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

These two statements report the District's net position and changes in them. The District's net position (the difference between assets and deferred outflows and liabilities and deferred inflows) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider 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, the District reports two kinds of activity:

Governmental Activities-All of the District's basic services are reported here, including 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.

Component units-The District includes two separate legal entities in its report – ECISD Education Foundation and Permian High Band and Orchestra. Although legally separate, these "component units" are important because the District is financially accountable for them.

Expense activity is required to be recorded by districts who are participants in cost-sharing pension and OPEB benefit plans with a special funding situation where non-employer contributing entities (NECE) also participate in contributions to the plans. TRS-retirement and TRS-care benefit plans are both cost-sharing plans with special funding situations. Therefore, on-behalf expense activity of the NECE must be recorded at the government-wide level of reporting on the Statement of Activities in accordance with GASB 68 and 75. More detailed information about the negative operating grants and contributions reported in the statement of activities can be found in Note T to the financial statements.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 17 and provide detailed information about the most significant funds-not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the No Child Left Behind Act from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). 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 funds report activities that provide supplies and services for the District's other programs and activities-such as the District's self-insurance programs.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by the student activities. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position on page 27. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental activities.

Table I

Ector County Independent School District

NET POSITION

	Governmental Activities	
	2018	2017
Current and other assets	\$ 103,704,630	\$ 86,845,728
Capital assets	322,885,022	335,155,389
Total assets	426,589,652	422,001,117
Deferred charge on refunding	4,338,207	4,620,877
Deferred resource outflow for TRS	23,467,715	31,685,143
Deferred resource outflow for OPEB	901,504	-
Total deferred outflows of resources	28,707,426	36,306,020
Long-term liabilities	195,987,428	204,159,141
Net Pension liability	52,121,909	67,236,631
Net OPEB liability	111,292,438	-
Other liabilities	30,791,993	26,437,782
Total liabilities	390,193,768	297,833,554
Deferred resource inflow for TRS	12,444,463	3,877,195
Deferred resource inflow for TRS OPEB	46,553,837	-
Total deferred inflows of resources	58,998,300	3,877,195
Net position:		
Invested in capital assets net of related debt	136,001,166	138,205,124
Restricted	13,256,670	2,610,245
Unrestricted	(143,152,826)	15,781,019
Total net position	\$ 6,105,010	\$ 156,596,388

Net position of the District's governmental activities decreased 96.0% from \$156,596,388 to \$6,105,010. Significant changes in net position from the prior year are explained as follows:

Current and other assets increased primarily because of an increase in investments.

Net capital assets decreased primarily because of equipment disposals and current year depreciation.

Deferred outflows, net pension liability, net post-employment liability, and deferred inflows changed due to assignment of pension liability and other post-employment benefits liability from the Teacher Retirement System.

Other liabilities increased primarily due to an increase in deferred revenues from insurance recovery funds.

Please see page 19 for a detailed explanation of changes in net position.

Table II
Ector County Independent School District
CHANGES IN NET POSITION

	Governmental Activities	
	2018	2017
Revenues:		
Program revenues:		
Charges for services	\$ 7,876,826	\$ 7,926,323
Operating grants and contributions	2,896,195	42,659,776
General revenues:		
Property taxes, levied for general purposes	125,059,972	126,134,457
Property taxes, levied for debt service	13,615,128	12,903,623
State aid – formula grants	92,438,360	80,857,649
Grants and contributions not restricted	35,568	85,045
Investment earnings	679,537	338,654
Miscellaneous local and intermediate revenue	7,598,417	1,869,098
Total revenue	<u>250,200,003</u>	<u>272,774,625</u>
Expenses:		
Instruction, curriculum and media services	107,405,744	176,208,415
Instructional and school leadership	14,927,884	23,637,827
Student support services	15,629,615	22,573,836
Child nutrition	12,362,393	15,161,405
Co-curricular activities	6,226,921	7,364,444
General administration	4,951,824	6,824,620
Facilities maintenance, security and data processing	35,271,309	35,554,159
Community services	1,048,069	1,464,377
Debt service	6,000,066	4,421,869
Other Intergovernmental charges	1,544,684	1,463,402
Total expenses	<u>205,368,509</u>	<u>294,674,354</u>
Increase in net position	44,831,494	(21,899,729)
Net position - beginning	156,596,388	178,496,117
Prior period adjust to net position	(195,322,872)	-
Net position - ending	<u>\$ 6,105,010</u>	<u>\$ 156,596,388</u>

The District's total revenues decreased by 8% – approximately \$22.6 million from prior year revenues. Significant changes in revenue from the prior year are explained as follows:

Program revenues decreased approximately \$39.8 million, due to a decrease in federal and state revenue of \$3.7 million and a decrease in operating grants and contributions of approximately \$36.1 million as a result of GASB 68 and GASB 75 recognition of the District's portion of the State's proportion of pension expense and other post-employment benefits.

Property tax revenue decreased approximately \$363,000 due to a decrease in tax collections.

State Aid – Formula Grants and Grants and contributions not restricted increased by a net of \$11.5 million due to an increase in state funding and to GASB 68 and GASB 75 recognition of the District's portion of the State's proportion of pension expense and other post-employment benefits.

Investment Earnings increased by \$341,000 during the year primarily due to rising interest rates, from an average of 0.5400% in 2016-2017 to an average of 1.5324% in 2017-2018.

Miscellaneous local revenue increased an approximate of \$5.7 million primarily due to insurance recovery funds received from hail damage claims.

The District's total expenses decreased by 30% – approximately \$89.3 million from prior year expenses. Significant changes in expenses from the prior year are as follows:

- Instruction, curriculum and media services expenses decreased during 2017-2018 approximately \$68.8 million. The decrease is attributed mainly from GASB 68 recognition of the District's portion of the State's proportion of pension expense and GASB 75 recognition of the District's portion of the State's proportion of other post-employment benefits. Payroll expenses decreased approximately by \$61.3 million. Services expense increased approximately \$200,000, and supplies and miscellaneous expenses decreased approximately \$7.7 million.
- Instructional and school leadership expenses decreased approximately \$8.7 million mostly due to the GASB 68 recognition of the District's portion of the State's proportion of pension expense and GASB 75 recognition of the District's portion of the State's proportion of other post-employment. Payroll, miscellaneous and supplies expenses decreased approximately \$7.7 million, \$600,000, \$400,000.
- Student support services expense decreased approximately \$6.94 million due mainly to the GASB 68 recognition of the District's portion of the State's proportion of pension expense and GASB 75 recognition of the District's portion of the State's proportion of other post-employment. Payroll and miscellaneous expenses decreased \$6.3 million, and \$740,000 respectively. Supplies expense increased by approximately \$100,000.
- Child nutrition program expenses decreased approximately \$2.8 million due mainly to the GASB 68 recognition of the District's portion of the State's proportion of pension expense and GASB 75 recognition of the District's portion of the State's proportion of other post-employment. Payroll and miscellaneous expenses decreased \$2.1 million and \$1.1 million respectively. Supplies and services expenses increased by a total of approximately \$400,000.
- Co-curricular activities expenses decreased approximately \$1.14 million due mainly to the GASB 68 recognition of the District's portion of the State's proportion of pension expense and GASB 75 recognition of the District's portion of the State's proportion of other post-employment. Miscellaneous expenses and supplies expenses decreased by approximately \$1.94 million and \$200,000 respectively. Payroll and services expenses increased by a total of approximately \$1 million respectively.
- General administration expenses decreased by approximately \$1.9 million from the prior year due mainly to the GASB 68 recognition of the District's portion of the State's proportion of

pension expense and GASB 75 recognition of the District's portion of the State's proportion of other post-employment. Payroll and miscellaneous expenses decreased \$2.2 million and \$200,000 respectively. Services and supplies expenses net to an increase of approximately \$500,000.

- Facilities maintenance, security and data processing expenses decreased approximately \$300,000 due mainly to the GASB 68 recognition of the District's portion of the State's proportion of pension expense and GASB 75 recognition of the District's portion of the State's proportion of other post-employment. Payroll and miscellaneous expenses decreased by \$3.9 million and \$2.6 million respectively. Supplies and services expenses increased by \$3.8 million and \$2.5 million respectively.
- Community services expense decreased approximately \$400,000 due mainly to the GASB 68 recognition of the District's portion of the State's proportion of pension expense and GASB 75 recognition of the District's portion of the State's proportion of other post-employment. Payroll, supplies and miscellaneous expenses decreased by a total of approximately \$400,000.
- Debt services expenses increased by approximately \$1.6 million due to payment of debt obligations.
- Other intergovernmental charges increased approximately \$80,000 from an increase in the tax appraisal fees.

In an effort to provide a better understanding of the impact the District has experienced as a result of implementing the reporting requirements of GASB 68 for the District's portion of the State's proportion of pension expense and GASB 75 for the District's portion of the State's proportion of other post-employment benefits, we have incorporated adjustments in net position (Table III). More detailed information about the District's benefits plans is presented in Notes J and K to the financial statements.

Table III
Ector County Independent School District
ADJUSTMENTS TO NET POSITION

Description	Fund Statements	GASB68	GASB75	All Other GASB 34	Entity Wide Statement
Revenues:					
Program revenues:					
Charges for services	\$ -	\$ -	\$ -	\$ 7,876,826	\$ 7,876,826
Operating grants and contributions	-	-	-	2,896,195	2,896,195
General revenues:					-
Property taxes, levied for general purposes	127,762,668	-	-	(2,702,696)	125,059,972
Property taxes, levied for debt service	13,459,073	-	-	156,055	13,615,128
State aid – formula grants	141,448,427	(1,829,980)	(44,691,397)	(2,488,690)	92,438,360
Grants and contributions not restricted	-	-	-	35,568	35,568
Investment earnings	528,767	-	-	150,770	679,537
Miscellaneous local and intermediate revenue	15,459,933	-	-	(7,861,516)	7,598,417
Total Revenue	298,658,868	(1,829,980)	(44,691,397)	(1,937,488)	250,200,003
Expenses:					
Instruction, curriculum and media services	159,188,610	(106,810)	(56,763,835)	5,087,779	107,405,744
Instructional and school leadership	21,860,579	(15,372)	(7,380,914)	463,591	14,927,884
Student support services	21,894,199	(13,976)	(6,743,124)	492,516	15,629,615
Child nutrition	14,623,026	(4,141)	(3,301,154)	1,044,662	12,362,393
Co-curricular activities	5,165,355	(2,166)	(1,035,309)	2,099,041	6,226,921
General administration	6,735,260	(3,566)	(1,788,317)	8,447	4,951,824
Facilities maintenance, security and data processing	37,912,867	(13,348)	(5,786,395)	3,158,185	35,271,309
Community Services	1,282,531	(627)	(270,450)	36,615	1,048,069
Debt service	15,055,060	-	-	(9,054,994)	6,000,066
Facilities Acquisition and Construction	86,581	-	-	(86,581)	-
Other Intergovernmental Charges	1,544,684	-	-	-	1,544,684
Total Expenditures	285,348,752	(160,006)	(83,069,498)	3,249,261	205,368,509
Excess (Deficiency) of Revenues Over (Under)	13,310,116	(1,669,974)	38,378,101	(5,186,749)	44,831,494
Other Sources (Uses):					
Sale of Real and Personal Property	481,328	-	-	(481,328)	-
Transfers In	1,705,845	-	-	(1,705,845)	-
Transfers Out (Use)	(1,705,845)	-	-	1,705,845	-
Total Sources (Uses)	481,328	-	-	(481,328)	-
Change in Net Position	13,791,444	(1,669,974)	38,378,101	(5,668,077)	44,831,494
Net Position - Beginning	39,767,739	(39,428,683)	-	156,257,332	156,596,388
Prior Period Adjustment	-	-	(195,322,872)	-	(195,322,872)
Net Position - Ending	\$ 53,559,183	\$ (41,098,657)	\$(156,944,771)	\$ 150,589,255	\$ 6,105,010

The District's Funds

As the District completed the year, its governmental funds (as presented in the balance sheet on page 17) reported a combined fund balance of approximately \$54 million, which is above last year's total of approximately \$40 million. The primary reasons for the increase include (1) an increase in investments primarily due to increased revenues and rising interest rates, and (2) a reduction of liabilities primarily in due to other funds. Over the course of the year, the District recommended and the Board of Trustees approved revisions of the District's general fund budget for various reasons. The following is a summary of significant budget amendments made to estimated revenues:

	Estimated Revenues
Beginning Estimated Revenues	\$ 242,849,264
Estimated Foundation school funding from property value study for prior years	4,572,775
Estimated tax collections	3,080,000
Estimated investment interest	170,000
Estimated tuition revenues	94,130
Estimated SHARS revenue	90,000
Estimated insurance recovery	48,000
Estimated cocurricular activities revenue	23,500
Estimated gifts and bequests revenue	23,000
Estimated miscellaneous revenues	15,980
Estimated rent revenue	12,500
Estimated federal revenues	(38,000)
Estimated State Aid Funding	(1,411,290)
Final Amended Estimated Revenues	<u>\$ 249,529,859</u>

The following is a summary of significant budget amendments made to appropriations and other sources:

	Appropriations
Beginning Appropriations	\$ 242,452,264
Increase in property insurance premium	705,000
Increase for discretionary activity for the year	462,000
Increase for fuel and vehicle repairs	75,000
Increase for estimated end of year payroll costs	3,100
Final Amended Appropriations	<u>\$ 243,697,364</u>

	Other Sources (Uses)
Beginning Other Sources (Uses)	\$ (397,000)
Operating transfer in for close of Fund 686 2015 Capital Projects	1,197,002
Operating transfer in for close of Fund 679 2013 Bond Issue	149,311
Operating transfer in for close of Fund 681 2013 Maintenance Projects	51,337
Final Amended Other Uses	<u>\$ 1,000,650</u>

Capital Asset and Debt Administration

Capital Assets

At the end of 2018, the District had approximately \$323 million invested in a broad range of capital assets, (net of accumulated depreciation and amortization) including facilities and equipment for instruction, transportation, athletics, administration, maintenance, and computer technology. This amount represents a net decrease of approximately \$12 million or 4%, below last year.

This year's major additions included:

	2017-2018 <u>Capital Additions</u>
Bond Projects:	
Odessa High School-Performing Arts Center	6,255,371
Non-Bond Projects:	
Odessa High School Parking Lot Project	214,577
School Nutrition Pallet Storage Racks	49,870
School Nutrition Warehouse LED Lights	28,099
Bowie Middle School heating, ventilation, and air conditioning	27,054
Ector Middle School heating, ventilation, and air conditioning	17,893
Nimitz Middle School heating, ventilation, and air conditioning	11,808
Access Controls - Austin Elementary School	9,450
Access Controls - Noel Elementary School	8,378
Access Controls - Murry Fly Elementary School	8,368
Access Controls - Cavazos Elementary School	8,348
Access Controls - Travis Elementary School	7,857
Access Controls - Special Education Annex Building	7,652
Access Controls - School Nutrition	6,315
Construction in Progress	(6,245,875)
Furniture, Fixtures and Equipment:	
Playground Equipment	399,796
Transportation Vehicles & Equipment	352,803
School Nutrition Equipment	193,186
School Nutrition Vehicles	184,645
Technology Equipment	70,413
Welding Machines	32,603
Police Vehicles	32,591
Electronic Signs	17,271
Other Equipment	13,782
Maintenance Vehicles & Equipment	13,756
Network Camera	11,430
Musical Instruments	7,815
Sound Systems	6,522
Total Capital Additions	<u><u>1,751,778</u></u>

Debt Administration

At year-end, the District had approximately \$187 million in bonds outstanding versus approximately \$196 million last year for a decrease of \$9 million. The decrease resulted primarily from bond principal payments.

Based on information provided by the Teacher Retirement System of Texas (TRS), the District recognized its proportionate share of TRS's net other post-employment benefits liability of \$111,292,438.

Based on information provided by the Teacher Retirement System of Texas (TRS), the District recognized its proportionate share of TRS's net pension liability of \$52,121,909.

Other obligations include accrued worker's compensation and sick leave. More detailed information about the District's long-term liabilities is presented in Notes G, I, J, K, L and M to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The District's elected and appointed officials considered many factors when preparing the fiscal year 2019 budget: (1) the need to staff and operate campuses; (2) the anticipated change of student population within the campuses and; (3) to provide funding for software, textbooks, and various instructional initiatives.

These factors were taken into account when adopting the General Fund budget for 2019. Estimated revenues in the General Fund are \$275.3 million, and estimated appropriations and other uses total \$275.3 million. Budgeted appropriations have been increased by approximately \$30.1 million from the 2018 budget. Of this amount, approximately \$18 million is subject to passage of a 13 cent tax rate election to provide additional operating capital.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, 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 Ector County Independent School District, 802 N. Sam Houston, Odessa, Texas.

GOVERNMENT WIDE STATEMENTS

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018

EXHIBIT A-1

		1	4
		Primary Government	Component Unit
Data			
Control			
Codes		Governmental Activities	Component Unit
ASSETS			
1110	Cash and Cash Equivalents	\$ 4,666,533	\$ 168,334
1120	Current Investments	71,840,187	2,811,705
1220	Property Taxes Receivable (Delinquent)	15,418,483	-
1230	Allowance for Uncollectible Taxes	(8,508,106)	-
1240	Due from Other Governments	19,346,026	-
1290	Other Receivables, net	24,545	6,173
1300	Inventories	873,651	5,335
1410	Prepayments	43,311	-
	Capital Assets:		
1510	Land	10,961,837	-
1520	Buildings, Net	299,451,853	-
1530	Furniture and Equipment, Net	12,188,305	-
1560	Library Books and Media, Net	283,027	-
1000	Total Assets	426,589,652	2,991,547
DEFERRED OUTFLOWS OF RESOURCES			
1701	Deferred Charge for Refunding	4,338,207	-
1705	Deferred Outflow Related to TRS Pension	23,467,715	-
1706	Deferred Outflow Related to TRS OPEB	901,504	-
1700	Total Deferred Outflows of Resources	28,707,426	-
LIABILITIES			
2110	Accounts Payable	4,363,877	35,825
2120	Short Term Debt Payable	-	43,598
2140	Interest Payable	2,127,983	-
2150	Payroll Deductions & Withholdings	2,066,681	-
2200	Accrued Expenses	15,400,071	-
2300	Unearned Revenue	6,833,381	-
	Noncurrent Liabilities		
2501	Due Within One Year	4,281,318	-
2502	Due in More Than One Year	191,706,110	-
2540	Net Pension Liability (District's Share)	52,121,909	-
2545	Net OPEB Liability (District's Share)	111,292,438	-
2000	Total Liabilities	390,193,768	79,423
DEFERRED INFLOWS OF RESOURCES			
2605	Deferred Inflow Related to TRS Pension	12,444,463	-
2606	Deferred Inflow Related to TRS OPEB	46,553,837	-
2600	Total Deferred Inflows of Resources	58,998,300	-
NET POSITION			
3200	Net Investment in Capital Assets	136,001,166	-
	Restricted for:		
3860	Restricted for Capital Projects	13,227,510	-
3870	Restricted for Campus Activities	3,299	-
3880	Restricted for Scholarships	25,861	-
3890	Restricted for Other Purposes	-	1,376,091
3900	Unrestricted	(143,152,826)	1,536,033
3000	Total Net Position	\$ 6,105,010	\$ 2,912,124

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

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Data Control Codes	1	Program Revenues	
		3	4
	Expenses	Charges for Services	Operating Grants and Contributions
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
11 Instruction	\$ 99,516,879	\$ 728,438	\$ (3,517,521)
12 Instructional Resources and Media Services	1,704,354	-	(239,928)
13 Curriculum and Staff Development	6,184,511	-	3,008,557
21 Instructional Leadership	2,690,512	-	(390,122)
23 School Leadership	12,237,372	-	(1,935,472)
31 Guidance, Counseling and Evaluation Services	7,694,633	-	(689,032)
32 Social Work Services	469,985	24,728	(9,883)
33 Health Services	1,508,064	-	(196,108)
34 Student (Pupil) Transportation	5,956,933	37,092	(679,057)
35 Food Services	12,362,393	4,050,342	9,268,903
36 Extracurricular Activities	6,226,921	12,641	(344,683)
41 General Administration	4,951,824	2,884,643	(194,832)
51 Facilities Maintenance and Operations	27,545,927	126,578	(540,256)
52 Security and Monitoring Services	2,122,947	-	(271,498)
53 Data Processing Services	5,602,435	-	(420,890)
61 Community Services	1,048,069	12,364	48,017
72 Debt Service - Interest on Long Term Debt	5,990,818	-	-
73 Debt Service - Bond Issuance Cost and Fees	9,248	-	-
99 Other Intergovernmental Charges	1,544,684	-	-
[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 205,368,509</u>	<u>\$ 7,876,826</u>	<u>\$ 2,896,195</u>
Component Unit:			
1C Nonmajor Component Unit	<u>\$ 1,500,666</u>	<u>\$ 1,491,557</u>	<u>\$ 58,686</u>
[TC] TOTAL COMPONENT UNIT:	<u>\$ 1,500,666</u>	<u>\$ 1,491,557</u>	<u>\$ 58,686</u>

Data Control Codes	General Revenues:
	Taxes:
MT	Property Taxes, Levied for General Purposes
DT	Property Taxes, Levied for Debt Service
SF	State Aid - Formula Grants
GC	Grants and Contributions not Restricted
IE	Investment Earnings
MI	Miscellaneous Local and Intermediate Revenue
TR	Total General Revenues
CN	Change in Net Position
NB	Net Position - Beginning
PA	Prior Period Adjustment Required by GASB 75
NE	Net Position - Ending

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

Net (Expense) Revenue and Changes in Net Position	
6	9
Primary Government	Component Unit
Governmental Activities	Component Unit
\$ (102,305,962)	\$ -
(1,944,282)	-
(3,175,954)	-
(3,080,634)	-
(14,172,844)	-
(8,383,665)	-
(455,140)	-
(1,704,172)	-
(6,598,898)	-
956,852	-
(6,558,963)	-
(2,262,013)	-
(27,959,605)	-
(2,394,445)	-
(6,023,325)	-
(987,688)	-
(5,990,818)	-
(9,248)	-
(1,544,684)	-
(194,595,488)	-
-	49,577
-	49,577
125,059,972	-
13,615,128	-
92,438,360	-
35,568	-
679,537	-
7,598,417	-
239,426,982	-
44,831,494	49,577
156,596,388	2,862,547
(195,322,872)	-
\$ 6,105,010	\$ 2,912,124

GOVERNMENTAL FUND FINANCIAL STATEMENTS

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

Data Control Codes	10 General Fund	40 Insurance Recovery Fund	50 Debt Service Fund
ASSETS			
1110 Cash and Cash Equivalents	\$ 3,485,822	\$ -	\$ 5,340
1120 Investments - Current	35,563,908	7,147,470	11,809,270
1220 Property Taxes - Delinquent	14,045,746	-	1,372,737
1230 Allowance for Uncollectible Taxes (Credit)	(7,750,613)	-	(757,493)
1240 Receivables from Other Governments	18,174,219	-	-
1260 Due from Other Funds	3,700,805	-	463,671
1290 Other Receivables	24,545	-	-
1300 Inventories	58,166	-	-
1410 Prepayments	43,311	-	-
1000 Total Assets	<u>\$ 67,345,909</u>	<u>\$ 7,147,470</u>	<u>\$ 12,893,525</u>
LIABILITIES			
2110 Accounts Payable	\$ 3,032,901	\$ 598,409	\$ -
2150 Payroll Deductions and Withholdings Payable	2,066,681	-	-
2170 Due to Other Funds	3,930,971	425,955	-
2200 Accrued Expenditures	13,011,486	-	-
2300 Unearned Revenues	6,410,534	6,123,106	622,669
2000 Total Liabilities	<u>28,452,573</u>	<u>7,147,470</u>	<u>622,669</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3410 Inventories	58,167	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3480 Retirement of Long-Term Debt	-	-	12,270,856
3490 Other Restricted Fund Balance	-	-	-
Committed Fund Balance:			
3510 Construction	13,085,000	-	-
3540 Self Insurance	1,000,000	-	-
3545 Other Committed Fund Balance	728,176	-	-
Assigned Fund Balance:			
3590 Other Assigned Fund Balance	7,702,535	-	-
3600 Unassigned Fund Balance	16,319,458	-	-
3000 Total Fund Balances	<u>38,893,336</u>	<u>-</u>	<u>12,270,856</u>
4000 Total Liabilities and Fund Balances	<u>\$ 67,345,909</u>	<u>\$ 7,147,470</u>	<u>\$ 12,893,525</u>

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

		Total	
Other		Governmental	
Funds		Funds	
<hr/>		<hr/>	
\$	45,154	\$	3,536,316
	975,163		55,495,811
	-		15,418,483
	-		(8,508,106)
	1,171,807		19,346,026
	1,648,972		5,813,448
	-		24,545
	815,485		873,651
	-		43,311
<hr/>		<hr/>	
\$	4,656,581	\$	92,043,485
<hr/>		<hr/>	
\$	610,810	\$	4,242,120
	-		2,066,681
	725,184		5,082,110
	311,403		13,322,889
	614,193		13,770,502
<hr/>		<hr/>	
	2,261,590		38,484,302
<hr/>		<hr/>	
	815,485		873,652
	1,407,836		1,407,836
	-		12,270,856
	29,160		29,160
	142,510		13,227,510
	-		1,000,000
	-		728,176
	-		7,702,535
	-		16,319,458
<hr/>		<hr/>	
	2,394,991		53,559,183
<hr/>		<hr/>	
\$	4,656,581	\$	92,043,485
<hr/>		<hr/>	

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2018

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$ 53,559,183
The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.	14,851,408
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$520,837,902 and the accumulated depreciation was (\$189,312,856). The beginning balance of deferred charge for refunding for \$4,673,060 will decrease net position. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) of \$331,525,046 and long-term debt in the governmental activities of (\$200,883,610) is to increase net position.	135,314,496
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2018 capital outlays of \$1,751,778 and debt principal payments of \$3,530,430 is to increase net position.	5,282,208
Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of (\$52,121,909), a Deferred Resource Outflow in the amount of \$23,467,715, and a Deferred Resource Inflow in the amount of (\$12,444,463). The impact of this on Net Position is (\$41,098,657).	(41,098,657)
The District implemented GASB 75 reporting requirements for the OPEB benefit plan through TRS. Since this is the first year of implementation, a prior period adjustment had to be made in the amount of (\$195,322,872). The District's share of the TRS plan resulted in a net OPEB liability of (\$111,292,438), a deferred outflow of \$901,504 and a deferred inflow of (\$46,553,837). This resulted in a difference between the ending fund balance and the ending net position of (\$156,944,771).	(156,944,771)
The issuance of long-term debt is not due and payable within the current period and, therefore, is not reported in the governmental funds balance sheet. Also, governmental funds report the effect of issuance costs, premiums, discounts, and deferred gain/loss on refunding when debt is first issued, whereas these amounts are deferred and amortized in the statement of net assets. The current year effect on the statement of activities resulting from amortizing various bond related items is as follows: net bond premium \$2,273,815, deferred loss (\$282,670), and accretion on CABs \$3,578,448, thus increasing net position.	5,569,593
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include	(10,428,450)

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

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2018

EXHIBIT C-2

recognizing unavailable revenue from property taxes as revenue (\$2,546,641), sale of assets (\$35,469), recognizing the current year depreciation (\$13,899,672), recognizing the current year change in sick leave payable (\$1,302,447), recognizing current year interest payable (\$2,127,983), and recognizing the effect of the beginning balance for unearned revenue \$9,483,762. The net effect of these reclassifications and recognitions is to decrease net position.

Net Position of Governmental Activities

	\$ 6,105,010
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The notes to the financial statements are an integral part of this statement.

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

Data Control Codes	10 General Fund	40 Insurance Recovery Fund	50 Debt Service Fund
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 133,065,174	\$ 5,476,391	\$ 13,743,700
5800 State Program Revenues	112,934,952	-	302,377
5900 Federal Program Revenues	2,938,371	-	-
5020 Total Revenues	248,938,497	5,476,391	14,046,077
EXPENDITURES:			
Current:			
0011 Instruction	136,922,956	-	-
0012 Instructional Resources and Media Services	2,312,522	-	-
0013 Curriculum and Instructional Staff Development	5,604,700	-	-
0021 Instructional Leadership	4,022,279	-	-
0023 School Leadership	17,668,666	-	-
0031 Guidance, Counseling and Evaluation Services	11,154,060	-	-
0032 Social Work Services	634,315	-	-
0033 Health Services	2,169,723	-	-
0034 Student (Pupil) Transportation	7,282,887	-	-
0035 Food Services	93,311	-	-
0036 Extracurricular Activities	5,165,355	-	-
0041 General Administration	6,725,529	-	-
0051 Facilities Maintenance and Operations	22,430,485	5,476,391	-
0052 Security and Monitoring Services	2,503,797	-	-
0053 Data Processing Services	5,253,103	-	-
0061 Community Services	1,155,022	-	-
Debt Service:			
0071 Principal on Long Term Debt	-	-	3,530,430
0072 Interest on Long Term Debt	266,118	-	11,249,264
0073 Bond Issuance Cost and Fees	-	-	9,248
Capital Outlay:			
0081 Facilities Acquisition and Construction	15,000	-	-
Intergovernmental:			
0099 Other Intergovernmental Charges	1,544,684	-	-
6030 Total Expenditures	232,924,512	5,476,391	14,788,942
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	16,013,985	-	(742,865)
OTHER FINANCING SOURCES (USES):			
7912 Sale of Real and Personal Property	477,211	-	-
7915 Transfers In	1,397,649	-	-
8911 Transfers Out (Use)	(308,196)	-	-
7080 Total Other Financing Sources (Uses)	1,566,664	-	-
1200 Net Change in Fund Balances	17,580,649	-	(742,865)
0100 Fund Balance - July 1 (Beginning)	21,312,687	-	13,013,721
3000 Fund Balance - June 30 (Ending)	\$ 38,893,336	\$ -	\$ 12,270,856

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

	Other Funds	Total Governmental Funds
\$	4,925,176	\$ 157,210,441
	1,114,225	114,351,554
	24,158,502	27,096,873
	30,197,903	298,658,868
	10,472,953	147,395,909
	4,974	2,317,496
	3,870,505	9,475,205
	51,361	4,073,640
	118,273	17,786,939
	523,117	11,677,177
	65,607	699,922
	64,490	2,234,213
	-	7,282,887
	14,529,715	14,623,026
	-	5,165,355
	9,731	6,735,260
	2,127,318	30,034,194
	-	2,503,797
	121,773	5,374,876
	127,509	1,282,531
	-	3,530,430
	-	11,515,382
	-	9,248
	71,581	86,581
	-	1,544,684
	32,158,907	285,348,752
	(1,961,004)	13,310,116
	4,117	481,328
	308,196	1,705,845
	(1,397,649)	(1,705,845)
	(1,085,336)	481,328
	(3,046,340)	13,791,444
	5,441,331	39,767,739
\$	2,394,991	\$ 53,559,183

ECTOR COUNTY 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 JUNE 30, 2018

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$ 13,791,444
The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The net gain of internal service funds is reported with governmental activities. The net effect of this consolidation is to increase net position.	1,309,380
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2018 capital outlays of \$1,751,778 and debt principal payments of \$3,530,430 is to increase net position.	5,282,208
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.	(13,899,672)
The proceeds from the issuance of bonds are reported as financial resources in the year of occurrence on the governmental fund financial statements, whereas there is no effect on the statement of activities. Also, governmental funds report on the effect of bond issuance costs, premiums, discounts, and deferred loss on refunding whereas these amounts are deferred and amortized on the statement of activities. The current year effect on the statement of activities resulting from amortizing various bond related items is as follows: net bond premium \$2,273,815, deferred loss (\$282,670), and net current year accretion on CAB's \$3,578,448, thus increasing net position.	5,569,593
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include adjusting current year revenue to show the revenue earned from the current year's tax levy (\$2,546,641), recognizing the current year change in sick leave payable (\$1,302,447), recognizing the sale of assets (\$35,469), and recognizing the change in interest payable (\$45,029). The net effect of these reclassifications and recognitions is to increase net position.	(3,929,586)
Current year changes due to GASB 68 increased revenues in the amount of (\$1,829,980) but also increased expenditures in the amount of \$160,006. The net effect on the change in the ending net position was a decrease in the amount of (\$1,669,974).	(1,669,974)
The implementation of GASB 75 to report the District's share of the TRS OPEB plan resulted in a prior period adjustment in the amount of (\$195,322,872). The changes in the ending net position as a result of reporting the OPEB items was an increase in the change in net position in the amount of \$38,378,101.	38,378,101
Change in Net Position of Governmental Activities	<u><u>\$ 44,831,494</u></u>

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

PROPRIETARY FUND FINANCIAL STATEMENTS

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018

	Governmental Activities -
	Total Internal Service Funds
<hr/>	
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 1,130,217
Investments - Current	16,344,376
Total Current Assets	<u>17,474,593</u>
Noncurrent Assets:	
Capital Assets:	
Land	54,012
Buildings and Improvements	3,663,335
Depreciation on Buildings	<u>(226,191)</u>
Total Noncurrent Assets	<u>3,491,156</u>
Total Assets	<u>20,965,749</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	121,757
Due to Other Funds	731,338
Accrued Expenses	<u>2,959,412</u>
Total Current Liabilities	<u>3,812,507</u>
Noncurrent Liabilities:	
Other Long-Term Debt - Due in More than One Year	<u>2,301,834</u>
Total Noncurrent Liabilities	<u>2,301,834</u>
Total Liabilities	<u>6,114,341</u>
NET POSITION	
Unrestricted Net Position	<u>14,851,408</u>
Total Net Position	<u>\$ 14,851,408</u>

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

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Governmental Activities -
	Total Internal Service Funds
OPERATING REVENUES:	
Employee and Employer Premiums	\$ 26,554,045
Rent Revenue	251,122
Stop Loss Reimbursement	338,891
Total Operating Revenues	27,144,058
OPERATING EXPENSES:	
Claims and Prescriptions	22,956,921
Professional and Contracted Services	268,385
Supplies and Materials	5,966
Other Operating Costs	2,679,696
Depreciation Expense	87,004
Total Operating Expenses	25,997,972
Operating Income	1,146,086
NONOPERATING REVENUES (EXPENSES):	
Earnings from Temporary Deposits & Investments	163,294
Total Nonoperating Revenues (Expenses)	163,294
Change in Net Position	1,309,380
Total Net Position - July 1 (Beginning)	13,542,028
Total Net Position - June 30 (Ending)	\$ 14,851,408

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

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Governmental Activities -
	Total Internal Service Funds
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Rental Receipts	\$ 271,964
Cash Received from Employees and Employer	30,610,721
Cash Received from Stop Loss Carrier	338,891
Cash Payments for Claims	(22,934,185)
Other Payments	(3,533,015)
Net Cash Provided by Operating Activities	<u>4,754,376</u>
<u>Cash Flows from Investing Activities:</u>	
Interest and Dividends on Investments	<u>163,294</u>
Net Increase in Cash and Cash Equivalents	4,917,670
Cash and Cash Equivalents at Beginning of Year	<u>12,556,923</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 17,474,593</u></u>
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating Income:	\$ 1,146,086
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	87,004
Effect of Increases and Decreases in Current Assets and Liabilities:	
Increase in Due to Other Funds	4,077,518
Decrease in Accounts Payable	(578,968)
Changes in Accrued Expenses	<u>22,736</u>
Net Cash Provided by Operating Activities	<u><u>\$ 4,754,376</u></u>

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

FIDUCIARY FUND FINANCIAL STATEMENTS

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

	Agency Fund
<hr/>	
ASSETS	
Restricted Assets	\$ 1,209,774
Total Assets	<u>\$ 1,209,774</u>
LIABILITIES	
Due to Student Groups	\$ 1,209,774
Total Liabilities	<u>\$ 1,209,774</u>

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

NOTES TO FINANCIAL STATEMENTS

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

The Board of Trustees (the "Board") is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, "The Financial Reporting Entity." The District has component units, which are discretely presented in a separate column in a supporting schedule to the government-wide financial statements. The ECISD Education Foundation and Permian High School Band and Orchestra Booster Club are presented separately in one column to emphasize that they are legally separate from the District. If you have questions about this report or need additional financial information, contact the District's business office, at Ector County Independent School District, 802 N. Sam Houston, Odessa, Texas.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the District and its component units nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support.

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

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

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

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

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

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

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

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

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

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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

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 fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS Care Plan 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 OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as you-go plan and all cash is held in a cash account.

D. FUND ACCOUNTING

The District reports the following major governmental funds:

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

Additionally, the District reports the following fund types:

Governmental Funds:

- 1. Special Revenue Funds** – The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a special revenue fund and sometimes unused balances must be returned to the grantor at the close of specified project periods.
- 2. Debt Service Funds** – The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.
- 3. Capital Projects Funds** – The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund. The District has capital projects funds to separately account for various locally funded capital projects occurring throughout the District, and to account for the 2013 bond issue transactions.

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

- 4. Permanent Funds** – The District accounts for donations for which the donor has stipulated that the principal may not be expended and where the income may only be used for purposes that support the District's programs. The District has no permanent funds.

Proprietary Funds:

- 5. Enterprise Funds** – The District's activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities are accounted for in an enterprise fund. The District has no enterprise funds.
- 6. Internal Service Funds** – Revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis are accounted for in an internal service fund. The District's internal service funds are the Medical Trust Fund, the Worker's Compensation Fund and the Chancellor-Killion Housing Fund.

Fiduciary Funds:

- 7. Private Purpose Trust Funds** – The District accounts for donations for which the donor has stipulated that both the principal and the income may be used for purposes that benefit parties outside the District. The District has no private purpose trust funds.
- 8. Pension (and Other Employee Benefit) Trust Funds** – These funds are used to account for local pension and other employee benefit funds that are provided by the District in lieu of or in addition to the Teacher Retirement System of Texas. The District has no pension trust funds.
- 9. Investment Trust Fund** - This fund is one in which the District holds assets in trust for other entities participating in an investment program managed by the district. The District has no investment trust funds.
- 10. Agency Funds** – The District accounts for resources held for others in a custodial capacity in agency funds. The District's agency funds are the Student Activity Funds.

E. OTHER ACCOUNTING POLICIES

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

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

3. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as debt service expenses.

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

4. It is the District's policy to permit some employees to accumulate earned but unused vacation and sick pay benefits. There is a liability for unpaid accumulated sick leave based upon employees who meet the criteria established in the compensation and benefits local policy. All vacation pay is accrued when incurred in the government-wide and fund financial statements.
5. Capital assets, which include land, buildings, software, furniture and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

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

Assets	Years
Buildings and Improvements	40
Musical instruments	20
School buses	10
Food service equipment	10
Furniture and equipment	7
Computer equipment	5
Software	5
Vehicles	5

6. Since Internal Service Funds support the operations of governmental funds, they are consolidated with the governmental funds in the government-wide financial statements. The expenditures of governmental funds that create the revenues of internal service funds are eliminated to avoid "grossing up" the revenues and expenses of the District as a whole.
7. Restricted net position represents restrictions that are externally imposed or restrictions imposed by law through constitutional provisions or enabling legislation.

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

8. The District has self-insured health and workers' compensation plans which are accounted for as proprietary funds. Claims incurred but not reported (IBNR) are accrued if it is probable that a claim will be asserted and the loss can be reasonably estimated. The accrued liabilities for IBNR in the workers' compensation fund are actuarially estimated by Turner Consulting, Inc. Consultants and Actuaries. The accrued liabilities for IBNR in the medical trust fund are based on industry standards applied by underwriters when evaluating a plan.
9. In the fund financial statements, fund balance shall mean the gross difference between governmental fund assets and liabilities reflected on the balance sheet. Governmental fund assets are those of the General Fund, Special Revenue Funds, Debt Service Funds and Capital Project Funds.

The fund balance of the General Fund, one of the governmental fund types, is of primary significance because the General Fund is the primary fund, which finances most functions in the District.

The order of spending and availability of the fund balance shall be to reduce funds from the listed areas in the following order: restricted, committed, assigned, and then unassigned funds. Negative amounts shall not be reported for restricted, committed, or assigned funds.

The five classifications of fund balance of the governmental types are as follows:

Non-spendable fund balance shall mean that portion of the gross fund balance that is not expendable (such as inventories) or is legally earmarked for a specific use. Examples of non-spendable fund balance reserves for which fund balance shall not be available for financing general operating expenditures include:

1. Inventories
2. Prepaid items
3. Deferred expenditures
4. Long-term receivables

Restricted fund balance shall include amounts constrained to a specific purpose by the provider, such as a grantor. Examples of restricted fund balances include:

1. Child Nutrition Program
2. Technology Program
3. Construction Programs under a state funded program (i.e. IFA, EDA, PFC, financed bonds)
4. Resources from other granting agencies

Committed fund balance shall mean that portion of the fund balance that is constrained to a specific purpose by the Board of Trustees. Examples of committed fund balance include:

1. Potential litigation, claims, and judgments
2. Campus activity funds

Assigned fund balance shall mean that portion of the fund balance that is spendable or available for appropriation but has been tentatively earmarked for some specific purpose.

When it is appropriate for fund balance to be assigned, the Board delegates the responsibility to assign funds to the Superintendent or his designee.

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

In current practice, such plans or intent may change and may never be budgeted, or may result in expenditures in future periods of time.

Examples of assigned fund balances which the District may have tentative plans for expenditures in future periods include:

1. Capital replacement (expenditures for equipment, furniture, software)
2. Building construction, repair and renovation
3. Insurance deductibles
4. Program startup costs
5. Debt service reduction
6. Other legal uses

Unassigned fund balance shall include amounts available for any legal purpose. This portion of the total fund balance in the General Fund is available to finance operating expenditures.

Unassigned fund balance shall mean the difference between the total fund balance and the total of the non-spendable fund balance, restricted fund balance, committed fund balance and assigned fund balance.

10. When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.
11. The District's investments are reported at cost which approximates fair value.
12. The Data Control Codes refer to the account code structure prescribed by Texas Education Agency (TEA) in the *Financial Accountability System Resource Guide*. TEA requires school districts to display these codes in the financial statements filed with TEA in order to ensure accuracy in building a State-wide data base for policy development and funding plans.
13. The District utilizes an encumbrance accounting system which is a method of ascertaining the availability of funds and then reserving funds to cover outstanding obligations. During the budgetary period, the District can determine the remaining amount of the new commitments that can be signed by comparing the amount of appropriations to the sum of expenditures recognized and encumbrances outstanding.

Encumbrance balances at June 30, 2018, consisted of the following amounts:

<u>Fund Type</u>	<u>Amount</u>
General Fund	\$ 3,038,823
Special Revenue Fund	1,258,860
Capital Projects Fund	141,630
Internal Service Fund	153,596
Total	<u>\$ 4,592,909</u>

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund and the Food Service Fund, which is included in the Special Revenue Funds. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1 and the other two reports are in Exhibit J-4 and J-5.

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

1. Prior to June 20th the District prepares a budget for the next succeeding fiscal year beginning July 1st. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
3. Prior to July 1st, the budget is legally enacted through passage of a resolution by the Board.
4. The adopted budget must be filed with the Texas Education Agency according to the Public Education Information Management System ("PEIMS") data standards, by Thursday of the second full week of December.

Once a budget is approved and adopted, any commitment that exceeds the available balance of the appropriation on the function level requires a budget amendment before the commitment is made. As dictated by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. All budget amendments enacted at the function level during fiscal year 2018 were legally approved.

Expenditures may not legally exceed budgeted appropriations at the function level within an individual fund for General Funds, Debt Service Funds, and the Capital Project Fund, except when a budget amendment is approved by the Board. For Special Revenue Funds a budget amendment is required by the TEA when cumulative transfers among direct cost categories exceed or are expected to exceed twenty-five percent of the total current approved budget. The District may transfer resources among categories without submitting an amendment as long as the total amount of resources transferred is twenty-five percent or less of the total current approved budget. The total expenditures per funding source per fiscal year cannot exceed the total amount approved. The budget was amended during the year for certain supplementary appropriations as discussed in Management's Discussion and Analysis.

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The expenditures shown below were in excess of the final amended budgeted amounts. For Special Revenue Funds, the Texas Education Agency does not require a school district to submit an amendment to the grant as long as the total amount of funds expended is twenty-five percent or less of the total current approved budget. None of the Special Revenue Funds passed through TEA listed below exceeded twenty-five percent of the total approved budget.

<u>Fund Type</u>	<u>Budgeted Expenditures</u>	<u>Actual Amount</u>	<u>Overage</u>
<u>Special Revenue Funds</u>			
National Breakfast and Lunch Program Facilities, Maintenance, and Operations	1,276,547	1,276,837	(290) a
Regional Day School for Deaf General Administration	-	9,731	(9,731) a

a: Occurred due to end-of-year payroll salary expenses being greater than appropriations

C. DEFICIT FUND EQUITY

No deficits in fund equity occurred.

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments

The **Texas 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, and (9) bid solicitation preferences for certificates of deposit.

Statutes authorize the entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas and its agencies; (2) guaranteed or secured certificates of deposit issued by state and national banks domiciled in Texas; (3) obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality not less than an "A"; (4) No load money market funds with a weighted average maturity of 90 days or less; (5) fully collateralized repurchase agreements; (6) commercial paper having a stated maturity of 270 days or less from the date of issuance and is not rated less than A-1 or P-1 by two nationally recognized credit rating agencies OR one nationally recognized credit agency and is fully secured by an irrevocable letter of credit; (7) secured corporate bonds rated not lower than "AA-" or the equivalent; (8) public funds investment pools; and (9) guaranteed investment contracts for bond proceeds investment only, with a defined termination date and secured by U.S. Government direct or agency obligations approved by the Texas public Funds Investment Act in an amount equal to the bond proceeds. The Act also requires the entity 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.

Additional Contractual provisions governing deposits and investments for the District are as follows:

Policies Governing Deposits and Investments

In compliance with the **Texas Public Funds Investment Act**, the District has adopted a deposit and investment policy. That policy does address 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 government's deposits may not be returned to it. The District's policy regarding types of deposits allowed and collateral requirements is consistent with the requirements of the Public Funds Collateral Act, it is the policy of the District to require full collateralization of all District investments and funds on deposit with a depository bank, other than investments which are obligations of the U.S. Government and its agencies and instrumentalities. As required by Government Code 2257.022 the collateralization level will be 110% of market value of principal and accrued interest on the deposits or investments less an amount insured by the FDIC or FSLIC. Securities pledged as collateral shall be held by an independent third party with whom the District has a current custodial agreement. The Director of Finance is responsible for entering into collateralization agreements with third party custodians in compliance with this policy. The agreements are to specify the acceptable investment securities for collateral, including provisions relating to possession of the collateral, the substitution or release of investment securities, ownership of securities, and the method of valuation of securities. Collateral shall be reviewed at least weekly to assure that the market value of the pledged securities is adequate.

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

The District is not exposed to custodial credit risk for its deposits as all are covered by depository insurance and collateralization by securities at 110% of the market value.

- b. **Custodial Credit Risk – Investments:** For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments are subject to custodial credit risk only if they are evidenced by securities that exist in physical or book entry form. Thus, the District's positions in external investment pools are not subject to custodial credit risk.
- c. **Interest-Rate Risk – Interest-rate risk** is the risk that changes in interest rates will adversely affect the fair value of an investment. To reduce exposure to changes in interest rates that could adversely affect the value of investments, the District shall use final and weighted-average maturity limits and diversification.
- d. **Other Credit Risk Exposure –** The District, in accordance with its investment policy, invests in external public fund investment pools, meeting the requirements of Government Code 2256.016 and 2256.019. These pools invest in U.S. Government agencies and repurchase agreements.
- e. **Concentration of Credit Risk –** Concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's policy regarding diversity is as follows:

The investment portfolio shall be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting from over concentration of assets in a specific class of investments, specific maturity, or specific issuer.

The District's investment portfolio consists of external investment pools and balances in savings accounts collateralized at 110% of their fair value by securities held by a third party custodian of the District's depository bank in the name of the District.

While all of the District's investments are available on demand, the underlying weighted average maturity of investments of the external investment pools that the District invests in are listed below as of June 30, 2018:

Type of Deposit	Fair Value	Percent	Maturity in Less than 1 year	Maturity in 1-10 Years	Maturity in Over 10 Years	Credit Rating
NexBank Money Market Savings	\$ 10,074,885	16.17%	\$ 10,074,885			N/A
Total Money Markets and FDIC						
Insured Accounts:	<u>10,074,885</u>		<u>10,074,885</u>	<u>-</u>	<u>-</u>	
Investment Pools:						
TexPool	35,228,903	56.52%	35,228,903	-	-	AAAm
TexPool Prime	5,021,129	8.06%	5,021,129			AAAm
Lone Star	662,600	1.06%	662,600	-	-	AAAm
TexStar	11,336,977	18.19%	11,336,977	-	-	AAAm
Total Investment Pools:	<u>52,249,609</u>		<u>52,249,609</u>	<u>-</u>	<u>-</u>	
Total Cash and Cash Equivalents:	<u>\$ 62,324,494</u>	100%	<u>\$ 62,324,494</u>	<u>-</u>	<u>-</u>	

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
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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 judgment and considers factors specific to each asset or liability.

In this discussion and in the table below, investments are defined according to GASB 72 as a security or other asset that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash. An asset initially reported as a capital asset and later held for sale would not subsequently be reclassified as an investment.

As of June 30, 2018, the District's had the following investments subject to the fair value measurement:

	Balance at	Fair Value Measurements		
	June 30, 2018	Level 1	Level 2	Level 3
TCG DIRECTED INVESTMENTS				
Fixed Income				
Municipal Bonds	\$ 9,515,693	9,515,693	-	-
Total Fixed Income:	9,515,693	9,515,693	-	-
Total Investments at Fair Value: \$	<u>9,515,693</u>	<u>9,515,693</u>	<u>-</u>	<u>-</u>

The TCG Directed Investments at June 30, 2018 classified in Level 1 are valued using prices quoted in active markets for those securities.

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
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Information regarding the District's investment pools may be obtained by contacting the following:

TexPool: Internet: www.texpool.com
Phone: 1-866-839-7665
Address: TexPool Participant Services
c/o Federated Investors, Inc.
1001 Texas Avenue, Suite 1400
Houston, TX 77002

Lone Star: Internet: www.firstpublic.com
Phone: 1-800-558-8875
Address: First Public
12007 Research Boulevard
Austin, TX 78759

TexSTAR Internet: www.texstar.org
Phone: 1-800-839-7827
Address: TexStar Participant Services
1201 Elm Street, Suite 3500
Dallas, TX 75270

TCG Directed Investments:

Internet: www.tdameritrade.com
Phone: 1-800-454-9272
Address: TCG Investment Advisory Services
900 S Capital of Texas Hwy
Suite 350
Austin, TX 78746

NexBank Money Market Savings:

Internet: <https://www.nexbank.com/>
Phone: 1-800-827-4818
Address: NexBank
2515 McKinney Avenue, Suite 1100
Dallas, TX 75201

B. PROPERTY TAXES

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

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

C. DELINQUENT TAXES RECEIVABLE

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

D. INTERFUND BALANCES AND TRANSFERS

Interfund balances at June 30, 2018, consisted of the following amounts:

	Due From Other Funds	Due To Other Funds
General Fund:		
Debt Service Fund	\$ -	\$ 463,671
Special Revenue Fund	1,151,139	1,506,462
Capital Projects Fund	-	142,510
Internal Service Fund	731,338	-
General Fund	1,818,328	1,818,328
Total General Fund	<u>3,700,805</u>	<u>3,930,971</u>
Debt Service Fund:		
General Fund	<u>463,671</u>	<u>-</u>
Total Debt Service Fund	<u>463,671</u>	<u>-</u>
Capital Project Fund:		
General Fund	<u>142,510</u>	<u>-</u>
Total Capital Projects Fund	<u>142,510</u>	<u>-</u>
Special Revenue Fund:		
General Fund	<u>1,506,462</u>	<u>1,151,139</u>
Total Special Revenue Fund	<u>1,506,462</u>	<u>1,151,139</u>
Internal Service Fund:		
General Fund	<u>-</u>	<u>731,338</u>
Total Internal Service Fund	<u>-</u>	<u>731,338</u>
Totals	<u>\$ 5,813,448</u>	<u>\$ 5,813,448</u>

The purpose of the interfund balances as of June 30, 2018, represents amounts owed to and from other funds, payroll and related benefits, and operations that will be cleared the following month when money is received from the granting agency or when subsequent transfers/repayments are made.

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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Interfund transfers for the year ended June 30, 2018 consisted of the following amounts:

Interfund transfers

	Transfers Out	Transfers In
General Fund:	\$ 308,196	\$ 1,397,649
Special Revenue Fund:	-	308,196
Capital Project Fund:	1,397,649	-
Totals	\$ <u>1,705,845</u>	\$ <u>1,705,845</u>

The transfer from the general fund was to fund the District's portion of the Regional Day School for the Deaf Programs - \$308,196

The transfer into the general fund was from unused local funds from construction projects - \$1,397,649.

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at June 30, 2018 were as follows:

	Property Taxes	Other Governments	Due From Other Funds	Other	Total Receivables
Governmental Activities:					
General Fund	\$ 14,045,746	\$ 18,174,219	\$ 3,700,805	\$ 24,545	\$ 35,945,315
Debt Service Fund	1,372,737	-	463,671	-	1,836,408
Capital Projects Funds	-	-	142,510	-	142,510
Other Funds	-	1,171,807	1,506,462	-	2,678,269
Internal Service Funds	-	-	-	-	-
Total - Governmental Activities	\$ <u>15,418,483</u>	\$ <u>19,346,026</u>	\$ <u>5,813,448</u>	\$ <u>24,545</u>	\$ <u>40,602,502</u>

Payables at June 30, 2018 were as follows:

	Accounts Payable	Other Governments	Payroll Deductions and Withholdings Payable	Due To Other Funds	Total Payables
Governmental Activities:					
General Fund	\$ 3,032,901	\$ -	\$ 2,066,681	\$ 3,930,971	\$ 9,030,553
Debt Service Fund	-	-	-	-	-
Capital Projects Funds	-	-	-	-	-
Other Funds	1,209,219	-	-	1,151,139	2,360,358
Internal Service Funds	121,757	-	-	731,338	853,095
Total - Governmental Activities	\$ <u>4,363,877</u>	\$ <u>-</u>	\$ <u>2,066,681</u>	\$ <u>5,813,448</u>	\$ <u>12,244,006</u>

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

F. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the year ended June 30, 2018, was as follows:

	Primary Government			
	Beginning Balance	Additions	Retirements	Ending Balance
Governmental activities:				
Land	\$ 10,961,837	\$ -	\$ -	\$ 10,961,837
Buildings and Improvements	455,331,001	6,661,040	-	461,992,041
Equipment	47,759,099	1,336,613	(1,206,967)	47,888,745
Software	4,257,437	-	-	4,257,437
Construction in Progress	6,245,875	(6,245,875)	-	-
Totals at Historical Costs	<u>524,555,249</u>	<u>1,751,778</u>	<u>(1,206,967)</u>	<u>525,100,060</u>
Less accumulated depreciation and amortization for:				
Buildings and Improvements	(152,792,244)	(9,747,944)	-	(162,540,188)
All Equipment	(33,316,922)	(3,555,016)	1,171,498	(35,700,440)
Software	(3,290,694)	(683,716)	-	(3,974,410)
Total accumulated depreciation for:	<u>(189,399,860)</u>	<u>(13,986,676)</u>	<u>1,171,498</u>	<u>(202,215,038)</u>
Governmental activities capital assets, net	<u>\$ 335,155,389</u>	<u>\$ (12,234,898)</u>	<u>\$ (35,469)</u>	<u>\$ 322,885,022</u>

*Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 4,749,861
Instruction Resources & Media Services	157,111
Curriculum & Staff Development	-
Instructional Leadership	29,996
School Leadership	485,781
Guidance, Counseling & Evaluation Service	13,532
Health Services	1,648
Student Transportation	850,794
Food Service	1,496,561
Co-Curricular/Extracurricular Activities	2,109,932
General Administration	33,897
Plant Maintenance & Operations	2,317,429
Securities & Monitoring Services	349,351
Data Processing Services	1,351,346
Community Services	<u>39,437</u>
Total Depreciation Expense	<u>\$ 13,986,676</u>

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

G. BONDS PAYABLE

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

On December 11, 2001, The District issued \$55,868,558 of Unlimited Tax School Building and Refunding Bonds, Series 2001 (the "Bonds") maturing from August 15, 2004 through August 15, 2025. Interest rates vary from 3.55% to 5.75%. The Bonds were issued as part of an October 29, 2001 voter approved referendum of \$89,500,000 to renovate schools within the District and to build a new early education center and a new elementary campus. In addition, the bonds defeased \$3,755,000 of old bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. The refunding resulted in no economic gain or loss to the District.

On February 20, 2007, the District issued \$56,380,113 of Unlimited Tax Refunding Bonds, Series 2007 (the "Bonds") maturing from August 15, 2007 through August 15, 2027. Interest rates vary from 4.00% through 4.64%. The Bonds were issued to advance refund a portion of the District's outstanding bonds to lower the District's debt service payments by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. The refunding resulted in an economic gain to the District of \$2,027,926. The Series 2007 Bonds outstanding were paid off in August 2017.

On June 20, 2012, the District issued \$4,690,000 of Unlimited Tax Refunding Bonds, Series 2012 (the "Bonds") maturing from August 15, 2012 through August 15, 2025. Interest rates vary from 2.00% to 3.00%. The Bonds were issued to advance refund a portion of the District's outstanding bonds to lower the District's debt service payments by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. The refunding resulted in an economic gain to the District of \$637,628. The net cash flow decrease from the refunding over the life of the bond issue is \$687,402. On June 30, 2018, \$2,240,000 of bonds considered defeased by the series 2012 bonds are still outstanding.

On March 28, 2013, the District issued \$121,595,000 of Unlimited Tax School Building Bonds, Series 2013 (the "Bonds") maturing from August 15, 2013 through August 15, 2038. Interest rates vary from 3.00% through 5.00%. The Bonds were issued for the construction and renovation and equipping of high school facilities, the construction and equipping of elementary school facilities and the acquisition of any necessary school sites and new school buses, and to fund capitalized interest on, and costs of issuance related to, the Bonds.

On November 22, 2016, the District issued \$49,235,000 of Unlimited Tax Refunding Bonds, Series 2016 (the "Bonds") maturing from August 15, 2017 through August 15, 2027. Interest rates vary from 2.00% to 5.00%. The Bonds were issued to advance refund a portion of the District's outstanding bonds to lower the District's debt service payments by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payment on the old bonds. Accordingly, the trust accounts assets and liabilities for the defeased bonds are not included in the District's financial statements. The refunding resulted in an economic gain to the District of \$9,588,712. The net cash flow decrease from the refunding over the life of the bond issue is \$8,469,818. On June 30, 2018, \$55,677,169 of bonds considered defeased by the series 2016 are still outstanding.

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

A summary of changes in general long-term debt for the year ended June 30, 2018 is as follows:

Description	Interest Rate Payable	Amounts Original Issue	Interest Current Year	Payable Outstanding 7/1/2017	Issued	Retired	Payable Outstanding 6/30/2018
ECISD Unlimited Tax School Building and Refunding Bonds, Series 2001	3.55, 3.90, 4.20, 4.50, 4.68, 4.80, 4.90, 5.01, 5.13, 5.26, 5.36, 5.46, 5.56, 5.64, 5.7, 5.75%	\$ 55,868,558	\$ 2,439,570	\$ 4,487,817	\$ -	\$ 1,760,430	\$ 2,727,387
ECISD Unlimited Tax School Refunding Bonds, Series 2007	4.00, 4.16, 4.20, 4.23, 4.25, 4.29, 4.30, 4.35, 4.36, 4.50, 4.56, 4.64%	56,380,113	1,545,000	155,000	-	155,000	-
ECISD Unlimited Tax Refunding Bonds, Series 2012	2.00, 3.00%	4,690,000	59,550	2,110,000	-	-	2,110,000
ECISD Unlimited Tax School Building Bonds, Series 2013	3.00, 3.125 3.25, 4.00 5.00%	121,595,000	4,814,244	115,580,000	-	935,000	114,645,000
ECISD Unlimited Tax Refunding Bonds, Series Series 2016	2.00, 4.00 5.00%	49,235,000	2,390,900	49,235,000		680,000	48,555,000
TOTAL		<u>\$ 287,768,671</u>	<u>\$ 11,249,264</u>	<u>\$ 171,567,817</u>	<u>\$ -</u>	<u>\$ 3,530,430</u>	<u>\$ 168,037,387</u>

Debt service requirements are as follows:

Year Ended June 30,	General Obligations		
	Principal	Interest	Total Requirements
2019	3,399,088	9,772,480	13,171,568
2020	4,143,299	8,990,570	13,133,869
2021	6,115,000	6,934,994	13,049,994
2022	6,400,000	6,639,769	13,039,769
2023	6,710,000	6,331,819	13,041,819
2024-2028	37,925,000	26,457,244	64,382,244
2029-2033	42,745,000	16,527,219	59,272,219
2034-2038	52,815,000	6,561,222	59,376,222
2039	7,785,000	136,237	7,921,237
	<u>\$ 168,037,387</u>	<u>\$ 88,351,554</u>	<u>\$ 256,388,941</u>

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

H. COMMITMENTS UNDER OPERATING LEASES

Commitments under operating (noncapitalized) lease agreements for equipment provide for minimum future rental payments as of June 30, 2018, are as follows:

<u>Year Ending June 30,</u>	<u>Future Rental Payments</u>
2019	701,145
2020	486,591
2021	223,622
2022	82,903
Total Minimum Rentals	\$ <u>1,494,261</u>
Rental Expenditures in Fiscal Year 2018	\$ <u>909,294</u>

I. ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS

Upon retirement or death of certain employees, the District pays any accrued sick leave and vacation leave in a lump sum payment to such employee or his/her estate based upon the following criteria:

1. Hourly position employees not working a scheduled 40-hour week are not eligible to be paid for accrued leave.
2. Sick Leave: Any employee not mentioned above who retired after completing five consecutive years or resigns after completing 20 years of service with the District shall be paid for accrued sick leave. Accrued sick leave shall be computed at one-half the daily rate at the time of retirement or resignation times the number of accrued leave days, which shall not exceed one-half the number of working days in an annual contract. In order to receive payment for unused sick leave, retirement must occur at the end of the employee's contract period, or when retirement is necessitated by a medical disability as approved by the Teacher Retirement System. Exceptions to this provision were reviewed by the Board upon recommendation of the Superintendent. No benefits shall be calculated on a salary schedule exceeding that of a regular teacher's salary schedule. Individuals who are retiring and have worked less than 85 days of the contract year shall have accrued sick leave paid based on the previous year's salary schedule.
3. Vacation Leave: Any accrued vacation leave is paid upon separation at the employee's current daily rate of pay.

A summary of changes in the accumulated sick leave and vacation leave liability follows:

	<u>Sick Leave</u>	<u>Vacation Leave</u>
Balance June 30, 2017	\$ 5,248,329	\$ 1,633,969
Additions/Adjustments - New Entrants and Salary Increments	2,458,824	(180,954)
Deductions - Payments to Participants	<u>(1,339,149)</u>	<u>(102,966)</u>
Balance June 30, 2018	\$ <u>6,368,004</u>	\$ <u>1,350,049</u>

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

J. DEFINED BENEFIT PENSION PLAN

Plan Description. Ector County Independent School District participates in a cost-sharing multiple-employer defined benefit pension plan 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.

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 https://www.trs.texas.gov/TRS%20Documents/cafr_2017.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.

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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 can be found in the TRS 2017 CAFR, Note 12, on page 88.

Contribution Rates		
	2017	2018
Member	7.2%	7.7%
Non-Employer Contributing Entity (State)	6.7%	6.8%
Employers	6.8%	6.8%
Employer 0576 - 2018 Employer Contributions		\$2,951,106
Employer 0576 - 2018 Member Contributions		\$12,513,674
Employer 0576 - 2018 NECE On-behalf Contributions		\$6,249,247

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

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

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

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.

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Actuarial Assumptions. The total pension liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions: Actuarial Assumptions can be found in the 2017 TRS CAFR, Note 12, and Page 90.

Valuation Date	August 31, 2017
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.

Discount Rate. The discount rate used to measure the total pension liability was 8.0%. The Discount Rate can be found in the 2017 TRS CAFR on page 90. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2017 (see page 62 of the 2017 TRS CAFR) are summarized below:

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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%
Hedge Funds (Stable Value)	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy and Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk Parity			
Risk Parity	5%	6.7%	0.3%
Inflation Expectations			2.2%
Alpha			1.0%
Total	100%		8.7%

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

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

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. The discount rate can be found in the 2017 TRS CAFR, Note 12, page 91.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
ECISD proportionate share of the net pension liability:	\$87,867,240	\$52,121,909	\$22,358,119

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
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Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2018, the District reported a liability of \$52,121,909 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

ECISD's Proportionate share of the collective net pension liability	\$ 52,121,909
State's proportionate share that is associated with ECISD	81,929,372
Total	<u>\$ 134,051,281</u>

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

At August 31, 2017 the employer's proportion of the collective net pension liability was .163010290% which was a decrease of 8.3845167% from its proportion measure as of August 31, 2016.

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 June 30, 2018, the District recognized pension expense of \$6,249,247 and revenue of \$6,249,247 for support provided by the State in the Government Wide Statement of Activities.

At June 30, 2018, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources: (The amounts shown below will be the cumulative layers from the current and prior years combined.)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual Actuarial experience	\$762,567	\$2,810,866
Changes in Actuarial Assumptions	\$2,374,236	\$1,359,194
Difference between projected and actual investment earnings		\$3,798,531
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	\$9,857,735	\$4,475,872
Contributions paid to TRS subsequent to the measurement date (calculated by employer)	\$10,473,177	\$0
Total	<u>\$23,467,715</u>	<u>\$12,444,463</u>

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

For the Year Ended June 30	Pension Expense Amount
2019	(\$92,286)
2020	\$3,234,791
2021	(\$347,909)
2022	(\$1,310,631)
2023	(\$302,237)
Thereafter	(\$631,655)

K. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

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

OPEB Plan Fiduciary Net Position. Detail information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at https://www.trs.texas.gov/TRS%20Documents/cafr_2017.pdf; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

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

<u>NET OPEB Liability</u>	<u>Amount</u>
Total OPEB Liability	\$ 43,885,784,621
Less: Plan Fiduciary Net Position	399,535,986
Net OPEB Liability	<u>\$ 43,486,248,635</u>
 Net Position as percentage of Total OPEB Liability	 0.91%

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

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

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

TRS-Care Plan Premium Rates Effective Sept. 1, 2016 - Dec. 31, 2017			
	TRS Care-1 Basic Plan	TRS Care-2 Optional Plan	TRS Care-3 Optional Plan
Retiree*	\$ 0	\$ 70	\$ 100
Retiree and Spouse	20	175	255
Retiree* and Children	41	132	182
Retiree and Family	61	237	337
Surviving Children Only	28	62	82
<i>*or surviving spouse</i>			

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

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

Contribution Rates		
	2017	2018
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.00%	1.25%
Employers	0.55%	0.75%
Federal/Private Funding Remitted by Employers	1.00%	1.25%
Employer 0576 - 2018 Employer Contributions	\$	1,322,075
Employer 0576 - 2018 Member Contributions	\$	1,056,336
Measurement Year NECE On-behalf Contributions	\$	(42,334,152)

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (regardless of whether or not they participate in the TRS Care OPEB program). When employers hire a TRS retiree, they are required to pay to TRS-Care, a monthly surcharge of \$535 per retiree.

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$15.6 million in fiscal year 2017. House Bill 21 was passed in special session and provided a supplemental appropriation in the amount of \$212 million in fiscal year 2018.

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
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The District's proportionate share of the \$212,000,000 received during the district's 2018 fiscal year is reported in the fund level financial statements as an on-behalf contribution as required by GASB 85 and GASB 24.

Actuarial Assumptions. The total OPEB liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions: [Actuarial Assumptions can be found in the 2017 TRS CAFR, Note 10, page 82].

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

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

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

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

Additional Actuarial Methods and Assumptions:

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

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

***Includes inflation at 2.50%*

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

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Discount Rate. A single discount rate of 3.42% was used to measure the total OPEB liability. There was a change of .44 percent in the discount rate since the previous year. The Discount Rate can be found in the 2017 TRS CAFR on page 83. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. The source of the municipal bond rate was Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of August 31, 2017.

Sensitivity of the Net OPEB Liability:

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.42%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (2.42%)	Discount Rate (3.42%)	1% Increase in Discount Rate (4.42%)
ECISD proportionate share of the net pension liability:	\$131,352,706	\$111,292,438	\$95,168,506

Healthcare Cost Trend Rates Sensitivity Analysis - The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one-percentage point lower or one-percentage point higher than the assumed healthcare cost trend rate.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
ECISD proportionate share of the net pension liability:	\$92,662,074	\$111,292,438	\$135,737,825

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At June 30, 2018, the District reported a liability of \$111,292,438 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

ECISD's Proportionate share of the collective net OPEB liability	\$ 111,292,438
State's proportionate share that is associated with ECISD	126,511,621
Total	<u>\$ 237,804,059</u>

The Net OPEB Liability was measured as of August 31, 2017 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer's proportion of the Net OPEB Liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2016 thru August 31, 2017.

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
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At August 31, 2017 the employer's proportion of the collective Net OPEB Liability was 0.2559255898% which was the same proportion measured as of August 31, 2016

Changes Since the Prior Actuarial Valuation – The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB liability since the prior measurement period: [These can be found in the TRS CAFR on page 83].

1. Significant plan changes were adopted during fiscal year ending June 30, 2018. Effective January 1, 2018, only one health plan option will exist (instead of three), and all retirees will be required to contribute monthly premiums for coverage. The health plan changes triggered changes to several of the assumptions, including participation rates, retirement rates, and spousal participation rates.
2. The August 31, 2016 valuation had assumed that the savings related to the Medicare Part D reimbursements would phase out by 2022. This assumption was removed for the August 31, 2017 valuation. Although there is uncertainty regarding these federal subsidies, the new assumption better reflects the current substantive plan. This change was unrelated to the plan amendment, and its impact was included as an assumption change in the reconciliation of the total OPEB liability. This change significantly lowered the OPEB liability.
3. The discount rate changed from 2.98 percent as of August 31, 2016 to 3.42 percent as of August 31, 2017. This change lowered the total OPEB liability.

In this valuation the impact of the Cadillac Tax has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

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

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

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

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

For the year ended June 30, 2018, the District recognized OPEB expense of \$(42,334,152) and revenue of \$(42,334,152) for support provided by the State.

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At June 30, 2018, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual Actuarial experience		\$2,323,314
Changes in Actuarial Assumptions		\$44,230,523
Net Difference between projected and actual investment earnings	\$16,906	
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	\$516	
Contributions paid to TRS subsequent to the measurement date (calculated by employer)	\$884,082	
Total	<u>\$901,504</u>	<u>\$46,553,837</u>

The net amounts of the employer's balances of deferred outflows and inflows (not including the deferred contribution paid subsequent to the measurement date) of resources related to OPEBs will be recognized in OPEB expense as follows:

For the Year Ended June 30	Pension Expense Amount
2019	\$ (6,140,533)
2020	(6,140,533)
2021	(6,140,533)
2022	(6,140,533)
2023	(6,144,760)
Thereafter	(15,829,522)

Medicare Part D. The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal year ended 2018, 2017, and 2016 the subsidy payments received by TRS-Care on-behalf of the District were \$660,092, \$495,348 and \$635,678 respectively. The information for the year ended June 30, 2018 is an estimate provided by the Teacher Retirement System. These payments are recorded as equal revenues and expenditures in the governmental funds financial statements of the District.

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
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L. RISK MANAGEMENT

Health Insurance

The District sponsors a self-funded plan to provide health care benefits to staff members and their dependents. Transactions related to the plan are accounted for in the Medical Trust Fund (the "Fund"), an internal service fund of the District. The District contributed \$380 per month per employee for the period of July 2017 through June 2018. Each employee contributed \$70 per month in July 2017, \$100 per month for the period of August through December 2017, and \$115 per month for the period of January through July 2018. Employees, at their option, authorized payroll withholding to pay contributions for dependents. Third party administrators paid all claims from the fund. The plan was authorized by Section 21.922, Texas Education Code, and was documented by contractual agreement. The District was protected against unanticipated catastrophic individual or aggregate loss by stop-loss coverage carried through Sirius America Insurance Company, commercial insurer licensed or eligible to do business in Texas in accordance with the Texas Insurance Code. Stop loss coverage was in effect in 2017 for individual claims exceeding \$350,000 annually and aggregate coverage with an attachment point of \$27,330,237. These amounts were \$350,000 individual and \$28,993,731 aggregate in 2018. Estimates of claims payable and of claims incurred, but not reported at June 30, 2018, are reflected as accounts and claims payable of the Fund. The plan is funded to discharge liabilities of the Fund as they become due.

For the fiscal year 2017-2018, one claim exceeded the \$350,000 limit plus one one-time aggregating specific of \$200,000 in 2017. Changes in the balances of claims liabilities during the past year are as follows:

	Year Ended June 30, 2017	Year Ended June 30, 2018
Unpaid claims, beginning of the year	\$ 2,058,431	\$ 2,311,220
Incurred claims (including IBNR's)	22,516,423	21,986,139
Claim Payments	(22,263,634)	(22,054,708)
Unpaid claims, end of fiscal year	<u>\$ 2,311,220</u>	<u>\$ 2,242,651</u>

Worker's Compensation

The District sponsors a self-funded Worker's Compensation Fund. Claims exceeding \$450,000 up to the State of Texas statutory limits per occurrence are covered by a stop loss plan through the Texas Association of School Boards, whose carrier is Safety National Casualty Corporation.

For the school year 2017-2018, no claims exceeded the \$450,000 limit. Changes in the balances of the claims liability during the past year are as follows:

	Year Ended June 30, 2017	Year Ended June 30, 2018
Unpaid claims, beginning of the year	\$ 2,828,761	\$ 2,927,290
Incurred claims (including IBNR's)	992,653	970,782
Claim Payments	(894,124)	(879,477)
Unpaid claims, end of fiscal year	<u>\$ 2,927,290</u>	<u>\$ 3,018,595</u>

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

M. CHANGES IN LONG-TERM LIABILITIES

Long-term activity for the year ended June 30, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds and Notes Payable:					
School Building and Refunding Bonds	\$ 171,567,817	\$ -	\$ (3,530,430)	\$ 168,037,387	\$ 3,399,088
Accumulated Accretion	7,772,642	406,122	(3,984,570)	4,194,194	-
Net Bond Premium	16,643,063	-	(2,273,815)	14,369,248	-
Total Bonds and Notes Payable	195,983,522	406,122	(9,788,815)	186,600,829	3,399,088
Other Liabilities:					
Net Pension Liability	67,236,631	15,249,170	(30,363,892)	52,121,909	-
Net Other Post Employment Benefits (OPEB) Liability	196,481,178	18,836	(85,207,576)	111,292,438	-
Worker's Compensation (IBNR)	2,927,290	970,782	(879,477)	3,018,595	716,761
Sick Leave Benefits	5,248,329	2,458,824	(1,339,149)	6,368,004	165,469
Total Other Liabilities	271,893,428	18,697,612	(117,790,094)	172,800,946	882,230
Total Governmental Activities Long-Term Liabilities	\$ 467,876,950	\$ 19,103,734	\$ (127,578,909)	\$ 359,401,775	\$ 4,281,318

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
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YEAR ENDED JUNE 30, 2018

N. UNEARNED REVENUES

Unearned revenues at year end consisted of the following:

	General Fund	Special Revenue Funds	Debt Service Fund	Total
Net Tax Revenue	\$ 6,295,133	\$ -	\$ 615,244	\$ 6,910,377
Insurance Recovery	-	6,123,106	-	6,123,106
State Textbook Fund	-	273,811	-	273,811
Dental	86,470	-	-	86,470
Project Lead the Way	-	56,998	-	56,998
Advanced Placement Incentives	-	50,124	-	50,124
Brown Agriculture Fund	-	46,721	-	46,721
Education Foundation Awards	-	42,612	-	42,612
Odessa Regional School Clinic	-	27,881	-	27,881
Weldon Scholarship Fund	-	27,545	-	27,545
Title II, Part A Training and Recruiting	-	23,069	-	23,069
Restitution	23,005	-	-	23,005
Advanced Via Individual Determination	-	21,526	-	21,526
Jason's Project Stem	-	19,498	-	19,498
Ecolab - Lyndon B. Johnson	-	10,792	-	10,792
ICA Donation	-	8,275	-	8,275
Existing Debt Allotment - Texas Education Agency	-	-	7,425	7,425
Permian High School Science Giants Award	-	4,933	-	4,933
First United Methodist Church Donation	2,501	-	-	2,501
Texas Comptroller LEOSE	2,425	-	-	2,425
San Jacinto PTA Donation	1,000	-	-	1,000
Ecolab - Blackshear Elementary	-	376	-	376
Great Global Project Challenge	-	32	-	32
Total	<u>\$ 6,410,534</u>	<u>\$ 6,737,299</u>	<u>\$ 622,669</u>	<u>\$ 13,770,502</u>

O. DUE FROM STATE AND FEDERAL AGENCIES

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of June 30, 2018, are summarized below.

Fund Name	State Entitlements	Federal Grants	Total
General Fund	\$ 18,174,219	\$ -	\$ 18,174,219
ESEA Title I, Part A - Improving Basic Programs	-	520,670	520,670
IDEA - Part B, Formula	-	367,257	367,257
Regional Day School - Deaf	115,864	-	115,864
National School Breakfast and Lunch Program	-	66,104	66,104
IDEA - Part B, Preschool	-	39,449	39,449
Title IV, Part A Subpart A	-	27,688	27,688
ESEA Title III, Part A - English Language Acquisition	-	18,019	18,019
Career and Technical Basic Grant	-	11,425	11,425
IDEA - Part B, Discretionary Deaf	-	4,232	4,232
Prekindergarten Grant	-	1,001	1,001
IDEA - Part C, Early Intervention (Deaf)	-	98	98
Total	<u>\$ 18,290,083</u>	<u>\$ 1,055,943</u>	<u>\$ 19,346,026</u>

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

P. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

During the year ended June 30, 2018, revenues from local and intermediate sources consisted of the following:

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
Property Taxes	\$127,762,668	\$ -	\$ 13,459,072	\$ -	\$141,221,740
Penalties, Interest and Other					
Tax-Related Income	1,994,863	-	209,751	-	2,204,614
Investment Income	438,454	12,524	74,877	2,912	528,767
Food Sales	-	4,108,110	-	-	4,108,110
Co-Curricular Student Activities	636,349	-	-	-	636,349
Other	2,232,840	6,278,021	-	-	8,510,861
Total	\$133,065,174	\$ 10,398,655	\$ 13,743,700	\$ 2,912	\$157,210,441

Q. CONTINGENT LIABILITIES

The District participates in numerous federally-funded programs, on both a direct and state pass-through basis, as well as on a service-provider basis. In connection with these grants, the District is required to comply with specific terms and agreements, as well as applicable federal and state laws, and regulations. Such compliance is subject to review and audit by the grantors and their representatives, including audits under the “Single Audit” concept and compliance examinations which build upon such audits.

In the opinion of management, the District has materially complied with all requirements. However, such programs are subject to future audit or review, the possibility of disallowed expenditures exists. In the event of such disallowance of claimed expenditures, the District does not expect the resulting liability to have a material adverse effect on its combined financial statements at June 30, 2018.

The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not determinable presently, in the opinion of the District’s counsel the resolution of these matters will not have a material adverse effect on the financial statements of the District.

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

R. SHARED SERVICE ARRANGEMENTS

The District is the fiscal agent for a Shared Service Arrangement (“SSA”) that provides deaf education to member districts. In addition to the District, other member districts include Midland, Big Spring, Andrews, Monahans, McCamey, Ft. Stockton, Pecos, Reagan County, Coahoma, and Kermit. All services are provided by the fiscal agent. The member districts provide the funds to the fiscal agent. According to guidance provided in TEA’s Resource Guide, the District has accounted for the fiscal agent’s activities of the SSA in Special Revenue Fund 315, 340 and 435 using Model 3 in the SSA section. Expenditures of the SSA are summarized below:

Ector County Independent School District	\$	582,455
Midland Independent School District		187,888
Big Spring Independent School District		93,944
Andrews Independent School District		56,367
Monahans Independent School District		56,367
McCamey Independent School District		37,578
Ft. Stockton Independent School District		37,578
Pecos Independent School District		18,789
Reagan County Independent School District		18,789
Coahoma Independent School District		18,789
Kermit Independent School District		18,789
Total	\$	<u>1,127,333</u>

S. CONSTRUCTION COMMITMENT

No construction commitments at year ending June 30, 2018.

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

T. NEGATIVE OPERATING GRANTS AND CONTRIBUTIONS - STATEMENT OF ACTIVITIES

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

During the year under audit, the NECE expense was negative due to changes in benefits within the TRS-care plan. The accrual for the proportionate share of that expense was a negative on-behalf revenue and negative on-behalf expense. This resulted in negative revenue for operating grants and contributions on the Statement of Activities. According to guidance provided directly from GASB, this is the correct reporting. Following are the effects on the Statement of Activities as a result of the negative on-behalf accruals recorded:

	Operating Grants and Contributions	Negative On- Behalf Accruals	Operating Grants and Contributions (excluding on- behalf accruals)
11 - Instruction	\$ (3,517,521)	\$ (26,441,788)	\$ 22,924,267
12 - Instructional Resources and Media Services	(239,928)	(406,831)	166,903
13 - Curriculum and Instructional Staff Development	3,008,557	(1,410,630)	4,419,187
21 - Instructional Leadership	(390,122)	(733,393)	343,271
23 - School Leadership	(1,935,472)	(3,334,357)	1,398,885
31 - Guidance, Counseling and Evaluation Services	(689,032)	(2,010,973)	1,321,941
32 - Social Work Services	(9,883)	(125,404)	115,521
33 - Health Services	(196,108)	(432,906)	236,798
34 - Student (Pupil) Transportation	(679,057)	(1,128,052)	448,995
35 - Food Services	9,268,903	(1,095,583)	10,364,486
36 - Extracurricular Activities	(344,683)	(572,589)	227,906
41 - General Administration	(194,832)	(943,520)	748,688
51 - Facilities Maintenance and Operations	(540,256)	(2,381,448)	1,841,192
52 - Security and Monitoring Services	(271,498)	(451,015)	179,517
53 - Data Processing Services	(420,890)	(699,185)	278,295
61 - Community Services	48,017	(166,478)	214,495
	<u>\$ 2,896,195</u>	<u>\$ (42,334,152)</u>	<u>\$ 45,230,347</u>

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

U. PRIOR PERIOD ADJUSTMENT

During fiscal year 2018, the District adopted GASB Statement No. 75 for Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. With GASB 75, the District must assume their proportionate share of the net postemployment benefits liability other than pensions of the Teachers Retirement System of Texas. Adoption of GASB 75 required a prior period adjustment to report the effect of GASB 75 retroactively. The amount of the prior period adjustment is \$(195,322,872). The restated beginning net position for the Governmental Activities is \$(38,726,484) and the Primary Government is \$(38,726,484).

V. SUBSEQUENT EVENT

On June 26th, 2018, the Trustees authorized the issuance of up to \$20,000,000 of Tax and Revenue Anticipation Note, Taxable Series 2018, with a maturity date of March 31st, 2019 to enable the District, along with other available funds, to pay its current maintenance expenses on a timely basis.

Effective July 2nd, 2018 the partnership between Ector County ISD and Ector Success Academy Network, a 501c3 organization, to operate Ector Middle School as an in district charter met all SB 1882 eligibility requirements and became eligible for the benefits outlined in Texas Education Code §11.174. Due to continuing District accountability for student performance at the campus, Foundation School funds, Instructional Materials Allotment funding, attributable to the campus will be accounted for and reported by Ector County ISD, with Senate Bill 1882 funding earned credited to revenue and passed through to the Ector Success Academy Network as an operating transfer.

In addition, to assist in funding operational commitments, subsequent to year end, the District advanced funding to the Network, being approved by the Ector County ISD Board in July 2018, to be reimbursed from Senate Bill 1882 funding when received no later than December 31, 2019. The advanced funding being accounted for on the books of the District as a special revenue fund.

On August 14th, 2018, the Trustees approved a proposal of a Tax Ratification Election that will result in an increase of approximately \$18 million into the District's 2018-2019 school year budget. The total proposed tax rate is \$1.2759 per \$100 valuation. The tax rate change includes an increase from the current \$1.04 to \$1.17 in Maintenance & Operation (M&O) which provides funding for daily operations of the District. Interest and Sinking tax rate remains at a rate of \$0.10957. The Tax Ratification Election will be held on November 6th, 2018.

The District has evaluated events subsequent to June 30, 2018 through November 13, 2018, the date the financial statements were available to be issued and concluded there are no other events requiring disclosure in the notes or recognition in the financial statements.

BUDGETARY COMPARISON REPORTING

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

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	\$ 129,986,892	\$ 133,454,002	\$ 133,065,174	\$ (388,828)
5800	State Program Revenues	109,871,543	113,033,028	112,934,952	(98,076)
5900	Federal Program Revenues	2,990,829	3,042,829	2,938,371	(104,458)
5020	Total Revenues	242,849,264	249,529,859	248,938,497	(591,362)
	EXPENDITURES:				
	Current:				
0011	Instruction	144,971,882	140,123,873	136,922,956	3,200,917
0012	Instructional Resources and Media Services	2,407,403	2,400,245	2,312,522	87,723
0013	Curriculum and Instructional Staff Development	5,943,508	6,521,616	5,604,700	916,916
0021	Instructional Leadership	3,982,137	4,166,680	4,022,279	144,401
0023	School Leadership	17,193,588	18,726,666	17,668,666	1,058,000
0031	Guidance, Counseling and Evaluation Services	10,690,004	11,337,001	11,154,060	182,941
0032	Social Work Services	647,666	654,791	634,315	20,476
0033	Health Services	2,167,221	2,256,479	2,169,723	86,756
0034	Student (Pupil) Transportation	8,952,824	9,116,460	7,282,887	1,833,573
0035	Food Services	102,900	106,123	93,311	12,812
0036	Extracurricular Activities	5,336,395	5,336,395	5,165,355	171,040
0041	General Administration	7,182,421	7,759,779	6,725,529	1,034,250
0051	Facilities Maintenance and Operations	21,713,728	23,733,460	22,430,485	1,302,975
0052	Security and Monitoring Services	2,586,855	2,599,830	2,503,797	96,033
0053	Data Processing Services	5,585,138	5,744,200	5,253,103	491,097
0061	Community Services	1,181,894	1,214,188	1,155,022	59,166
	Debt Service:				
0072	Interest on Long Term Debt	191,700	284,578	266,118	18,460
	Capital Outlay:				
0081	Facilities Acquisition and Construction	15,000	15,000	15,000	-
	Intergovernmental:				
0099	Other Intergovernmental Charges	1,600,000	1,600,000	1,544,684	55,316
6030	Total Expenditures	242,452,264	243,697,364	232,924,512	10,772,852
1100	Excess of Revenues Over Expenditures	397,000	5,832,495	16,013,985	10,181,490
	OTHER FINANCING SOURCES (USES):				
7912	Sale of Real and Personal Property	65,418	65,418	477,211	411,793
7915	Transfers In	-	1,397,650	1,397,649	(1)
8911	Transfers Out (Use)	(462,418)	(462,418)	(308,196)	154,222
7080	Total Other Financing Sources (Uses)	(397,000)	1,000,650	1,566,664	566,014
1200	Net Change in Fund Balances	-	6,833,145	17,580,649	10,747,504
0100	Fund Balance - July 1 (Beginning)	21,312,687	21,312,687	21,312,687	-
3000	Fund Balance - June 30 (Ending)	\$ 21,312,687	\$ 28,145,832	\$ 38,893,336	\$ 10,747,504

REQUIRED SUPPLEMENTARY INFORMATION

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED JUNE 30, 2018

	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
District's Proportion of the Net Pension Liability (Asset)	0.163010289%	0.1779288%	0.1717072%	0.1256839%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 52,121,909	\$ 67,236,631	\$ 60,696,210	\$ 33,571,908
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	81,929,372	96,003,500	88,961,129	75,916,290
Total	<u>\$ 134,051,281</u>	<u>\$ 163,240,131</u>	<u>\$ 149,657,339</u>	<u>\$ 109,488,198</u>
District's Covered Payroll	\$ 164,691,543	\$ 162,443,801	\$ 150,542,332	\$ 147,350,185
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	31.64%	41.39%	40.32%	22.78%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.17%	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, 2017 for year 2018, 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 four 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."

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2018

	2018	2017	2016	2015
Contractually Required Contribution	\$ 12,513,674	\$ 12,555,494	\$ 11,460,548	\$ 9,932,172
Contribution in Relation to the Contractually Required Contribution	(12,513,674)	(12,555,494)	(11,460,548)	(9,932,172)
Contribution Deficiency (Excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-
District's Covered Payroll	\$ 162,515,095	\$ 164,788,323	\$ 160,914,812	\$ 149,308,655
Contributions as a Percentage of Covered Payroll	7.70%	7.61%	7.12%	6.65%

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 of the preceding year.

Note: In accordance with GASB 68, Paragraph 138, only four 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."

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED JUNE 30, 2018

	FY 2018 Plan Year 2017
District's Proportion of the Net Liability (Asset) for Other Post Employment Benefits	0.25592559%
District's Proportionate Share of Net Post Employment Benefit Liability (Asset)	\$ 111,292,438
State's Proportionate Share of the Net Post Employment Benefit Liability (Asset) associated with the District	126,511,621
Total	<u>\$ 237,804,059</u>
District's Covered Payroll	\$ 164,691,543
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	67.58%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.91%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. Therefore the amounts reported for FY 2018 are based on the August 31, 2017 measurement date.

This schedule shows only the year for which this information is available. Additional information will be added until 10 years of data are available and reported.

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS FOR OTHER POST EMPLOYMENT BENEFITS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>2018</u>
Contractually Required Contribution	\$ 1,056,336
Contribution in Relation to the Contractually Required Contribution	(1,056,336)
Contribution Deficiency (Excess)	<u>\$ -0-</u>
District's Covered Payroll	\$ 162,515,095
Contributions as a Percentage of Covered Payroll	0.65%

Note: GASB Codification, Vol. 2, P50.238 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 of the preceding year..

Information in this schedule should be provided only for the years where data is available. Eventually 10 years of data should be presented.

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018

A. Notes to Schedules for the TRS Pension

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.

B. Notes to Schedules for the TRS OPEB Plan

Changes in Benefit.

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

Changes in Assumptions.

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

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

In this valuation the impact of the Cadillac tax has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

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

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018

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

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

COMBINING SCHEDULES

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

Data Control Codes		211 ESEA I, A Improving Basic Program	224 IDEA Part B Formula	225 IDEA Part B Preschool	226 IDEA Part B Discretionary
ASSETS					
1110	Cash and Cash Equivalents	\$ 10,932	\$ -	\$ -	\$ -
1120	Investments - Current	-	-	-	-
1240	Receivables from Other Governments	520,670	367,257	39,449	-
1260	Due from Other Funds	-	-	-	-
1300	Inventories	-	-	-	-
1000	Total Assets	<u>\$ 531,602</u>	<u>\$ 367,257</u>	<u>\$ 39,449</u>	<u>\$ -</u>
LIABILITIES					
2110	Accounts Payable	\$ 82,048	\$ 44,351	\$ -	\$ -
2170	Due to Other Funds	192,674	322,906	39,449	-
2200	Accrued Expenditures	256,880	-	-	-
2300	Unearned Revenues	-	-	-	-
2000	Total Liabilities	<u>531,602</u>	<u>367,257</u>	<u>39,449</u>	<u>-</u>
FUND BALANCES					
Nonspendable Fund Balance:					
3410	Inventories	-	-	-	-
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	-
3490	Other Restricted Fund Balance	-	-	-	-
Committed Fund Balance:					
3510	Construction	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 531,602</u>	<u>\$ 367,257</u>	<u>\$ 39,449</u>	<u>\$ -</u>

240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	272 Medicaid Admin. Claim MAC	289 Other Federal Special Revenue Funds	315 SSA IDEA, Part B Discretionary	340 SSA - IDEA C Deaf - Early Intervention
\$ 34,222	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
870,340	-	-	-	-	-	-	-
66,104	11,425	-	18,019	-	27,688	4,232	98
934,476	-	24,845	-	-	-	-	-
815,485	-	-	-	-	-	-	-
<u>\$ 2,720,627</u>	<u>\$ 11,425</u>	<u>\$ 24,845</u>	<u>\$ 18,019</u>	<u>\$ -</u>	<u>\$ 27,688</u>	<u>\$ 4,232</u>	<u>\$ 98</u>
\$ 444,763	\$ 2,072	\$ 1,776	\$ 1,435	\$ -	\$ -	\$ 1,350	\$ 40
-	9,353	-	16,584	-	27,688	2,882	58
52,543	-	-	-	-	-	-	-
-	-	23,069	-	-	-	-	-
<u>497,306</u>	<u>11,425</u>	<u>24,845</u>	<u>18,019</u>	<u>-</u>	<u>27,688</u>	<u>4,232</u>	<u>98</u>
815,485	-	-	-	-	-	-	-
1,407,836	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>2,223,321</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 2,720,627</u>	<u>\$ 11,425</u>	<u>\$ 24,845</u>	<u>\$ 18,019</u>	<u>\$ -</u>	<u>\$ 27,688</u>	<u>\$ 4,232</u>	<u>\$ 98</u>

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

Data Control Codes		397 Advanced Placement Incentives	410 State Textbook Fund	429 Other State Special Revenue Funds	435 SSA Regional Day School - Deaf
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
1120	Investments - Current	-	-	-	-
1240	Receivables from Other Governments	-	-	1,001	115,864
1260	Due from Other Funds	50,124	279,805	-	-
1300	Inventories	-	-	-	-
1000	Total Assets	<u>\$ 50,124</u>	<u>\$ 279,805</u>	<u>\$ 1,001</u>	<u>\$ 115,864</u>
LIABILITIES					
2110	Accounts Payable	\$ -	\$ 5,994	\$ 679	\$ 3,716
2170	Due to Other Funds	-	-	322	110,168
2200	Accrued Expenditures	-	-	-	1,980
2300	Unearned Revenues	50,124	273,811	-	-
2000	Total Liabilities	<u>50,124</u>	<u>279,805</u>	<u>1,001</u>	<u>115,864</u>
FUND BALANCES					
Nonspendable Fund Balance:					
3410	Inventories	-	-	-	-
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	-
3490	Other Restricted Fund Balance	-	-	-	-
Committed Fund Balance:					
3510	Construction	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 50,124</u>	<u>\$ 279,805</u>	<u>\$ 1,001</u>	<u>\$ 115,864</u>

478	479	480	482	483	486	489	490
PICK Education	Johnson Elementera Ecolab	Great Global Project Challenge	Education Foundation Awards	Citi Foundation Award	Blackshear Ecolab	Brown Agriculture Fund	Barbara Jordan Trust
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	50,731	686
-	-	-	-	-	-	-	-
30	12,866	32	46,010	21,526	376	-	1,703
-	-	-	-	-	-	-	-
<u>\$ 30</u>	<u>\$ 12,866</u>	<u>\$ 32</u>	<u>\$ 46,010</u>	<u>\$ 21,526</u>	<u>\$ 376</u>	<u>\$ 50,731</u>	<u>\$ 2,389</u>
\$ 30	\$ 2,074	\$ -	\$ 3,398	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	3,100	-
-	-	-	-	-	-	-	-
-	10,792	32	42,612	21,526	376	46,721	-
<u>30</u>	<u>12,866</u>	<u>32</u>	<u>46,010</u>	<u>21,526</u>	<u>376</u>	<u>49,821</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	910	2,389
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>910</u>	<u>2,389</u>
<u>\$ 30</u>	<u>\$ 12,866</u>	<u>\$ 32</u>	<u>\$ 46,010</u>	<u>\$ 21,526</u>	<u>\$ 376</u>	<u>\$ 50,731</u>	<u>\$ 2,389</u>

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

Data Control Codes		491 OHS Scholarship Fund	492 Jason's Project STEM	493 ICA Donation Fund	494 Chevron Project Lead The Way
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
1120	Investments - Current	25,342	-	-	-
1240	Receivables from Other Governments	-	-	-	-
1260	Due from Other Funds	-	19,498	20,429	61,928
1300	Inventories	-	-	-	-
1000	Total Assets	<u>\$ 25,342</u>	<u>\$ 19,498</u>	<u>\$ 20,429</u>	<u>\$ 61,928</u>
LIABILITIES					
2110	Accounts Payable	\$ -	\$ -	\$ 12,154	\$ 4,930
2170	Due to Other Funds	-	-	-	-
2200	Accrued Expenditures	-	-	-	-
2300	Unearned Revenues	-	19,498	8,275	56,998
2000	Total Liabilities	<u>-</u>	<u>19,498</u>	<u>20,429</u>	<u>61,928</u>
FUND BALANCES					
Nonspendable Fund Balance:					
3410	Inventories	-	-	-	-
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	-
3490	Other Restricted Fund Balance	25,342	-	-	-
Committed Fund Balance:					
3510	Construction	-	-	-	-
3000	Total Fund Balances	<u>25,342</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 25,342</u>	<u>\$ 19,498</u>	<u>\$ 20,429</u>	<u>\$ 61,928</u>

496 Odessa Regional School Clinic	497 Weldon Scholarship Fund	498 PHS Science Giant Award	Total Nonmajor Special Revenue Funds	671 Security Infra- Structure	679 2013 Bond Construction Fund	681 2013 Main Projects Fund	686 2015 Capital Projects
\$ -	\$ -	\$ -	\$ 45,154	\$ -	\$ -	\$ -	\$ -
-	28,064	-	975,163	-	-	-	-
-	-	-	1,171,807	-	-	-	-
27,881	-	4,933	1,506,462	-	-	-	-
-	-	-	815,485	-	-	-	-
<u>\$ 27,881</u>	<u>\$ 28,064</u>	<u>\$ 4,933</u>	<u>\$ 4,514,071</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ 610,810	\$ -	\$ -	\$ -	\$ -
-	-	-	725,184	-	-	-	-
-	-	-	311,403	-	-	-	-
27,881	27,545	4,933	614,193	-	-	-	-
<u>27,881</u>	<u>27,545</u>	<u>4,933</u>	<u>2,261,590</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	815,485	-	-	-	-
-	-	-	1,407,836	-	-	-	-
-	519	-	29,160	-	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>519</u>	<u>-</u>	<u>2,252,481</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 27,881</u>	<u>\$ 28,064</u>	<u>\$ 4,933</u>	<u>\$ 4,514,071</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

Data Control Codes		687 Crockett Flooring Fund	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
ASSETS				
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ 45,154
1120	Investments - Current	-	-	975,163
1240	Receivables from Other Governments	-	-	1,171,807
1260	Due from Other Funds	142,510	142,510	1,648,972
1300	Inventories	-	-	815,485
1000	Total Assets	<u>\$ 142,510</u>	<u>\$ 142,510</u>	<u>\$ 4,656,581</u>
LIABILITIES				
2110	Accounts Payable	\$ -	\$ -	\$ 610,810
2170	Due to Other Funds	-	-	725,184
2200	Accrued Expenditures	-	-	311,403
2300	Unearned Revenues	-	-	614,193
2000	Total Liabilities	<u>-</u>	<u>-</u>	<u>2,261,590</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3410	Inventories	-	-	815,485
Restricted Fund Balance:				
3450	Federal or State Funds Grant Restriction	-	-	1,407,836
3490	Other Restricted Fund Balance	-	-	29,160
Committed Fund Balance:				
3510	Construction	142,510	142,510	142,510
3000	Total Fund Balances	<u>142,510</u>	<u>142,510</u>	<u>2,394,991</u>
4000	Total Liabilities and Fund Balances	<u>\$ 142,510</u>	<u>\$ 142,510</u>	<u>\$ 4,656,581</u>

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA Part B Formula	225 IDEA Part B Preschool	226 IDEA Part B Discretionary
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	6,251,669	5,319,622	136,763	2,889
5020 Total Revenues	6,251,669	5,319,622	136,763	2,889
EXPENDITURES:				
Current:				
0011 Instruction	3,489,753	5,083,700	136,763	2,889
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	2,483,197	47,810	-	-
0021 Instructional Leadership	4,279	-	-	-
0023 School Leadership	35,995	-	-	-
0031 Guidance, Counseling and Evaluation Services	90,067	188,112	-	-
0032 Social Work Services	65,607	-	-	-
0033 Health Services	-	-	-	-
0035 Food Services	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	131	-	-	-
0053 Data Processing Services	-	-	-	-
0061 Community Services	82,640	-	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	6,251,669	5,319,622	136,763	2,889
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES):				
7912 Sale of Real and Personal Property	-	-	-	-
7915 Transfers In	-	-	-	-
8911 Transfers Out (Use)	-	-	-	-
7080 Total Other Financing Sources (Uses)	-	-	-	-
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - July 1 (Beginning)	-	-	-	-
3000 Fund Balance - June 30 (Ending)	\$ -	\$ -	\$ -	\$ -

240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II, A Training and Recruiting	263 Title III, A English Lang. Acquisition	272 Medicaid Admin. Claim MAC	289 Other Federal Special Revenue Funds	315 SSA IDEA, Part B Discretionary	340 SSA - IDEA C Deaf - Early Intervention
\$ 4,130,951	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
343,068	-	-	-	-	-	-	-
10,720,651	282,079	760,007	430,261	63,817	102,436	77,883	2,425
15,194,670	282,079	760,007	430,261	63,817	102,436	77,883	2,425
-	40,041	-	157,865	-	27,494	74,291	2,425
-	-	-	-	-	-	-	-
-	-	755,452	252,163	-	64,091	3,592	-
-	-	609	7,051	-	4,922	-	-
-	-	3,946	-	-	-	-	-
-	242,038	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	63,817	-	-	-
14,529,715	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,276,837	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	13,182	-	5,929	-	-
-	-	-	-	-	-	-	-
15,806,552	282,079	760,007	430,261	63,817	102,436	77,883	2,425
(611,882)	-	-	-	-	-	-	-
4,117	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
4,117	-	-	-	-	-	-	-
(607,765)	-	-	-	-	-	-	-
2,831,086	-	-	-	-	-	-	-
\$ 2,223,321	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

Data Control Codes	397 Advanced Placement Incentives	410 State Textbook Fund	429 Other State Special Revenue Funds	435 SSA Regional Day School - Deaf
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ 394,980
5800 State Program Revenues	15,353	63,178	348,777	343,849
5900 Federal Program Revenues	-	-	-	-
5020 Total Revenues	15,353	63,178	348,777	738,829
EXPENDITURES:				
Current:				
0011 Instruction	-	63,178	178,353	944,459
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	15,353	-	124,509	19,040
0021 Instructional Leadership	-	-	-	-
0023 School Leadership	-	-	5,316	69,315
0031 Guidance, Counseling and Evaluation Services	-	-	-	2,378
0032 Social Work Services	-	-	-	-
0033 Health Services	-	-	-	-
0035 Food Services	-	-	-	-
0041 General Administration	-	-	-	9,731
0051 Facilities Maintenance and Operations	-	-	20,693	-
0053 Data Processing Services	-	-	-	-
0061 Community Services	-	-	19,906	2,102
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	15,353	63,178	348,777	1,047,025
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	(308,196)
OTHER FINANCING SOURCES (USES):				
7912 Sale of Real and Personal Property	-	-	-	-
7915 Transfers In	-	-	-	308,196
8911 Transfers Out (Use)	-	-	-	-
7080 Total Other Financing Sources (Uses)	-	-	-	308,196
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - July 1 (Beginning)	-	-	-	-
3000 Fund Balance - June 30 (Ending)	\$ -	\$ -	\$ -	\$ -

478 PICK Education	479 Johnson Elementera Ecolab	480 Great Global Project Challenge	482 Education Foundation Awards	483 Citi Foundation Award	486 Blackshear Ecolab	489 Brown Agriculture Fund	490 Barbara Jordan Trust
\$ 20,000	\$ 32,821	\$ 1,468	\$ 106,012	\$ 522	\$ -	\$ 499	\$ 449
-	-	-	-	-	-	-	-
8,000	-	-	-	-	-	-	-
28,000	32,821	1,468	106,012	522	-	499	449
-	30,686	1,468	89,868	-	-	-	-
-	-	-	1,866	-	-	-	-
-	-	-	7,778	-	-	-	-
28,000	-	-	6,500	-	-	-	-
-	2,135	-	-	-	-	-	-
-	-	-	-	522	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
28,000	32,821	1,468	106,012	522	-	-	-
-	-	-	-	-	-	499	449
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	499	449
-	-	-	-	-	-	411	1,940
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 910	\$ 2,389

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

Data Control Codes	491 OHS Scholarship Fund	492 Jason's Project STEM	493 ICA Donation Fund	494 Chevron Project Lead The Way
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 3,978	\$ 93,238	\$ 94,952	\$ 41,545
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	-	-	-	-
5020 Total Revenues	3,978	93,238	94,952	41,545
EXPENDITURES:				
Current:				
0011 Instruction	-	12,500	91,409	23,632
0012 Instructional Resources and Media Services	-	-	3,108	-
0013 Curriculum and Instructional Staff Development	-	80,738	-	16,782
0021 Instructional Leadership	-	-	-	-
0023 School Leadership	-	-	435	1,131
0031 Guidance, Counseling and Evaluation Services	-	-	-	-
0032 Social Work Services	-	-	-	-
0033 Health Services	-	-	-	-
0035 Food Services	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0053 Data Processing Services	-	-	-	-
0061 Community Services	3,750	-	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	3,750	93,238	94,952	41,545
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	228	-	-	-
OTHER FINANCING SOURCES (USES):				
7912 Sale of Real and Personal Property	-	-	-	-
7915 Transfers In	-	-	-	-
8911 Transfers Out (Use)	-	-	-	-
7080 Total Other Financing Sources (Uses)	-	-	-	-
1200 Net Change in Fund Balance	228	-	-	-
0100 Fund Balance - July 1 (Beginning)	25,114	-	-	-
3000 Fund Balance - June 30 (Ending)	\$ 25,342	\$ -	\$ -	\$ -

496 Odessa Regional School Clinic	497 Weldon Scholarship Fund	498 PHS Science Giant Award	Total Nonmajor Special Revenue Funds	671 Security Infra- Structure	679 2013 Bond Construction Fund	681 2013 Main Projects Fund	686 2015 Capital Projects
\$ 673	\$ 176	\$ -	\$ 4,922,264	\$ -	\$ 2,912	\$ -	\$ -
-	-	-	1,114,225	-	-	-	-
-	-	-	24,158,502	-	-	-	-
673	176	-	30,194,991	-	2,912	-	-
-	-	-	10,450,774	-	22,179	-	-
-	-	-	4,974	-	-	-	-
-	-	-	3,870,505	-	-	-	-
-	-	-	51,361	-	-	-	-
-	-	-	118,273	-	-	-	-
-	-	-	523,117	-	-	-	-
-	-	-	65,607	-	-	-	-
673	-	-	64,490	-	-	-	-
-	-	-	14,529,715	-	-	-	-
-	-	-	9,731	-	-	-	-
-	-	-	1,297,661	-	-	30,759	649,408
-	-	-	-	60,577	-	-	61,196
-	-	-	127,509	-	-	-	-
-	-	-	-	-	31,835	-	39,746
673	-	-	31,113,717	60,577	54,014	30,759	750,350
-	176	-	(918,726)	(60,577)	(51,102)	(30,759)	(750,350)
-	-	-	4,117	-	-	-	-
-	-	-	308,196	-	-	-	-
-	-	-	-	-	(149,311)	(51,336)	(1,197,002)
-	-	-	312,313	-	(149,311)	(51,336)	(1,197,002)
-	176	-	(606,413)	(60,577)	(200,413)	(82,095)	(1,947,352)
-	343	-	2,858,894	60,577	200,413	82,095	1,947,352
\$ -	\$ 519	\$ -	\$ 2,252,481	\$ -	\$ -	\$ -	\$ -

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018

Data Control Codes	687 Crockett Flooring Fund	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
REVENUES:			
5700 Total Local and Intermediate Sources	\$ -	\$ 2,912	\$ 4,925,176
5800 State Program Revenues	-	-	1,114,225
5900 Federal Program Revenues	-	-	24,158,502
5020 Total Revenues	-	2,912	30,197,903
EXPENDITURES:			
Current:			
0011 Instruction	-	22,179	10,472,953
0012 Instructional Resources and Media Services	-	-	4,974
0013 Curriculum and Instructional Staff Development	-	-	3,870,505
0021 Instructional Leadership	-	-	51,361
0023 School Leadership	-	-	118,273
0031 Guidance, Counseling and Evaluation Services	-	-	523,117
0032 Social Work Services	-	-	65,607
0033 Health Services	-	-	64,490
0035 Food Services	-	-	14,529,715
0041 General Administration	-	-	9,731
0051 Facilities Maintenance and Operations	149,490	829,657	2,127,318
0053 Data Processing Services	-	121,773	121,773
0061 Community Services	-	-	127,509
Capital Outlay:			
0081 Facilities Acquisition and Construction	-	71,581	71,581
6030 Total Expenditures	149,490	1,045,190	32,158,907
1100 Excess (Deficiency) of Revenues Over (Under)	(149,490)	(1,042,278)	(1,961,004)
Expenditures			
OTHER FINANCING SOURCES (USES):			
7912 Sale of Real and Personal Property	-	-	4,117
7915 Transfers In	-	-	308,196
8911 Transfers Out (Use)	-	(1,397,649)	(1,397,649)
7080 Total Other Financing Sources (Uses)	-	(1,397,649)	(1,085,336)
1200 Net Change in Fund Balance	(149,490)	(2,439,927)	(3,046,340)
0100 Fund Balance - July 1 (Beginning)	292,000	2,582,437	5,441,331
3000 Fund Balance - June 30 (Ending)	\$ 142,510	\$ 142,510	\$ 2,394,991

COMBINING SCHEDULES – INTERNAL SERVICE FUNDS

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2018

	715 Chancellor Killion Housing	771 Worker's Compensation Fund	772 Medical Trust Fund	Total Internal Service Funds
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 119,919	\$ -	\$ 1,010,298	\$ 1,130,217
Investments - Current	-	7,229,109	9,115,267	16,344,376
Total Current Assets	<u>119,919</u>	<u>7,229,109</u>	<u>10,125,565</u>	<u>17,474,593</u>
Noncurrent Assets:				
Capital Assets:				
Land	54,012	-	-	54,012
Buildings and Improvements	3,663,335	-	-	3,663,335
Depreciation on Buildings	(226,191)	-	-	(226,191)
Total Noncurrent Assets	<u>3,491,156</u>	<u>-</u>	<u>-</u>	<u>3,491,156</u>
Total Assets	<u>3,611,075</u>	<u>7,229,109</u>	<u>10,125,565</u>	<u>20,965,749</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	4,139	-	117,618	121,757
Due to Other Funds	20,842	710,496	-	731,338
Accrued Expenses	-	716,761	2,242,651	2,959,412
Total Current Liabilities	<u>24,981</u>	<u>1,427,257</u>	<u>2,360,269</u>	<u>3,812,507</u>
NonCurrent Liabilities:				
Other Long-Term Debt - Due in More than One Year	-	2,301,834	-	2,301,834
Total Noncurrent Liabilities	<u>-</u>	<u>2,301,834</u>	<u>-</u>	<u>2,301,834</u>
Total Liabilities	<u>24,981</u>	<u>3,729,091</u>	<u>2,360,269</u>	<u>6,114,341</u>
NET POSITION				
Unrestricted Net Position	<u>3,586,094</u>	<u>3,500,018</u>	<u>7,765,296</u>	<u>14,851,408</u>
Total Net Position	<u>\$ 3,586,094</u>	<u>\$ 3,500,018</u>	<u>\$ 7,765,296</u>	<u>\$ 14,851,408</u>

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018

	715 Chancellor Killion Housing	771 Worker's Compensation Fund	772 Medical Trust Fund	Total Internal Service Funds
OPERATING REVENUES:				
Employee and Employer Premiums	\$ -	\$ 888,336	\$ 25,665,709	\$ 26,554,045
Rent Revenue	251,122	-	-	251,122
Stop Loss Reimbursement	-	7,167	331,724	338,891
Total Operating Revenues	251,122	895,503	25,997,433	27,144,058
OPERATING EXPENSES:				
Claims and Prescriptions	-	970,782	21,986,139	22,956,921
Professional and Contracted Services	178,850	56,535	33,000	268,385
Supplies and Materials	5,966	-	-	5,966
Other Operating Costs	16,149	-	2,663,547	2,679,696
Depreciation Expense	87,004	-	-	87,004
Total Operating Expenses	287,969	1,027,317	24,682,686	25,997,972
Operating Income (Loss)	(36,847)	(131,814)	1,314,747	1,146,086
NONOPERATING REVENUES (EXPENSES):				
Earnings from Temporary Deposits & Investments	-	92,383	70,911	163,294
Total Nonoperating Revenues (Expenses)	-	92,383	70,911	163,294
Change in Net Position	(36,847)	(39,431)	1,385,658	1,309,380
Total Net Position - July 1 (Beginning)	3,622,941	3,539,449	6,379,638	13,542,028
Total Net Position June 30 (Ending)	\$ 3,586,094	\$ 3,500,018	\$ 7,765,296	\$ 14,851,408

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	715 Chancellor Killion Housing	771 Worker's Compensation Fund	772 Medical Trust Fund	Total Internal Service Funds
<u>Cash Flows from Operating Activities:</u>				
Cash Received from Rental Receipts	\$ 271,964	\$ -	\$ -	\$ 271,964
Cash Received from Employees and Employer	-	1,013,920	29,596,801	30,610,721
Cash Received from Stop Loss Carrier	-	7,167	331,724	338,891
Cash Payments for Claims	-	(879,477)	(22,054,708)	(22,934,185)
Other Payments	(201,919)	(56,535)	(3,274,561)	(3,533,015)
Net Cash Provided by Operating Activities	70,045	85,075	4,599,256	4,754,376
<u>Cash Flows from Investing Activities:</u>				
Interest and Dividends on Investments	-	92,383	70,911	163,294
Net Increase in Cash and Cash Equivalents	70,045	177,458	4,670,167	4,917,670
Cash and Cash Equivalents at Beginning of Year	49,874	7,051,651	5,455,398	12,556,923
Cash and Cash Equivalents at End of Year	<u>\$ 119,919</u>	<u>\$ 7,229,109</u>	<u>\$ 10,125,565</u>	<u>\$ 17,474,593</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</u>				
Operating Income (Loss):	\$ (36,847)	\$ (131,814)	\$ 1,314,747	\$ 1,146,086
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation	87,004	-	-	87,004
Effect of Increases and Decreases in Current Assets and Liabilities:				
Increase in Due to Other Funds	20,842	125,584	3,931,092	4,077,518
Decrease in Accounts Payable	(954)	-	(578,014)	(578,968)
Changes in Accrued Expenses	-	91,305	(68,569)	22,736
Net Cash Provided by Operating Activities	<u>\$ 70,045</u>	<u>\$ 85,075</u>	<u>\$ 4,599,256</u>	<u>\$ 4,754,376</u>

REQUIRED TEA SCHEDULES

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED JUNE 30, 2018

Last 10 Years		(1)	(2)	(3)
		Tax Rates		Assessed/Appraised Value for School Tax Purposes
		Maintenance	Debt Service	
2009	and prior years	Various	Various	\$ 9,273,311,000
2010		1.040000	0.088600	9,000,890,000
2011		1.040000	0.095000	9,565,177,000
2012		1.040000	0.095000	10,232,624,000
2013		1.040000	0.079500	11,598,844,880
2014		1.040000	0.121000	13,401,694,166
2015		1.040000	0.121000	14,256,078,650
2016		1.040000	0.110000	13,190,683,066
2017		1.040000	0.110000	11,855,872,243
2018	(School year under audit)	1.040000	0.109569	12,190,897,339
1000	TOTALS			

(10) Beginning Balance 7/1/2017	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 6/30/2018
\$ 2,700,562	\$ -	\$ 50,041	\$ 3,984	\$ (384,697)	\$ 2,261,840
395,423	-	16,027	1,365	(319)	377,712
423,761	-	20,622	1,884	(952)	400,303
660,969	-	35,908	3,280	(865)	620,916
551,460	-	92,625	7,081	16,545	468,299
1,019,328	-	199,213	23,173	60,989	857,931
1,842,755	-	406,490	65,895	74,957	1,445,327
3,136,410	-	1,262,378	133,595	91,100	1,831,537
5,654,229	-	2,610,328	276,245	(217,389)	2,550,267
-	140,142,774	123,049,701	12,961,906	473,184	4,604,351
<u>\$ 16,384,897</u>	<u>\$ 140,142,774</u>	<u>\$ 127,743,333</u>	<u>\$ 13,478,408</u>	<u>\$ 112,553</u>	<u>\$ 15,418,483</u>

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED JUNE 30, 2018

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	\$ 4,675,000	\$ 4,675,000	\$ 4,130,951	\$ (544,049)
5800 State Program Revenues	370,000	370,000	343,068	(26,932)
5900 Federal Program Revenues	11,545,000	11,545,000	10,720,651	(824,349)
5020 Total Revenues	16,590,000	16,590,000	15,194,670	(1,395,330)
EXPENDITURES:				
0035 Food Services	15,313,453	15,313,453	14,529,715	783,738
0051 Facilities Maintenance and Operations	1,276,547	1,276,547	1,276,837	(290)
6030 Total Expenditures	16,590,000	16,590,000	15,806,552	783,448
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(611,882)	(611,882)
OTHER FINANCING SOURCES (USES):				
7912 Sale of Real and Personal Property	-	-	4,117	4,117
1200 Net Change in Fund Balances	-	-	(607,765)	(607,765)
0100 Fund Balance - July 1 (Beginning)	2,831,086	2,831,086	2,831,086	-
3000 Fund Balance - June 30 (Ending)	\$ 2,831,086	\$ 2,831,086	\$ 2,223,321	\$ (607,765)

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2018

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	\$ 13,353,727	\$ 13,737,727	\$ 13,743,700	\$ 5,973
5800	State Program Revenues	281,897	270,897	302,377	31,480
5020	Total Revenues	13,635,624	14,008,624	14,046,077	37,453
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	3,530,430	3,530,430	3,530,430	-
0072	Interest on Long Term Debt	11,249,264	11,249,264	11,249,264	-
0073	Bond Issuance Cost and Fees	9,800	9,800	9,248	552
6030	Total Expenditures	14,789,494	14,789,494	14,788,942	552
1200	Net Change in Fund Balances	(1,153,870)	(780,870)	(742,865)	38,005
0100	Fund Balance - July 1 (Beginning)	13,013,721	13,013,721	13,013,721	-
3000	Fund Balance - June 30 (Ending)	\$ 11,859,851	\$ 12,232,851	\$ 12,270,856	\$ 38,005

FEDERAL AWARDS SECTION



**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***

Board of Trustees
Ector County Independent School District
802 N. Sam Houston
Odessa, TX 79761

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 Ector County Independent School District (the "District"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 13, 2018.

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 opinion 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to management of the District in a separate letter dated November 13, 2018.

Other Matter

We performed tests designed to verify the District's compliance with the requirements of the Texas Public Funds Investments Act. During the year ended June 30, 2018, no instances of noncompliance were found.

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 an 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.

A handwritten signature in blue ink that reads "Johnson, Miller & Co., CPAs PC". The signature is written in a cursive, flowing style.

Odessa, Texas
November 13, 2018



**Independent Auditors' Report on Compliance
For Each Major Federal Program and
Report on Internal Control Over Compliance
Required by the Uniform Guidance**

Board of Trustees
Ector County Independent School District
802 N. Sam Houston
Odessa, TX 79761

Report on Compliance for Each Major Federal Program

We have audited the Ector County Independent School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2018. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a 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.

A handwritten signature in blue ink that reads "Johnson, Miller & Co., CPA's PC". The signature is written in a cursive, flowing style.

Odessa, Texas
November 13, 2018

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018

Section I – Summary of Auditors’ Results

Financial Statements

Type of report the auditor issued on whether
the financial statements audited were prepared
in accordance with GAAP

Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major federal programs:

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

Type of auditor’s report issued on compliance for
major federal programs:

Unmodified

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

_____ yes X no

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

\$750,000

Auditee qualified as low-risk auditee?

 X yes _____ no

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.048A	Career and Technical – Basic Grant
84.365A	Title III, Part A
10.553	Child Nutrition Cluster
10.555	School Breakfast Program
	National School Lunch Program –
	Cash Assistance
10.555	National School Lunch Program –
	Non-Cash Assistance
10.559	Summer Feeding Program – Cash
	Assistance

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

No Matters were reported.

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

No Matters were reported.

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
NATIONAL AERONAUTICS SPACE ADMINISTRATION			
<u>Passed Through Texas Space Grant Consortium</u>			
Student Space Flight Experiments	43.001	NNX15AJ99H	\$ 8,000
Total Passed Through Texas Space Grant Consortium			8,000
TOTAL NATIONAL AERONAUTICS SPACE ADMINISTRATION			8,000
U.S. DEPARTMENT OF DEFENSE			
<u>Direct Programs</u>			
Junior Reserve Officer's Training Corps	12.000		121,607
Total Direct Programs			121,607
TOTAL U.S. DEPARTMENT OF DEFENSE			121,607
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	17610101068901	903,691
ESEA, Title I, Part A - Improving Basic Programs	84.010A	18610101068901	4,497,841
ESEA, Title I, Part D, Subpart 2-Delinquent Progra	84.010A	17610103068901	2,959
ESEA, Title I, Part D, Subpart 2-Delinquent Progra	84.010A	18610103068901	64,542
Title I 1003(A) Priority And Focus School Grant	84.010A	17610112068901000	490,513
Title I 1003 School Improvement	84.010A	18610123068901	480,943
Total CFDA Number 84.010A			6,440,489
IDEA - Part B, Formula	84.027A	176600010689016600	661,748
IDEA - Part B, Formula	84.027A	186600010689016600	4,810,110
IDEA - Part B, Discretionary	84.027A	176600020689016674	2,889
IDEA - Part B, Discretionary Deaf	84.027A	17660011068901	19,036
IDEA - Part B, Discretionary Deaf	84.027A	186600110689016673	60,929
Total CFDA Number 84.027A			5,554,712
IDEA - Part B, Preschool	84.173A	176610010689016610	13,980
IDEA - Part B, Preschool	84.173A	186610010689016610	123,068
Total CFDA Number 84.173A			137,048
Total Special Education Cluster (IDEA)			5,691,760
Carl D. Perkins Basic Formula Grant	84.048A	18420006068901	282,079
IDEA, Part C - Early Intervention (Deaf)	84.181A	173911010689013911	364
IDEA, Part C - Early Intervention (Deaf)	84.181A	183911010689013911	2,061
Total CFDA Number 84.181A			2,425
Title III, Part A - LEP	84.365A	17671001068901	61,872
Title III, Part A - English Language Acquisition	84.365A	18671001068901	368,389
Total CFDA Number 84.365A			430,261
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	17694501068901	109,260
ESEA, Title II, Part A, Supporting Effective Inst.	84.367A	18694501068901	677,270
Total CFDA Number 84.367A			786,530
Title IV, Part A, Subpart 1	84.424A	18680101068901	102,436
Total Passed Through State Department of Education			13,735,980
TOTAL U.S. DEPARTMENT OF EDUCATION			13,735,980

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

(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 HEALTH AND HUMAN SERVICES			
<u>Passed Through State Department of HHS</u>			
Medicaid Administrative Claiming Program - MAC	93.778	068901	63,817
Federal Child Care Tuition	93.556	09030C02FY18	<u>22,135</u>
Total Passed Through State Department of HHS			<u>85,952</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>85,952</u>
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
School Breakfast Program	10.553	71401801	3,399,526
National School Lunch Program - Cash Assistance	10.555	71301801	5,874,324
National School Lunch Prog. - Non-Cash Assistance	10.555	068901	<u>882,293</u>
Total CFDA Number 10.555			<u>6,756,617</u>
Summer Feeding Program - Cash Assistance	10.559	068901	<u>60,318</u>
Total Child Nutrition Cluster			<u>10,216,461</u>
Child & Adult Care Food Program - Cash Assistance	10.558	00327	<u>504,189</u>
Total Passed Through the State Department of Agriculture			<u>10,720,650</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>10,720,650</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 24,672,189</u></u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

1) General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all Federal financial assistance programs of the Ector County Independent School District, Odessa, Texas (the District). The District reporting entity is defined in note I.A. of the notes to the District's general purpose financial statements. Federal financial assistance received directly from Federal agencies as well as Federal financial assistance passed through other government agencies is included in the exhibit.

2) Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting that is described in note I.C. of the notes to the District's general purpose financial statements.

Indirect costs shown on the Schedule of Expenditures of Federal Awards are properly credited as revenues to the General Fund. These indirect cost revenues were determined by applying approved indirect cost rates to actual applicable expenditures of the projects. The District has elected not to use the 10% *de minimis* cost rate as covered in 200.414 Indirect (F&A) costs.

3) Relationship to General Purpose Financial Statements

Federal financial assistance revenues are reported in the District's general purpose financial statements as follows:

100-199	General Fund	\$	2,938,371
200-499	Special Revenue Funds		24,158,502
			<hr/> 27,096,873
Less:	SHARS revenue		(2,424,684)
	Schedule of Federal Awards	\$	<hr/> <hr/> 24,672,189

4) Relationship to Federal Financial Reports

Amounts reported in the accompanying exhibits agree with the amounts reported in the related Federal Financial Reports.

5) Amounts Passed Through by the District

During 2018, the District did not pass through any federal funding to sub-recipients.