

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

JOAQUIN INDEPENDENT SCHOOL DISTRICT
Annual Financial Report for the
Year Ended August 31, 2017

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Exhibit

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**JOAQUIN INDEPENDENT SCHOOL DISTRICT
CERTIFICATE OF BOARD**

Joaquin Independent School District Shelby 210-902
Name of School District County County-District Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) approved disapproved for the year ended August 31, 2017, at a meeting of the Board of Trustees of such school district on the 13th day of November, 2017.

Tam Hearnshberger
Signature of Board Secretary

Chris B...
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)

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FINANCIAL SECTION



Certified Public Accountants

Goff & Herrington, P.C.

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A.J. Goff, CPA
Ronnie Herrington, CPA
Daniel Raney, CPA

Independent Auditor's Report

Members of the Board of Trustees
Joaquin Independent School District
Joaquin, Texas

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

Independent Auditor's Report

Members of the Board of Trustees
October 30, 2017
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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Joaquin Independent School District, as of August 31, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 11, budgetary comparison information on page 44, and the Teacher's Retirement System pension schedules on pages 45-47, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The combining schedules and required TEA schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Independent Auditor's Report

Members of the Board of Trustees

October 30, 2017

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The combining schedules and required TEA schedules 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 information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 30, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Districts' internal control over financial reporting and compliance.

Goff & Herrington, P.C.

GOFF & HERRINGTON, P.C.

Certified Public Accountants

October 30, 2017

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JOAQUIN INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Joaquin Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the year ended August 31, 2017. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- ▶ The District's total combined net position was \$2,090,955 as of August 31, 2017.
- ▶ During the year ended August 31, 2017, the District's net position decreased by \$307,038. The District generated \$8,410,958 in taxes and other revenues from governmental activities.
- ▶ The total cost of the District's programs was \$8,717,996.
- ▶ The general fund reported a total fund balance this year of \$2,352,674.
- ▶ The general fund unassigned fund balance is \$1,560,703.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report consists of three parts - **management's discussion and analysis** (this section), the **basic financial statements**, and **required supplementary information**. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The required supplementary information further explains and supports the information in the financial statements.

Government-wide Financial Statements

The District's annual financial report includes two government-wide financial statements. These statements provide both long-term and short-term information about the District's finances. Financial reporting at this level uses a perspective similar to that found in the private sector.

The first of these government-wide financial statements is the **Statement of Net Position**. This is the District wide statement of financial position presenting information that includes all of the District's assets, liabilities, and deferred outflows and inflows, with the difference reported as **net position**. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non financial factors such as changes to the District's tax base.

The second government-wide financial statement is the **Statement of Activities**, which reports how the District's net position changed during the current year. All current revenues and expenses are included regardless of when the cash is received or paid.

JOAQUIN INDEPENDENT SCHOOL DISTRICT

The government-wide financial statements of the District include the governmental activities of the District. These are the basic services such as instruction, extracurricular activities, curriculum and staff development, health services, and administration. Property taxes, state aid, and federal grants finance most of these activities.

Fund Financial Statements

The fund financial statements focus on individual parts of the government, reporting the District's operations in more detail than the government-wide statements.

- ▶ The governmental funds statements tell how general government services were financed in the short term as well as what remains for future spending.
- ▶ The fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

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

- ▶ Some funds are required by State law and by bond covenants.
- ▶ The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has two kinds of funds:

Governmental funds - Most of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's program's. Because this information does not encompass the additional long term focus of the government-wide statements, we provide additional information at the bottom of the governmental fund statement, or on the subsequent page, that explains the relationship (or differences) between them.

Fiduciary funds - The District is the trustee, or fiduciary, for money raised by student activities and scholarship programs. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

The accompanying notes to the financial statements provide essential information to a full understanding of the government-wide and fund financial statements.

JOAQUIN INDEPENDENT SCHOOL DISTRICT

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District’s combined net position was \$2,090,955 as of August 31, 2017. The following table provides a summary of the District’s net position.

The District’s Net Position

	Governmental Activities		
	2017	2016	% Change
Current and Other Assets	3,377,985	3,425,960	(1.4)%
Capital and Non-Current Assets	12,677,485	13,359,107	(5.1)%
Total Assets	16,055,470	16,785,067	(4.3)%
Deferred Outflows	1,404,704	1,616,718	(13.1)%
Total Deferred Outflows of Resources	1,404,704	1,616,718	(13.1)%
Other Liabilities	565,693	560,345	1.0%
Long Term Liabilities	14,560,032	15,324,119	(5.0)%
Total Liabilities	15,125,725	15,884,464	(4.8)%
Deferred Inflows	243,494	119,328	104.1%
Total Deferred Inflows of Resources	243,494	119,328	104.1%
Net Position:			
Net Investment in Capital Assets	345,178	518,420	(33.4)%
Restricted	186,802	277,170	(32.6)%
Unrestricted	1,558,975	1,602,403	(2.7)%
Total Net Position	2,090,955	2,397,993	(12.8)%

The District’s restricted net position of \$186,802 consists of \$59,546 restricted for food service and \$127,256 restricted for debt service.

Changes in net position. The District’s total revenues were \$8,410,958. A significant portion, 50.15 percent, of the District’s revenue comes from state aid-formula grants. Property taxes represent 31.44 percent of the District’s revenue. The rest of the District’s revenue comes from federal operating grants, charges for services, investment earnings, and other local sources.

The total cost of all programs and services was \$8,717,996; 70.62 percent of these costs are for instructional and student services.

JOAQUIN INDEPENDENT SCHOOL DISTRICT

Governmental Activities

The following table provides a summary of the District’s changes in net position.

Changes in the District’s Net Position

	Governmental Activities		% Change
	2017	2016	
Revenues:			
Program Revenues:			
Charges for services	240,864	280,104	(14.0)%
Operating grants	1,126,581	1,103,971	2.0%
General Revenues:			
Property taxes	2,644,799	2,844,423	(7.0)%
State aid - formula	4,217,857	4,322,767	(2.4)%
Investment earnings	37,094	28,558	29.9%
Other general revenues	143,763	248,604	(42.2)%
Total revenues	8,410,958	8,828,427	(4.7)%
Expenses:			
Instructional and instructional related	4,402,443	4,624,852	(4.8)%
Instructional and school leadership	663,298	686,819	(3.4)%
Counseling, health, transportation, and	1,343,831	1,303,169	3.1%
Food services	386,266	406,677	(5.0)%
General administration	438,750	405,370	8.2%
Plant maintenance and security	809,588	785,693	3.0%
Data processing services	124,885	129,232	(3.4)%
Community services	2,308	2,308	0.0%
Debt services	456,390	618,204	(26.2)%
Payments to fiscal agent/member districts	23,832	25,430	(6.3)%
Other intergovernmental charges	66,405	69,913	(5.0)%
Total expenses	8,717,996	9,057,667	-3.8%
Increase (Decrease) in Net Position	(307,038)	(229,240)	33.9%
Beginning Net Position	2,397,993	2,627,233	(8.7)%
Ending Net Position	2,090,955	2,397,993	(12.8)%

JOAQUIN INDEPENDENT SCHOOL DISTRICT

The District’s maintenance property tax rate increased 12.50 percent from last year as a result of a tax ratification election passed in 2016. The debt service rate decreased as a result of the tax ratification election. Property tax revenues decreased by 6.43 percent as appraised values decreased by 11.96 percent.

The cost of governmental activities may be summarized as follows:

- ▶ The cost of all governmental activities this year was \$8,717,996.
- ▶ The amount that our taxpayers paid for these activities through property taxes was \$2,644,799.
- ▶ Some of the cost was paid by those who directly benefitted from the programs (\$240,864), or
- ▶ By operating grants (\$1,126,581).

The following table presents the cost of each of the District’s largest functions as well as each functions net cost (total cost less fees generated by activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

Net Cost of Selected District Functions

	Total cost of services			Net cost of services		
	2017	2016	% Change	2017	2016	% Change
Instruction	4,258,756	4,485,454	(5.1)%	3,592,350	3,826,341	(6.1)%
General Administration	438,750	405,370	8.2%	422,767	389,677	8.5%
Debt service	456,390	618,204	(26.2)%	456,390	618,204	(26.2)%
Maintenance & operations	801,917	776,324	3.3%	754,767	734,560	2.8%
Extracurricular activities	768,967	744,771	3.2%	602,902	571,654	5.5%

FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS

Revenues from governmental fund types totaled \$8,410,279, a decrease of 2.81 percent from the preceding year. The decrease was primarily due to a decrease in revenue from local and intermediate sources and state programs.

The District’s governmental funds ended the year with a reported combined fund balance of \$2,636,120, a decrease of \$65,071 from last years ending balance of \$2,701,191.

JOAQUIN INDEPENDENT SCHOOL DISTRICT

General Fund Budgetary Highlights

Over the course of the year the District revised the operating budget as actual results were analyzed. Actual expenditures were \$71,776 below final budget amounts. The most significant positive variance results were in the instruction area as the final expenditures were less than expected.

Additionally reported total revenues were \$21,877 above the final budgeted amounts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2017, the District had invested \$23,586,379, less depreciation of \$10,908,894, in a broad range of capital assets, including land, school buildings, athletic facilities, instructional equipment, and school buses. The following table provides a summary of the District's capital assets.

District's Capital Assets

(Net of depreciation)

	<u>Governmental Activities</u>		
	<u>2017</u>	<u>2016</u>	<u>% Change</u>
Land	228,562	228,562	0.0%
Buildings & improvements	12,034,920	12,746,306	(5.6)%
Equipment & vehicles	<u>414,003</u>	<u>384,239</u>	<u>7.7%</u>
Net capital assets	<u><u>12,677,485</u></u>	<u><u>13,359,107</u></u>	<u><u>(5.1)%</u></u>

Significant capital asset expenditures in 2017 include the purchase of two new buses. More detailed information about the District's capital assets is presented in the notes to the financial statements.

JOAQUIN INDEPENDENT SCHOOL DISTRICT

Long-term Debt

The following table provides a summary of the District's long-term debt.

	Governmental Activities		
	2017	2016	% Change
Series 2009 School Building Bonds	415,000	615,000	(32.5)%
Series 2010 School Building Bonds	3,110,000	3,240,000	(4.0)%
Series 2016 Refunding Bonds	8,435,000	8,620,000	100.0%
Total long term debt	<u>11,960,000</u>	<u>12,475,000</u>	<u>(4.1)%</u>

At year end the District had \$11,960,000 in school building bonds outstanding as shown above. The District's bonds presently carry very favorable ratings of "AA" with Standard and Poors.

More detailed information about the District's debt is presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- ▶ Appraised values used for the 2018 budget preparation were \$168,847,550 a 3.34 percent increase from 2017.
- ▶ The District's average daily attendance is expected to be 665 which is 2.31 percent higher than 2017.

These indicators were taken into account when adopting the general fund budget for 2018. Amounts available for expenditure in the general fund budget are \$7,135,000, an increase of 9.10 percent from the final 2017 budget of \$6,540,000. The increase is primarily due to increased expected revenues from state programs for 2018. The District will use these revenues to finance programs we currently offer.

Expenditures are budgeted to increase 13.42 percent to \$7,435,000. If the budgeted estimates are realized, the District's budgetary general fund balance is expected to decrease at the close of 2018.

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 demonstrate accountability for the money it receives. If you have any questions about this report or need additional financial information contact the District's Director of Finance.

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Government-Wide Financial Statements

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

Data Control Codes		Primary Government		
		Governmental Activities	Business-type Activities	Total
	ASSETS			
1110	Cash and cash equivalents	592,886	-	592,886
1120	Investments - current	2,444,833	-	2,444,833
1220	Property taxes receivable - delinquent	778,364	-	778,364
1230	Allowance for uncollectible taxes (credit)	(583,772)	-	(583,772)
1240	Due from other governments	32,550	-	32,550
1290	Other receivables	25,673	-	25,673
1300	Inventories	35,264	-	35,264
1410	Prepayments	52,187	-	52,187
	Capital Assets:			
1510	Land	228,562	-	228,562
1520	Buildings, net	12,034,920	-	12,034,920
1530	Furniture and equipment, net	414,003	-	414,003
1000	Total assets	<u>16,055,470</u>	-	<u>16,055,470</u>
	DEFERRED OUTFLOWS OF RESOURCES			
1702	Deferred charge on refunding	803,448	-	803,448
1705	Deferred outflow related to TRS	601,256	-	601,256
1700	Total deferred outflows of resources	<u>1,404,704</u>	-	<u>1,404,704</u>
	LIABILITIES			
2110	Accounts payable	30,503	-	30,503
2140	Interest payable	18,418	-	18,418
2160	Accrued wages payable	190,295	-	190,295
2180	Due to other governments	318,252	-	318,252
2300	Unearned revenues	8,225	-	8,225
	Long Term Liabilities:			
2501	Due within one year	530,000	-	530,000
2502	Due after one year	12,605,755	-	12,605,755
2540	Net pension liability	1,424,277	-	1,424,277
2000	Total liabilities	<u>15,125,725</u>	-	<u>15,125,725</u>
	DEFERRED INFLOWS OF RESOURCES			
2605	Deferred inflow related to TRS	243,494	-	243,494
2600	Total deferred inflows of resources	<u>243,494</u>	-	<u>243,494</u>
	NET POSITION			
3200	Net investment in capital assets	345,178	-	345,178
3820	Restricted for Federal and State programs	59,546	-	59,546
3850	Restricted for debt service	127,256	-	127,256
3900	Unrestricted net position	1,558,975	-	1,558,975
3000	Total net position	<u>2,090,955</u>	-	<u>2,090,955</u>

The accompanying notes are an integral part of this statement

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

Data Control Codes	1	Program Revenues	
		3	4
	Expenses	Charges for Services	Operating Grants and Contributions
Governmental activities:			
11 Instruction	4,258,756	4,725	661,681
12 Instructional resources and media services	63,283	-	3,425
13 Curriculum and staff development	80,404	-	9,138
21 Instructional leadership	111,364	-	12,673
23 School leadership	551,934	-	25,580
31 Guidance, counseling, and evaluation services	191,502	-	56,531
32 Social work services	19,338	-	956
33 Health services	45,557	-	3,116
34 Student transportation	318,756	-	14,477
35 Food service	386,266	81,919	259,190
36 Cocurricular/extracurricular activities	768,678	154,220	11,556
41 General administration	438,750	-	15,983
51 Plant maintenance and operations	801,917	-	47,150
52 Security and monitoring services	7,671	-	-
53 Data processing services	124,885	-	5,125
61 Community services	2,308	-	-
72 Interest on long-term debt	454,890	-	-
73 Bond issuance costs	1,500	-	-
93 Payments related to shared services arrangements	23,832	-	-
99 Other intergovernmental charges	66,405	-	-
TP Total primary government	8,717,996	240,864	1,126,581

Data Control Codes

MT

DT

SF

GC

IE

MI

TR

CN

NB

NE

General revenues:

Taxes:

Property taxes, levied for general purposes

Property taxes, levied for debt service

State aid formula grants

Grants and contributions, not restricted to specific programs

Investment earnings

Miscellaneous

Total general revenues

Change in net position

Net position, beginning

Net position, ending

The accompanying notes are an integral part of this statement

<u>Program Revenues</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>		
5	<u>Governmental</u>	<u>Business</u>	<u>Total</u>
<u>Capital Grants and Contributions</u>	<u>Activities</u>	<u>Activities</u>	
-	(3,592,350)	-	(3,592,350)
-	(59,858)	-	(59,858)
-	(71,266)	-	(71,266)
-	(98,691)	-	(98,691)
-	(526,354)	-	(526,354)
-	(134,971)	-	(134,971)
-	(18,382)	-	(18,382)
-	(42,441)	-	(42,441)
-	(304,279)	-	(304,279)
-	(45,157)	-	(45,157)
-	(602,902)	-	(602,902)
-	(422,767)	-	(422,767)
-	(754,767)	-	(754,767)
-	(7,671)	-	(7,671)
-	(119,760)	-	(119,760)
-	(2,308)	-	(2,308)
-	(454,890)	-	(454,890)
-	(1,500)	-	(1,500)
-	(23,832)	-	(23,832)
-	(66,405)	-	(66,405)
-	(7,350,551)	-	(7,350,551)
	1,934,377	-	1,934,377
	710,422	-	710,422
	4,217,857	-	4,217,857
	104,129	-	104,129
	37,094	-	37,094
	39,634	-	39,634
	7,043,513	-	7,043,513
	(307,038)	-	(307,038)
	2,397,993	-	2,397,993
	2,090,955	-	2,090,955

The accompanying notes are an integral part of this statement

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Governmental Fund Financial Statements

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2017**

Data Control Codes	10 General Fund	50 Debt Svc. Fund	Other Governmental Funds	98 Total Governmental Funds	
ASSETS					
1110	Cash and cash equivalents	470,613	4,992	117,281	592,886
1120	Investments - current	2,271,529	173,304	-	2,444,833
1220	Property taxes receivable - delinquent	577,642	200,722	-	778,364
1230	Allowance for uncollectible taxes (credit)	(433,231)	(150,541)	-	(583,772)
1240	Due from other governments	-	-	32,550	32,550
1260	Due from other funds	18,696	-	-	18,696
1290	Other receivables	20,343	5,330	-	25,673
1300	Inventories	-	-	35,264	35,264
1400	Prepayments	52,187	-	-	52,187
1000	Total Assets	2,977,779	233,807	185,095	3,396,681
LIABILITIES					
2110	Accounts payable	20,294	350	9,859	30,503
2160	Accrued wages payable	189,945	-	350	190,295
2170	Due to other funds	-	-	18,696	18,696
2180	Due to other governments	262,231	56,021	-	318,252
2300	Unearned revenues	8,225	-	-	8,225
2000	Total Liabilities	480,695	56,371	28,905	565,971
DEFERRED INFLOWS OF RESOURCES					
2601	Unavailable revenue - property taxes	144,410	50,180	-	194,590
2600	Total Inflows of Resources	144,410	50,180	-	194,590
FUND BALANCES					
Nonspendable Fund Balance					
3410	Inventories	-	-	35,264	35,264
3430	Prepaid items	52,187	-	-	52,187
Restricted Fund Balance					
3450	Federal or State grants	-	-	59,546	59,546
3480	Retirement of long-term debt	-	127,256	-	127,256
Committed fund balance:					
3510	Construction	513,385	-	-	513,385
3530	Retirement of long-term debt	200,000	-	-	200,000
3540	Self insurance	26,399	-	-	26,399
Assigned fund balance:					
3590	Other assigned	-	-	61,380	61,380
3600	Unassigned fund balance	1,560,703	-	-	1,560,703
3000	Total Fund Balances	2,352,674	127,256	156,190	2,636,120
4000	Total Liabilities, Deferred Inflows and Fund Balances	2,977,779	233,807	185,095	3,396,681

The accompanying notes are an integral part of this statement

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

Total fund balances - governmental funds	2,636,120
1 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 \$23,410,916 and the accumulated depreciation was \$10,051,809. 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 governmental funds. The net effect of including beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net position.	518,420
2 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 current year capital outlays and debt principal payments is to increase net position.	691,030
3 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 \$1,424,277, a deferred resource inflow related to TRS in the amount of \$243,494, and a deferred resource outflow related to TRS in the amount of \$601,256. This amounted to a decrease in net position in the amount of \$1,066,515.	(1,066,515)
4 The current depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(857,085)
5 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying debt proceeds, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications is to increase (decrease) net position.	<u>168,985</u>
6 Net Position of governmental activities	<u><u>2,090,955</u></u>

The accompanying notes are an integral part of this statement

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

Data Control Codes		10 General Fund	50 Debt Svc. Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
5700	Total local and intermediate sources	2,028,473	710,341	212,932	2,951,746
5800	State program revenues	4,530,370	109,981	113,733	4,754,084
5900	Federal program revenues	3,034	-	701,415	704,449
5020	Total revenues	<u>6,561,877</u>	<u>820,322</u>	<u>1,028,080</u>	<u>8,410,279</u>
EXPENDITURES					
Current					
0011	Instruction	3,328,005	-	464,193	3,792,198
0012	Instructional resources and media services	56,765	-	-	56,765
0013	Curriculum and staff development	70,190	-	8,394	78,584
0021	Instructional leadership	102,445	-	7,520	109,965
0023	School leadership	485,541	-	-	485,541
0031	Guidance, counseling, evaluation services	122,271	-	51,609	173,880
0032	Social work services	17,387	-	-	17,387
0033	Health services	41,824	-	440	42,264
0034	Student transportation	372,945	-	-	372,945
0035	Food service	-	-	346,349	346,349
0036	Cocurricular/extracurricular activities	442,247	-	123,508	565,755
0041	General administration	427,021	-	-	427,021
0051	Plant maintenance and operations	783,302	-	24,776	808,078
0052	Security and monitoring services	7,671	-	-	7,671
0053	Data processing services	135,373	-	-	135,373
0071	Principal on long-term debt	-	515,000	-	515,000
0072	Interest on long-term debt	-	448,837	-	448,837
0073	Bond issuance cost and fees	-	1,500	-	1,500
0093	Payments to fiscal agent	23,832	-	-	23,832
0099	Other intergovernmental charges	66,405	-	-	66,405
6030	Total expenditures	<u>6,483,224</u>	<u>965,337</u>	<u>1,026,789</u>	<u>8,475,350</u>
1100	Excess (deficiency) of revenues over expenditures	78,653	(145,015)	1,291	(65,071)
OTHER FINANCING SOURCES (USES)					
7915	Transfers in	-	150,000	-	150,000
8911	Transfers out (uses)	(150,000)	-	-	(150,000)
7080	Total other financing sources and uses	<u>(150,000)</u>	<u>150,000</u>	<u>-</u>	<u>-</u>
1200	Net change in fund balances	(71,347)	4,985	1,291	(65,071)
0100	Fund balance - September 1 (beginning)	2,424,021	122,271	154,899	2,701,191
3000	Fund balance - August 31 (ending)	<u>2,352,674</u>	<u>127,256</u>	<u>156,190</u>	<u>2,636,120</u>

The accompanying notes are an integral part of this statement

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

Net change in fund balances - governmental funds	(65,071)
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 current year capital outlays and debt principal payments is to increase net position.	691,030
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.	(857,085)
Current year changes in amounts related to GASB 68 increased decreased fund balance during the year. The current year change in the net pension liability amounted to \$178,856, the change in deferred outflows of resources related to TRS amounted to \$135,163, and the current year change in deferred inflows related to TRS amounted to \$124,166, resulting in a decrease in net position of \$80,473.	(80,473)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying debt proceeds, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications is to increase (decrease) net position.	<u>4,561</u>
Change in net position of governmental activities	<u><u>(307,038)</u></u>

The accompanying notes are an integral part of this statement

Fiduciary Fund Financial Statements

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

	Private Purpose Trust Fund	Agency Funds
ASSETS		
Cash and cash equivalents	17,200	30,631
Total Assets	<u>17,200</u>	<u>30,631</u>
LIABILITIES		
Due to student groups	-	30,631
Total Liabilities	<u>-</u>	<u>30,631</u>
NET POSITION		
Restricted for scholarships	17,200	
Total net position	<u>17,200</u>	

The accompanying notes are an integral part of this statement

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2017**

	<u>Private Purpose Trust Fund</u>
ADDITIONS:	
Local and Intermediate Sources	24,623
Total Additions	<u>24,623</u>
DEDUCTIONS:	
Scholarship Awarded	26,127
Total Deductions	<u>26,127</u>
Change in Net Position	(1,504)
Total Net Position - September 1 (Beginning)	<u>18,704</u>
Total Net Position - August 31 (Ending)	<u><u>17,200</u></u>

The accompanying notes are an integral part of this statement

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**JOAQUIN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. FINANCIAL REPORTING ENTITY

Joaquin Independent School District (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 (Board) elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting and financial reporting principles promulgated by the Governmental Accounting Standards Board; and it complies with the requirements of the appropriate version of Texas Education Agency's Financial Accountability System Resource Guide (Resource Guide) and the requirements of contracts and grants of agencies from which it receives funds.

Because the Board is elected by the public; has the authority to make decisions, appoint administrators and managers, and significantly influence operations; and has the primary accountability for fiscal matters; the District is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board (GASB) in its statement No. 14, "The Financial Reporting Entity," including subsequent revisions. There are no component units included within the reporting entity.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the District as a whole excluding fiduciary activities. Individual funds are not displayed but the statements present Governmental Activities which include programs supported by ad valorem taxes, state aid formula grants, and federal grants.

The statement of activities reports the expenses of the District's functions offset by program revenues directly connected with the function. A function is a general operational area in the District that groups together similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with the function. Program revenues include: (1) charges for services which report charges to users of the District's services such as tuition paid by students not residing in the District, athletic gate receipts and school lunch charges; and (2) operating grants and contributions which finance annual operating activities of the District such as the Elementary and Secondary Education Act. Taxes, state aid formula grants, and other revenue sources not properly included with program revenues are reported as general revenues.

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017**

All interfund transactions between governmental funds are eliminated on the government-wide financial statements. Interfund activities between governmental funds and fiduciary funds remain as due to/from on the government-wide statement of net position.

Fund Financial Statements

Fund financial statements provide reports on the financial condition and results of operations for governmental and fiduciary funds. Major individual governmental funds are reported in separate columns with composite columns for non-major funds. Interfund activity between governmental funds appear as due to/from on the governmental fund balance sheet and as other resources and other uses on the governmental fund statement of revenues, expenditures and changes in fund balance.

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

The financial statements of the District are prepared in accordance with generally accepted accounting principles (GAAP). The District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The government-wide financial statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Fiduciary fund financial statements also report using this same focus and basis of accounting. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grant revenues are recognized when allowable expenditures are made under the provisions of the grant.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The District considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for unmatured bond principal and interest on long-term debt, which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: property taxes, state aid formula grants, and investment income. In general, other revenues are recognized when cash is received.

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

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017**

The District does not allocate general administration or support services expenses to other functions. Depreciation expense for buildings that house District staff serving different functions is included in the direct expenses of the appropriate functions.

D. FUND TYPES AND MAJOR FUNDS

The District accounts are organized on the basis of funds, each of which is considered a separate accounting entity. The District has established several individual funds that are organized within a separate set of self-balancing accounts comprised of assets, liabilities, fund balance, revenues, and expenditures or expenses as appropriate. Governmental resources allocated to individual funds are recorded for the purpose of carrying on specific activities in accordance with laws, regulations, or other appropriate requirements. District accounts are organized into funds as described below:

Major Governmental Funds:

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

Debt Service Fund - The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt.

Non Major Governmental Funds:

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. Sometimes any unused balances must be returned to the grantor at the close of the specified project periods.

Other Fund Types:

Private Purpose Trust Fund - The District accounts for donations for which the donor has stipulated that both the principal and income may be used for purposes that benefit parties outside the District. The District's private purpose trust fund is a scholarship fund.

Agency Fund - The District accounts for resources held for others in a custodial capacity in the agency fund. The District's agency fund is used to account for the activities of student groups and other organizational activities.

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017**

E. OTHER ACCOUNTING POLICIES

Inventories and Prepayments - The District reports inventories of supplies at cost, which approximates lower of cost or market. Certain payments to vendors reflect costs applicable to future accounting periods and are reported as prepayments.

Capital Assets and Depreciation - The District's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The District generally capitalizes assets with a cost of \$5,000 or more as purchases or construction occurs. The cost of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight line method. The District has elected not to report major general infrastructure assets retroactively. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded. Estimated useful lives, in years, for capital assets are as follows:

Buildings	15-30
Improvements	15-30
Transportation equipment	5-10
Furniture, fixtures, and equipment	5-10

The governmental fund financial statements recognize capital outlay as an expense of the current period. Proceeds from the sale of capital assets are reported as miscellaneous revenues when received.

Long-Term Debt - In the government-wide financial statements, outstanding debt is reported as liabilities. Bond premiums are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of applicable bond premiums. The governmental fund financial statements recognize the proceeds of debt and premiums received as other financing sources of the current period and principal and interest payments as expense.

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, *deferred inflows of*

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017**

resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then.

Pensions - The fiduciary net position of the Teachers 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 the 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.

Net Position and Fund Balance - Net position in the statement of net position include components that are restricted for use in local programs, to pay debt service on capital related debt, for use in food service operations, construction, or future operating deficits.

Unassigned fund balance in the governmental funds financial statements represents that portion of fund balance that is available for budgeting in future operations. The assigned fund balance represents fund balance that has been implicitly assigned as it is accounted for in particular funds, other than the general fund. Committed fund balance represents amounts approved by the Board of Trustees. Restricted fund balance is that portion of fund balance which is not available for appropriation or which has been legally separated for specific purposes. The General Fund commits \$513,385 for construction, \$26,399 for self insurance, and \$200,000 for capital expenditures. The General Fund also has a nonspendable fund balance of \$52,817 in the form of prepayments. The Special Revenue Fund assigns \$61,380 for campus activity programs and restricts \$59,546 for the food service operations. The Food Service Fund also has a nonspendable fund balance of \$35,264 in the form of inventories. The Debt Service Fund restricts \$127,256 for debt service.

Compensated Absences - As an attendance incentive, upon retirement the District purchases any unused state leave days for employees who have at least ten years continuous service in the District and who meet the requirements for retirement with the Texas Teacher Retirement System. Payment is at the rate of \$50 per day up to a maximum of \$2,500. The employee's leave balance is reduced by the number of days purchased. No liability for accrued sick leave or vacation time is recorded in the government-wide or governmental fund financial statements.

Fund Balance Policy - The District reports fund balances for governmental funds in classifications based primarily on the extent to which the entity is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The nonspendable classification represents assets that will be consumed or maintained intact; and, therefore will never convert to cash, such as inventories of supplies and endowments. Provisions of laws, contracts, and grants specify how fund resources can be used in the restricted classification. The nature of these two classifications precludes

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017**

a need for a policy from the Board. However, the Board has adopted fund balance policies for the three unrestricted classifications-committed, assigned, and unassigned.

The District's restricted fund balances represent amounts for retirement of long term debt, and for operation of the food service program.

When the District incurs expenditures that can be made from either restricted or unrestricted balances, the expenditures are charged to restricted balances. When the District incurs expenditures that can be made from either committed, assigned, or unassigned balances, the expenditures are charged to committed, assigned and then unassigned.

Data Control Codes - These codes refer to the account code structure prescribed by the Texas Education Agency (TEA) in the Resource Guide. TEA requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a Statewide data base for policy development and funding plans.

F. BUDGETARY DATA

The Board of Trustees adopts an annual budget consistent with generally accepted accounting principles 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 budgeted revenues and expenditures for each of these funds.

The following procedures are followed in establishing the budgetary data reflected in the budgetary comparison schedules.

1. Prior to August 20 the District prepares a budget for the next succeeding fiscal year beginning September 1. 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. At least ten days' public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meeting. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after the fiscal year end. During the fiscal year ended August 31, 2017, the District made significant amendments to the student transportation function, increasing the overall appropriations over the original budget.

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017**

4. Each budget is monitored by the business manager at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

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

Policies Governing Deposits and Investments. In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy. The policy addresses the following risks:

Deposits

Custodial Credit Risk - Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy regarding types of deposits allowed and collateral requirements is that the funds of the District must be deposited under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. The District's cash deposits at August 31, 2017 and during the year ended August 31, 2017 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017**

The District was not exposed to custodial credit risk during the year as all deposits were covered by depository insurance or by pledged collateral as follows:

1. Depository: Texas State Bank, Joaquin, Texas
2. The market value of securities pledged as of the date of the highest combined balance on deposit was \$3,522,608.
3. The highest combined balances of cash, savings, and time deposit accounts amounted to \$3,713,482 and occurred during the month of October, 2016.
4. Total amount of FDIC coverage at the time of the highest combined balance was \$750,000.

Investments

Credit Risk - This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. The District was not exposed to credit risk at August 31, 2017.

Custodial Credit Risk - Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the name of the District. The District was not exposed to custodial credit risk at August 31, 2017.

Interest Rate Risk - This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District was not exposed to interest rate risk at August 31, 2017.

Concentration of Credit Risk - This is the risk of loss attributed to the magnitude of the government's investment in a single issuer. The District was not exposed to concentration of credit risk at August 31, 2017.

Foreign Currency Risk - This is the risk that exchange rates will adversely affect the fair value of an investment. The District was not exposed to foreign currency risk at August 31, 2017.

The District's temporary investments as of August 31, 2017, which are included in current investments, were in certificates of deposit in the amount of \$2,000,000 at the District's local depository bank.

The District's deposits with investment pools are included in current investments. This amounted to \$444,833 with Lone Star and LOGIC Investment Pools (Pools) as of August 31, 2017.

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017**

The Pools used by the District are organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. The investment pools are public funds investment pools created to provide a safe environment for the placement of the Districts funds in authorized short-term investments.

The investments in the Pools are based on contractual agreements and not the individual security itself, therefore, the District's investments in the Pools are not categorized as to credit risk. The market values of the Pools are based on quoted market values of underlying investments of the Pools. Authorized investments include obligations of the United States, or its agencies and instrumentalities; other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the United States or its agencies and instrumentalities; and other investments authorized by statutes governing public funds investment pools.

The Pools use amortized cost rather than market value to report net position to compute share prices. Accordingly, the fair value of the position in the pool is the same as the value of the shares in the pool. The purpose of the Pools is to allow for the pooling of public funds to provide a higher yield on the pooled investments than would be possible with the investment of the individual public entity's funds. The investments in the Pools and any accrued interest may be redeemed at the District's discretion.

Financial reports issued by Lone Star Investment Pool may be obtained by contacting First Public, LLC, a subsidiary of the Texas Association of School Boards (TASB), 7620 Guadalupe, Austin, Texas 78752. Financial reports issued by LOGIC maybe obtained by contacting LOGIC c/o First Southwest Management, Inc., 325 North St. Paul, Suite 800, Dallas, Texas 75201.

The Pools are not registered with the SEC, however TASB exercises oversight responsibility over Lone Star and LOGIC is governed by a board of directors, with JP Morgan Chase acting as the investment manager and First Southwest Asset Management, Inc. serving as customer service and marketing agent.

B. RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, AND UNAVAILABLE REVENUE

Property Tax Calender, Property Tax Receivables, and Unavailable Revenue

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 upon 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. In the governmental fund financial statements, property tax revenues are considered available (1)

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017**

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 school fiscal year.

Delinquent tax collections are prorated between maintenance and debt service based on rates adopted for year of the levy. Delinquent taxes receivable not paid within 60 days of year end, are recorded as deferred inflows of resources, net of an estimated allowance for uncollectible taxes. Allowances for uncollectible tax receivables within the General Fund 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.

In the government-wide financial statements, property taxes receivable, net of an allowance for uncollectible taxes, and related revenue include all amounts due the District regardless of when the cash is received.

Due From/To Other Governments and Unavailable Revenue

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 and to federal and state governments as of August 31, 2017 are summarized below. These amounts are reported on the governmental fund financial statements as Due from and to Other Governments. Due(to)from other governments at year-end consisted of the following:

Fund	State Foundation	State & Federal Programs	Total
General Fund	(262,231)	-	(262,231)
Debt Service Fund	(56,021)	-	(56,021)
Special Revenue Fund	-	32,550	32,550
	<u>(318,252)</u>	<u>32,550</u>	<u>(285,702)</u>

Deferred inflows of resources at year end consisted of the following:

	General Fund	Debt Service Fund	Total
Unavailable Revenue - Property Taxes	<u>144,410</u>	<u>50,180</u>	<u>194,590</u>

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
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C. INTERFUND BALANCES AND TRANSFERS

Interfund due to/from balances at August 31, 2017 consisted of the following amounts:

Due to (from) Governmental Funds (to) from General Fund:

Special revenue funds	18,696
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Interfund transfers for the year ended August 31, 2017 consisted of the following amounts:

Transfer to (from) Governmental Funds (to) from General Fund:

Debt service fund	150,000
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Transfers are periodically used to move revenues from the fund that the budget requires to collect them to the fund that the budget requires to expend them or to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

D. DISAGGREGATION OF RECEIVABLES AND PAYABLES

The District disaggregates significant components of receivables and payables in the financial statements. The only receivables not expected to be collected within one year is \$583,772 of delinquent property taxes.

E. CAPITAL ASSETS

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

	Beginning Balance	Additions	Retirements/ Adjustments	Ending Balance
Governmental Activities:				
Land	228,562	-	-	228,562
Buildings and improvements	21,143,798	24,925	-	21,168,723
Vehicles and equipment	2,038,556	150,538	-	2,189,094
Totals at cost	23,410,916	175,463	-	23,586,379
Less accumulated depreciation:				
Buildings and improvements	8,397,492	736,311	-	9,133,803
Vehicles and equipment	1,654,317	120,774	-	1,775,091
Total accumulated depreciation	10,051,809	857,085	-	10,908,894
Governmental activities capital assets, net	13,359,107	(681,622)	-	12,677,485

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017**

Depreciation was charged to governmental functions as follows:

Instruction	448,588
Instructional Resources	5,818
Curriculum Development	1,821
School Leadership	60,797
Counseling	16,433
Social Work Services	2,056
Health Services	2,488
Student Transportation	49,015
Food Services	40,548
Cocurricular/Extracurricular	200,124
General Administration	8,230
Plant Maintenance	13,550
Data Processing	5,309
Community Services	<u>2,308</u>
Total depreciation expense	<u><u>857,085</u></u>

E. LONG-TERM DEBT

In prior years, the District issued \$2,389,999 of unlimited tax refunding bonds plus premium on capital appreciation bonds to provide the resources to current refund \$2,390,000 of the Series 1996, unlimited tax school building bonds. The refunding bonds have interest rates ranging from 2.60% to 4.05%. The bonds final maturity is February 15, 2023.

In prior years, the District as authorized by Texas Education Code Section 45.003, issued Unlimited Tax School Building Bonds, Series 2009, in the amount of \$9,500,000. Interest rates range from 2.50% to 5.00%, with maturity in 2034. The proceeds of the bond issue are to be used for construction, furnishing, and equipping a high school and junior high instructional facilities, physical education instructional facilities, and other campus improvements.

In prior years, the District as authorized by Texas Education Code Section 45.003, issued Unlimited Tax School Building Bonds, Series 2010, in the amount of \$3,950,000. Interest rates range from 2.60% to 3.05%, with maturity in 2034. The proceeds of the bond issue are to be used for construction, furnishing, and equipping a high school and junior high instructional facilities, physical education instructional facilities, and other campus improvements.

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017**

On May 15, 2016, the District issued \$8,750,000 of unlimited tax refunding bonds, Series 2016 to advance refund \$8,915,000 of prior year unlimited tax school building bonds (Series 2004 and 2009). The net proceeds of \$8,750,000, plus additional sources of funds to be used for the refunding of the series 2004 and 2009 bonds, were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the series 2004 and 2009 bonds. The series 2009 bond were not fully refunded, a balance of \$615,000 remained after the bond refunding. As a result, the series 2004 bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net position and a liability of \$615,000 remains for the series 2009 bonds. The new bonds were issued at an interest rate of 2.38% with final maturity in 2034.

The advanced refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$899,768. This amount is recorded as a deferred outflow of resources on the government wide statement of net position. The District completed the advanced refunding to reduce its debt service payments by \$1,513,052 and to obtain an economic gain of \$1,290,994. Issuance costs associated with the bond issue totaled \$161,164, and were recorded as an expense in the period of issue.

The sales of the Series 2009, 2010, and 2016 bond issues resulted in premiums received, which are being amortized over the life of the bonds. In addition, deferred refunding costs were incurred and being amortized over 20 years, the life of the bond.

Long term liability activity for the year ended August 31, 2017 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts due within one year
Governmental Activities:					
School Building Bonds 2009	615,000	-	200,000	415,000	205,000
School Building Bonds 2010	3,240,000	-	130,000	3,110,000	135,000
Refunding Bonds 2016	8,620,000	-	185,000	8,435,000	190,000
Total bonds payable	12,475,000	0	515,000	11,960,000	530,000
Unamortized bond premium	1,245,986		70,231	1,175,755	-
Total long term debt	13,720,986	0	585,231	13,135,755	530,000

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017**

Annual debt service requirements to maturity for the District's long term debt are as follows:

Year ending August 31,	Principal	Interest	Total
2018	530,000	434,033	964,033
2019	545,000	417,738	962,738
2020	560,000	403,188	963,188
2021	570,000	389,738	959,738
2022	590,000	374,594	964,594
2023-2027	3,295,000	1,513,500	4,808,500
2028-2032	4,025,000	784,100	4,809,100
2033-2037	1,845,000	74,500	1,919,500
Totals	<u>11,960,000</u>	<u>4,391,391</u>	<u>16,351,391</u>

F. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

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

	General Fund	Special Revenue Fund	Debt Service Fund	Total
Property Taxes	1,868,145	-	687,115	2,555,260
Food Sales	-	81,919	-	81,919
Investment Income	34,435	537	2,659	37,631
Penalties, interest, and other tax	58,012	-	20,567	78,579
Tuition	4,725	-	-	4,725
Co-curricular student activities	23,744	-	-	23,744
Campus activity receipts	-	130,476	-	130,476
Other	39,412	-	-	39,412
Total	<u>2,028,473</u>	<u>212,932</u>	<u>710,341</u>	<u>2,951,746</u>

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017**

G. PENSION PLAN AND RETIREE HEALTH PLAN

Defined Benefit Pension Plan

Plan Description. The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). 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 http://www.trs.texas.gov/TRS%20Documents/cafr_2016.pdf; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

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

Contributions. Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017**

a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees effective for fiscal year 2015 as discussed in Note 1 of the TRS 2014 CAFR. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature, GAA established the employer contribution rates for fiscal years 2016 and 2017.

	2016	2017
Member	7.20%	7.20%
Non-Employer Contribution Rate (State)	6.80%	6.80%
Employers	6.80%	6.80%
District's 2017 Employer Contributions	\$ 121,032	
District's 2017 Member Contributions	\$ 342,190	
District's 2017 NECE On-Behalf Contributions	\$ 243,862	

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 federal funding sources, a privately sponsored source.

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017**

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 contributions rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

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

Valuation Date	August 31, 2016
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term expected Investment Rate of	8.00%
Inflation	2.50%
Salary Increases*	3.50% to 9.50%
Payroll Growth Rate	2.50%
Benefit Changes During the Year	None
Ad hoc Post Employment Benefit Changes	None

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

Discount Rate. The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. 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.

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017**

Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2016 are summarized below:

Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return*
Global Equity			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy and Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk Parity			
Risk Parity	5%	6.7%	0.3%
Inflation 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 mean returns.

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2016 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
JISD's proportionate share of the net pension liability:	\$2,204,301	\$1,424,277	\$762,659

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017**

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2017, the District reported a liability of \$1,424,277 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's Proportionate share of the collective net pension liability	\$1,424,277
State's proportionate share that is associated with the District	<u>2,894,605</u>
Total	<u><u>\$4,318,882</u></u>

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

August 31, 2016 the employer's proportion of the collective net pension liability was .000037690%, which was a decrease of 16.89% from its proportion measures as of August 31, 2015.

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

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

For the year ended August 31, 2017, the District recognized pension expense of \$300,391 and revenue of \$243,862 for support provided by the State in the Government-wide Statement of Activities.

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017**

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$22,332	\$42,528
Changes in actuarial assumptions	43,409	39,479
Difference between projected and actual investment earnings	120,605	-
Changes in proportion and difference between the employer's contribution and the proportionate share of contributions	293,878	161,487
Contributions paid to TRS subsequent to the measurement date	121,032	-
Total	<u>\$601,256</u>	<u>\$243,494</u>

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

Year Ended August 31:	Pension Expense Amount
2018	\$164,170
2019	43,138
2020	120,066
2021	37,227
2022	13,143
Thereafter	(19,982)

Retiree Health Plan

Plan Description. The District contributes to the Texas Public Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined post employment health care plan administered by TRS. TRS-Care provides health care coverage for certain persons (and their dependents) who retire under TRS. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained from the same source as the pension plan.

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017**

Funding Policy. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public employee contributions, respectively. The State of Texas and active District employee contribution rates were 1.0% and 0.65% of District payroll, respectively, with the District contributing a percentage of payroll of 0.55% for fiscal years 2015, 2016, and 2017. Per Texas Insurance Code, Chapter 1575, the District contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the District. For the years ended August 31, 2015, 2016 and 2017, the State's contribution to TRS-Care were \$47,268, \$46,889, and \$24,186, respectively, the active members contributions were \$30,872, \$25,277, and \$32,907, respectively, and the District's contributions to TRS-Care were \$26,122, \$28,527 and \$24,442, respectively, which equaled the required contributions each year.

In addition to the pension plan and TRS-Care state contributions on behalf of the District, the District is allocated a portion of the Medicare Part D retiree drug subsidy that TRS-Care receives. The allocated on behalf for the year ended August 31, 2015, 2016, and 2017 is estimated by TRS at \$13,880, \$16,791, and \$20,476, respectively.

H. HEALTH CARE COVERAGE

During the year ended August 31, 2017, employees of the District were covered by a state wide health care program known as TRS-Active Care. TRS-Active Care is administered by the Teacher Retirement System of Texas. The District contributed \$225 per month per employee to TRS, and employees, at their option, authorized payroll withholdings to fund contributions for dependents.

I. SELF-FUNDED WORKERS' COMPENSATION

The District has joined together with other area district's to form a self-insurance workers' compensation risk pool (Pool.) Claims administration and processing for the Pool is provided by Claim Administrative Services, Inc. The agreement for the formation of the Pool provides that the Pool will be self sustaining through member premiums and will reinsure through commercial insurance companies for claims in excess of \$500,000 for each insured event, with an unlimited aggregate. The Pool contracts with Midwest Employers Casualty Company for reinsurance.

The District's administrative expenses for the years ended August 31, 2017 and 2016 were \$11,023 and \$12,201, respectively. The claims administrator estimates the District's annual loss maximum at \$32,049 for the year ended August 31, 2017. Estimated total claims liability for the years ended August 31, 2017 and 2016, included estimated claims incurred but not reported, in the amount of \$26,399 and \$24,096. The estimated total liability for workers' compensation claims including incurred but not reported claims amounts to \$9,230 and \$8,886 for 2017 and 2016, respectively.

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017**

	2017	2016
Claims liability, beginning of year	24,096	33,713
Incurred claims:		
Provision for insured events of current year	7,557	6,048
Increase (Decrease) in provision for insured events of prior years	(1,520)	(9,007)
Total incurred claims	6,037	(2,959)
Payments:		
Claims expenses attributable to insured events of current year	270	662
Claims expenses attributable to insured events of prior years	3,464	5,996
Total payments	3,734	6,658
Total unpaid claims at the end of the year	26,399	24,096

J. LITIGATION AND CONTINGENCIES

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

K. JOINT VENTURE - SHARED SERVICE ARRANGEMENTS

The District is a fiscal agent of a shared services arrangement with area school districts for a career and technology consortium. The District is responsible for all financial activities of the shared services arrangement, including expenditure of funds in accordance with applicable laws and regulations. The District accounts for the revenues and expenditures in this program and reports them in the financial statements. Presented below are expenditures of the shared service arrangement attributable to the participating districts:

Joaquin	8,762
Shelbyville	8,001
Tenaha	11,062
Timpson	7,602
Total	35,427

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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Alternative Education Program

The District participates with other school districts in an alternative education program for its students under disciplinary action. Center ISD acts as the fiscal agent and each member pays a prorated share based on enrollment.

L. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended August 31, 2017, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

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Required Supplementary Schedules

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

Data Control Codes	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance	
				With Final Budget Positive (Negative)	
	Original	Final			
REVENUES:					
5700	Local and intermediate sources	1,829,093	2,017,093	2,028,473	11,380
5800	State program revenues	4,570,907	4,522,907	4,530,370	7,463
5900	Federal program revenues	-	-	3,034	3,034
5020	Total revenues	6,400,000	6,540,000	6,561,877	21,877
EXPENDITURES:					
0011	Instruction	3,402,346	3,350,846	3,328,005	22,841
0012	Instructional resources and media services	56,798	57,798	56,765	1,033
0013	Curriculum and staff development	75,827	70,827	70,190	637
0021	Instructional leadership	115,686	104,686	102,445	2,241
0023	School leadership	485,242	486,242	485,541	701
0031	Guidance, counseling, and evaluation services	103,078	128,078	122,271	5,807
0032	Social work services	17,935	17,935	17,387	548
0033	Health services	45,580	42,580	41,824	756
0034	Student transportation	268,177	388,177	372,945	15,232
0036	Cocurricular/extracurricular activities	388,447	442,947	442,247	700
0041	General administration	421,453	432,453	427,021	5,432
0051	Plant maintenance and operations	775,469	795,469	783,302	12,167
0052	Security and monitoring services	10,900	8,900	7,671	1,229
0053	Data processing services	134,062	137,062	135,373	1,689
0093	Payments to fiscal agents	26,000	24,000	23,832	168
0099	Onther intergovernmental charges	73,000	67,000	66,405	595
6030	Total expenditures	6,400,000	6,555,000	6,483,224	71,776
1100	Excess (deficiency) of revenues over expenditures	-	(15,000)	78,653	93,653
OTHER FINANCING SOURCES (USES):					
7915	Transfers in	-	-	-	-
8911	Transfers out (use)	(200,000)	(150,000)	(150,000)	-
7080	Total other financing sources (uses)	(200,000)	(150,000)	(150,000)	-
1200	Net change in fund balances	(200,000)	(165,000)	(71,347)	93,653
0100	Fund balance - September 1 (beginning)	2,424,021	2,424,021	2,424,021	-
3000	Fund balance - August 31 (ending)	2,224,021	2,259,021	2,352,674	93,653

The accompanying notes are an integral part of this statement

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's Proportion of the Net Pension Liability (Asset)	0.000037690	0.000045352	0.000029857
District's Proportionate share of the Net Pension Liability (Asset)	\$ 1,424,277	\$ 1,603,133	\$ 797,522
State's Proportionate share of the Net Pension Liability (Asset) associated with the District	<u>2,894,605</u>	<u>3,050,883</u>	<u>2,730,522</u>
TOTAL	\$ <u>4,318,882</u>	\$ <u>4,654,016</u>	\$ <u>3,528,044</u>
District's Covered-employee Payroll	\$ 4,388,769	\$ 4,688,907	\$ 4,726,758
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered-employee Payroll	32.45%	34.19%	16.87%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.23%	78.43%	83.25%

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

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

The accompanying notes are an integral part of this statement

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHERS RETIREMENT SYSTEM
FOR FISCAL YEAR 2017**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 121,032	\$ 116,903	\$ 68,903
Contribution in Relation to Contractually Required Contribution	<u>(121,032)</u>	<u>(116,903)</u>	<u>(68,903)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered-Employee Payroll	\$ 4,444,025	\$ 4,388,769	\$ 4,688,907
Contributions as a Percentage of Covered-Employee Payroll	2.72%	2.66%	1.47%

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

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

The accompanying notes are an integral part of this statement

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED AUGUST 31, 2017**

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 in the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

Combining Schedules

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

Data Control Codes	Special Revenue Funds				
	211 ESEA Title I Part A	212 ESEA Title I Part C	224 IDEA Part B Formula	225 IDEA Part B Preschool	
ASSETS					
1110	Cash and temporary investments	-	-	-	-
1240	Due from other governments	-	-	-	-
1300	Inventories	-	-	-	-
1000	Total Assets	-	-	-	-
LIABILITIES					
2110	Accounts payable	-	-	-	-
2160	Accrued wages payable	-	-	-	-
2170	Due to other funds	-	-	-	-
2200	Accrued expenditures	-	-	-	-
2000	Total Liabilities	-	-	-	-
FUND BALANCES					
Nonspendable Fund Balance:					
3410	Inventories	-	-	-	-
Restricted Fund Balance:					
3450	Federal or State grants	-	-	-	-
Assigned Fund Balance:					
3450	Other assigned fund balance	-	-	-	-
3000	Total Fund Balances	-	-	-	-
4000	Total Liabilities, Deferred Inflows and Fund Balances	-	-	-	-

Special Revenue Funds							
240	255	270	331	410	429	461	Total
School Lunch & Breakfast Program	Title II A, Training/ Recruiting	Title VI, B, Rural Low Income	SSA - Career & Technical Basic Grant	State Textbook Fund	Other State Programs	Campus Activity Funds	Special Revenue Funds
55,551	-	-	-	-	350	61,380	117,281
13,624	-	-	-	18,926	-	-	32,550
35,264	-	-	-	-	-	-	35,264
104,439	-	-	-	18,926	350	61,380	185,095
9,629	-	-	-	230	-	-	9,859
-	-	-	-	-	350	-	350
-	-	-	-	18,696	-	-	18,696
-	-	-	-	-	-	-	-
9,629	-	-	-	18,926	350	-	28,905
35,264	-	-	-	-	-	-	35,264
59,546	-	-	-	-	-	-	59,546
-	-	-	-	-	-	61,380	61,380
94,810	-	-	-	-	-	61,380	156,190
104,439	-	-	-	18,926	350	61,380	185,095

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST, 2017**

Data Control Codes	Special Revenue Funds				
	211	212	224	225	
	ESEA	ESEA	IDEA	IDEA	
	Title I Part A	Title I Part C	Part B Formula	Part B Preschool	
REVENUES					
5700	Total local and intermediate sources	-	-	-	-
5800	State program revenues	-	-	-	-
5900	Federal program revenues	159,627	17,943	150,184	8,741
5020	Total Revenues	159,627	17,943	150,184	8,741
EXPENDITURES					
0011	Instruction	104,385	17,353	150,184	8,741
0013	Curriculum and staff development	-	-	-	-
0021	Instructional leadership	3,193	590	-	-
0031	Guidance, counseling, & evaluation	51,609	-	-	-
0033	Health services	440	-	-	-
0035	Food service	-	-	-	-
0036	Extracurricular activities	-	-	-	-
0051	Facilities maintenance and operations	-	-	-	-
6030	Total Expenditures	159,627	17,943	150,184	8,741
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES)					
7915	Transfers in	-	-	-	-
8911	Transfers out (uses)	-	-	-	-
7080	Total other financing sources and uses	-	-	-	-
1200	Net change in fund balances	-	-	-	-
0100	Fund balances, beginning	-	-	-	-
3000	Fund balances, ending	-	-	-	-

Special Revenue Funds							
240	255	270	331	410	429	461	Total
School Lunch & Breakfast Program	Title II A, Training/ Recruiting	Title VI, B, Rural Low Income	SSA - Career & Technical Basic Grant	State Textbook Fund	Other State Programs	Campus Activity Funds	Special Revenue Funds
82,456	-	-	-	-	-	130,476	212,932
2,017	-	-	-	93,468	18,248	-	113,733
281,410	33,507	14,576	35,427	-	-	-	701,415
365,883	33,507	14,576	35,427	93,468	18,248	130,476	1,028,080
-	32,837	12,660	33,627	89,558	14,848	-	464,193
-	-	1,249	-	4,345	2,800	-	8,394
-	670	667	1,800	-	600	-	7,520
-	-	-	-	-	-	-	51,609
-	-	-	-	-	-	-	440
346,349	-	-	-	-	-	-	346,349
-	-	-	-	-	-	123,508	123,508
24,776	-	-	-	-	-	-	24,776
371,125	33,507	14,576	35,427	93,903	18,248	123,508	1,026,789
(5,242)	-	-	-	(435)	-	6,968	1,291
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
(5,242)	-	-	-	(435)	-	6,968	1,291
100,052	-	-	-	435	-	54,412	154,899
94,810	-	-	-	-	-	61,380	156,190

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Required TEA Schedules

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
AUGUST 31, 2017**

Last Ten Years Ended August 31,	1	2	3	10	20	31	32	40	50
	Tax Rates		Assessed or Appraised Valuation	Beginning Balance September 1	Current Year's Total Levy	Maintenance Collections	Debt Service Collections	Entire Year's Adjustments	Ending Balance August 31
	Maint- enance	Debt Service							
2008 & Prior	Various	Various	-	162,329		10,882	-	-	151,447
2009	1.04000	0.08050	257,202,509	19,686		1,582	-	(61)	18,043
2010	1.04000	0.30110	266,656,663	29,836		1,831	-	(49)	27,956
2011	1.04000	0.51800	214,373,266	52,615		2,719	-	(91)	49,805
2012	1.04000	0.50700	198,956,367	51,372		3,429	2,692	(90)	45,161
2013	1.04000	0.50530	207,039,182	78,306		4,264	8,458	(294)	65,290
2014	1.04000	0.56600	181,033,577	120,517		17,364	6,495	(308)	96,350
2015	1.04000	0.41550	185,871,151	90,573		10,068	3,607	(2,802)	74,096
2016	1.04000	0.51970	185,600,539	128,396		15,636	8,510	(6,224)	98,026
2017 (Current)	1.17000	0.42730	165,961,342	-	2,650,902	1,830,393	668,319	-	152,190
1000	Totals			733,630	2,650,902	1,898,168	698,081	(9,919)	778,364

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
CHILD NUTRITION FUND
FOR THE YEAR ENDED AUGUST 31, 2017**

Data Control Codes	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Positive (Negative)	
	Original	Final			
REVENUES:					
5700	Local and intermediate sources	102,700	82,700	82,456	(244)
5800	State program revenues	2,300	2,300	2,017	(283)
5900	Federal program revenues	280,000	275,000	281,410	6,410
5020	Total revenues	385,000	360,000	365,883	5,883
EXPENDITURES:					
0035	Food service	360,250	360,250	346,349	13,901
0051	Facilities maintenance and operations	24,750	24,750	24,776	(26)
6030	Total expenditures	385,000	385,000	371,125	13,875
1100	Excess (deficiency) of revenues over expenditures	-	(25,000)	(5,242)	19,758
OTHER FINANCING SOURCES (USES):					
7915	Transfers in	-	-	-	-
8911	Transfers out	-	-	-	-
7080	Total other financing sources (uses)	-	-	-	-
1200	Net change in fund balances	-	(25,000)	(5,242)	19,758
0100	Fund balance - September 1 (beginning)	100,085	100,052	100,052	-
3000	Fund balance - August 31 (ending)	100,085	75,052	94,810	19,758

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2017**

Data Control Codes		Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Positive (Negative)
		Original	Final		
	REVENUES:				
5700	Local and intermediate sources	659,638	707,638	710,341	2,703
5800	State program revenues	106,000	108,000	109,981	1,981
5020	Total revenues	765,638	815,638	820,322	4,684
	EXPENDITURES:				
0071	Debt service - principal on long-term debt	515,000	515,000	515,000	-
0072	Debt service - interest on long-term debt	448,838	448,838	448,837	1
0073	Debt service - bond issuance costs and fees	1,500	1,800	1,500	300
6030	Total expenditures	965,338	965,638	965,337	301
1100	Excess (deficiency) of revenues over expenditures	(199,700)	(150,000)	(145,015)	4,985
	OTHER FINANCING SOURCES (USES):				
7915	Transfers in	200,000	150,000	150,000	-
8911	Transfers out	-	-	-	-
7080	Total other financing sources (uses)	200,000	150,000	150,000	-
1200	Net change in fund balances	300	-	4,985	4,985
0100	Fund balance - September 1 (beginning)	122,271	122,271	122,271	-
3000	Fund balance - August 31 (ending)	122,571	122,271	127,256	4,985

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FEDERAL AWARDS SECTION



Goff & Herrington, P.C.

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Certified Public Accountants

A.J. Goff, CPA
Ronnie Herrington, CPA
Daniel Raney, CPA

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Members of the Board of Trustees of
Joaquin Independent School District
Joaquin, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Joaquin Independent School District (District), as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 30, 2017.

Internal Control Over Financial Reporting

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

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

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.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Members of the Board of Trustees

October 30, 2017

Page 2

Compliance and Other Matters

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

Purpose of this Report

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

Goff & Herrington, P.C.

GOFF & HERRINGTON, P.C.

Certified Public Accountants

October 30, 2017

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2017**

None

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

There were no findings reported for the prior year.

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

None required.

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