

**CLEBURNE INDEPENDENT SCHOOL DISTRICT**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE TEN MONTHS ENDED JUNE 30, 2017**

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# CLEBURNE INDEPENDENT SCHOOL DISTRICT

## ANNUAL FINANCIAL REPORT

FOR THE TEN MONTHS ENDED JUNE 30, 2017

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**CLEBURNE INDEPENDENT SCHOOL DISTRICT**

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**CERTIFICATE OF THE BOARD**

Cleburne Independent School District  
Name of School District

Johnson  
County

126-903  
Co. – 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 ten months ended June 30, 2017, at a meeting of the board of trustees of such school district on the 13<sup>th</sup> day of November, 2017.

\_\_\_\_\_  
Signature of Board Secretary

\_\_\_\_\_  
Signature of Board President

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

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PATILLO, BROWN & HILL, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Cleburne Independent School District  
Cleburne, 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 Cleburne Independent School District as of and for the ten months ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Cleburne Independent School District's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Cleburne Independent School District, as of June 30, 2017, and the respective changes in financial position thereof for the ten months 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 and budgetary comparison information and pension information 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 in 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 Cleburne Independent School District's basic financial statements. The combining nonmajor fund financial statements, required TEA schedules and the Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), are presented for purposes of additional analysis and are not a required part of the basic financial statements.



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

Exhibit J-3 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2017 on our consideration of the Cleburne Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of law, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing on 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 the Cleburne Independent School District's internal control over financial reporting and compliance.

*Pattillo, Brown & Hill, L.L.P.*

Waco, Texas  
November 13, 2017

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# **CLEBURNE INDEPENDENT SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2017**

As management of the Cleburne Independent School District (the "District"), we offer this narrative overview and analysis of the financial activities of the District for the ten months ended June 30, 2017. Please read this narrative in conjunction with the independent auditors' report and the District's financial statements, which follow this section.

### **FINANCIAL HIGHLIGHTS**

- The District's Board of Trustees, in accordance with Texas Education Code, Section 44.0011, approved changing its fiscal year end from August 31 to June 30 effective with start of new fiscal year July 1, 2017. The year a school changes its fiscal year-end to June 30 is a shorter fiscal cycle of ten months (9/1-6/30), and typically results in a one-time increase in fund balance. This is due to the fact that approximately 98 percent of revenue has been earned through June 30, whereas approximately 89 percent of expenses are realized through June 30.
- The net position of the District at the close of its fiscal year was \$53,784,391, a net increase of \$4,407,528 over last year. Unrestricted net position of \$14,568,763 may be used to meet the District's ongoing obligations to citizens and creditors. Net Investment in Capital Assets is \$34,529,632 . The remaining \$4,685,996 is restricted for Federal and State Programs, Debt Service, Capital Projects and Campus Activities.
- As of the close of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$151,664,079 a net increase of \$1,051,875 over the prior year. The General Fund increased by \$4,597,023 from current year operations. Other funds had a decrease of (\$3,545,148) from current year operations. This is primarily the result of the Capital Projects Fund being reduced by (\$6,927,539) from current year operations.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$23,412,358 or 48% of total General Fund current year expenditures. Prior year unassigned fund balance for the General Fund was \$18,429,982, or 35% of total General Fund expenditures.
- No new programs were added during the year

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

- Government-wide financial statements - These statements provide information about the activities of the District as a whole and present both a long-term and short-term view of the District's finances. The government-wide financial statements include the statement of net position and the statement of activities.

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

The statement of activities presents information on all of the current year's revenues and expenses regardless of when cash is received or paid. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.

Both of the District's government-wide financial statements distinguish the functions of the District as being principally supported by taxes and intergovernmental revenues (government activities) as opposed to business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. The District has no business-type activities and no component units for which it is financially accountable.

Fund financial statements – These statements report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. Some funds are required by State law and/or bond covenants. Other funds may be established by the Board to control and manage money for particular purposes or to show that it is properly using certain taxes or grants.

All the funds of the District can be divided into three categories; governmental funds, proprietary funds, and fiduciary funds.

- Governmental funds – these financial statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget.
- Proprietary funds – these financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the revenues covered the expenses of the goods or services. The District has no proprietary funds.
- Fiduciary funds – these financial statements provide information about activities for which the District acts solely as a trustee or agent for the benefit of others, for example, student activity funds and scholarships for graduating students. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's operations.
- Notes to the financial statements - The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide statements and the fund financial statements.

- Other information – This annual report contains other supplementary information in addition to the basic financial statements and the notes to the financial statements. The Management’s Discussion and Analysis is required supplementary information under governmental accounting standards. The “Combining Schedules” for nonmajor funds contain even more information about the District’s individual funds. The “Required Texas Education Agency Schedules” and “Reports on Internal Controls, Compliance and Federal Awards” contain data used by monitoring or regulatory agencies for assurance that the District is using supplied funds in compliance with terms of grants.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following analysis presents both current and prior year data and discusses significant changes in the accounts. Our analysis focuses on the statement of net position (Table 1) and the statement of activities (Table 2) of the District’s governmental activities.

**TABLE 1**  
**NET POSITION**

	Governmental Activities	
	2017	2016
Assets:		
Current and other assets	\$ 107,050,974	\$ 156,277,545
Long-term investments	52,949,525	-
Capital assets	<u>74,941,801</u>	<u>73,204,423</u>
Total assets	<u>234,942,300</u>	<u>229,481,968</u>
Deferred Outflows of Resources:		
Deferred charges for refunding	1,953,889	2,126,287
Teach Retirement System	<u>6,565,233</u>	<u>7,462,276</u>
Total deferred outflows of resources	<u>8,519,122</u>	<u>9,588,563</u>
Liabilities:		
Long-term liabilities	179,037,481	183,844,572
Other liabilities	<u>9,742,534</u>	<u>4,744,472</u>
Total liabilities	<u>188,780,015</u>	<u>188,589,044</u>
Deferred Inflows of Resources:		
Teacher Retirement System	<u>897,016</u>	<u>1,104,624</u>
Net position:		
Net investment in capital assets	34,529,632	16,719,618
Restricted	4,685,996	22,516,958
Unrestricted	<u>14,568,763</u>	<u>10,140,287</u>
Total net position	<u>\$ 53,784,391</u>	<u>\$ 49,376,863</u>

The District's governmental activities net position increased by a net of \$4,407,528, as previously discussed, from \$49,376,863 to \$53,784,391. A large portion of net position, \$34,529,632, or 64%, reflects the District's net investment in capital assets (e.g., land, buildings, furniture and equipment, and accumulated depreciation), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's net position, \$4,685,996 or 9%, represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted assets, \$14,568,763 or 27%, may be used to meet the District's ongoing obligations.

**TABLE 2**  
**CHANGES IN NET POSITION**

	Governmental Activities	
	2017	2016
<b>REVENUES</b>		
Program revenues:		
Charges for services	\$ 1,747,212	\$ 2,408,887
Operating grants and contributions	10,247,288	11,235,996
General revenues:		
Maintenance and operations taxes	27,690,272	29,780,582
Debt service taxes	10,835,687	5,004,157
State aid - formula grants	21,299,765	21,924,956
Grants and contributions not restricted	5,700	569,576
Investment earnings	940,093	157,999
Miscellaneous local & intermediate revenue	207,991	502,474
Total revenues	<u>72,974,008</u>	<u>71,584,627</u>
<b>EXPENSES</b>		
Instruction	36,450,227	40,470,693
Instructional resources and media services	532,968	627,608
Curriculum and staff development	1,074,071	1,447,841
Instructional leadership	809,877	979,005
School leadership	3,087,141	3,642,585
Guidance, counseling, and evaluation services	1,769,800	2,035,768
Social work services	4,190	1,166
Health services	620,189	635,169
Student transportation	2,030,627	2,266,760
Food service	3,420,750	3,780,982
Extracurricular activities	2,339,523	2,339,364
General administration	1,577,109	1,891,231
Facilities maintenance and operations	7,925,558	7,330,195
Security and monitoring services	643,250	639,273
Data processing services	947,236	951,054
Community services	74,044	61,129
Interest on long-term debt	4,636,555	1,390,329
Payments related to shared services arrangements	86,088	110,071
Other governmental changes	537,277	497,246
	<u>68,566,480</u>	<u>71,097,469</u>
<b>Increase/(Decrease) in net position before inflows/outflows and special items</b>	4,407,528	487,168
<b>NET POSITION, BEGINNING</b>	49,376,863	48,965,534
<b>PRIOR PERIOD ADJUSTMENT</b>	<u>-</u>	<u>( 75,839)</u>
<b>NET POSITION, ENDING</b>	<u>\$ 53,784,391</u>	<u>\$ 49,376,863</u>

## Governmental Revenue by Source

	Governmental Activities	
	2017	2016
Program Revenues:		
Charges for services	2.4%	3.4%
Operating grants and contributions	14.0%	15.7%
General Revenues:		
Maintenance & operating taxes	37.9%	41.6%
Debt Service taxes	14.8%	7.0%
State aid - formula grants	29.2%	30.6%
Grants and contributions not restricted	0.0%	0.8%
All others	1.6%	0.9%
Total Revenues	<u>100.0%</u>	<u>100.0%</u>

## Governmental Expenses by Function

	Governmental Activities	
	2017	2016
Instruction	53.2%	56.9%
Instructional resources and media services	0.8%	0.9%
Curriculum and staff development	1.6%	2.0%
Instructional leadership	1.2%	1.4%
School leadership	4.5%	5.1%
Guidance, counseling, and evaluation services	2.6%	2.9%
Social work services	0.0%	0.0%
Health services	0.9%	0.9%
Student transportation	3.0%	3.2%
Food service	5.0%	5.3%
Extracurricular activities	3.4%	3.3%
General administration	2.3%	2.7%
Facilities maintenance and operations	11.6%	10.3%
Security and monitoring services	0.9%	0.9%
Data processing services	1.4%	1.3%
Community services	0.1%	0.1%
Interest on long-term debt	6.8%	2.0%
Payments related to shared services arrangement:	0.1%	0.2%
Other governmental changes	0.8%	0.7%
	<u>100.0%</u>	<u>100.0%</u>

The District's net position increased by a net of \$4,407,528, or 9% from current fiscal year operations as shown below.

- 1) Total net change in Fund Balances – Governmental Funds - \$1,051,875
- 2) Capital outlays and long-term debt principal – \$9,374,105
- 3) Depreciation – (\$3,111,727)
- 4) GASB 68 adjustments – (\$1,402,887)
- 5) Other miscellaneous adjustments - (\$1,503,838)



The District is required under GASB 68 to report its proportionate share of the unfunded liability associated with the Teacher Retirement System of Texas (TRS) pension plan. The required entries to record the effects of GASB 68 and GASB 71, an amendment to GASB 68, are book entries only in the statement of governmental activities and do not affect the funding of the District. These entries decreased the District's ending net position and is discussed in greater detail in the notes to the financial statements.

## GOVERNMENTAL FUNDS FINANCIAL ANALYSIS

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balance of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of a fiscal year.

The District's governmental funds reported a combined ending fund balance of \$151,664,079, a net increase of \$1,051,875 over last year's combined fund balance. Unassigned fund balance is \$23,412,358, or 15%, and is available for spending at the District's discretion. The remainder of fund balance is not available for discretionary spending because it is classified as nonspendable, restricted or committed for the following items:

Nonspendable fund balance:	
Inventories -	
National Breakfast & Lunch Program	\$ <u>91,373</u>
Total inventories	<u>91,373</u>
Prepaid items -	
General Fund	<u>218,299</u>
Total prepaid items	<u>218,299</u>
Restricted fund balance:	
Federal or state funds grant restrictions -	
National Breakfast & Lunch Program	845,141
Other State Special Revenue Funds	<u>751</u>
Total federal or state funds grant restriction	<u>\$ 845,892</u>
Capital acquisition & contractual obligations -	
Capital Projects Fund	121,113,156
Retirement of long-term debt -	
Debt Service Fund	5,449,757
Committed fund balance:	
Other committed fund balance -	
Campus activity funds	533,244

The General Fund is the chief operating fund of the District. At the end of the current fiscal the General Fund's unassigned fund balance was \$23,412,358 or 99% while the total fund balance was \$23,630,657. The total fund balance increased by \$4,597,023 from current year operations.

## GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments fall into three categories:

1. Amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts we originally estimated).
2. Major amendments were in Function 51, Facilities Maintenance and Operations for unanticipated maintenance expenditures not include original budget. Amendments were also made to other functions for increased personnel costs.
3. Amendments to move funds from programs that did not need all the resources originally appropriated to programs with resource needs.

The District's actual General Fund balance of \$23,630,657 differs from the General Fund's budgetary fund balance of \$14,406,973. The difference of \$9,223,684 is primarily due to actual revenues exceeding budgeted revenues by \$1,063,269 and actual expenditures being \$8,160,415 less than budgeted expenditures.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

The District's investments in capital assets for its governmental activities at the end of this fiscal year amounts to \$74,941,801 (net of accumulated depreciation) for a net increase of \$1,737,378 or 2% from last year. The increase is due to preliminary costs associated with new facilities. This investment in capital assets includes land, buildings and improvements, and furniture and equipment.

More detail information about the District's capital assets are presented in the notes to the financial statements.

	Capital Assets	
	2017	2016
Land	\$ 2,868,886	\$ 2,868,886
Construction-in-progress	4,385,880	160,026
Buildings and improvements	118,130,011	117,972,276
Furniture and equipment	14,623,356	14,158,854
Less depreciation	( 65,066,332)	( 61,955,619)
Totals	<u>\$ 74,941,801</u>	<u>\$ 73,204,423</u>

### Debt Service

At year-end, the District had \$179,037,481 in long-term debt, consisting of \$138,514,126 in outstanding general obligation bonds, accreted interest of \$382,574, premium on bonds of \$24,582,514 and net pension liability of \$15,558,267, versus \$168,999,757 last year for an decrease of \$4,807,091.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

For fiscal year 2018, the District experienced a slight increase in the tax base of approximately .35%. Single family residences and real property, and farm and ranch improvements showed net increases of approximately 9.0% relative to the prior year amounts respectively and individually. Despite these increases, declines in tax base attributable to minerals and related gas sector businesses offset were the main contributors to the overall decrease in the total tax base. The current year funding does not provide sufficient resources necessary to adopt a budget in which budgeted revenue exceeds budgeted expenditures, however, the fund balance position of the district is sufficient to ensure that operations can be maintained at the current level and the district remain financially strong.

### **Next Year's Budget and Rates**

The District's elected and appointed officials considered many factors when setting the fiscal year 2018 budget and tax rate. In preparing the 2018 budget, the goal of the Board of Trustees was to adopt a budget that meets the District's educational goals for successful education of its students, provides for a marketable salary for district employees, and to provide sufficient resources to address aging facilities. The general fund budget, as presented and approved, resulted in a budgetary deficit of approximately \$1.9 million, primarily due to the decline in revenue as a result of the decline in the tax base.

For the 2018 fiscal year, the District's budgeted revenue is projected to increase approximately \$4 million from the 2017 revenue due to the modest increase in tax base as well as the changes in state revenue. Budgeted expenditures included increases in salaries for all employees of the district. Enrollment assumptions used in calculating state revenue for the 2017-2018 operating budget did not anticipate any increase in enrollment from the 2016-2017 final enrollment figures.

By adopting a general fund budget deficit for the 2018 fiscal year, the District plans to decrease fund balance on an annual operating year. The year-end fund balance for the 2017 fiscal year ended June 30, 2017, and the beginning fund balance for the 2018 fiscal year in the general fund is \$23.6 million, which is approximately 40.5% of the 2018 annual budgeted operating expenditures. The total, approved budgeted expenses is \$58.2 million for the 2018 fiscal year. With ongoing changes and developments in the accountability standards established by the State of Texas, the District will continue to monitor expenditures and to ensure programmatic requirements and compliance are met.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

The financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Superintendent's Office, at Cleburne Independent School District, 505 N. Ridgeway, Suite 100, Cleburne, Texas 76033.

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# **BASIC FINANCIAL STATEMENTS**

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## CLEBURNE INDEPENDENT SCHOOL DISTRICT

## STATEMENT OF NET POSITION

JUNE 30, 2017

Data Control Codes	1 Primary Government Governmental Activities
<b>ASSETS</b>	
1110 Cash and cash equivalents	\$ 53,440,084
1120 Current investments	42,232,832
1220 Delinquent property taxes receivables	2,715,859
1230 Allowance for uncollectible taxes	( 1,554,519)
1240 Due from other governments	9,665,473
1250 Accrued interest	241,573
1300 Inventories	91,373
1410 Prepayments	218,299
1910 Long-term investments	52,949,525
Capital assets:	
1510 Land	2,868,886
1520 Buildings, net	63,292,875
1530 Furniture and equipment, net	4,394,160
1580 Construction in progress	4,385,880
1000 Total assets	<u>234,942,300</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
1701 Deferred change for refunding	1,953,889
1705 Deferred outflow related to TRS	6,565,233
1700 Total deferred outflows of resources	<u>8,519,122</u>
<b>LIABILITIES</b>	
2110 Accounts payable	1,721,268
2140 Interest payable	2,293,180
2150 Payroll deductions and withholdings	414,886
2160 Accrued wages payable	5,232,316
2177 Due to fiduciary funds	85
2180 Due to other governments	2,267
2200 Accrued expenses	22,149
2300 Unearned revenue	56,383
Noncurrent liabilities:	
2501 Due within one year	4,955,000
2502 Due in more than one year	158,524,214
2540 Net pension liability (District's share)	15,558,267
2000 Total liabilities	<u>188,780,015</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
2605 Deferred inflow related to TRS	897,016
2600 Total deferred inflows of resources	<u>897,016</u>
<b>NET POSITION</b>	
3200 Net investment in capital assets	34,529,632
Restricted for:	
3820 Federal and state programs	845,892
3850 Debt service	3,306,860
3870 Campus activities	533,244
3900 Unrestricted	14,568,763
3000 Total net position	<u>\$ 53,784,391</u>

The accompanying notes are an integral part of this financial statement.

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## CLEBURNE INDEPENDENT SCHOOL DISTRICT

### STATEMENT OF ACTIVITIES FOR THE TEN MONTHS ENDED JUNE 30, 2017

Data Control Codes	Functions/Programs	1 Expenses	Program Revenues		Net (Expenses)
			3 Charges for Services	4 Operating Grants and Contributions	6 Revenue Changes in Net Position
					Primary Governmental Activities
<b>Primary government:</b>					
Governmental activities:					
11	Instruction	\$ 36,450,227	\$ 105,728	\$ 5,003,018	\$( 31,341,481)
12	Instructional resources and media services	532,968	-	30,413	( 502,555)
13	Curriculum and staff development	1,074,071	-	235,104	( 838,967)
21	Instructional leadership	809,877	-	65,811	( 744,066)
23	School leadership	3,087,141	-	212,863	( 2,874,278)
31	Guidance, counseling, and evaluation services	1,769,800	-	629,583	( 1,140,217)
32	Social work services	4,190	-	1,865	( 2,325)
33	Health services	620,189	-	43,385	( 576,804)
34	Student transportation	2,030,627	-	106,151	( 1,924,476)
35	Food service	3,420,750	650,417	2,802,153	31,820
36	Extracurricular activities	2,339,523	910,608	52,330	( 1,376,585)
41	General administration	1,577,109	-	72,351	( 1,504,758)
51	Facilities maintenance and operations	7,925,558	80,459	789,338	( 7,055,761)
52	Security and monitoring services	643,250	-	451	( 642,799)
53	Data processing services	947,236	-	36,457	( 910,779)
61	Community services	74,044	-	21,393	( 52,651)
72	Interest on long-term debt	4,636,555	-	133,864	( 4,502,691)
93	Payments related to shared services arrangements	86,088	-	10,758	( 75,330)
99	Other governmental changes	<u>537,277</u>	<u>-</u>	<u>-</u>	<u>( 537,277)</u>
TG	Total governmental activities	\$ <u>68,566,480</u>	\$ <u>1,747,212</u>	\$ <u>10,247,288</u>	<u>( 56,571,980)</u>
General revenues:					
Taxes:					
MT	Property taxes, levied for general purposes				27,690,272
DT	Property taxes, levied for debt service				10,835,687
SF	State aid - formula grants				21,299,765
GC	Grants and contributions not restricted to specific programs				5,700
IE	Investment earnings				940,093
MI	Miscellaneous local and intermediate revenue				<u>207,991</u>
TR	Total general revenues				<u>60,979,508</u>
CN	Change in net position				4,407,528
NB	Net position, beginning				<u>49,376,863</u>
NE	Net position, ending				<u>\$ 53,784,391</u>

The accompanying notes are an integral part of this financial statement.

**CLEBURNE INDEPENDENT SCHOOL DISTRICT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2017**

Data Control Codes	10 General Fund	522 Debt Service Fund	60 Capital Projects	Other Funds	Total Governmental Funds
<b>ASSETS</b>					
1110 Cash and cash equivalents	\$ 18,848,260	\$ 5,353,318	\$ 27,375,631	\$ 1,862,875	\$ 53,440,084
1120 Current investments	-	-	42,232,832	-	42,232,832
1220 Property taxes - delinquent	2,183,404	532,455	-	-	2,715,859
1230 Allowance for uncollectible taxes	( 1,249,749)	( 304,770)	-	-	( 1,554,519)
1240 Due from other governments	8,538,539	-	-	1,126,934	9,665,473
1250 Accrued interest	-	-	241,573	-	241,573
1260 Due from other funds	1,350,041	19,037	-	27,063	1,396,141
1300 Inventories	-	-	-	91,373	91,373
1410 Prepayments	218,299	-	-	-	218,299
1910 Long-term investments	-	-	52,949,525	-	52,949,525
1000 Total assets	<u>29,888,794</u>	<u>5,600,040</u>	<u>122,799,561</u>	<u>3,108,245</u>	<u>161,396,640</u>
<b>LIABILITIES</b>					
2110 Accounts payable	452,189	-	898,347	370,732	1,721,268
2150 Payroll deductions and withholdings	340,837	-	-	74,049	414,886
2160 Accrued wages	4,651,484	-	-	580,832	5,232,316
2170 Due to other funds	54,695	-	788,058	553,473	1,396,226
2180 Due to other governments	-	-	-	2,267	2,267
2200 Accrued expenditures/expenses	22,149	-	-	-	22,149
2300 Unearned revenue	-	-	-	56,383	56,383
2000 Total liabilities	<u>5,521,354</u>	<u>-</u>	<u>1,686,405</u>	<u>1,637,736</u>	<u>8,845,495</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
2601 Unavailable revenue - property taxes	736,783	150,283	-	-	887,066
2600 Total deferred inflows of resources	<u>736,783</u>	<u>150,283</u>	<u>-</u>	<u>-</u>	<u>887,066</u>
<b>FUND BALANCES</b>					
Nonspendable:					
3410 Inventories	-	-	-	91,373	91,373
3430 Prepaid items	218,299	-	-	-	218,299
Restricted for:					
3450 Federal and state programs	-	-	-	845,892	845,892
3470 Capital acquisitions and contractual obligations	-	-	121,113,156	-	121,113,156
3480 Debt service	-	5,449,757	-	-	5,449,757
Committed for:					
3545 Other committed fund balance	-	-	-	533,244	533,244
3600 Unassigned	23,412,358	-	-	-	23,412,358
3000 Total fund balances	<u>23,630,657</u>	<u>5,449,757</u>	<u>121,113,156</u>	<u>1,470,509</u>	<u>151,664,079</u>
4000 Total liabilities, deferred inflows of resources and fund balances	<u>\$ 29,888,794</u>	<u>\$ 5,600,040</u>	<u>\$ 122,799,561</u>	<u>\$ 3,108,245</u>	<u>\$ 161,396,640</u>

The accompanying notes are an integral part of this financial statement.

**CLEBURNE INDEPENDENT SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO  
THE STATEMENT OF NET POSITION**

**JUNE 30, 2017**

Total fund balances - governmental funds	\$ 151,664,079
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 \$135,160,042 and the accumulated depreciation was \$61,955,619. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to decrease net position.	( 93,669,047)
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 2017 capital outlays and debt principal payments is to increase net position.	9,273,155
Included in the items related to debt is that recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of \$15,558,267, a deferred resource inflow related to TRS in the amount of \$897,016 and a deferred resource outflow related to TRS in the amount of \$6,565,233. The net effect of the GASB 68 entries is to decrease net position.	( 9,890,050)
The 2017 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	( 3,111,727)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position.	<u>( 482,019)</u>
Net position of governmental activities	\$ <u>53,784,391</u>

**CLEBURNE INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE TEN MONTHS ENDED JUNE 30, 2017**

Data Control Codes	10 General	522 Debt Service Fund	60 Capital Projects	Other Governmental	98 Total Governmental Funds
<b>REVENUES</b>					
5700 Local and intermediate sources	\$ 28,628,797	\$ 10,900,831	\$ 808,573	\$ 1,424,209	\$ 41,762,410
5800 State programs	23,471,022	133,864	-	736,633	24,341,519
5900 Federal programs	1,293,609	-	-	5,553,979	6,847,588
5020 Total revenues	<u>53,393,428</u>	<u>11,034,695</u>	<u>808,573</u>	<u>7,714,821</u>	<u>72,951,517</u>
<b>EXPENDITURES</b>					
Current:					
0011 Instruction	28,537,838	-	2,489,977	2,970,111	33,997,926
0012 Instructional resources and media services	465,700	-	-	6,533	472,233
0013 Curriculum and staff development	854,735	-	-	197,305	1,052,040
0021 Instructional leadership	765,093	-	-	506	765,599
0023 School leadership	2,806,546	-	-	48,843	2,855,389
0031 Guidance, counseling, and evaluation services	1,164,044	-	-	480,845	1,644,889
0032 Social work services	-	-	-	1,154	1,154
0033 Health services	596,127	-	-	2,414	598,541
0034 Student transportation	1,682,679	-	-	14,257	1,696,936
0035 Food service	1,260	-	-	3,118,278	3,119,538
0036 Extracurricular activities	1,705,050	-	23,759	491,520	2,220,329
0041 General administration	1,469,631	-	49,058	-	1,518,689
0051 Facilities maintenance and operations	6,854,633	-	736,001	19,589	7,610,223
0052 Security and monitoring services	306,885	-	190,118	4,222	501,225
0053 Data processing services	920,759	-	-	-	920,759
0061 Community services	42,060	-	-	18,436	60,496
Debt service:					
0071 Principal on long-term debt	-	4,525,000	-	-	4,525,000
0072 Interest on long-term debt	-	3,468,112	-	-	3,468,112
Capital outlay					
0081 Facilities acquisition and construction	-	-	4,247,199	-	4,247,199
Intergovernmental:					
0093 Payments to fiscal agent/member districts of SSA	86,088	-	-	-	86,088
0099 Other intergovernmental charges	537,277	-	-	-	537,277
6030 Total expenditures	<u>48,796,405</u>	<u>7,993,112</u>	<u>7,736,112</u>	<u>7,374,013</u>	<u>71,899,642</u>
1100 <b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>4,597,023</u>	<u>3,041,583</u>	<u>( 6,927,539)</u>	<u>340,808</u>	<u>1,051,875</u>
1200 <b>NET CHANGE IN FUND BALANCES</b>	<u>4,597,023</u>	<u>3,041,583</u>	<u>( 6,927,539)</u>	<u>340,808</u>	<u>1,051,875</u>
0100 <b>FUND BALANCES, BEGINNING</b>	<u>19,033,634</u>	<u>2,408,174</u>	<u>128,040,695</u>	<u>1,129,701</u>	<u>150,612,204</u>
3000 <b>FUND BALANCES, ENDING</b>	<u>\$ 23,630,657</u>	<u>\$ 5,449,757</u>	<u>\$ 121,113,156</u>	<u>\$ 1,470,509</u>	<u>\$ 151,664,079</u>

The accompanying notes are an integral part of this financial statement.

**CLEBURNE INDEPENDENT SCHOOL DISTRICT**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE TEN MONTHS ENDED JUNE 30, 2017**

Net change in fund balances - total governmental funds	\$ 1,051,875
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 2017 capital outlays and debt principal payments is to increase to change in net position	9,374,105
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 the change in net position.	( 3,111,727)
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 6/30/2017 caused the change in the ending net position to increase in the amount of \$1,093,347. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability for the District. This caused a decrease in the change in net position totaling \$1,112,225. The District's proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position of \$1,383,979. The net result is to decrease the change in net position.	( 1,402,887)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease the change in net position.	( 1,503,838)
Change in net position of governmental activities	\$ <u>4,407,528</u>

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**CLEBURNE INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2017**

	<u>Private Purpose Trusts</u>	<u>Agency Fund</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 235,464	\$ 215,954
Investments	2,971,488	-
Due from other funds	-	85
Other receivables	4,400	-
Prepayments	-	<u>358</u>
Total assets	<u>3,211,352</u>	<u>216,397</u>
<b>LIABILITIES</b>		
Accounts payable	-	156
Short-term debt payable	-	159,758
Due to student groups	<u>-</u>	<u>56,483</u>
Total liabilities	<u>-</u>	<u>\$ 216,397</u>
<b>NET POSITION</b>		
Restricted for scholarships	<u>3,211,352</u>	
Total net position	<u>\$ 3,211,352</u>	

**CLEBURNE INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**FOR THE TEN MONTHS ENDED JUNE 30, 2017**

	<u>Private Purpose Trusts</u>
<b>ADDITIONS</b>	
Local and intermediate sources	\$ <u>36,615</u>
Total additions	<u>36,615</u>
<b>DEDUCTIONS</b>	
Scholarships awarded	<u>8,452</u>
Total deductions	<u>8,452</u>
Change in Net Position	28,163
<b>TOTAL NET POSITION - Beginning</b>	<u>3,183,189</u>
<b>TOTAL NET POSITION - Ending</b>	<u>\$ 3,211,352</u>



# CLEBURNE INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Cleburne Independent School District (the “District”) substantially comply with the rules prescribed by the Texas Education Agency (the “Agency”) *Financial Accountability System Resource Guide* (the “Resource Guide”). These accounting policies conform to accounting principles generally accepted in the United States of America (“generally accepted accounting principles”) applicable to governments.

In accordance with the Resource Guide the District has adopted and installed an accounting system which meets the minimum requirements prescribed the State Board of Education and approved by the State Auditor.

The District prepares its basic financial statements in conformity with generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in *GASB Statement No 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* and it complies with the requirements of the appropriate version of the Resource Guide and the requirements of contracts and grants of agencies from which it receives funds. Specifically, the District’s accounting system uses codes and the code structure as presented in the Resource Guide.

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

#### A. Reporting Entity

The District is governed by a seven-member Board of Trustees (the “Board”) elected by registered voters of the District. The District is a public educational agency operating under the applicable laws and regulations of the State of Texas. The Board has responsibility and control over all activities related to public school education within the District. The District receives funds from local, state and federal sources and must comply with all the requirements of these funding source entities. However, the District is not included in any other governmental “reporting entity” as defined by GAAP. The Board has decision-making authority, the power to designate management, the ability to significantly influence operations and the primary accountability for fiscal matters. The District is not financially accountable for any other organizations; therefore, no component units are included within the reporting entity.

## **B. Basis of Presentation**

The District prepares its financial statements in accordance with reporting practices prescribed by the Agency in the Resource Guide and the Governmental Accounting Standards Board.

## **C. Government-Wide and Fund Financial Statements**

The government-wide financial statements (the statement of net position and the statement of activities) are prepared using the accrual basis of accounting and the information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes, state foundation funds, grants and other intergovernmental revenues are reported separately from business-type activities which rely to a significant extent on charge for services. The District does not have business-type activities.

The statement of activities demonstrates the degree to which direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Certain indirect costs are also included in the program expense reported by individual functions and activities. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods or services provided by a given function or segment of the District, examples include tuition paid by students not residing in the District, school lunch charges, etc. and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a given function or segment, examples include grants under the Elementary and Secondary Education Act. If a revenue is not a program revenue, it is a general revenue used to support all of the District's functions. Taxes are always general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. The District considers some governmental funds major and reports their financial condition and results of operations in separate columns.

## **D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported on a flow of economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Fiduciary funds do not have a measurement focus as they report only assets and liabilities. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. All assets, deferred outflows, liabilities and deferred inflows associated with the operation of these funds are include on the statement of net position.

All Governmental Funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows, current liabilities and deferred inflows are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

The accounts of the Governmental Funds are maintained and the financial statements have been prepared on the modified accrual basis of accounting. Under this basis of accounting, revenues are recognized when they become measurable and available as net current assets. Substantially all revenues (state, federal and local property tax and interest revenues) are considered to be susceptible to accrual. Revenues from expenditure-driven grants are recognized when the expenditure is incurred. Accordingly, when such funds are received, they are recorded as unearned revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which is recognized as expenditures when due.

Property tax revenues recorded in the General Fund and Debt Service Fund are recognized under the “susceptible to accrual” concept. This District generally considers property taxes as available if they are collected within 60 days of year-end. Property taxes received after the 60-day period are not considered available and, therefore, are recorded as deferred inflow of resources in the Governmental Funds Balance Sheet totaling \$736,783 in the General Fund and \$150,283 in the Debt Service Fund. Grant revenues are recognized when expenditures are made. Charges for services and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available within 60 days of year-end.

Foundation School Program revenues are recognized as revenue when measurable and available within 90 days of year-end.

## **E. Purpose of Funds**

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts to reflect results of activities. Major individual governmental funds are reported as separate columns in the fund financial statements. The following funds are used by the District:

### ***Major Governmental Funds***

General Fund – The General Fund is the District’s primary operating fund. It is used to account for all financial transactions except for those required to be accounted for in another fund. Major revenue sources include local property taxes and state funding under the Foundation School Program. Expenditures include all costs associated with the daily operations of the District except for costs incurred by programs accounted for in the Special Revenue Funds, Debt Service Fund, Proprietary Fund, and Fiduciary Funds. The General Fund is a budgeted fund, and any fund balances are considered resources for current and future operations.

Debt Service Fund – The Debt Service Fund, which is a budgeted fund, accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt. Revenues include property taxes collections, state funding under the Instructional Facilities and Existing Debt Allotments, and earned interest. The fund balance represents amounts that are available for retirement of future payments of principal, interest and fees.

Capital Projects Fund – This fund, which is an unbudgeted fund, is used to account for proceeds from sales of bonds and other revenues to be used for authorized construction, renovations, and technology projects/enhancements.

### ***Non-major Governmental Funds***

Special Revenue Funds – These funds are used to account for federal, state and locally financed programs where unused balances are generally returned to the grantor at the close of specified project periods. Proceeds of specific revenue resources that are restricted or committed to expenditures for specified purposes, other than debt service or capital projects, are accounted for in a special revenue fund. Project accounting is employed to maintain integrity for the various sources of funds.

The District’s Food Service Fund (National Breakfast and Lunch Program) is considered a special revenue fund since it meets the following criteria: (1) User fees are charged to supplement the National School Breakfast and Lunch Program, (2) the General Fund subsidizes the Food Service Program for all expenditures in excess of the National Breakfast and Lunch Program, and (3) the District does not consider the Food Service Program completely self-supporting. Food Service fund balances are used exclusively for child nutrition program purposes. This is a budgeted fund.

**Proprietary Funds** – the District does not have any Proprietary Funds.

### ***Fiduciary Funds***

Private-purpose Trust Fund – This fund is used to account for all trust agreements under which the principal and income benefit a specific school or group of students.

Fiduciary Funds – Agency Funds – the Agency Fund is custodial in nature and accounts for activities of student groups and other types of activities requiring clearing accounts. The fund has no equity. Assets are equal to liabilities, and do not include revenues and expenditures for general operations of the District. This accounting reflects the District’s agency relationship with student activity organizations. Fiduciary funds use the accrual basis of accounting to recognize assets and liabilities.

#### **F. Cash and Cash Equivalents**

The District’s cash and cash equivalents are considered as cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. Investments for the District are reported at fair value.

#### **G. Investments**

Investments are recorded at fair value. Investments are considered as and classified as cash equivalents. Investments are primarily in FDIC insured investments, savings accounts and public funds money markets and are not significantly affected by impairment of the credit standing of the issues or other factors. The District has also invested in long-term investments mainly consisting of government backed securities

#### **H. Receivables and Payables**

Interfund activities result from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related costs as a reimbursement. All other interfund transactions are treated as transfers. Transfers in and transfers out are netted and presented as a single “transfers” line on the government-wide statement of activities. The District did not have any transfers in or transfers out during the current fiscal year. Similarly, interfund receivables and payables are netted and presented as a single “internal balances” line of the government-wide statement of net position.

Delinquent property tax receivables are prorated between the General Fund and Debt Service Fund based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables is based on historical experience in collecting property taxes. Management periodically reviews outstanding property taxes and establishes an allowance adequate to reflect the anticipated net collectible balance. The District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

Other receivables and payables may include amounts due from local, state and federal agencies resulting from excess of expenditures over revenues incurred, accrued liabilities, interest payable, and accrued wages payable.

## **I. Inventories and Prepaid Items**

The District uses the consumption method to account for inventories of food products, school supplies, and athletic equipment. Under this method, these items are carried in an inventory account of the respective fund at cost, using the first-in, first-out method of accounting and are subsequently charged to expenditures when consumed. In the General Fund, reported inventories are offset by a fund balance reserve. Inventories of food commodities used in the food service program are recorded at fair market values supplied by the Texas Department of Human Services. Although commodities are received at no cost, their fair market value is recorded as inventory and unearned revenue when received. When requisitioned, inventory and unearned revenues are relieved, expenditures are charged, and revenue is recognized for an equal amount.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayment in both government-wide and fund financial statements.

## **J. Interfund Activities**

Transactions among governmental funds and between governmental funds and proprietary funds appear as due to/due from other funds on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Position and as other financing sources and uses on the Governmental Fund Statement of Revenues, Expenses and Changes in Fund Net Position. Interfund services provided and used are not eliminated in the consolidation of funds for the Statement of Activities.

All interfund transactions that do not represent services provided and used between governmental funds and between governmental funds and internal service funds are eliminated on the government-wide statements. Interfund activities between governmental funds and enterprise funds remain on the government-wide statements and appear on the government-wide Statement of Net Position as internal balances and on the Statement of Activities as interfund transfers. Interfund activities between governmental funds and fiduciary funds remain as due to/due from other funds on the government-wide Statement of Net Position.

## **K. Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in the accounting system in order to reserve a portion of the applicable appropriation, is employed in the governmental fund types on the governmental fund financial statements. Encumbrances are liquidated at year end.

## L. Capital Assets

Capital assets, which include land, buildings and improvements, furniture and equipment and construction in progress, are reported in the applicable governmental column in the government-wide financial statements. The cost of the infrastructure (e.g., roads, bridges, sidewalks, and similar items) was initially capitalized with the building cost and is being depreciated over the same useful life as the building. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date.

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

Buildings and improvements, furniture and equipment, and capital lease assets of the District are depreciated using the straight-line method over the following estimated lives:

<u>Asset Classification</u>	<u>Useful Lives</u>
Buildings and improvements	40
Furniture and equipment	5-15
Vehicles	5-10

Land and construction in progress are not depreciable.

## M. Long-term Obligations

General obligation bonds which have been issued to fund the District's capital projects are to be repaid from tax revenues of the District.

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activity. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount. Deferred loss on refunding, will be recognized as a deferred outflow of resources and amortized to interest expense over the life of the bonds. Bond issuance costs are expensed in the current period.

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

## N. Unearned Revenues

Unearned revenues represent revenues received by the District but not yet earned and are not available for use by the District to liquidate current year liabilities. A summary of unearned revenues by fund follows:

Special Revenue Fund:		
National Breakfast & Lunch Program - commodity inventory	\$	<u>56,383</u>
Total	\$	<u><u>56,383</u></u>

## O. Deferred Outflows/Inflow of Resources

Deferred outflows and inflows of resources are reported in the financial statements as described below:

A deferred outflow of resources is a consumption of a government's net assets (a decrease in assets in excess of any related decrease in liabilities or an increase in liabilities in excess of any related increase in assets) by the government that is applicable to a future reporting period. The District had the following deferred outflows of resources:

- Deferred outflows of resources for refunding – Reported in the government-wide statement of net position, this deferred charge on refunding results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. During the current year, the District had \$1,953,889 in deferred charges for refunding.
- Deferred outflows of resources for pension – Reported in the government-wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of differences between expected and actuarial experience. The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. During the current year, the District had \$6,565,233 deferred outflow related to TRS from implementing GASB 68. This amount consisted of \$5,471,886 for total net amounts per TRS June 30, 2016 measurement date and \$1,093,347 for contributions paid to TRS subsequent to the measurement date.

A deferred inflow of resources is an acquisition of a government's net assets (an increase in assets in excess of any related increase in liabilities or a decrease in liabilities in excess of any related decrease in assets) by the government that is applicable to a future reporting period. The District had two items that qualify for reporting in this category:

- Deferred inflow of resources for unavailable revenues – Reported only in the governmental funds balance sheet, for unavailable revenues from property taxes arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of revenues in the period that the amounts become available. During the current year, the District recorded deferred inflow of resources \$736,783 and \$150,283 as unavailable revenues – property taxes with the General Fund and Debt Service Fund respectively.



- Deferred inflow of resources for pensions – Reported in the government-wide financial statement of net position, these deferred inflows result primarily from differences between projected and actual earnings on pension plan investments. During the current year the District recorded \$897,016 for total net amounts per TRS June 30, 2016 measurement date as a result of implementing GASB 68.

## **P. Categories and Classifications of Fund Balance and Net Position**

In accordance with GASB 54 which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in governmental funds. The objective of GASB 54 is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions.

**Government-wide Financial Statements** – Net position on the Statement of Net Position includes the following:

*Net investment in capital assets* - the component of net position that reports capital assets less both the accumulated depreciation and the outstanding balance of debt and is directly attributable to the acquisition, construction, or improvement of these capital assets.

*Restricted for federal and state programs* – the component of net position that reports the difference between assets and liabilities related to federal and state programs that consist of assets with constraints placed on their use by granting agencies.

*Restricted for debt service* – the component of net position that reports the difference between assets and liabilities adjusted on a government-wide basis that consists of assets with constraints placed on their use by the bond covenants.

*Restricted for capital projects* – funds that have been assigned for future expenditures for equipment.

*Restricted for campus activities* – funds that have been committed solely for the use by various campuses within the District.

*Restricted for other purposes* – funds that have been designated by the District to classify locally funded grants. The District does not have funds restricted for other purposes.

*Unrestricted net position* - the difference between the assets and liabilities that are not reported in net investment in capital assets or restricted net position.

*Net position flow assumption* – Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restrict bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

**Governmental Fund Financial Statements** – In the fund financial statements, government funds report fund balances as either a non-spendable fund balance or a spendable fund balance.

*Non-spendable fund balance* – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements. Examples include inventories, long-term receivables, endowment principal, and/or prepaid/deferred items.

*Spendable fund balance* – Spendable fund balance includes restricted, committed, assigned, and unassigned components. These components can be described as follows:

*Restricted fund balance* – the component of the spendable fund balance constrained to a specific purpose by a provider, such as creditor, grantor, contributor, or law or regulation of other governments. Restricted fund balance includes funds for federal/state grants, long-term debt service, and other restrictions.

*Committed fund balance* – the component of spendable fund balance constrained to a specific purpose by the Board. A Board resolution is required to establish, modify, or rescind a fund balance commitment. Only the action that constitutes the most binding constraint of the Board can be considered a commitment for fund balance classification purposes. Committed fund balance includes funds for campus activity funds.

*Assigned fund balance* – the component of the spendable fund balance that is spendable or available for appropriation but has been tentatively earmarked for some specific purpose by the Board of Trustees or by an official or body to which the Board of Trustees delegates. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is a specific purpose that is narrower than the general purposes of the District itself. The District does not have assigned fund balances.

*Unassigned fund balance* – is the residual classification of the General Fund and includes all amounts not contained in other classifications. This portion of the total fund balance in the general fund is available to finance operating expenditures. Only the General Fund will have unassigned amounts. By accounting for amounts in other funds, the District has implicitly assigned the funds for purposes of those particular funds.

The District does not have a minimum fund balance policy. The District does have an informal policy to have a minimum of 25% of annual expenditures.

**Fund balance flow assumptions** – Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Disclosure of Fund Balances Reported on Balance Sheet - Governmental Funds  
For Fiscal Year Ending June 30, 2017

	General Fund	Debt Service	Capital Projects Fund	Other Funds	Total Governmental Funds
Nonspendable Fund Balance					
Inventories	\$ -	\$ -	\$ -	\$ 91,373	\$ 91,373
Prepaid Items	218,299	-	-	-	218,299
Restricted Fund Balance					
Federal and State Program	-	-	-	845,892	845,892
Capital acquisition & contractual obligations	-	-	121,113,156	-	121,113,156
Retirement of long-term debt	-	5,449,757	-	-	5,449,757
Committed Fund Balance					
Other committed fund balance	-	-	-	533,244	533,244
Unassigned	23,412,358	-	-	-	23,412,358
Total Fund Balance	<u>\$ 23,630,657</u>	<u>\$ 5,449,757</u>	<u>\$ 121,113,156</u>	<u>\$ 1,470,509</u>	<u>\$ 151,664,079</u>

**Q. Management’s Use of Estimates**

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

The amount of state foundation revenue a district earns for a year can and does vary until the time when final values for each of the factors in the formula become available. Availability can be as late as into the next fiscal year. It is at least reasonably possible that the foundation revenue for the fiscal year will ultimately change from the amount calculated as of June 30, 2017 because of the factors that TEA uses in its calculations.

**R. Defined Benefit Pension Plan**

The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The Teacher Retirement System of Texas (TRS) administers the plan. The fiduciary net position of the TRS of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes, for purposes of measuring the net pension liability reported to the District, deferred outflows of resources and deferred inflows of resources related to pension, 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.

**S. Data Control Codes**

The data control codes refer to the account code structure prescribed by the Texas Education Agency (the “Agency”) in the Financial Accountability System Resource Guide. The Agency requires school districts to display these codes in the financial statements filed with the Agency in order to ensure accuracy in building a statewide data base for policy development and funding plans.

**II. DETAILED NOTES ON ALL FUNDS**

**A. Cash and Cash Equivalents**

The District’s funds are required to be deposited and invested under the terms of a depository contract pursuant to the School Depository Act. The depository bank 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.

Since the District complies with this law, it has no custodial credit risk for deposits.

The District’s cash and cash equivalents, considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

At June 30, 2017, the carrying value of the District’s deposits was \$5,264,572 and \$48,462,578 of investments considered as cash equivalents, and the bank balance was \$48,626,930. The District’s cash deposits at June 30, 2017, and during the year then ended, were entirely covered by FDIC insurance or by pledged collateral held by the District’s agent bank in the District’s name.

Governmental Funds:	
Cash-in-bank	\$ 5,264,572
Investments considered as cash equivalents	<u>48,626,930</u>
Total cash and cash equivalents	<u>\$ 53,891,502</u>

The following investments are considered as cash equivalents:

<u>Investment/Rating</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Percentage of Investments</u>	<u>Weighted Average Maturity (Days)</u>
TexStar/AAAm	\$ 48,457,497	\$ 48,457,497	99.65%	38
TexPool/AAAm	24,806	24,806	0.05%	39
Lone Star/AAAm	<u>144,627</u>	<u>144,627</u>	<u>0.30%</u>	41
Totals	<u>\$ 48,626,930</u>	<u>\$ 48,626,930</u>	<u>100.00%</u>	

The District does not have any cash or cash equivalents in foreign currency; therefore, there is no foreign currency risk.

**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 returns, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. The District maintains an investment policy which authorizes the District to invest in obligations of U.S. Treasury and U.S. agencies, municipal securities and repurchase agreements and the State Treasurer’s investment pool or similar public investment pools. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy.

**Custodial Credit Risk – Investments** - For an investment this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The District’s investment are not exposed to custodial risk. External investment pools are not subject custodial risk because investments are not evidenced by securities that exist in physical or book entry form. State law limits investments in public funds investment pools to those rated no lower than AAA or AAAM or an equivalent rating by at least one nationally recognized rating service. District investments are not exposed to custodial credit risk.

**Credit Risk** – This is the risk that a security issuer may default on an interest or principal payment. State law limits investment in local government pools to those that are rated AAA or equivalent by at least one Nationally Recognized Statistical Rating Organization (NRSRO). The District controls and monitors this risk by purchasing quality rated instruments that have been evaluated by agencies such as Standard and Poor’s (S&P) or Moody’s Investors Service, or by investing in public fund investment pools rated no lower than AAA or AAAM.

**Interest-rate Risk** – This type of risk occurs when potential purchasers of debt securities do not agree to pay face value for those securities if interest rates rise. The District’s investment policy does not allow the purchase of investments that would expose the District to interest-rate risk.

**Concentration of Credit Risk** – This type of risk is defined as positions of 5 percent or more in securities of a single issuer. The District is not exposed to concentration of credit risk because the investment portfolio mainly consists of external investment pools.

**Foreign Currency Risk** – This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

## **B. Investments**

In fiscal year 2016, the District adopted GASB Statement No. 72 (“GASB 72”), *Fair Value Measurement and Application*. GASB 72 was issued to address accounting and financial reporting issues related to fair value measurement.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The fair value methods used by the District include documented trade history in exact security, present value of expected future cash flow model and option-adjusted discounted cash flow model.

Description	Maturity Date	Fair Value Measurements Used	Carrying Value 6/30/2017	% of Total	Weighted Average Maturity (Days)
Certificates of Deposit					
BBVA Compass CD	11/23/18	Level 2	250,000	0.25%	1
Grandview Bank CD	4/20/18	Level 2	250,000	0.25%	1
Members Credit Union CD	5/11/18	Level 2	247,000	0.25%	1
Northstar Bank of Texas CD	2/1/18	Level 2	248,500	0.25%	1
Pinnacle Bank CD	2/1/18	Level 2	247,000	0.25%	1
Southside Bank CD	1/31/18	Level 2	247,151	0.25%	1
State Farm Bank CD	1/31/18	Level 2	248,000	0.25%	1
Total			<u>1,737,651</u>		
U. S. Government Securities:					
Fannie Mae	5/21/18	Level 1	4,699,195	4.79%	16
Fannie Mae	8/28/19	Level 1	4,703,792	4.79%	38
Fannie Mae	10/24/19	Level 1	988,966	1.01%	9
Fannie Mae	9/20/17	Level 2	1,699,750	1.73%	1
Freddie Mac	3/7/18	Level 1	3,790,128	3.86%	10
Freddie Mac	7/19/19	Level 1	4,742,990	4.83%	36
Freddie Mac	12/15/17	Level 2	2,697,983	2.75%	5
Freddie Mac	6/26/18	Level 2	5,477,516	5.58%	20
Freddie Mac	11/7/18	Level 2	9,946,150	10.13%	50
U.S. Treasury N/B	10/15/17	Level 1	2,683,349	2.73%	3
U.S. Treasury N/B	1/31/18	Level 1	3,192,102	3.25%	7
U.S. Treasury N/B	2/15/18	Level 1	3,508,442	3.57%	8
Federal Farm Credit Bank	9/20/18	Level 1	3,181,734	3.24%	14
Federal Farm Credit Bank	4/6/18	Level 2	4,183,876	4.26%	12
Federal Farm Credit Bank	7/18/18	Level 2	3,976,964	4.05%	16
Federal Farm Credit Bank	9/28/18	Level 2	3,383,439	3.45%	16
Federal Farm Credit Bank	12/20/18	Level 2	1,232,071	1.26%	7
Federal Home Loan Bank Bonds	11/17/17	Level 1	2,738,024	2.79%	4
Federal Home Loan Bank Bonds	3/8/19	Level 1	5,476,898	5.58%	34
Federal Home Loan Bank Bonds	6/21/19	Level 1	8,701,184	8.86%	64
Federal Home Loan Bank Bonds	7/25/17	Level 2	3,999,124	4.07%	1
Federal Home Loan Bank Bonds	8/28/17	Level 2	3,797,914	3.87%	2
Federal Home Loan Bank Bonds	8/14/18	Level 2	4,986,325	5.08%	21
Federal Home Loan Bank Bonds	9/13/19	Level 2	2,628,278	2.68%	22
Total			<u>96,416,194</u>		
Total all investments			<u>\$ 98,153,845</u>	<u>100.00%</u>	

## Property Taxes

Property taxes are levied by October 1 and are due and payable at that time. The Board establishes the District's property tax rates annually. The authorized tax rates for property taxes assessed on January 1, 2016, were \$1.1700 and \$0.4600 per \$100 for the General Fund and Debt Service Fund, respectively, based on a net assessed valuation of \$2,390,457,178.

The legally authorized tax rate limit for the District is \$1.17 per \$100 assessed valuation for maintenance and operations. On January 1 of each year, a tax lien attaches to property to secure the payment of penalties imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period and those expected to collect during the 60-day period after the close of the District’s fiscal year.

Delinquent taxes are prorated between the General Fund and Debt Service Fund based rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes.

Delinquent taxes receivables and the related allowance for uncollectible taxes in the governmental fund financial statements as of June 30, 2017 are as follows:

	Property Taxes - Delinquent	Allowance for Uncollectible Taxes	Unavailable Revenue - Property Taxes
General Fund	\$ 2,183,404	\$( 1,249,749)	\$ 736,783
Debt Service Fund	<u>532,455</u>	<u>( 304,770)</u>	<u>150,283</u>
Totals	<u>\$ 2,715,859</u>	<u>\$( 1,554,519)</u>	<u>\$ 887,066</u>

Current tax collections for the levy year ended June 30, 2017 were 97.0% of the year-end adjusted tax levy.

Uncollectible personal property taxes are periodically reviewed and written off by the District. The District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

The District has an agreement with Johnson County Tax Office (“County”) whereby the County bills and collects the District’s property taxes.

**C. Disaggregation of Receivables and Payables**

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of June 30, 2017.



#### D. Receivables from Other Governments

Receivables from other governments, as of June 30, 2017, are as follow:

	Due from State
General Fund	\$ 8,538,539
Special Revenue Funds:	
ESEA Title X, Part C, Homeless	14,529
ESEA I, A - Improving Basic Programs	364,773
IDEA - Part B Formula	235,102
IDEA - Part B Preschool	8,417
National Breakfast & Lunch Program	35,439
ESEA II, A - Training & Recruiting	62,207
Title III, A - English Language Acquisition	33,943
Advanced Placement Incentives	17,550
State Textbook Fund	298,574
Other State Special Revenue Funds	<u>56,400</u>
Total Special Revenue Funds	<u>1,126,934</u>
Total receivables from other governments	<u>\$ 9,665,473</u>

#### E. Interfund Receivables and Payables

The following is a summary of amounts due to and due from other funds:

	Due from Other Funds	Due to Other Funds
General Fund	\$ 1,350,041	\$ 54,695
Special Revenue Funds:		
ESEA Title X, Part C, Homeless	438	-
ESEA I, A - Improving Basic Programs	-	541,171
IDEA - Part B Formula	7,023	-
National Breakfast & Lunch Program	12,892	12,188
ESEA II, A - Training & Recruiting	2,024	-
Title III, A - English Language Acquisition	2,027	-
Advanced Placement Incentives	850	-
Other State Special Revenue Funds	1,809	-
Campus Activity Funds	<u>-</u>	<u>114</u>
Total Special Revenue Funds	<u>27,063</u>	<u>553,473</u>
Debt Service Fund	19,037	-
Capital Projects Fund	-	788,058
Agency Fund	<u>85</u>	<u>-</u>
Totals	<u>\$ 1,396,226</u>	<u>\$ 1,396,226</u>

Interfund receivables and payables generally arise from interfund loans between different funds with balances being repaid generally within one year.

## F. Interfund Transfers

There were no interfund transfers for the year ended June 30, 2017.

## G. Other Financing Sources (Uses)

There were no Other Financing Sources (Uses) for the year ended June 30, 2017.

## H. Special Items/Extraordinary Items

There were no special items/extraordinary items during the fiscal year.

## I. Operating Leases

The District leases office equipment and automobiles under noncancelable operating leases. Total costs for such leases were \$122,523 for the year. The future minimum lease payments for active operating leases are summarized below:

Year Ending June 30	Amount
2018	\$ 103,923
2019	33,425
2020	11,175
2021	6,801
2022	1,888

## J. Capital Asset Activity

Capital asset activity for the year ended June 30, 2017 is as follows:

	Beginning Balance	Increases/ Adjustments	Decreases/ Adjustments	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 2,868,886	\$ -	\$ -	\$ 2,868,886
Construction in progress	160,026	4,225,854	-	4,385,880
Total capital assets, not being depreciated	3,028,912	4,225,854	-	7,254,766
Capital assets, being depreciated:				
Buildings and improvements	117,972,276	157,735	-	118,130,011
Furniture and equipment	14,158,854	484,786	20,284	14,623,356
Total capital assets, being depreciated	132,131,130	642,521	20,284	132,753,367
Less accumulated depreciation for:				
Buildings and improvements	52,744,538	2,092,598	-	54,837,136
Furniture and equipment	9,211,081	1,019,129	1,014	10,229,196
Total accumulated depreciation	61,955,619	3,111,727	1,014	65,066,332
Governmental activities capital assets, net	\$ 73,204,423	\$ 1,756,648	\$ 19,270	\$ 74,941,801

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

Governmental activities:	
11 - Instruction	\$ 1,900,689
12 - Instruction Resources & Media Services	39,096
23 - School Leadership	115,179
31 - Guidance, Counseling & Evaluation Services	57,590
34 - Student (Pupil) Transportation	250,045
35 - Food Services	231,093
36 - Extracurricular Activities	86,906
41 - General Administration	53,639
51 - Plant Maintenance & Operations	237,860
52 - Security & Monitoring Services	<u>139,630</u>
Total Depreciation Expense	<u>\$ 3,111,727</u>

Construction-in-progress is mainly professional services provided prior to issuing any contracts.

### K. Long-Term Debt

Long-term debt of the District is comprised of bonds payable, accreted interest, premium on bonds, compensated absences, and net pension liability. Debt service requirements for general obligation bonds are payable from fund balance and future revenues of the Debt Service Fund which consists principally of property taxes collected by the District, state funding, and interest earnings. Capital leases are paid from fund balance and future revenues of the General Fund.

The following is a summary of changes in long-term debt for government activities for the year ended June 30, 2017.

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Bonds payable	\$ 143,039,126	\$ -	\$ 4,525,000	\$ 138,514,126	\$ 4,955,000
Accreted interest	262,354	120,220	-	382,574	-
Premium on bonds	25,698,277	-	1,115,763	24,582,514	-
Net pension liability	<u>14,844,815</u>	<u>2,021,589</u>	<u>1,308,137</u>	<u>15,558,267</u>	<u>-</u>
Total	<u>\$ 183,844,572</u>	<u>\$ 2,141,809</u>	<u>\$ 6,948,900</u>	<u>\$ 179,037,481</u>	<u>\$ 4,955,000</u>

### L. Bonds Payable

Bonded indebtedness of the District is reflected in the statement of net position. Current requirements for principal and interest expenditures are accounted for in the Debt Service Fund in the fund financial statements.

A summary of changes in general obligation bonds for the year ended June 30, 2017, are as follows:

Issue/ Maturity Date	Interest Rates Payable	Amounts Original Issue	Beginning Balance	Issued	Accreted Interest	Retired	Ending Balance	Amounts Due Within One Year
Series 2006								
UTSB Bonds/ 2018	4.37%/4.42%	\$ 395,000	\$ 395,000	\$ -	\$ -	\$ 165,000	\$ 230,000	\$ 230,000
Series 2008								
UTR Bonds/2020	3.875%/5.25%	72,100,006	2,655,000	-	-	670,000	1,985,000	710,000
Series 2013								
UTSB Bonds/ 2018	1.4%/3.0%	8,659,995	7,155,000	-	-	-	7,155,000	-
Series 2013								
UTSB Bonds/ 2018	1.38%	10,000,000	3,835,000	-	-	1,935,000	1,900,000	1,900,000
Series 2014								
UTR Bonds/2029	2.0%/3.69%	8,622,083	5,310,000	-	-	1,755,000	3,555,000	1,790,000
Principal on CAB		-	2,012,083	-	-	-	2,012,083	-
Premium on CAB		-	1,057,043	-	-	-	1,057,043	-
Accreted Interest on CAB		-	262,354	-	120,220	-	382,574	-
Series 2015								
UTR Bonds/2031	1.0%/5.0%	12,740,000	11,645,000	-	-	-	11,645,000	-
Series 2016								
UTSB Bonds/ 2041	2.0%/5.0%	108,975,000	<u>108,975,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>108,975,000</u>	<u>325,000</u>
Total			<u>\$ 143,301,480</u>	<u>\$ -</u>	<u>\$ 120,220</u>	<u>\$ 4,525,000</u>	<u>\$ 138,896,700</u>	<u>\$ 4,955,000</u>

The following is a summary of the District's future annual debt service requirements to maturity for general obligation bonds.

Year Ended June 30	Principal	Interest	Total Requirements
2018	\$ 4,955,000	\$ 6,149,120	\$ 11,104,120
2019	4,255,000	6,043,325	10,298,325
2020	4,425,000	5,877,725	10,302,725
2021	4,610,000	5,704,475	10,314,475
2022	3,415,000	5,502,775	8,917,775
2023-2027	20,955,000	24,811,438	45,766,438
2028-2032	26,890,000	20,579,900	47,469,900
2033-2037	35,085,000	13,927,750	49,012,750
2038-2042	<u>35,865,000</u>	<u>4,380,750</u>	<u>40,245,750</u>
	<u>\$ 140,455,000</u>	<u>\$ 92,977,258</u>	<u>\$ 233,432,258</u>
Less: accreted interest on bonds	<u>1,558,300</u>		
Par value of bonds outstanding	<u>\$ 138,896,700</u>		

A portion of the bonds sold in the Series 2014A bond issues were premium capital appreciation bonds. These obligations have part values of \$3,069,126 and maturity values of \$5,010,000. The interest on these obligations will be paid upon maturity in fiscal years ending June 30, 2027 through 2029. The accreted value of these bonds at June 30, 2017, is \$3,451,700 which has been recorded in the government-wide financial statements.

Interest and fees paid on general obligation bonds during the year was \$3,468,309.

There are numerous limitations and restrictions contained in the various general obligation bond indentures. The District has complied with all significant limitations and restrictions as of June 30, 2017.

**M. Prior Year Deafeasance of Debt**

In prior years, the District issued refunding bonds for the purpose of restructuring debt cash flow requirements. Proceeds from the refunding bonds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. The old bonds are considered defeased, and accordingly, the trust account assets and liabilities are not included in the District’s financial statements. On June 30, 2017, the District had no bonds considered defeased and outstanding.

**N. Revenue from Local and Intermediate Sources**

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

	General Fund	Capital Projects Fund	Debt Service Fund	Other Funds	Fund Totals
Property taxes	\$ 27,735,493	\$ -	\$ 10,816,310	\$ -	\$ 38,551,803
Food sales	-	-	-	649,639	649,639
Penalties, interest & other tax related income	246,573	-	62,978	-	309,551
Tuition & fees	105,728	-	-	-	105,728
Earnings - temporary deposits & investments	107,291	808,573	21,543	2,686	940,093
Rent	80,459	-	-	278	80,737
Foundations, gifts & bequests	5,700	-	-	-	5,700
Insurance recovery	21,263	-	-	-	21,263
Other revenues from local sources	109,584	-	-	500	110,084
Ex/cocurricular activities	139,502	-	-	771,106	910,608
Enterprising activities	77,204	-	-	-	77,204
<b>Total</b>	<b>\$ 28,628,797</b>	<b>\$ 808,573</b>	<b>\$ 10,900,831</b>	<b>\$ 1,424,209</b>	<b>\$ 41,762,410</b>

**O. State Aid Revenue**

The District receives state revenues from TEA based upon application of formula allocations, on behalf allocations, and other state miscellaneous programs. The components of state program revenues as shown in the governmental fund financial statements are as follows:

	General Fund	Debt Service Fund	Other Funds	Totals
Per Capita Apportionment	\$ 2,423,478	\$ -	\$ -	\$ 2,423,478
Found. School Prg. Act Entitlements	18,876,287	-	-	18,876,287
State Program Revenues	19,208	133,864	716,181	869,253
TRS On-behalf Payments	1,960,718	-	20,452	1,981,170
TRS Medicare Part-D	191,331	-	-	191,331
<b>Totals</b>	<b>\$ 23,471,022</b>	<b>\$ 133,864</b>	<b>\$ 736,633</b>	<b>\$ 24,341,519</b>

## P. Federal Program Revenues

The District receives federal program revenues for various programs as follows:

Revenues	General Fund	Other Funds
Indirect costs	\$ 60,062	\$ -
School Health & Related Services (SHARS)	578,987	-
Federal Communications Commission - Direct	654,560	-
U.S. Department of Education - Passed Through	-	2,792,221
U.S. Department of Agriculture - Passed Through	-	2,761,758
Totals	\$ 1,293,609	\$ 5,553,979

## Q. Employee Benefits

### 1. Compensated Absences

Employees of the District are entitled to personal leave based on category/class of employment. Personal leave is allowed to accumulate but does not vest. Therefore, a liability for unused personal leave has not been recorded in the financial statements.

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

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

**Pension Plan Fiduciary Net Position.** Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at [https://www.trs.texas.gov/TRS%20Documents/cafr\\_2016.pdf](https://www.trs.texas.gov/TRS%20Documents/cafr_2016.pdf); by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

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

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

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

Contribution Rates		
	2016	2017
Member	7.2%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Current fiscal year employer contributions		\$ 1,289,231
Current fiscal year member contributions		3,120,238
2016 measurement year NECE on-behalf contributions		1,933,131

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

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

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

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

- When employing a retiree of 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 or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

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

Valuation Date	August 31, 2016
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-Term Expected Investment Rate of Return	8.00%
Inflation	2.50%
Salary Increases including Inflation	3.5% to 9.0%
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. 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	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns*
Global Equity			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Hedge Funds (Stable Value)	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy and Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk Parity			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
Total	100%		8.7%

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

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

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
District's proportionate share of the net pension liability:	\$ 24,078,956	\$ 15,558,267	\$ 8,331,000

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.** At June 30, 2017, the District's liability was \$15,558,267 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	\$ 15,558,267
State's proportionate share that is associated with District	<u>22,945,963</u>
Total	<u><u>\$ 38,504,230</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.

At August 31, 2016 the employer's proportion of the collective net pension liability was 0.0411719% which was a decrease of .0008235% from its proportion measured as of August 31, 2015.

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

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

For the year ended June 30, 2017, the District's pension expense was \$2,381,244 and revenue of \$2,381,244 for support provided by the State.

At June 30, 2017, the District's 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
Difference between expected and actual economic experience	\$ 243,951	\$ 464,561
Changes in actuarial assumptions	474,188	431,254
Difference between projected and actual investment earnings	1,317,442	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	3,436,305	1,201
Totals as of August 31, 2016 measurement date	<u>5,471,886</u>	<u>897,016</u>
Contributions paid to TRS subsequent to the measurement date	<u>1,093,347</u>	<u>-</u>
Total	<u>\$ 6,565,233</u>	<u>\$ 897,016</u>

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

Year Ended June 30	Pension Expense Amount
2018	\$ 811,378
2019	811,378
2020	1,651,707
2021	746,808
2022	486,521
Thereafter	67,078

### 3. Retiree Health Plan

**Plan Description** – The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit post-employment health care plan administered by the Teacher Retirement System of Texas. TRS-Care provides health care coverage for certain persons (and their dependents) who retire under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Texas Insurance Code Section 1575.052 grants to the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, by phoning the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet Website, [www.trs.state.tx.us](http://www.trs.state.tx.us) under the TRS Publication heading.

**Funding Policy** – Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The Contribution Rate for the State was 1.00% for 2015, 2016 and 2017. The funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. The contribution rate for the District was 0.55% for each of these three years. The contribution rate for active employees was 0.65% of the District payroll for each of the three years. For staff members funded by federal programs, the federal programs are required to contribute 1.0%.

**Contributions.** Contributions made by the State on behalf of the District are recorded in the governmental funds financial statement as both revenue and expenditures. State contributions to TRS-Care made on behalf of the District’s employees as well as the District’s required contributions and federal grant program contributions for the years ended June 30, 2017, 2016 and 2015 are as follows:

Contribution Amounts and Rates				
		2017	2016	2015
District Contributions	\$	188,682	\$ 219,313	\$ 210,088
State Contributions		343,018	398,746	381,974
Employee Contributions		222,987	249,187	248,282

#### 4. Medicare Part D Coverage

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended June 30, 2017, 2016, and 2015, the subsidy payments received by TRS-Care on-behalf of the District were \$191,331, \$152,443, and \$155,216, respectively. The information for the year ended June 30, 2017 is an estimate provided by the Teachers Retirement System. These payments are recorded as equal revenues and expenditures in the governmental funds financial statements of the District.

## **5. Active Employee Health Care Coverage**

The District participates in TRS Active Care sponsored by the Teacher Retirement System of Texas and administered through Aetna and Caremark (pharmacy). TRS Active Care provides health care coverage to employees (and their dependents) of participating public education entities. Optional life and long-term care insurance are also provided to active members and retirees. The plan is authorized by the Texas Insurance Code, Title 8, Subtitle H, Chapter 1579 and by the Texas Administrative Code, Title 34, Part 3, Chapter 41. The District contributed approximately \$225 per month per participant to the plan, and employees, at their option, authorized payroll withholdings to pay employee contributions and additional premiums for dependents. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS ActiveCare. That report may be obtained by visiting the TRS Website at [www.trs.state.tx.us](http://www.trs.state.tx.us), by writing the Communications Department of the Texas Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling (800) 223-8778.

## **6. Workers' Compensation Program**

During the year, the District met its statutory workers' compensation obligations through participation in the Texas Association of School Boards ("TASB") Risk Management Fund (the "Fund"). The Fund was created and is operated under the provision of the Inter-local Cooperation Act, Chapter 491 of the Texas Governmental Code. The Fund's Workers Compensation Program is authorized by Chapter 504, Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members and their injured employees.

The member participates in the Fund's reimbursable aggregate deductible program. As such, the member is responsible for a certain amount of claims liability as outlined on the member's Contribution and Coverage Summary document. After the member's deductible has been met, the Fund is responsible for additional claims.

The Fund and its members are protected against higher than expected claims costs through the purchase of stop loss coverage for any claim in excess of the Fund's self-insured retention of \$1.5 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. For the year-ended May 31, 2017, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions and reimbursable aggregate deductibles.

The Fund engages the services of independent auditors to conduct a financial audit after the close of each plan year on June 30. The audit is approved by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of May 31, 2017, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

The following is the District’s estimated outstanding liability as of June 30, 2017:

Fund Year	Claim Count at 2/28/17	Aggregate Liability	Estimated Paid Loss & ALAE at 6/30/2017	Selected Ultimate Loss & ALAE	District Net Retained Loss * ALAE 6/30/2017
2012-13	68	\$ 283,333	\$ 372,143	\$ 283,333	\$ -
2013-14	58	249,811	94,083	94,083	-
2014-15	76	251,862	263,981	251,862	-
2015-16	90	240,204	166,115	240,204	74,089
2016-17	61	249,812	39,023	190,682	151,659

**R. Commitments and Contingencies**

**1. State and Federal Grants**

Minimum foundation funding received from TEA is based primarily upon information concerning average daily attendance at the District’s schools which is compiled by the District and supplied to TEA. Federal funding for Food Service under child nutrition programs is based primarily upon the number and type of meals served and on user charges as reported to the United States Department of Agriculture (“USDA”). Federal and state funding received related to various grant programs are based upon periodic reports detailing reimbursable expenditures made in compliance with program guidelines to the grantor agencies. These programs are governed by various statutory rules and regulations of the grantors. Amounts received and receivable under these various funding programs are subject to periodic audit and adjustment by the funding agencies. To the extent, if any, that the District has not complied with all the rules and regulations with respect to performance, financial or otherwise, adjustment to or return of funding monies may be required. In the opinion of the District’s administration, there are no significant contingent liabilities relating to matters of compliance and, accordingly, no provision has been made in the accompanying financial statements for such contingencies.

**2. Litigation**

The District and its legal counsel believe that the District is not a party to any litigation as of June 30, 2017.

**S. 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 current fiscal year, 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.

**REQUIRED SUPPLEMENTARY  
INFORMATION**

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**CLEBURNE INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET TO ACTUAL**

**GENERAL FUND**

**FOR THE TEN MONTHS ENDED JUNE 30, 2017**

Data Control Codes		Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
		Original	Final		
<b>REVENUES</b>					
5700	Local and intermediate sources	\$ 28,398,407	\$ 28,398,407	\$ 28,628,797	\$ 230,390
5800	State programs	23,521,752	23,521,752	23,471,022	( 50,730)
5900	Federal programs	410,000	410,000	1,293,609	883,609
5020	Total revenues	<u>52,330,159</u>	<u>52,330,159</u>	<u>53,393,428</u>	<u>1,063,269</u>
<b>EXPENDITURES</b>					
Current:					
0011	Instruction	32,169,275	32,104,713	28,537,838	3,566,875
0012	Instructional resources and media sources	522,653	523,182	465,700	57,482
0013	Curriculum and staff development	962,017	1,023,858	854,735	169,123
0021	Instructional leadership	941,094	952,323	765,093	187,230
0023	School leadership	3,336,869	3,371,955	2,806,546	565,409
0031	Guidance, counseling, and evaluation services	1,358,383	1,359,181	1,164,044	195,137
0032	Social work services	3,000	3,000	-	3,000
0033	Health services	683,567	682,386	596,127	86,259
0034	Student transportation	2,030,689	2,030,689	1,682,679	348,010
0035	Food service	-	3,000	1,260	1,740
0036	Extracurricular activities	1,812,192	1,872,328	1,705,050	167,278
0041	General administration	1,831,984	1,826,984	1,469,631	357,353
0051	Facilities maintenance and operations	6,584,880	8,551,880	6,854,633	1,697,247
0052	Security and monitoring services	383,721	385,592	306,885	78,707
0053	Data processing services	937,561	1,158,561	920,759	237,802
0061	Community services	45,616	45,536	42,060	3,476
0081	Facilities acquisition and construction	-	420,000	-	420,000
Intergovernmental:					
0093	Payments related to shared services arrangement	91,476	91,476	86,088	5,388
0095	Payments to Juvenile Justice Alternative	12,640	12,640	-	12,640
0099	Other governmental charges	532,536	537,536	537,277	259
6030	Total expenditures	<u>54,240,153</u>	<u>56,956,820</u>	<u>48,796,405</u>	<u>8,160,415</u>
1100	<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>( 1,909,994)</u>	<u>( 4,626,661)</u>	<u>4,597,023</u>	<u>9,223,684</u>
1200	<b>NET CHANGE IN FUND BALANCES</b>	<u>( 1,909,994)</u>	<u>( 4,626,661)</u>	<u>4,597,023</u>	<u>9,223,684</u>
0100	<b>FUND BALANCES, BEGINNING</b>	<u>19,033,634</u>	<u>19,033,634</u>	<u>19,033,634</u>	<u>-</u>
3000	<b>FUND BALANCES, ENDING</b>	<u>\$ 17,123,640</u>	<u>\$ 14,406,973</u>	<u>\$ 23,630,657</u>	<u>\$ 9,223,684</u>

**CLEBURNE INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE**  
**OF THE NET PENSION LIABILITY**  
**TEACHER RETIREMENT SYSTEM**  
**FOR THE TEN MONTHS ENDED JUNE 30, 2017**

Plan Year:	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability (asset)	0.0411719%	0.0419954%	0.0258296%
District's proportionate share of the net pension liability (asset)	\$ 15,558,267	\$ 14,844,815	\$ 6,899,443
State's proportionate share of the net pension liability (asset) associated with the District	<u>22,945,963</u>	<u>22,040,794</u>	<u>19,174,424</u>
Total	<u>\$ 38,504,230</u>	<u>\$ 36,885,609</u>	<u>\$ 26,073,867</u>
District's covered-employee payroll	\$ 39,874,564	\$ 38,197,429	\$ 35,778,661
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	39.02%	38.86%	19.28%
Plan fiduciary net position as a percentage of the total pension liability	78.43%	78.43%	83.25%

Note: Only three years of data is presented in accordance with GASB #68, paragraph 138. "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."

**CLEBURNE INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICT CONTRIBUTIONS**  
**TEACHER RETIREMENT SYSTEM**  
**FOR THE TEN MONTHS ENDED 2017**

Fiscal Year:	<u>2017*</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,093,347	\$ 1,231,658	\$ 1,149,892
Contributions in relation to the contractually required contribution	<u>( 1,093,347)</u>	<u>( 1,231,658)</u>	<u>( 1,149,892)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 34,301,830	\$ 39,874,564	\$ 38,197,429
Contribution as a percentage of covered-employee payroll	3.19%	3.09%	3.01%

Note: Only three years of data is presented in accordance with GASB #68, paragraph 138. "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."

\* During the fiscal year 2017, the District changed its fiscal year to June 30. This represents ten months of data.

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# CLEBURNE INDEPENDENT SCHOOL DISTRICT

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2017

The Board of Trustees adopts an “appropriated budget” for the General Fund, Child Nutrition Program and the Debt Service Fund. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The general fund budget report appears in Exhibit G-1 “Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund” and the other two reports are in Exhibit J-4 “Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Child Nutrition Program” and J-5 “Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Debt Service Fund.”

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

1. Prior to June 20 the District prepares a budget for the next succeeding fiscal year beginning July 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 notices of the meeting must be given.
3. Prior to July 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can be amended at the function and fund level by approval of a majority of the members of the Board. Changes can be made to the budget at any detail within the function level without an amendment approved by the Board. During the year, several budget amendments were made with Board approval. The most significant amendments were for carryover funding; mid-year adjustments of operating costs; and year-end adjustments to expenditures based on the latest information concerning operating cost. All budget appropriations lapse at year-end.

	Original Budget	Increase (Decrease)	Amended Budget
	<u>Appropriations</u>	<u>(Decrease)</u>	<u>Appropriations</u>
General Fund - Exhibit G-1	\$ 54,240,153	\$ 2,716,667	\$ 56,956,820
Child Nutrition Program - Exhibit J-4	3,417,438	43,700	3,461,138
Debt Service Fund - Exhibit J-5	11,070,870	-	11,070,870

The General Fund – Major amendments were in Function 51, Facilities Maintenance and Operations for unanticipated maintenance expenditures note include original budget. Amendments were also made to other Functions for increased personnel costs.

The Child Nutrition Program’s major amendments were for \$43,700 for increases in food service operating costs.

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# **COMBINING SCHEDULES**

**CLEBURNE INDEPENDENT SCHOOL DISTRICT**

**COMBINING BALANCE SHEET**

**NONMAJOR GOVERNMENTAL FUNDS**

**JUNE 30, 2017**

	206 ESEA Title X, Pt. C Homeless	211 ESEA I, A Improving Basic Program	220 Adult Education Program	223 TANF Family Assistance
<b>ASSETS</b>				
Cash and cash equivalents	\$( 10,249)	\$ 411,525	\$ -	\$ -
Due from other governments	14,529	364,773	-	-
Due from other funds	438	-	-	-
Inventories	-	-	-	-
 Total assets	 <u>4,718</u>	 <u>776,298</u>	 <u>-</u>	 <u>-</u>
<b>LIABILITIES</b>				
Accounts payable	-	7,790	-	-
Payroll deductions and withholdings payable	801	28,782	-	-
Accrued wages payable	3,917	198,555	-	-
Due to other funds	-	541,171	-	-
Due to other governments	-	-	-	-
Unearned revenues	-	-	-	-
 Total liabilities	 <u>4,718</u>	 <u>776,298</u>	 <u>-</u>	 <u>-</u>
<b>FUND BALANCES</b>				
<b>Nonspendable Fund Balance:</b>				
Inventories	-	-	-	-
Restricted for:				
Federal and state programs	-	-	-	-
Committed for:				
Other committed fund balance	-	-	-	-
 Total fund balances	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>
 Total liabilities and fund balances	 <u>\$ 4,718</u>	 <u>\$ 776,298</u>	 <u>\$ -</u>	 <u>\$ -</u>



224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II, A Training and Recruiting	263 Title III, A English Lang. Acquisition	381 Adult Basic Education State	397 Advanced Placement Incentives
\$( 92,053)	\$( 2,963)	\$ 1,084,790	\$ -	\$( 21,835)	\$( 13,434)	\$ -	\$( 18,400)
235,102	8,417	35,439	-	62,207	33,943	-	17,550
7,023	-	12,892	-	2,024	2,027	-	850
-	-	91,373	-	-	-	-	-
<u>150,072</u>	<u>5,454</u>	<u>1,224,494</u>	<u>-</u>	<u>42,396</u>	<u>22,536</u>	<u>-</u>	<u>-</u>
-	-	31,891	-	4,982	-	-	-
20,061	542	13,023	-	4,567	2,918	-	-
130,011	4,912	174,495	-	32,847	19,618	-	-
-	-	12,188	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	56,383	-	-	-	-	-
<u>150,072</u>	<u>5,454</u>	<u>287,980</u>	<u>-</u>	<u>42,396</u>	<u>22,536</u>	<u>-</u>	<u>-</u>
-	-	91,373	-	-	-	-	-
-	-	845,141	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>936,514</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 150,072</u>	<u>\$ 5,454</u>	<u>\$ 1,224,494</u>	<u>\$ -</u>	<u>\$ 42,396</u>	<u>\$ 22,536</u>	<u>\$ -</u>	<u>\$ -</u>

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**CLEBURNE INDEPENDENT SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2017**

	410 State Textbook Fund	428 High School Allotment	429 Other State Special Awards	461 Campus Activity Funds	Total Nonmajor Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 28,638	\$ -	\$( 37,626)	\$ 534,482	\$ 1,862,875
Due from other governments	298,574	-	56,400	-	1,126,934
Due from other funds	-	-	1,809	-	27,063
Inventories	-	-	-	-	91,373
<b>Total assets</b>	<u>327,212</u>	<u>-</u>	<u>20,583</u>	<u>534,482</u>	<u>3,108,245</u>
<b>LIABILITIES</b>					
Accounts payable	324,945	-	-	1,124	370,732
Payroll deductions and withholdings payable	-	-	3,355	-	74,049
Accrued wages payable	-	-	16,477	-	580,832
Due to other funds	-	-	-	114	553,473
Due to other governments	2,267	-	-	-	2,267
Unearned revenues	-	-	-	-	56,383
<b>Total liabilities</b>	<u>327,212</u>	<u>-</u>	<u>19,832</u>	<u>1,238</u>	<u>1,637,736</u>
<b>FUND BALANCES</b>					
<b>Nonspendable Fund Balance:</b>					
Inventories	-	-	-	-	91,373
Restricted for:					
Federal and state programs	-	-	751	-	845,892
Committed for:					
Other committed fund balance	-	-	-	533,244	533,244
<b>Total fund balances</b>	<u>-</u>	<u>-</u>	<u>751</u>	<u>533,244</u>	<u>1,470,509</u>
<b>Total liabilities and fund balances</b>	<u>\$ 327,212</u>	<u>\$ -</u>	<u>\$ 20,583</u>	<u>\$ 534,482</u>	<u>\$ 3,108,245</u>

**CLEBURNE INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE TEN MONTHS ENDED JUNE 30, 2017**

	206 ESEA Title X, Pt. C Homeless	211 ESEA I, A Improving Basic Program	220 Adult Education Federal	223 TANF Family Assistance
<b>REVENUES</b>				
Local and intermediate sources	\$ -	\$ -	\$ -	\$ -
State programs	-	-	-	-
Federal programs	28,037	1,373,998	-	-
Total revenues	<u>28,037</u>	<u>1,373,998</u>	<u>-</u>	<u>-</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	27,044	1,261,361	-	-
Instruction resources and media services	-	2,935	-	-
Curriculum and staff development	-	37,512	-	-
Instructional leadership	-	-	-	-
School leadership	-	34,637	-	-
Guidance, counseling and evaluation services	-	2,360	-	-
Social work services	993	161	-	-
Health services	-	2,414	-	-
Student transportation	-	14,182	-	-
Food service	-	-	-	-
Extracurricular activities	-	-	-	-
Facilities maintenance and operations	-	-	-	-
Securities and monitoring services	-	-	-	-
Community services	-	18,436	-	-
Total expenditures	<u>28,037</u>	<u>1,373,998</u>	<u>-</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	-	-	-	-
<b>OTHER FINANCING SOURCES (USES)</b>				
<b>NET CHANGE IN FUND BALANCES</b>	-	-	-	-
<b>FUND BALANCES, BEGINNING</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II, A Training and Recruiting	263 Title III, A English Lang. Acquisition	381 Adult Basic Education State	397 Advanced Placement Incentives
\$ -	\$ -	\$ 653,103	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	40,395	-	-	-	-	17,550
<u>926,836</u>	<u>29,915</u>	<u>2,761,758</u>	<u>77,260</u>	<u>233,316</u>	<u>122,859</u>	-	-
<u>926,836</u>	<u>29,915</u>	<u>3,455,256</u>	<u>77,260</u>	<u>233,316</u>	<u>122,859</u>	-	<u>17,550</u>
449,516	29,915	-	77,260	216,980	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	11,149	122,859	-	17,550
-	-	-	-	506	-	-	-
-	-	-	-	3,516	-	-	-
<u>477,320</u>	-	-	-	<u>1,165</u>	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	3,118,278	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	18,721	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>926,836</u>	<u>29,915</u>	<u>3,136,999</u>	<u>77,260</u>	<u>233,316</u>	<u>122,859</u>	-	<u>17,550</u>
-	-	318,257	-	-	-	-	-
-	-	318,257	-	-	-	-	-
-	-	<u>618,257</u>	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 936,514</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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**CLEBURNE INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE TEN MONTHS ENDED JUNE 30, 2017**

	410 State Textbook Fund	428 High School Allotment	429 Other State Special Revenue Funds	461 Campus Activity Funds	Total Nonmajor Governmental Funds
<b>REVENUES</b>					
Local and intermediate sources	\$ -	\$ -	\$ -	\$ 771,106	\$ 1,424,209
State programs	460,134	83,144	135,410	-	736,633
Federal programs	-	-	-	-	5,553,979
Total revenues	<u>460,134</u>	<u>83,144</u>	<u>135,410</u>	<u>771,106</u>	<u>7,714,821</u>
<b>EXPENDITURES</b>					
Current:					
Instruction	458,288	83,144	130,021	236,582	2,970,111
Instruction resources and media services	-	-	-	3,598	6,533
Curriculum and staff development	1,846	-	5,389	1,000	197,305
Instructional leadership	-	-	-	-	506
School leadership	-	-	-	10,690	48,843
Guidance, counseling and evaluation services	-	-	-	-	480,845
Social work services	-	-	-	-	1,154
Health services	-	-	-	-	2,414
Student transportation	-	-	-	75	14,257
Food service	-	-	-	-	3,118,278
Extracurricular activities	-	-	-	491,520	491,520
Facilities maintenance and operations	-	-	-	868	19,589
Securities and monitoring services	-	-	-	4,222	4,222
Community services	-	-	-	-	18,436
Total expenditures	<u>460,134</u>	<u>83,144</u>	<u>135,410</u>	<u>748,555</u>	<u>7,374,013</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	-	-	-	22,551	340,808
<b>OTHER FINANCING SOURCES (USES)</b>					
<b>NET CHANGE IN FUND BALANCES</b>	-	-	-	22,551	340,808
<b>FUND BALANCES, BEGINNING</b>	<u>-</u>	<u>-</u>	<u>751</u>	<u>510,693</u>	<u>1,129,701</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 751</u>	<u>\$ 533,244</u>	<u>\$ 1,470,509</u>

**CLEBURNE INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF NET POSITION**  
**PRIVATE PURPOSE TRUST FUNDS**  
**JUNE 30, 2017**

	815 Nell Wiseman Neal Scholarship	816 Miscellaneous Scholarship Fund	818 Ball Snavelly Scholarship Fund	819 Pete Kendall Memorial Scholarship
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 9,758	\$ 18,940	\$ 677	\$ 310
Investments	697,650	7,427	111,703	19,658
Other receivables	<u>-</u>	<u>4,400</u>	<u>-</u>	<u>-</u>
Total assets	<u>707,408</u>	<u>30,767</u>	<u>112,380</u>	<u>19,968</u>
<b>NET POSITION</b>				
Restricted for scholarships	<u>707,408</u>	<u>30,767</u>	<u>112,380</u>	<u>19,968</u>
Total net position	<u>\$ 707,408</u>	<u>\$ 30,767</u>	<u>\$ 112,380</u>	<u>\$ 19,968</u>



820 Matt Calder Scholarship Fund	821 Lynn Palmer Scholarship Fund	822 Class of '42 Scholarship Fund	823 Johnnie Hyde Scholarship Fund	824 Alumni Scholarship Fund	825 Gerard Scholarship Fund
\$ 795	\$ 27	\$ ( 2,404)	\$ ( 197)	\$ 162,436	\$ 34,605
18,672	1,683	6,082	3,377	1,242,851	458,078
-	-	-	-	-	-
<u>19,467</u>	<u>1,710</u>	<u>3,678</u>	<u>3,180</u>	<u>1,405,287</u>	<u>492,683</u>
<u>19,467</u>	<u>1,710</u>	<u>3,678</u>	<u>3,180</u>	<u>1,405,287</u>	<u>492,683</u>
<u>\$ 19,467</u>	<u>\$ 1,710</u>	<u>\$ 3,678</u>	<u>\$ 3,180</u>	<u>\$ 1,405,287</u>	<u>\$ 492,683</u>

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**CLEBURNE INDEPENDENT SCHOOL DISTRICT**

**COMBINING STATEMENT OF NET POSITION**

**PRIVATE PURPOSE TRUST FUNDS**

**JUNE 30, 2017**

	826 Green & Davis Scholarship Fund	827 Lucile Ball Scholarship Fund	828 F. Nooner Scholarship Fund	Total Private Purpose Trust Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 6,417	\$ 4,904	\$( 804)	\$ 235,464
Investments	223,775	168,114	12,418	2,971,488
Other receivables	-	-	-	4,400
Total assets	<u>230,192</u>	<u>173,018</u>	<u>11,614</u>	<u>3,211,352</u>
<b>NET POSITION</b>				
Restricted for scholarships	<u>230,192</u>	<u>173,018</u>	<u>11,614</u>	<u>3,211,352</u>
Total net position	<u>\$ 230,192</u>	<u>\$ 173,018</u>	<u>\$ 11,614</u>	<u>\$ 3,211,352</u>

**CLEBURNE INDEPENDENT SCHOOL DISTRICT**

**COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION**

**PRIVATE PURPOSE TRUST FUNDS**

**FOR THE TEN MONTHS ENDED JUNE 30, 2017**

	815 Nell Wiseman Neal Scholarship	816 Miscellaneous Scholarship Fund	818 Bell Snavely Scholarship Fund	819 Pete Kendall Memorial Scholarship
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>ADDITIONS:</b>				
Local and intermediate sources	\$ <u>5,345</u>	\$ <u>13,032</u>	\$ <u>794</u>	\$ <u>150</u>
Total additions	<u>5,345</u>	<u>13,032</u>	<u>794</u>	<u>150</u>
<b>DEDUCTIONS:</b>				
Scholarships awarded	<u>-</u>	<u>3,000</u>	<u>-</u>	<u>-</u>
Total deduction	<u>-</u>	<u>3,000</u>	<u>-</u>	<u>-</u>
Change in net position	<u>5,345</u>	<u>10,032</u>	<u>794</u>	<u>150</u>
<b>TOTAL NET POSITION - JULY 1</b>	<u>702,063</u>	<u>20,735</u>	<u>111,586</u>	<u>19,818</u>
<b>TOTAL NET POSITION - JUNE 30</b>	\$ <u>707,408</u>	\$ <u>30,767</u>	\$ <u>112,380</u>	\$ <u>19,968</u>

820 Matt Calder Scholarship Fund	821 Lynn Palmer Scholarship Fund	822 Class of '42 Scholarship Fund	823 Johnnie Hyde Scholarship Fund	824 Alumni Scholarship Fund	825 Gerard Scholarship Fund
\$ <u>393</u>	\$ <u>13</u>	\$ <u>46</u>	\$ <u>25</u>	\$ <u>9,566</u>	\$ <u>3,023</u>
<u>393</u>	<u>13</u>	<u>46</u>	<u>25</u>	<u>9,566</u>	<u>3,023</u>
<u>-</u>	<u>-</u>	<u>875</u>	<u>-</u>	<u>2,044</u>	<u>1,725</u>
<u>-</u>	<u>-</u>	<u>875</u>	<u>-</u>	<u>2,044</u>	<u>1,725</u>
<u>393</u>	<u>13</u>	<u>( 829)</u>	<u>25</u>	<u>7,522</u>	<u>1,298</u>
<u>19,074</u>	<u>1,697</u>	<u>4,507</u>	<u>3,155</u>	<u>1,397,765</u>	<u>491,385</u>
\$ <u>19,467</u>	\$ <u>1,710</u>	\$ <u>3,678</u>	\$ <u>3,180</u>	\$ <u>1,405,287</u>	\$ <u>492,683</u>

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**CLEBURNE INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN NET POSITION**  
**PRIVATE PURPOSE TRUST FUNDS**  
**FOR THE TEN MONTHS ENDED JUNE 30, 2017**

	826 Green & Davis Scholarship Fund	827 Lucile Ball Scholarship Fund	828 F. Nooner Scholarship Fund	Total Private Purpose Trust Funds
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>ADDITIONS:</b>				
Local and intermediate sources	\$ <u>1,413</u>	\$ <u>2,720</u>	\$ <u>95</u>	\$ <u>36,615</u>
Total additions	<u>1,413</u>	<u>2,720</u>	<u>95</u>	<u>36,615</u>
<b>DEDUCTIONS:</b>				
Scholarships awarded	<u>750</u>	<u>58</u>	<u>-</u>	<u>8,452</u>
Total deduction	<u>750</u>	<u>58</u>	<u>-</u>	<u>8,452</u>
Change in net position	<u>663</u>	<u>2,662</u>	<u>95</u>	<u>28,163</u>
<b>TOTAL NET POSITION - JULY 1</b>	<u>229,529</u>	<u>170,356</u>	<u>11,519</u>	<u>3,183,189</u>
<b>TOTAL NET POSITION - JUNE 30</b>	<u>\$ 230,192</u>	<u>\$ 173,018</u>	<u>\$ 11,614</u>	<u>\$ 3,211,352</u>

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**REQUIRED TEXAS EDUCATION  
AGENCY SCHEDULES**

**CLEBURNE INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF DELINQUENT TAXES RECEIVABLE**  
**FOR THE TEN MONTHS ENDED JUNE 30, 2017**

Last Ten Years Ended August 31,	1		2	3	10	20
	Tax Rates			Net Assessed/ Appraised Value for School Tax Purpose	Beginning Balance 09/01/16	Current Year's Total Levy
	Maintenance	Debt Service				
2008 and prior years	various	various		various	\$ 714,220	\$ -
2009	1.040000	0.196800		3,229,320,314	62,356	-
2010	1.040000	0.196800		3,379,047,550	216,497	-
2011	1.040000	0.196800		2,957,824,842	135,568	-
2012	1.040000	0.196800		2,900,378,134	103,495	-
2013	1.040000	0.196800		2,815,894,307	113,794	-
2014	1.040000	0.196800		2,644,490,296	198,206	-
2015	1.170000	0.196800		2,608,578,516	251,456	-
2016	1.170000	0.196800		2,560,987,414	581,740	-
2017 (School year under audit)	1.170000	0.460000		2,390,457,178	-	38,964,452
<b>1000 Totals</b>					\$ 2,377,332	\$ 38,964,452
					** \$ <u>-</u>	\$ <u>-</u>

\*\*7/1/2017 to 8/31/2017 activity after NEW fiscal year end pertaining to Tax Year 2016

**EXHIBIT J-1**

31	32	40	50
Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustments	Ending Balance 06/30/17
\$ 218	\$ 33	\$( 177,070)	\$ 536,899
1,000	189	( 345)	60,822
6,121	1,157	( 346)	208,873
9,895	1,871	( 345)	123,457
9,863	1,865	1,377	93,144
12,927	2,444	3,399	101,822
29,938	5,659	3,276	165,885
65,557	11,016	3,429	178,312
262,955	44,185	( 23,754)	250,846
<u>27,140,150</u>	<u>10,670,490</u>	<u>( 158,013)</u>	<u>995,799</u>
<u>\$ 27,538,624</u>	<u>\$ 10,738,909</u>	<u>\$( 348,392)</u>	<u>\$ 2,715,859</u>
<u>\$ 201,047</u>	<u>\$ 73,226</u>	<u>\$ 17,247</u>	<u>\$ 2,458,833</u> Ending Balance @ 8/31/2017

**CLEBURNE INDEPENDENT SCHOOL DISTRICT**  
**FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET - UNAUDITED**  
**GENERAL FUND**  
**FOR THE TEN MONTHS ENDED JUNE 30, 2017**  
**(UNAUDITED)**

Data Control Codes	Explanation		
1	Total General Fund Balance as of 8/31/16 (Exhibit C-1 object 3000 for the General Fund only)	\$	23,630,657
2	Total Non-Spendable Fund Balance (from Exhibit C-1 - total of object 341X-344X for the General Fund only)	\$	218,299
3	Total Restricted Fund Balance (from Exhibit C-1 - total of object 345X-349X for the General Fund only)		-
4	Total Committed Fund Balance (from Exhibit C-1 - total of object 351X-354X for the General Fund only)		-
5	Total Assigned Fund Balance (from Exhibit C-1 - total of object 355X-359X for the General Fund only)		-
6	Estimated amount needed to cover fall cash flow deficits in General Fund (net of borrowed funds and funds representing deferred revenues)		4,950,711
7	Estimate of two months' average cash disbursements during the fiscal year		9,759,281
8	Estimate of delayed payments from state sources (58XX)		-
9	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount		-
10	Estimate of delayed payments from federal sources (59XX)		-
11	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)		-
12	Optimum Fund Balance and Cash Flow (2 + 3 + 4 + 5 + 6 + 7 + 8 + 9 + 10 + 11)		<u>14,928,291</u>
13	<u>Excess/(Deficit) Unassigned General Fund Balance (1 - 12)</u>	\$	<u>8,702,366</u>

The District will utilize positive fund balance to address maintenance needs for aging facilities.

**CLEBURNE INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM**  
**FOR THE TEN MONTHS ENDED JUNE 30, 2017**

Data Control Codes	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	
	Original	Final			
<b>REVENUES</b>					
5700	Local and intermediate sources	\$ 720,000	\$ 720,000	\$ 653,103	\$( 66,897)
5800	State programs	49,615	49,615	40,395	( 9,220)
5900	Federal programs	<u>2,655,512</u>	<u>2,655,512</u>	<u>2,761,758</u>	<u>106,246</u>
5020	Total revenues	<u>3,425,127</u>	<u>3,425,127</u>	<u>3,455,256</u>	<u>30,129</u>
<b>EXPENDITURES</b>					
0035	Food service	3,365,589	3,409,289	3,118,278	291,011
0051	Facilities maintenance and operations	<u>51,849</u>	<u>51,849</u>	<u>18,721</u>	<u>33,128</u>
6030	Total expenditures	<u>3,417,438</u>	<u>3,461,138</u>	<u>3,136,999</u>	<u>324,139</u>
1100	<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	7,689	( 36,011)	318,257	354,268
<b>OTHER FINANCING SOURCES (USES)</b>					
7912	Sale of real or personal property	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>( 5,000)</u>
1200	<b>NET CHANGE IN FUND BALANCES</b>	12,689	( 31,011)	318,257	349,268
0100	<b>FUND BALANCES, BEGINNING</b>	<u>618,257</u>	<u>618,257</u>	<u>618,257</u>	<u>-</u>
3000	<b>FUND BALANCES, ENDING</b>	<u>\$ 630,946</u>	<u>\$ 587,246</u>	<u>\$ 936,514</u>	<u>\$ 349,268</u>

**CLEBURNE INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES**  
**BUDGET AND ACTUAL - DEBT SERVICE FUND**  
**FOR THE TEN MONTHS ENDED JUNE 30, 2017**

Data Control Codes	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	
	Original	Final			
<b>REVENUES</b>					
5700	Local and intermediate sources	\$ 11,092,626	\$ 11,092,626	10,900,831	\$ ( 191,795)
5800	State programs	-	-	133,864	133,864
5020	Total revenues	<u>11,092,626</u>	<u>11,092,626</u>	<u>11,034,695</u>	<u>( 57,931)</u>
<b>EXPENDITURES</b>					
Debt service:					
0071	Principal on long-term debt	4,525,000	4,525,000	4,525,000	-
0072	Interest on long-term debt	6,542,870	6,542,870	3,468,112	3,074,758
0073	Bond issuance costs and fees	<u>3,000</u>	<u>3,000</u>	-	<u>3,000</u>
6030	Total expenditures	<u>11,070,870</u>	<u>11,070,870</u>	<u>7,993,112</u>	<u>3,077,758</u>
1200	<b>NET CHANGE IN FUND BALANCES</b>	21,756	21,756	3,041,583	3,019,827
0100	<b>FUND BALANCES, BEGINNING</b>	<u>2,408,174</u>	<u>2,408,174</u>	<u>2,408,174</u>	-
3000	<b>FUND BALANCES, ENDING</b>	<u>\$ 2,429,930</u>	<u>\$ 2,429,930</u>	<u>\$ 5,449,757</u>	<u>\$ 3,019,827</u>

# **COMPLIANCE SECTION**

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PATTILLO, BROWN & HILL, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

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

Board of Trustees  
Cleburne Independent School District  
Cleburne, Texas

We have audited, in accordance with the auditing standard 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 Cleburne Independent School District as of and for the ten months ended June 30, 2017, and the related notes to the financial statements which collectively comprise the Cleburne Independent School District's basic financial statements and have issued our report thereon dated November 13, 2017.

***Internal Control Over Financial Reporting***

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

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

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

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Cleburne Independent School District's financial statements are free of 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 Audit Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Pattillo, Brown & Hill, L.L.P.*

Waco, Texas  
November 13, 2017



PATTILLO, BROWN & HILL, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

Board of Trustees  
Cleburne Independent School District  
Cleburne, Texas

**Report on Compliance for Each Major Federal Program**

We have audited the Cleburne Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Cleburne Independent School District's major federal programs for the ten months ended June 30, 2017. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

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

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

## ***Opinion on Each Major Federal Program***

In our opinion, Cleburne Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the ten months ended June 30, 2017.

## **Report on Internal Control Over Compliance**

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

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

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

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

*Pattillo, Brown & Hill, L.L.P.*

Waco, Texas  
November 13, 2017

**CLEBURNE INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE TEN MONTHS ENDED JUNE 30, 2017**

(1) Federal Grantor/ Pass-through Grantor/ Grantor/Program Title	(2) Federal CFDA Number	(2A) Pass-through Entity Identifying Number	(3) Federal Expenditures
<b><u>U. S. DEPARTMENT OF AGRICULTURE</u></b>			
Passed through the Texas Education Agency:			
School Breakfast Program	10.553	714017	553,512
National School Lunch Program	10.555	713017	<u>1,915,961</u>
Total Passed through the Texas Education Agency			<u>2,469,473</u>
Passed through the Texas Department of Agriculture:			
Commodities - Noncash Assistance	10.555	00783	<u>256,846</u>
Total Child Nutrition Cluster			<u>2,726,319</u>
Passed through the Texas Department of Agriculture:			
State Administrative Expenses for Child Nutrition	10.560	00783	<u>35,439</u>
Total Passed through the Texas Department of Agriculture			<u>292,285</u>
<b>TOTAL U. S. DEPARTMENT OF AGRICULTURE</b>			<u>2,761,758</u>
<b><u>U. S. DEPARTMENT OF EDUCATION</u></b>			
Passed through the Texas Education Agency:			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	17610101126903	1,402,603
IDEA - Part B, Formula	84.027	17660001126903	946,822
IDEA - Part B, Preschool	84.173	17660001126903	<u>30,498</u>
Total Special Education Cluster (IDEA)			<u>977,320</u>
Career and Technical - Basic Grant	84.048	17420006126903	78,058
ESEA, Title X, Part C - Homeless Children	84.196	17-009	28,441
Title III, Part A - English Language Acquisition	84.365A	17671001126903	122,959
ESEA Title II, Part A, Teacher/Principal Training	84.367A	17694501126903	238,242
LEP Summer Program	84.369	69551602	<u>4,660</u>
Total Passed through the Texas Education Agency			<u>2,852,283</u>
<b>TOTAL U. S. DEPARTMENT OF EDUCATION</b>			<u>2,852,283</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 5,614,041</u>

# CLEBURNE INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2017

1. For all federal programs, the District uses the fund types specified in Texas Education Agency's *Financial Accountability System Resource Guide*. Special revenue funds are used to account for resources restricted to, or designed for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund.
2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The governmental funds are accounting for using a current financial resources measurement focus. All federal grant funds were accounted for in special revenue funds, which are governmental fund types. With this measurement focus, only current assets, current liabilities and fund balance are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

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

Federal grant revenues are considered to be earned to the extent of expenditures made under the provisions of the grant, and accordingly, when such amounts are received, they are recorded as unearned revenues until earned. The accompanying Schedule of Expenditures of Federal Awards is presented on the modified accrual basis of accounting.

3. The period of availability for federal grant programs for the purpose of liquidations of outstanding obligations made on or before the ending date of the federal project extended 30 days beyond the federal project period ending date.
4. 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 adjustments by the grantor agencies; therefore, to the extent that the District has not complied with rules and regulations governing the grants, refund of any money received may be required and the collectability of any related receivable may be impaired.
5. The following is a reconciliation of expenditures of federal awards program per the Schedule of Expenditures of Federal Awards and expenditures reported in the financial statements as follows:

Total federal sources per financial statements for Governmental Funds	\$	6,847,588
School Health & Related Services (SHARS) reimbursement not reported in the Schedule of Expenditures of Federal Awards	(	578,987)
E-Rate	(	<u>654,560</u> )
Total federal expenditures on Schedule of Expenditures of Federal Awards	\$	<u>5,614,041</u>

**CLEBURNE INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE TEN MONTHS ENDED JUNE 30, 2017**

**Summary of Auditors' Results**

Financial Statements:

Type of auditors' report issued Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiency(ies) identified? None reported

Noncompliance material to financial statements noted? None

Federal Awards:

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified? None reported

Type of auditors' report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? None

Identification of major programs:

CFDA Number(s):	Name of Federal Program or Cluster:
10.553 and 10.555	Child Nutrition Cluster
84.027 and 84.173	IDEA Cluster

Dollar threshold used to distinguish between type A and type B programs \$750,000

Auditee qualified as low-risk auditee? Yes

**Findings Relating to the Financial Statements Which are Required to be Reported in Accordance With Generally Accepted Government Auditing Standards**

None

**Findings and Questioned Costs for Federal Awards**

None

**CLEBURNE INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
**FOR THE TEN MONTHS ENDED JUNE 30, 2017**

None.