

**CLEBURNE INDEPENDENT SCHOOL
DISTRICT**

**ANNUAL FINANCIAL REPORT FOR THE
YEAR ENDED**

AUGUST 31, 2016

CLEBURNE INDEPENDENT SCHOOL DISTRICT
Table of Contents for
Year Ended August 31, 2016

<u>Exhibit</u>	<u>Page Number</u>
	Certificate of the Board
	3
	Independent Auditor’s Report
	4
	Management’s Discussion and Analysis
	7
	 <u>Basic Financial Statements:</u>
	Government-wide Financial Statements:
A-1	Statement of Net Position 16
B-1	Statement of Activities 17
	 Governmental Fund Financial Statements:
C-1	Balance Sheet 18
C-2	Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position 19
C-3	Statement of Revenues, Expenditures, and Changes in Fund Balance 20
C-4	Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities 21
	 Fiduciary Fund Financial Statements:
E-1	Statement of Fiduciary Net Position 22
E-2	Statement of Changes in Fiduciary Fund Net Position 23
F-1	Notes to the Financial Statements 24
	 <u>Required Supplementary Information:</u>
G-1	Budgetary Comparison Schedule - General Fund 56
G-6	Schedule of the District’s Proportionate Share of the Net Pension Liability - Teacher Retirement System of Texas 57
G-7	Schedule of District Contributions - Teacher Retirement System of Texas 58
	 <u>Combining Schedules:</u>
H-1	Combining Balance Sheet – Nonmajor Governmental Funds 60
H-2	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds 64
H-10	Combining Statement of Net Position – Private Purpose Trust Funds 68
H-11	Combining Statement of Revenues, Expenses, and Changes in Fund Net Position – Private Purpose Trust Funds 72
	 <u>Required Texas Education Agency Schedules:</u>
J-1	Schedule of Delinquent Taxes Receivable 76
J-3	Fund Balance and Cash Flow Calculation Worksheet (Optional) 78
J-4	Budgetary Comparison Schedule – Child Nutrition Program 79
J-5	Budgetary Comparison Schedule – Debt Service Fund 80

CLEBURNE INDEPENDENT SCHOOL DISTRICT
Table of Contents for
Year Ended August 31, 2016
(Continued)

Reports on Internal Controls, Compliance and Federal Awards:

	Independent Auditor’s Report on Internal Controls Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	82
	Independent Auditor’s Report on Compliance Applicable to Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	84
	Schedule of Findings and Questioned Costs	86
	Schedule of Status of Prior Findings	87
	Corrective Action Plan	88
K-1	Schedule of Expenditures of Federal Awards	90
	Notes to Schedule of Expenditures of Federal Awards	92

CERTIFICATE OF THE BOARD

Cleburne Independent School District
Name of School District

Johnson
County

126-903
Co. – Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) _____ approved _____ disapproved for the year ended August 31, 2016, at a meeting of the board of trustees of such school district on the _____ day of _____, 2016.

Signature of Board Secretary

Signature of Board President

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

KIRK, RICHARDSON & POOLE, P. C.

Certified Public Accountants

Tom Kirk, CPA	Don Richardson, CPA	Cindy Poole, CPA
7559 John T. White Road	P. O. Box 8342	Fort Worth, Texas 76124
(817) 451-7406	www.krp-cpa.com	Fax (817) 451-7597

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Cleburne Independent School District
505 N. Ridgeway, Suite 100
Cleburne, Texas 76033

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 (the "District") as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of August 31, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 7-14 and 56 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. Also included as required supplementary information are the schedule of the District's proportionate share of the net pension liability – Teacher Retirement System of Texas and schedule of District contributions – Teacher Retirement System of Texas on pages 57 and 58 respectively. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining fund financial statements, the required Texas Education Agency 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 fund financial statements, the required Texas Education Agency schedules, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Texas Education Agency requires school districts to include certain information in the Annual Financial and Compliance Report in conformity with laws and regulations of the State of Texas. This information is in Exhibits identified in the Table of Contents as J-1, J-4 and J-5.

Other Reporting Required By Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2016 on our consideration of the 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 reports

and compliance with 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 District's internal control over financial reporting and compliance.

Kirk, Richardson & Poole, P.C.

Kirk, Richardson & Poole, P.C.
Fort Worth, Texas
December 5, 2016

CLEBURNE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2016
UNAUDITED

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 fiscal year ended August 31, 2016. Please read this narrative in conjunction with the independent auditor's 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 District issued \$108,975,000 in Unlimited Tax School Building Bonds, Series 2016 for the purpose to acquire, construct, and equip school buildings and to pay the costs associated with issuance of the Bonds. See Notes to the Financial Statements for additional detail.
- The net position of the District at the close of its fiscal year was \$49,376,863, a net increase of \$411,329 over last year. The net increase is composed of \$487,168 increase in net position from current year operations, offset by prior period adjustments of (\$75,572) to adjust Teacher Retirement System new member contributions and (\$267) in miscellaneous adjustments to various student activity funds. Unrestricted net position of \$10,140,287 may be used to meet the District's ongoing obligations to citizens and creditors. Net Investment in Capital Assets is \$16,719,618. The remaining \$22,516,958 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 \$150,612,204 a net increase of \$130,633,986 over the prior year. The Capital Projects Fund accounted for \$127,512,165, or 97.6% of this increase. The General Fund increased by \$3,123,852 from current year operations, by \$421,282 from receiving a transfer from the Capital Projects Fund, and reduced by the (\$75,572) prior period adjustment as previously discussed. Other funds had a decrease of (\$354,599) from current year operations. This is primarily the result of the National Breakfast & Lunch Program having a current year loss from operations of (\$159,724) and Debt Service Fund being reduced by (\$168,102) from current year operations.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$18,429,982 or 35% of total General Fund current year expenditures. Prior year unassigned fund balance for the General Fund was \$15,199,661, or 30% 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

CLEBURNE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2016
UNAUDITED

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

CLEBURNE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2016
UNAUDITED

“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
Statement of Net Position**

	Governmental Activities	
	2016	2015
ASSETS:		
Current and other assets	\$156,277,545	\$ 24,839,936
Capital assets	73,204,423	75,574,916
Total assets	<u>229,481,968</u>	<u>100,414,852</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred charges for refunding	2,126,287	2,298,688
Teacher Retirement System	7,462,276	1,705,065
Total deferred outflow of resources	<u>9,588,563</u>	<u>4,003,753</u>
LIABILITIES:		
Long-term liabilities	183,844,572	49,827,284
Other liabilities	4,744,472	3,715,226
Total liabilities	<u>188,589,044</u>	<u>53,542,510</u>
DEFERRED INFLOW OF RESOURCES:		
Teacher Retirement System	<u>1,104,624</u>	<u>2,110,561</u>
NET POSITION:		
Net investment in capital assets	16,719,618	36,422,391
Restricted	22,516,958	4,363,978
Unrestricted	<u>10,140,287</u>	<u>8,179,165</u>
Total net position	<u>\$ 49,376,863</u>	<u>\$ 48,965,534</u>

The District’s governmental activities net position increased by a net of \$411,329, as previously discussed, from \$48,965,534 to \$49,376,863. A large portion of net position, \$16,719,618, or 34%, 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, \$22,516,958 or 46%, represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted assets, \$10,140,287 or 20%, may be used to meet the District’s ongoing obligations.

CLEBURNE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2016
UNAUDITED

Table 2
Statement of Activities

	Governmental Activities	
	2016	2015
REVENUES:		
Program revenues:		
Charges for services	\$ 2,408,887	\$ 2,259,599
Operating grants and contributions	11,235,996	9,123,522
General revenues:		
Maintenance and operations taxes	29,780,582	30,178,162
Debt service taxes	5,004,157	5,069,973
State aid – formula grants	21,924,956	17,679,944
Grants and contributions not restricted	569,576	1,085,553
Investment earnings	157,999	23,796
Miscellaneous local & intermediate revenue	502,474	459,103
Extraordinary item – tornado recovery	0	4,603
Total revenues	<u>71,584,627</u>	<u>65,884,255</u>
EXPENSES:		
Instruction & instructional-related services	42,546,142	37,930,462
Instructional & school leadership	4,621,590	4,112,327
Guidance, social work, health, transportation	4,938,863	4,466,934
Food service	3,780,972	3,525,731
Co-curricular activities	2,339,364	2,243,766
General administration	1,891,231	1,663,816
Plant maintenance & security	7,969,468	7,402,279
Data processing services	951,054	845,544
Community services	61,129	51,823
Debt service	1,390,329	382,387
Capital outlay	0	0
Intergovernmental charges	607,317	600,187
Total expenses	<u>71,097,459</u>	<u>63,225,256</u>
Increase/(Decrease) in net position before inflows/ outflows and special items	487,168	2,658,999
Net position beginning of year	48,965,534	54,178,423
Prior period adjustment	(75,839)	(7,871,888)
Net position end of year	<u>\$49,376,863</u>	<u>\$48,965,534</u>

CLEBURNE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2016
UNAUDITED

Governmental Revenue by Source

	Governmental Activities	
	2016	2015
Program Revenues:		
Charges for services	3.4%	3.4%
Operating grants and contributions	15.7%	13.8%
General Revenues:		
Maintenance & operating taxes	41.6%	45.8%
Debt service taxes	7.0%	7.7%
State aid – formula grants	30.6%	26.8%
Grants and contributions not restricted	0.8%	1.6%
All others	0.9%	0.9%
Total Revenues	100.0%	100.0%

Governmental Expenses by Function

	Governmental Activities	
	2016	2015
Instruction & instructional-related services	59.8%	60.0%
Instructional & school leadership	6.5%	6.5%
Guidance, social work, health, transportation	6.9%	7.1%
Food service	5.3%	5.6%
Co-curricular activities	3.3%	3.5%
General administration	2.7%	2.6%
Plant maintenance & security	11.2%	11.7%
Data processing services	1.3%	1.5%
Community services	0.1%	0.1%
Debt service	2.0%	0.6%
Capital outlay	0.0%	0.0%
Intergovernmental charges	0.9%	0.8%
Total Expenses	100.0%	100.0%

The District's net position increased by a net of \$487,168, or 1.0% from current fiscal year operations as shown below.

- 1) Total net change in Fund Balances – Governmental Funds - \$130,709,825
- 2) Capital outlays and long-term debt principal – \$5,824,067
- 3) Depreciation – (\$3,852,420)
- 4) GASB 68 adjustments – (\$1,182,224)
- 5) Other miscellaneous adjustments - \$(131,012,080)

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.

CLEBURNE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2016
UNAUDITED

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 \$150,612,204, a net increase of \$130,633,986 over last year's combined fund balance. Unassigned fund balance is \$18,429,982, or 12.2%, 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 -	
General Fund	\$ 59,691
National Breakfast & Lunch Program	45,830
Total inventories	<u>105,521</u>
Prepaid items -	
General Fund	543,961
Campus Activity Funds	4,102
Total prepaid items	<u>548,063</u>

Restricted fund balance:

Federal or state funds grant restrictions -	
National Breakfast & Lunch Program	572,427
Other State Special Revenue Funds	751
Total federal or state funds grant restriction	<u>573,178</u>

Capital acquisition & contractual obligations -	
Capital Projects Fund	128,040,695
Retirement of long-term debt -	
Debt Service Fund	2,408,174

Committed fund balance:

Other committed fund balance -	
Campus activity funds	506,591

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 \$18,429,982 or 97% while the total fund balance was \$19,033,634. The total fund balance increased by \$3,123,852 from current year operations, by \$421,282 from transfers in from the Capital Projects Fund, and a decrease of (\$75,572) from prior period adjustments.

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).

CLEBURNE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2016
UNAUDITED

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 \$19,033,634 differs from the General Fund's budgetary fund balance of \$16,084,968. The difference of \$2,948,666 is primarily due to actual revenues exceeding budgeted revenues by \$268,014, actual expenditures being \$2,334,942 less than budgeted expenditures, and an unbudgeted transfer in of \$421,282 from the Capital Projects Fund.

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 \$73,204,423 (net of accumulated depreciation) for a net increase of \$2,370,493 or (3.1%) from last year. Decrease is primarily result of current year depreciation. 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		
	2016	2015
Land	\$ 2,868,886	\$ 2,868,886
Construction-in-progress	160,026	25,830
Buildings & improvements	117,972,276	117,721,819
Furniture & equipment	14,158,854	13,117,093
Less depreciation	(61,955,619)	(58,158,712)
Totals	<u>\$ 73,204,423</u>	<u>\$ 75,574,916</u>

Debt Service

At year-end, the District had \$183,844,572 in long-term debt, consisting of \$141,632,081 in outstanding general obligation bonds, accreted interest of \$1,628,645, premium on bonds of \$25,739,031 and net pension liability of \$14,844,815, versus \$49,827,284 last year for an increase of \$133,713,254. New bond issue of \$108,975,000, a net increase of \$21,284,899 in premium on bonds, and an increase of \$7,945,372 in net pension liability, offset by current year debt service retirements account for this increase.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

For fiscal year 2017, the District experienced an overall decrease in the tax base of approximately 3.51%. Single family residences and real property, and farm and ranch improvements showed net increases of 1.74% and 5.01% relative to the prior year amounts respectively and individually. Despite these increases, declines in tax base attributable to minerals and related gas sector businesses 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

CLEBURNE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2016
UNAUDITED

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 2017 budget and tax rate. In preparing the 2017 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. A significant change that will affect the current year adopted budget will be the change in number of operating months in the 2017 fiscal year. At the June 2016 board meeting, the Board of Trustees approved to change the fiscal year-end from August 31 to a new year-end of June 30; the Texas Education Agency approved this change in July 2016. In accordance with requirements outlined in the Texas Education Agency's Financial Accountability System Resource Guide (FASRG), a budget was prepared and approved on a 12-month basis; however, the true operational cycle for the 2017 fiscal year will only result in 10 months of expenses. The 12-month 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 2017 fiscal year, the District's budgeted revenue is projected to decrease approximately \$2.9 million from the 2016 revenue due to the decline in the tax base as compared to the previous year. Budgeted expenditures included increases in salaries for all employees of the district. Enrollment assumptions used in calculating state revenue for the 2016-2017 operating budget did not anticipate any increase in enrollment from the 2015-2016 final enrollment figures.

By adopting a general fund budget deficit for the 2017 fiscal year, the District plans to decrease fund balance on an annual operating year. The year-end fund balance for the 2016 fiscal year, and the beginning fund balance for the 2017 fiscal year in the general fund is \$19.0 million, which is approximately 35% of the 2017 annual budgeted operating expenditures. The total, approved budgeted expenses is \$54.2 million for the 2017 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.

If these estimates of revenue and expenses were realized on the normal 12-month operational year, the District's budgetary General Fund balance would be expected to decrease to \$17.1 million at 2017 fiscal year-end in 2017 by approximately \$1.9 million dollars. The change in fiscal year will impact this balance due to the non-recognition of two month of expenses in the 2017 fiscal year due to the fiscal year being 10 months instead of 12 months, with the result being an expected increase in fund balance.

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.

BASIC FINANCIAL STATEMENTS

CLEBURNE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2016

EXHIBIT A-1

Data Control Codes	Primary Government
	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 149,434,240
1120 Current Investments	997,493
1220 Property Taxes Receivable (Delinquent)	2,377,332
1230 Allowance for Uncollectible Taxes	(1,154,871)
1240 Due from Other Governments	3,906,359
1300 Inventories	168,929
1410 Prepayments	548,063
Capital Assets:	
1510 Land	2,868,886
1520 Buildings, Net	65,227,738
1530 Furniture and Equipment, Net	4,947,773
1580 Construction in Progress	160,026
1000 Total Assets	229,481,968
DEFERRED OUTFLOWS OF RESOURCES	
1701 Deferred Charge for Refunding	2,126,287
1705 Deferred Outflow Related to TRS	7,462,276
1700 Total Deferred Outflows of Resources	9,588,563
LIABILITIES	
2110 Accounts Payable	702,576
2140 Interest Payable	301,592
2150 Payroll Deductions & Withholdings	734,634
2160 Accrued Wages Payable	2,797,936
2180 Due to Other Governments	6,390
2200 Accrued Expenses	22,429
2300 Unearned Revenue	178,915
Noncurrent Liabilities	
2501 Due Within One Year	4,381,000
2502 Due in More Than One Year	164,618,757
2540 Net Pension Liability (District's Share)	14,844,815
2000 Total Liabilities	188,589,044
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS	1,104,624
2600 Total Deferred Inflows of Resources	1,104,624
NET POSITION	
3200 Net Investment in Capital Assets	16,719,618
3820 Restricted for Federal and State Programs	619,008
3850 Restricted for Debt Service	2,106,582
3860 Restricted for Capital Projects	19,280,675
3870 Restricted for Campus Activities	510,693
3900 Unrestricted	10,140,287
3000 Total Net Position	\$ 49,376,863

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

CLEBURNE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
Codes	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities

Primary Government:

GOVERNMENTAL ACTIVITIES:

11 Instruction	\$ 40,470,693	\$ 810,398	\$ 6,128,251	\$ (33,532,044)
12 Instructional Resources and Media Services	627,608	24,898	40,071	(562,639)
13 Curriculum and Staff Development	1,447,841	-	322,797	(1,125,044)
21 Instructional Leadership	979,005	-	182,787	(796,218)
23 School Leadership	3,642,585	24,898	304,029	(3,313,658)
31 Guidance, Counseling and Evaluation Services	2,035,768	-	636,823	(1,398,945)
32 Social Work Services	1,166	-	1,166	-
33 Health Services	635,169	-	48,140	(587,029)
34 Student (Pupil) Transportation	2,266,760	-	134,668	(2,132,092)
35 Food Services	3,780,972	741,105	2,814,463	(225,404)
36 Extracurricular Activities	2,339,364	667,776	69,836	(1,601,752)
41 General Administration	1,891,231	-	104,102	(1,787,129)
51 Facilities Maintenance and Operations	7,330,195	139,812	271,948	(6,918,435)
52 Security and Monitoring Services	639,273	-	39	(639,234)
53 Data Processing Services	951,054	-	45,777	(905,277)
61 Community Services	61,129	-	19,335	(41,794)
72 Debt Service - Interest on Long Term Debt	467,697	-	-	(467,697)
73 Debt Service - Bond Issuance Cost and Fees	922,632	-	-	(922,632)
81 Capital Outlay	-	-	19,833	19,833
93 Payments related to Shared Services Arrangements	110,071	-	91,931	(18,140)
99 Other Intergovernmental Charges	497,246	-	-	(497,246)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 71,097,459	\$ 2,408,887	\$ 11,235,996	(57,452,576)

Data Control Codes	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	29,780,582
DT	Property Taxes, Levied for Debt Service	5,004,157
SF	State Aid - Formula Grants	21,924,956
GC	Grants and Contributions not Restricted	569,576
IE	Investment Earnings	157,999
MI	Miscellaneous Local and Intermediate Revenue	502,474
TR	Total General Revenues	57,939,744
CN	Change in Net Position	487,168
NB	Net Position - Beginning	48,965,534
PA	Prior Period Adjustment	(75,839)
NE	Net Position--Ending	\$ 49,376,863

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

CLEBURNE INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2016

Data Control Codes	10 General Fund	60 Capital Projects	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 16,527,972	\$ 129,303,389	\$ 3,602,879	\$ 149,434,240
1120 Investments - Current	997,493	-	-	997,493
1220 Property Taxes - Delinquent	2,032,102	-	345,230	2,377,332
1230 Allowance for Uncollectible Taxes (Credit)	(991,901)	-	(162,970)	(1,154,871)
1240 Receivables from Other Governments	2,615,726	-	1,290,633	3,906,359
1260 Due from Other Funds	1,852,046	-	58,694	1,910,740
1300 Inventories	59,691	-	109,238	168,929
1410 Prepayments	543,961	-	4,102	548,063
1000 Total Assets	<u>\$ 23,637,090</u>	<u>\$ 129,303,389</u>	<u>\$ 5,247,806</u>	<u>\$ 158,188,285</u>
LIABILITIES				
2110 Accounts Payable	\$ 243,074	\$ 362,694	\$ 96,808	\$ 702,576
2150 Payroll Deductions and Withholdings Payable	688,144	-	46,490	734,634
2160 Accrued Wages Payable	2,518,551	-	279,385	2,797,936
2170 Due to Other Funds	58,694	900,000	952,046	1,910,740
2180 Due to Other Governments	-	-	6,390	6,390
2200 Accrued Expenditures	22,429	-	-	22,429
2300 Unearned Revenues	32,363	-	146,552	178,915
2000 Total Liabilities	<u>3,563,255</u>	<u>1,262,694</u>	<u>1,527,671</u>	<u>6,353,620</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	1,040,201	-	182,260	1,222,461
2600 Total Deferred Inflows of Resources	<u>1,040,201</u>	<u>-</u>	<u>182,260</u>	<u>1,222,461</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3410 Inventories	59,691	-	45,830	105,521
3430 Prepaid Items	543,961	-	4,102	548,063
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	573,178	573,178
3470 Capital Acquisition and Contractual Obligation	-	128,040,695	-	128,040,695
3480 Retirement of Long-Term Debt	-	-	2,408,174	2,408,174
Committed Fund Balance:				
3545 Other Committed Fund Balance	-	-	506,591	506,591
3600 Unassigned Fund Balance	18,429,982	-	-	18,429,982
3000 Total Fund Balances	<u>19,033,634</u>	<u>128,040,695</u>	<u>3,537,875</u>	<u>150,612,204</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 23,637,090</u>	<u>\$ 129,303,389</u>	<u>\$ 5,247,806</u>	<u>\$ 158,188,285</u>

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

CLEBURNE INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2016

Total Fund Balances - Governmental Funds	\$	150,612,204
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$133,733,628 and the accumulated depreciation was \$58,158,712. 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 increase net position.		34,895,595
2 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2016 capital outlays and debt principal payments is to increase net position.		5,824,067
3 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of \$14,844,815, a deferred resource inflow related to TRS in the amount of \$1,104,624 and a deferred resource outflow related to TRS in the amount of \$7,462,276. The net effect of the GASB 68 entries is to decrease net position.		(8,487,163)
4 The 2016 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(3,852,420)
5 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.		(129,615,420)
19 Net Position of Governmental Activities	\$	49,376,863

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

CLEBURNE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT C-3

Data Control Codes	10 General Fund	60 Capital Projects	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 31,307,666	\$ 60,306	\$ 6,653,681	\$ 38,021,653
5800 State Program Revenues	24,411,921	22	1,261,832	25,673,775
5900 Federal Program Revenues	437,484	-	6,457,417	6,894,901
5020 Total Revenues	<u>56,157,071</u>	<u>60,328</u>	<u>14,372,930</u>	<u>70,590,329</u>
EXPENDITURES:				
Current:				
0011 Instruction	31,421,332	1,318,951	3,873,428	36,613,711
0012 Instructional Resources and Media Services	530,848	2,512	24,760	558,120
0013 Curriculum and Instructional Staff Development	1,139,757	3,663	266,388	1,409,808
0021 Instructional Leadership	806,492	-	127,876	934,368
0023 School Leadership	3,257,331	18,933	68,453	3,344,717
0031 Guidance, Counseling and Evaluation Services	1,326,295	6,279	536,115	1,868,689
0032 Social Work Services	-	-	1,166	1,166
0033 Health Services	603,697	3,140	1,395	608,232
0034 Student (Pupil) Transportation	2,305,103	-	17,944	2,323,047
0035 Food Services	662	-	3,667,859	3,668,521
0036 Extracurricular Activities	1,729,391	-	524,021	2,253,412
0041 General Administration	1,673,543	224,139	593	1,898,275
0051 Facilities Maintenance and Operations	6,415,154	753,290	33,650	7,202,094
0052 Security and Monitoring Services	347,767	-	3,076	350,843
0053 Data Processing Services	917,285	139,455	-	1,056,740
0061 Community Services	43,176	-	15,992	59,168
Debt Service:				
0071 Principal on Long Term Debt	-	-	4,340,000	4,340,000
0072 Interest on Long Term Debt	-	-	1,110,055	1,110,055
0073 Bond Issuance Cost and Fees	-	919,638	2,994	922,632
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	214,980	19,833	234,813
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	18,140	-	91,931	110,071
0099 Other Intergovernmental Charges	497,246	-	-	497,246
6030 Total Expenditures	<u>53,033,219</u>	<u>3,604,980</u>	<u>14,727,529</u>	<u>71,365,728</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3,123,852</u>	<u>(3,544,652)</u>	<u>(354,599)</u>	<u>(775,399)</u>
OTHER FINANCING SOURCES (USES):				
7911 Capital Related Debt Issued (Regular Bonds)	-	108,975,000	-	108,975,000
7912 Sale of Real and Personal Property	-	-	7,125	7,125
7915 Transfers In	421,282	-	-	421,282
7916 Premium or Discount on Issuance of Bonds	-	22,503,099	-	22,503,099
8911 Transfers Out (Use)	-	(421,282)	-	(421,282)
7080 Total Other Financing Sources (Uses)	<u>421,282</u>	<u>131,056,817</u>	<u>7,125</u>	<u>131,485,224</u>
1200 Net Change in Fund Balances	3,545,134	127,512,165	(347,474)	130,709,825
0100 Fund Balance - September 1 (Beginning)	15,564,072	528,530	3,885,616	19,978,218
1300 Prior Period Adjustment	(75,572)	-	(267)	(75,839)
3000 Fund Balance - August 31 (Ending)	<u>\$ 19,033,634</u>	<u>\$ 128,040,695</u>	<u>\$ 3,537,875</u>	<u>\$ 150,612,204</u>

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

CLEBURNE INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED AUGUST 31, 2016

Total Net Change in Fund Balances - Governmental Funds	\$	130,709,825
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 2016 capital outlays and debt principal payments is to increase the change in net position.		5,824,067
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.		(3,852,420)
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 8/31/2015 caused the change in the ending net position to increase in the amount of \$1,231,658. 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 \$1,149,892. 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 by \$1,263,990. The net result is to decrease the change in net position.		(1,182,224)
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.		(131,012,080)
Change in Net Position of Governmental Activities	\$	487,168

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

CLEBURNE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2016

EXHIBIT E-1

	Private Purpose Trust Funds	Agency Fund
ASSETS		
Cash and Cash Equivalents	\$ 1,440,055	\$ 217,183
Investments - Current	1,737,734	-
Due from Other Funds	1,177	-
Other Receivables	5,400	-
Total Assets	3,184,366	\$ 217,183
LIABILITIES		
Accounts Payable	-	\$ 418
Short Term Debt Payable	-	159,758
Due to Other Funds	1,177	-
Due to Student Groups	-	57,007
Total Liabilities	1,177	\$ 217,183
NET POSITION		
Restricted for Scholarships	3,183,189	
Total Net Position	\$ 3,183,189	

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

CLEBURNE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2016

	Private Purpose Trust Funds
ADDITIONS:	
Local and Intermediate Sources	\$ 37,374
Transfer In	700,440
Total Additions	<u>737,814</u>
DEDUCTIONS:	
Other Operating Costs	342
Scholarships Awarded	47,150
Transfers Out	700,440
Total Deductions	<u>747,932</u>
Change in Net Position	(10,118)
Total Net Position - September 1 (Beginning)	3,179,908
Prior Period Adjustment	<u>13,399</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 3,183,189</u></u>

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

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.

Fair Value - *GASB Statement No. 72, Fair Value Measurement and Application* provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements. The District does not have any investments subject to application of *GASB Statement No. 72, Fair Value Measurement and Application*.

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 included 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 \$1,040,201 in the General Fund and \$182,260 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 60 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.

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.

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.

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.

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 estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend 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:

Asset Classification	Useful Life
Buildings and improvements	40
Furniture & 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:

General Fund:	
Advanced ticket sales	<u>\$ 32,363</u>
Special Revenue Fund:	
National Breakfast & Lunch Program – commodity inventory	\$ 63,408
High School Allotment	<u>83,144</u>
Total	<u>\$146,552</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 \$2,126,287 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 \$7,462,276 deferred outflow related to TRS from implementing GASB 68. This amount consisted of \$6,230,618 for total net amounts per TRS August 31, 2015 measurement date and \$1,231,658 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 \$1,040,201 and \$182,260 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 \$1,104,624 for total net amounts per TRS August 31, 2015 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.

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 August 31, 2016

	General Fund	Capital Projects Fund	Other Funds	Total Governmental Funds
Nonspendable Fund Balance				
Inventories	\$ 59,691	\$ 0	\$ 45,830	\$ 105,521
Prepaid Items	543,961	0	4,102	548,063
Restricted Fund Balance				
Nat’l School Breakfast & Lunch Program	0	0	572,427	572,427
Other State Special Revenue Funds	0	0	751	751
Capital acquisition & contractual obligations	0	128,040,695	0	128,040,695
Retirement of long-term debt	0	0	2,408,174	2,408,174
Committed Fund Balance				
Campus Activity Funds	0	0	506,591	506,591
Unassigned	18,429,982	0	0	18,429,982
Total Fund Balance	<u>\$19,033,634</u>	<u>\$128,040,695</u>	<u>\$3,537,875</u>	<u>\$150,612,204</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 August 31, 2016 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. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS.

Exhibit C-2 "Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position" provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net position as reported in the government-wide statement of net position. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds. Also, the property taxes receivable which is included as unavailable revenue in the fund financial statements are adjusted based on when the tax levy was made and adjusted for uncollectible amounts. Also included are all of the adjustments required by GASB 68.

Exhibit C-4 "Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities" provides a reconciliation between the net

changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net position of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net position balance and the change in net position. The debt payments on retirement of debt are recorded as expenditures for fund-basis financial statements but are a reduction of debt in the government-wide financial statements. The capital asset additions are expenditures in the fund-basis financial statements but capitalized in the government-wide financial statements. The fund-basis financial statements do not include depreciation expense. The depreciation expense is a deduction to reconcile to the government-wide statement of activities. New debt issues are treated as sources of revenue for fund-basis financial statements, but for the government-wide statements, those amounts are recorded as a liability. Property taxes are adjusted for the accrual basis and the unavailable revenues are adjusted based on prior year levies and current year uncollectable amounts. Also included are all of the adjustments required by GASB 68.

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting

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 August 20 the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days’ public notices of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can 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 adjustment 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 Appropriations	Increase (Decrease)	Amended Budget Appropriations
General Fund – Exhibit G-1	\$52,662,512	\$2,705,649	\$55,368,161
Child Nutrition Program – Exhibit J-4	3,555,002	349,000	3,904,002
Debt Service Fund – Exhibit J-5	5,453,531	0	5,453,531

The General Fund – 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.

The Child Nutrition Program’s major amendments were for \$301,000 for increases in food service operating costs and for \$42,000 for facilities acquisition and construction

- Each budget is controlled at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. A reconciliation of fund balances for both appropriated budget and non-appropriated budget special revenue funds is as follows:

August 31, 2016 Fund Balance	
Appropriated Budgeted Funds – National Breakfast & Lunch Program	\$ 618,257
Non-appropriated Budgeted Funds	511,444
All Special Revenue Funds	\$1,129,701

B. Excess of Expenditures over Appropriations

No excess of expenditures over appropriations existed for the year ended August 31, 2016.

C. Deficit Fund Equity

There were no deficit fund equities for the year ended August 31, 2016.

IV. 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.

Depository information is as follows:

- Depository bank: Southside Bank
- Highest combined balance: \$24,326,024
- Date of highest combined balance: January 7, 2016
- Amount of FDIC insurance: \$750,000
- Amount of pledged securities: \$27,147,803

CLEBURNE INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 AUGUST 31, 2016

Exhibit F-1

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 August 31, 2016, the carrying value of the District's deposits was \$6,718,550, excluding petty cash of \$1,260 and \$142,714,430 of investments considered as cash equivalents, and the bank balance was \$7,768,627. The District's cash deposits at August 31, 2016, 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:

Petty cash	\$ 1,260
Cash-in-bank	6,718,550
Investments considered as cash equivalents	142,714,430
Total cash and cash equivalents	<u>\$149,434,240</u>

The following investments are considered as cash equivalents:

Investments/Rating	Carrying Amount	Fair Value	Percentage of Investments	Weighted Average Maturity (Days)
TexStar/AAAm	\$137,705,150	\$137,705,150	96.5%	On demand
Money market funds	4,988,611	4,988,611	3.5%	On demand
TexPool/AAAm	20,669	20,669	0.0%	On demand
Totals	<u>\$142,714,430</u>	<u>\$142,714,430</u>	<u>100.0%</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

Above referenced notes in IV.A also apply to following investments.

Investments	Carrying Amount	Fair Value	Percentage of Investments	Weighted Average Maturity (Days)
Money Market Funds	\$997,493	\$977,493	100.0%	On demand

The District has no investments measured at the Net Asset Value (NAV) per Share (or its equivalent).

C. 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 \$0.1966 per \$100 for the General Fund and Debt Service Fund, respectively, based on a net assessed valuation of \$2,560,987,414.

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 collected 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 August 31, 2016 are as follows:

	Property Taxes - Delinquent	Allowance for Uncollectible Taxes	Unavailable Revenue – Property Taxes
General Fund	\$2,032,102	(\$ 991,901)	\$1,040,201
Debt Service Fund	345,230	(162,970)	182,260
Totals	<u>\$2,377,332</u>	<u>(\$1,154,871)</u>	<u>\$1,222,461</u>

Current tax collections for the levy year ended August 31, 2016 were 98.3% 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.

D. 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 August 31, 2016.

E. Receivables from Other Governments

Receivables from other governments, as of August 31, 2016, are as follow:

	Due from State
General Fund	\$2,615,726
Special Revenue Funds:	
ESEA Title X, Part C, Homeless	10,013
ESEA I, A – Improving Basic Programs	484,398
IDEA – Part B Formula	314,184
IDEA – Part B Preschool	468
National Breakfast & Lunch Program	116,909
Career & Technical – Basic Grant	13,945
ESEA II, A – Training & Recruiting	140,151
Title III, A – English Language Acquisition	43,249
Advanced Placement Incentives	4,050
State Textbook Fund	92,872
Other State Special Revenue Funds	70,394
Total Special Revenue Funds	1,290,633
Total receivables from other governments	\$3,906,359

F. 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	\$1,852,046	\$ 58,694
Special Revenue Funds -		
ESEA Title X, Part C – Homeless	6,653	0
ESEA I, A – Improving Basic Programs	0	353,574
IDEA – Part B Formula	1,995	580,475
National Breakfast & Lunch Program	1,000	11,894
Career & Technical – Basic Grant	13,343	4,737
ESEA II, A – Training & Recruiting	0	596
Title III, A – English Language Acquisition	7,242	768
Advance Placement Incentives	4,950	0
State Textbook Fund	535	0
Other State Special Revenue Funds	1,138	0
Campus Activity Funds	0	2
Total Special Revenue Funds	36,856	952,046
Debt Service Fund	21,838	0
Capital Projects Fund	0	900,000
Totals	\$1,910,740	\$1,910,740

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

G. Interfund Transfers

The Capital Projects Fund transferred \$421,282 to the General Fund to reimburse the General Fund for funds previously provided to the Capital Projects Fund.

H. Other Financing Sources (Uses)

The District's National Breakfast & Lunch Program the Capital Projects Fund had the following financing sources and (uses) during the year:

National Breakfast & Lunch Program – sale of personal property	<u>\$7,125</u>
Capital Projects Fund:	
Capital related debt issued (regular bonds)	\$108,975,000
Premium on issuance of bonds	<u>22,503,099</u>
Total	<u>\$131,478,099</u>

I. Special Items/Extraordinary Items

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

J. Operating Leases

The District leases office equipment and automobiles under noncancelable operating leases. Total costs for such leases were \$128,329 for the year. The future minimum lease payments for active operating leases are summarized below:

Year Ending August 31	Amount
2017	\$135,331
2018	101,104
2019	30,666
2020	8,964
2021	3,618

K. Capital Asset Activity

Capital asset activity for the year ended August 31, 2016 is as follows:

	Beginning Balance	Increases/ Adjustments	Decreases/ Adjustments	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 2,868,886	\$ 0	\$ 0	\$ 2,868,886
Construction in Progress	25,830	134,196	0	160,026
Total Capital Assets, not being depreciated	<u>2,894,716</u>	<u>134,196</u>	<u>0</u>	<u>3,028,912</u>
Capital assets, being depreciated:				
Buildings and improvements	117,721,819	250,457	0	117,972,276
Furniture and equipment	13,117,093	1,099,414	57,653	14,158,854
Total capital assets, being depreciated	<u>130,838,912</u>	<u>1,349,871</u>	<u>57,653</u>	<u>132,131,130</u>
Less accumulated depreciation for:				
Buildings and improvements	50,118,791	2,625,747	0	52,744,538
Furniture and equipment	8,039,921	1,226,673	55,513	9,211,081
Total accumulated depreciation	<u>58,158,712</u>	<u>3,852,420</u>	<u>55,513</u>	<u>61,955,619</u>
Governmental activities capital assets, net	<u>\$ 75,574,916</u>	<u>\$(2,368,353)</u>	<u>\$ 2,140</u>	<u>\$ 73,204,423</u>

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

Governmental activities:	
11 – Instruction	\$2,431,175
12 – Instruction Resources & Media Services	49,225
23 – School Leadership	145,145
31 – Guidance, Counseling & Evaluation Services	72,572
34 – Student (Pupil) Transportation	295,642
35 – Food Services	274,624
36 – Extracurricular Activities	102,121
41 – General Administration	62,666
51 – Plant Maintenance & Operations	130,840
52 – Security & Monitoring Services	288,410
Total Depreciation Expense	<u>\$3,852,420</u>

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

L. 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 August 31, 2016.

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Bonds payable	\$36,997,081	\$108,975,000	\$ 4,340,000	\$141,632,081	\$4,381,000
Accreted interest	1,476,628	152,017	0	1,628,645	0
Premium on bonds	4,454,132	22,5030,99	1,218,200	25,739,031	0
Net pension liability	6,899,443	9,188,873	1,243,501	14,844,815	0
Total	<u>\$49,827,284</u>	<u>\$118,541,019</u>	<u>\$6,801,701</u>	<u>\$183,844,572</u>	<u>\$4,381,000</u>

M. Bonds Payable

The District issued \$108,975,000 in Unlimited Tax School Building Bonds, Series 2016 for the purpose to acquire, construct and equip school buildings and to pay the costs associated with issuance of the Bonds.

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.

CLEBURNE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2016

Exhibit F-1

A summary of changes in general obligation bonds for the year ended August 31, 2016, are as follows:

Issue/ Maturity Date	Interest Rates Payable	Amounts Original Issue	Beginning Balance	Issued	Retired	Ending Balance	Amounts Due Within One Year
Series 2006 UTSB Bonds/ 2031	4.0%/4.75%	\$10,999,998	\$ 44,998	\$ 0	\$ 0	\$ 44,998	\$21,000
Series 2008 UTR Bonds/2020	3.875%/5.25%	7,210,006	3,290,000	0	635,000	2,655,000	670,000
Series 2013 UTR Bonds/2031	1.4%/3.0%	8,659,995	7,155,000	0	0	7,155,000	0
Series 2013 UTSB Bonds/ 2018	1.38%	10,000,000	5,905,000	0	2,070,000	3,835,000	1,935,000
Series 2014 UTR Bonds/2029	2.0%/3.69%	8,622,083	7,937,083	0	615,000	7,322,083	1,755,000
Series 2015 UTR Bonds/2031	1.0%/5.0%	12,740,000	12,665,000	0	1,020,000	11,645,000	0
Series 2016 UTSB Bonds/ 2041	2.0%/5.0%	108,975,000	0	108,975,000	0	108,975,000	0
Totals			\$36,997,081	\$108,975,000	\$4,340,000	\$141,632,081	\$4,381,000

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

Year Ended August 31	Principal	Interest	Total Requirements
2017	\$ 4,381,000	\$ 6,686,869	\$ 11,067,869
2018	4,748,998	6,302,225	11,051,223
2019	4,255,000	5,960,525	10,215,525
2020	4,425,000	5,791,100	10,216,100
2021	4,610,000	5,603,625	10,213,625
2022-2026	19,660,000	25,468,338	45,128,338
2027-2031	22,712,083	24,015,267	46,727,350
2032-2036	33,145,000	14,756,375	47,901,375
2037-2041	43,695,000	5,423,125	49,118,125
Totals	\$141,632,081	\$100,007,449	\$241,639,530

Interest and fees paid on general obligation bonds during the year was \$1,113,049.

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 August 31, 2016.

N. Prior Year Deafeasance of Debt

In prior years and during the current year, 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

CLEBURNE INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 AUGUST 31, 2016

Exhibit F-1

the District's financial statements. On August 31, 2016, \$36,355,000 of bonds considered defeased are still outstanding.

O. Revenue from Local and Intermediate Sources

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

	General Fund	Capital Projects Fund	Other Funds	Fund Totals
Property taxes	\$29,928,532	\$ 0	\$5,064,160	\$34,992,692
Food sales	0	0	741,104	741,104
Penalties, interest & other tax related income	324,143	0	51,299	375,442
Services to other districts	25,340	0	0	25,340
Tuition & fees	131,716	0	0	131,716
Earnings – temporary deposits & investments	86,104	60,306	11,590	158,000
Rent	139,812	0	0	139,812
Foundations, gifts & bequests	58,021	0	0	58,021
Insurance recovery	28,614	0	0	28,614
Other revenues from local sources	355,435	0	15,735	371,170
Ex/cocurricular activities	152,079	0	769,793	921,872
Enterprising activities	77,870	0	0	77,870
Total	<u>\$31,307,666</u>	<u>\$60,306</u>	<u>\$6,653,681</u>	<u>\$38,021,653</u>

P. 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	Capital Projects Fund	Other Funds	Totals
Per Capita Apportionment	\$ 1,092,097	\$ 0	\$ 0	\$ 1,092,097
Found. School Prg. Act Entitlements	20,832,859	0	0	20,832,859
State Program Revenues	22,580	0	1,226,847	1,249,427
TRS On-behalf Payments	2,311,942	22	34,985	2,346,949
TRS Medicare Part-D	152,443	0	0	152,443
Totals	<u>\$24,411,921</u>	<u>\$22</u>	<u>\$1,261,832</u>	<u>\$25,673,775</u>

Q. Federal Program Revenues

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

Revenues	General Fund	Other Funds
Indirect costs	\$ 77,091	\$0
Universal E-rate	6,181	0
Medicaid Administrative Claiming Program – MAC	71,349	0
School Health & Related Services (SHARS)	282,863	0
Federal Communications Commission – Direct	0	0
U. S. Department of Education – Passed Through	0	3,662,229
U. S. Department of Health & Human Services – Passed Through	0	31,170
U. S. Department of Agriculture – Passed Through	0	2,764,018
Totals	<u>\$437,484</u>	<u>\$6,457,417</u>

R. 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. by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; that report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; or by calling (512) 542-6592. The information provided in the Notes to the Financial Statements in the 2015 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2015.

CLEBURNE INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 AUGUST 31, 2016

Exhibit F-1

Net Pension Liability	Total
Total Pension Liability	\$163,887,375,172
Less: Plan Fiduciary Net Position	(128,538,706,212)
Net Pension Liability	<u>\$ 35,348,668,960</u>
Net Position as percentage of Total Pension Liability	78.43%

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 above.

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

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

Contribution Rates

	<u>2015</u>	<u>2016</u>
Member	6.7%	7.2%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
District - 2016 Employer Contributions		\$1,231,658
District - 2016 Member Contributions		\$2,870,977
District - 2015 NECE On-behalf Contributions		\$1,846,833

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

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

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

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

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

Actuarial Assumptions - The total pension liability in the August 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2015
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.0%
Long-term expected Investment Rate of Return	8.0%
Inflation	2.5%
Salary Increases Including Inflation	3.5% to 9.0%
Payroll Growth Rate	2.5%
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, 2015 are summarized below:

Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return*
Global Equity			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value			
U. S. Treasuries	11%	0.7%	0.1%
Absolute Return Hedge Funds	0%	1.8%	0.0%
(Stable Value)	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
Real Return			
Global Inflation			
Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy and Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk Parity			
Risk Parity	5%	6.7%	0.3%
Inflation Expectations			2.2%
Alpha			1.0%
Total	100%		8.7%

* *The Expected Contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric 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 2015 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:	\$23,259,027	\$14,844,815	\$7,836,299

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At August 31, 2016, the District reported a liability of \$14,844,815 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	\$14,844,815
State's proportionate share that is associated with District	<u>22,040,794</u>
Total	<u><u>\$36,885,609</u></u>

The net pension liability was measured as of August 31, 2015 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, 2014 thru August 31, 2015.

At August 31, 2015, the employer's proportion of the collective net pension liability was 0.0419954% which was an increase of 0.0161658 from its proportion measured as of August 31, 2014.

Changes Since the Prior Actual Valuation – The following are changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period:

Economic Assumptions

1. The inflation assumption was decreased from 3.00% to 2.50%.
2. The ultimate merit assumption for long-service employees was decreased from 1.25% to 1.00%.
3. In accordance with the observed experience, there were small adjustments in the service-based promotional/longevity component of the salary scale.
4. The payroll growth assumption was lowered from 3.50% to 2.50%.

Mortality Assumptions

5. The post-retirement mortality tables for non-disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
6. The post-retirement mortality tables for disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.

7. The pre-retirement mortality tables for active employees were updated to use 90% of the recently published RP-2014 mortality table for active employees. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.

Other Demographic Assumptions

8. Previously it was assumed 10% of all members who had contributed in the past 5 years to be an active member. This was an implicit rehire assumption because teachers have historically had a high incidence of terminating employment for a time and then returning to the workforce at a later date. This methodology was modified to add a more explicit valuation of the rehire incidence in the termination liabilities, and therefore these 10% are no longer being counted as active members.
9. There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of the termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.
10. Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
11. Small adjustments to the disability patterns were made for members consistent with experience and future expectations. Two separate patterns were created based on whether the member has 10 years of service or more.
12. For members that become disabled in the future, it is assumed 20% of them will choose 100% joint and survivor annuity option.

Actuarial Methods and Policies

13. The method of using celled data in the valuation process was changed now using individual data records to allow for better reporting of some items, such as actuarial gains and losses by source.

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

For the measurement period August 31, 2015, the District recognized pension expense of \$3,140,458 and revenue of \$3,140,458 for support provided by the State.

At August 31, 2015, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 88,741	\$ 570,500
Changes in actuarial assumptions	372,978	529,598
Difference between projected and actual investment earnings	2,074,383	0
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	3,694,516	4,526
Totals as of August 31, 2015 measurement date	\$6,230,618	\$1,104,624
Contributions paid to TRS subsequent to the measurement date	1,231,658	0
Total	\$7,462,276	\$1,104,624

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 August 31:	Pension Expense Amount
2017	\$ 918,953
2018	918,953
2019	918,953
2020	1,446,140
2021	526,624
Thereafter	396,371

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 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 2014, 2015 and 2016. 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 August 31, 2016, 2015 and 2014 are as follows:

	Contribution Amounts		
	2016	2015	2014
District Contributions	\$219,313	\$210,088	\$196,782
State Contributions	398,746	381,974	357,786
Employee Contributions	259,187	248,282	232,563

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 August 31, 2016, 2015, and 2014, the subsidy payments received by TRS-Care on-behalf of the District were \$152,443, \$155,216, and \$92,814, respectively. The information for the year ended August 31, 2016 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, 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, 2016, 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 August 31. 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, 2016, 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 August 31, 2016.

Fund Year	Claim Count at 5/31/16	Aggregate Liability	Estimated Paid Loss & ALAE at 8/31/16	Selected Ultimate Loss & ALAE	District Net Retained Loss & ALAE 8/31/16
2011-12	75	\$242,343	\$322,781	\$242,343	\$ 0
2012-13	68	283,333	361,892	283,333	0
2013-14	58	249,811	95,467	111,580	16,113
2014-15	76	251,862	245,525	251,862	6,337
2015-16	71	240,204	84,130	240,204	156,074

S. 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 is not a party in any litigation.

T. 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.

U. Prior Period Adjustments

General Fund – A prior period adjustments of (\$75,572) was made to adjust Teacher Retirement System new member contributions from prior years.

Other Funds – Miscellaneous prior period adjustments of (\$267) was made to various student activity funds. Private Purpose Funds also had a prior period adjustment of \$13,399 to various scholarship funds.

V. Evaluation of Subsequent Events

The District has evaluated subsequent events through December 5, 2016 the date which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CLEBURNE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 30,987,200	\$ 30,747,971	\$ 31,307,666	\$ 559,695
5800	State Program Revenues	22,022,633	23,931,086	24,411,921	480,835
5900	Federal Program Revenues	410,000	1,210,000	437,484	(772,516)
5020	Total Revenues	53,419,833	55,889,057	56,157,071	268,014
EXPENDITURES:					
Current:					
0011	Instruction	31,354,253	31,965,790	31,421,332	544,458
0012	Instructional Resources and Media Services	527,327	556,127	530,848	25,279
0013	Curriculum and Instructional Staff Development	841,964	1,223,015	1,139,757	83,258
0021	Instructional Leadership	817,128	832,828	806,492	26,336
0023	School Leadership	3,207,605	3,347,163	3,257,331	89,832
0031	Guidance, Counseling and Evaluation Services	1,338,062	1,358,067	1,326,295	31,772
0032	Social Work Services	3,000	3,000	-	3,000
0033	Health Services	634,363	656,816	603,697	53,119
0034	Student (Pupil) Transportation	2,084,078	2,487,486	2,305,103	182,383
0035	Food Services	-	1,000	662	338
0036	Extracurricular Activities	1,706,291	1,820,842	1,729,391	91,451
0041	General Administration	1,751,609	1,812,109	1,673,543	138,566
0051	Facilities Maintenance and Operations	6,536,944	7,358,507	6,415,154	943,353
0052	Security and Monitoring Services	381,132	382,039	347,767	34,272
0053	Data Processing Services	850,983	963,511	917,285	46,226
0061	Community Services	56,811	52,221	43,176	9,045
Intergovernmental:					
0092	Incremental Costs Associated with Chapter 41	43,322	-	-	-
0093	Payments to Fiscal Agent/Member Districts of SSA	-	20,000	18,140	1,860
0095	Payments to Juvenile Justice Alternative Ed. Prg.	12,640	12,640	-	12,640
0099	Other Intergovernmental Charges	515,000	515,000	497,246	17,754
6030	Total Expenditures	52,662,512	55,368,161	53,033,219	2,334,942
1100	Excess of Revenues Over Expenditures	757,321	520,896	3,123,852	2,602,956
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	-	-	421,282	421,282
1200	Net Change in Fund Balances	757,321	520,896	3,545,134	3,024,238
0100	Fund Balance - September 1 (Beginning)	15,564,072	15,564,072	15,564,072	-
1300	Prior Period Adjustment	-	-	(75,572)	(75,572)
3000	Fund Balance - August 31 (Ending)	\$ 16,321,393	\$ 16,084,968	\$ 19,033,634	\$ 2,948,666

CLEBURNE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2016

	2016	2015
District's Proportion of the Net Pension Liability (Asset)	0.0419954%	0.0258296%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 14,844,815	\$ 6,899,443
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	22,040,794	19,174,424
Total	\$ 36,885,609	\$ 26,073,867
District's Covered-Employee Payroll	\$ 38,197,429	\$ 35,778,661
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	38.86%	19.28%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.43%	83.25%

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

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

CLEBURNE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2016

EXHIBIT G-7

	2016	2015
Contractually Required Contribution	\$ 1,231,658	\$ 1,149,892
Contribution in Relation to the Contractually Required Contribution	(1,231,658)	(1,149,892)
Contribution Deficiency (Excess)	\$ -0-	\$ -0-
District's Covered-Employee Payroll	\$ 39,874,564	\$ 38,197,429
Contributions as a Percentage of Covered-Employee Payroll	3.09%	3.01%

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31, 2014 for Fiscal Year 2015 and August 31, 2015 for Fiscal Year 2016.

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

COMBINING SCHEDULES

CLEBURNE INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2016

Data Control Codes	206 ESEA Title X, Pt.C Homeless	211 ESEA I, A Improving Basic Program	220 Adult Education Federal	223 TANF Family Assistance	
ASSETS					
1110	Cash and Cash Equivalents	\$ (14,441)	\$ (28,967)	\$ -	\$ -
1220	Property Taxes - Delinquent	-	-	-	-
1230	Allowance for Uncollectible Taxes (Credit)	-	-	-	-
1240	Receivables from Other Governments	10,013	484,398	-	-
1260	Due from Other Funds	6,653	-	-	-
1300	Inventories	-	-	-	-
1410	Prepayments	-	-	-	-
1000	Total Assets	<u>\$ 2,225</u>	<u>\$ 455,431</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ -
2150	Payroll Deductions and Withholdings Payable	215	10,120	-	-
2160	Accrued Wages Payable	2,010	91,737	-	-
2170	Due to Other Funds	-	353,574	-	-
2180	Due to Other Governments	-	-	-	-
2300	Unearned Revenues	-	-	-	-
2000	Total Liabilities	<u>2,225</u>	<u>455,431</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES					
2601	Unavailable Revenue - Property Taxes	-	-	-	-
2600	Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Nonspendable Fund Balance:					
3410	Inventories	-	-	-	-
3430	Prepaid Items	-	-	-	-
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	-
3480	Retirement of Long-Term Debt	-	-	-	-
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 2,225</u>	<u>\$ 455,431</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
\$ 346,962	\$ (468)	\$ 566,339	\$ (22,551)	\$ (120,836)	\$ (36,991)	\$ -	\$ (9,000)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
314,184	468	116,909	13,945	140,151	43,249	-	4,050
1,995	-	1,000	13,343	-	7,242	-	4,950
-	-	109,238	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 663,141</u>	<u>\$ -</u>	<u>\$ 793,486</u>	<u>\$ 4,737</u>	<u>\$ 19,315</u>	<u>\$ 13,500</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ 1,647	\$ -	\$ -	\$ -	\$ -	\$ -
9,823	-	22,355	-	1,856	1,184	-	-
72,843	-	75,925	-	16,863	11,548	-	-
580,475	-	11,894	4,737	596	768	-	-
-	-	-	-	-	-	-	-
-	-	63,408	-	-	-	-	-
<u>663,141</u>	<u>-</u>	<u>175,229</u>	<u>4,737</u>	<u>19,315</u>	<u>13,500</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	45,830	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	572,427	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>618,257</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 663,141</u>	<u>\$ -</u>	<u>\$ 793,486</u>	<u>\$ 4,737</u>	<u>\$ 19,315</u>	<u>\$ 13,500</u>	<u>\$ -</u>	<u>\$ -</u>

CLEBURNE INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2016

Data Control Codes	410 State Textbook Fund	428 High School Allotment	429 Other State Special Revenue Funds	461 Campus Activity Funds	
ASSETS					
1110	Cash and Cash Equivalents	\$ 5,882	\$ 83,144	\$ (61,385)	\$ 508,855
1220	Property Taxes - Delinquent	-	-	-	-
1230	Allowance for Uncollectible Taxes (Credit)	-	-	-	-
1240	Receivables from Other Governments	92,872	-	70,394	-
1260	Due from Other Funds	535	-	1,138	-
1300	Inventories	-	-	-	-
1410	Prepayments	-	-	-	4,102
1000	Total Assets	<u>\$ 99,289</u>	<u>\$ 83,144</u>	<u>\$ 10,147</u>	<u>\$ 512,957</u>
LIABILITIES					
2110	Accounts Payable	\$ 92,899	\$ -	\$ -	\$ 2,262
2150	Payroll Deductions and Withholdings Payable	-	-	937	-
2160	Accrued Wages Payable	-	-	8,459	-
2170	Due to Other Funds	-	-	-	2
2180	Due to Other Governments	6,390	-	-	-
2300	Unearned Revenues	-	83,144	-	-
2000	Total Liabilities	<u>99,289</u>	<u>83,144</u>	<u>9,396</u>	<u>2,264</u>
DEFERRED INFLOWS OF RESOURCES					
2601	Unavailable Revenue - Property Taxes	-	-	-	-
2600	Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Nonspendable Fund Balance:					
3410	Inventories	-	-	-	-
3430	Prepaid Items	-	-	-	4,102
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	751	-
3480	Retirement of Long-Term Debt	-	-	-	-
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	-	506,591
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>751</u>	<u>510,693</u>
4000	Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 99,289</u>	<u>\$ 83,144</u>	<u>\$ 10,147</u>	<u>\$ 512,957</u>

Total Nonmajor Special Revenue Funds	522 Debt Service Fund	Total Nonmajor Governmental Funds
\$ 1,216,543	\$ 2,386,336	\$ 3,602,879
-	345,230	345,230
-	(162,970)	(162,970)
1,290,633	-	1,290,633
36,856	21,838	58,694
109,238	-	109,238
4,102	-	4,102
<u>\$ 2,657,372</u>	<u>\$ 2,590,434</u>	<u>\$ 5,247,806</u>
\$ 96,808	\$ -	\$ 96,808
46,490	-	46,490
279,385	-	279,385
952,046	-	952,046
6,390	-	6,390
146,552	-	146,552
<u>1,527,671</u>	<u>-</u>	<u>1,527,671</u>
-	182,260	182,260
<u>-</u>	<u>182,260</u>	<u>182,260</u>
45,830	-	45,830
4,102	-	4,102
573,178	-	573,178
-	2,408,174	2,408,174
506,591	-	506,591
<u>1,129,701</u>	<u>2,408,174</u>	<u>3,537,875</u>
<u>\$ 2,657,372</u>	<u>\$ 2,590,434</u>	<u>\$ 5,247,806</u>

CLEBURNE INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	206 ESEA Title X, Pt.C Homeless	211 ESEA I, A Improving Basic Program	220 Adult Education Federal	223 TANF Family Assistance
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	31,371	1,508,903	370,944	31,170
5020 Total Revenues	<u>31,371</u>	<u>1,508,903</u>	<u>370,944</u>	<u>31,170</u>
EXPENDITURES:				
Current:				
0011 Instruction	30,205	1,315,896	234,181	33,556
0012 Instructional Resources and Media Services	-	945	-	-
0013 Curriculum and Instructional Staff Development	-	110,908	14,711	-
0021 Instructional Leadership	-	250	122,052	(2,386)
0023 School Leadership	-	41,944	-	-
0031 Guidance, Counseling and Evaluation Services	-	5,207	-	-
0032 Social Work Services	1,166	-	-	-
0033 Health Services	-	1,395	-	-
0034 Student (Pupil) Transportation	-	17,944	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0052 Security and Monitoring Services	-	-	-	-
0061 Community Services	-	14,414	-	-
Debt Service:				
0071 Principal on Long Term Debt	-	-	-	-
0072 Interest on Long Term Debt	-	-	-	-
0073 Bond Issuance Cost and Fees	-	-	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	-	-
6030 Total Expenditures	<u>31,371</u>	<u>1,508,903</u>	<u>370,944</u>	<u>31,170</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES):				
7912 Sale of Real and Personal Property	-	-	-	-
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
1300 Prior Period Adjustment	-	-	-	-
3000 Fund Balance - August 31 (Ending)	<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
\$ -	\$ -	\$ 743,457	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	54,143	-	-	-	82,733	4,050
<u>1,194,225</u>	<u>40,388</u>	<u>2,764,018</u>	<u>88,032</u>	<u>280,667</u>	<u>147,699</u>	<u>-</u>	<u>-</u>
<u>1,194,225</u>	<u>40,388</u>	<u>3,561,618</u>	<u>88,032</u>	<u>280,667</u>	<u>147,699</u>	<u>82,733</u>	<u>4,050</u>
605,747	6,572	-	81,984	237,937	69,558	60,801	-
-	-	-	-	-	-	-	-
-	-	-	6,048	38,055	76,763	14,342	4,050
-	-	-	-	-	-	7,590	-
-	-	-	-	4,675	-	-	-
530,363	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	3,667,859	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	33,650	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	1,378	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	19,833	-	-	-	-	-
<u>58,115</u>	<u>33,816</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>1,194,225</u>	<u>40,388</u>	<u>3,721,342</u>	<u>88,032</u>	<u>280,667</u>	<u>147,699</u>	<u>82,733</u>	<u>4,050</u>
-	-	(159,724)	-	-	-	-	-
-	-	7,125	-	-	-	-	-
-	-	(152,599)	-	-	-	-	-
-	-	770,856	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 618,257</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CLEBURNE INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	410 State Textbook Fund	428 High School Allotment	429 Other State Special Revenue Funds	461 Campus Activity Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ 769,793
5800 State Program Revenues	903,859	-	71,532	999
5900 Federal Program Revenues	-	-	-	-
5020 Total Revenues	<u>903,859</u>	<u>-</u>	<u>71,532</u>	<u>770,792</u>
EXPENDITURES:				
Current:				
0011 Instruction	903,859	-	71,445	221,687
0012 Instructional Resources and Media Services	-	-	32	23,783
0013 Curriculum and Instructional Staff Development	-	-	-	1,511
0021 Instructional Leadership	-	-	-	370
0023 School Leadership	-	-	-	21,834
0031 Guidance, Counseling and Evaluation Services	-	-	-	545
0032 Social Work Services	-	-	-	-
0033 Health Services	-	-	-	-
0034 Student (Pupil) Transportation	-	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	524,021
0041 General Administration	-	-	-	593
0051 Facilities Maintenance and Operations	-	-	-	-
0052 Security and Monitoring Services	-	-	-	3,076
0061 Community Services	-	-	-	200
Debt Service:				
0071 Principal on Long Term Debt	-	-	-	-
0072 Interest on Long Term Debt	-	-	-	-
0073 Bond Issuance Cost and Fees	-	-	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	-	-
6030 Total Expenditures	<u>903,859</u>	<u>-</u>	<u>71,477</u>	<u>797,620</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	55	(26,828)
OTHER FINANCING SOURCES (USES):				
7912 Sale of Real and Personal Property	-	-	-	-
1200 Net Change in Fund Balance	-	-	55	(26,828)
0100 Fund Balance - September 1 (Beginning)	-	-	696	537,788
1300 Prior Period Adjustment	-	-	-	(267)
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 751</u>	<u>\$ 510,693</u>

Total Nonmajor Special Revenue Funds	522 Debt Service Fund	Total Nonmajor Governmental Funds
\$ 1,513,250	\$ 5,140,431	\$ 6,653,681
1,117,316	144,516	1,261,832
6,457,417	-	6,457,417
9,087,983	5,284,947	14,372,930
3,873,428	-	3,873,428
24,760	-	24,760
266,388	-	266,388
127,876	-	127,876
68,453	-	68,453
536,115	-	536,115
1,166	-	1,166
1,395	-	1,395
17,944	-	17,944
3,667,859	-	3,667,859
524,021	-	524,021
593	-	593
33,650	-	33,650
3,076	-	3,076
15,992	-	15,992
-	4,340,000	4,340,000
-	1,110,055	1,110,055
-	2,994	2,994
19,833	-	19,833
91,931	-	91,931
9,274,480	5,453,049	14,727,529
(186,497)	(168,102)	(354,599)
7,125	-	7,125
(179,372)	(168,102)	(347,474)
1,309,340	2,576,276	3,885,616
(267)	-	(267)
\$ 1,129,701	\$ 2,408,174	\$ 3,537,875

CLEBURNE INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF NET POSITION
 PRIVATE PURPOSE TRUST FUNDS
 AUGUST 31, 2016

	815 Nell Wiseman Neal Scholarship	816 Miscellaneous Scholarship Fund	818 Ball Snavelly Scholarship Fund	819 Pete Kendall Memorial Scholarship
ASSETS				
Cash and Cash Equivalents	\$ 702,063	\$ 15,335	\$ 28,559	\$ 19,818
Investments - Current	-	-	82,963	-
Due from Other Funds	-	-	64	-
Other Receivables	-	5,400	-	-
Total Assets	<u>702,063</u>	<u>20,735</u>	<u>111,586</u>	<u>19,818</u>
LIABILITIES				
Due to Other Funds	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION				
Restricted for Scholarships	<u>702,063</u>	<u>20,735</u>	<u>111,586</u>	<u>19,818</u>
Total Net Position	<u><u>\$ 702,063</u></u>	<u><u>\$ 20,735</u></u>	<u><u>\$ 111,586</u></u>	<u><u>\$ 19,818</u></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	826 Green & Davis Scholarship Fund	827 Lucile Ball Scholarship Fund
\$ 19,074	\$ 1,697	\$ 4,507	\$ 3,155	\$ 502,207	\$ 56,807	\$ 23,231	\$ 52,083
-	-	-	-	894,870	434,244	207,475	118,182
-	-	-	-	688	334	-	91
-	-	-	-	-	-	-	-
<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>230,706</u>	<u>170,356</u>
-	-	-	-	-	-	1,177	-
-	-	-	-	-	-	1,177	-
<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>229,529</u>	<u>170,356</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>\$ 229,529</u>	<u>\$ 170,356</u>

CLEBURNE INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF NET POSITION
 PRIVATE PURPOSE TRUST FUNDS
 AUGUST 31, 2016

	828 F. Nooner Scholarship Fund	Total Private Purpose Trust Funds
ASSETS		
Cash and Cash Equivalents	\$ 11,519	\$ 1,440,055
Investments - Current	-	1,737,734
Due from Other Funds	-	1,177
Other Receivables	-	5,400
Total Assets	<u>11,519</u>	<u>3,184,366</u>
LIABILITIES		
Due to Other Funds	-	1,177
Total Liabilities	<u>-</u>	<u>1,177</u>
NET POSITION		
Restricted for Scholarships	<u>11,519</u>	<u>3,183,189</u>
Total Net Position	<u>\$ 11,519</u>	<u>\$ 3,183,189</u>

THIS PAGE LEFT BLANK INTENTIONALLY

CLEBURNE INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 PRIVATE PURPOSE TRUST FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2016

	815 Nell Wiseman Neal Scholarship	816 Miscellaneous Scholarship Fund	818 Ball Snavelly Scholarship Fund	819 Pete Kendall Memorial Scholarship
ADDITIONS:				
Local and Intermediate Sources	\$ 2,873	\$ 13,053	\$ 540	\$ 81
Transfer In	700,440	-	-	-
Total Additions	<u>703,313</u>	<u>13,053</u>	<u>540</u>	<u>81</u>
DEDUCTIONS:				
Other Operating Costs	-	-	-	-
Scholarships Awarded	1,250	10,625	1,000	-
Transfers Out	-	-	-	-
Total Deductions	<u>1,250</u>	<u>10,625</u>	<u>1,000</u>	<u>-</u>
Change in Net Position	702,063	2,428	(460)	81
Total Net Position - September 1 (Beginning)	-	16,657	112,046	19,737
Prior Period Adjustment	-	1,650	-	-
Total Net Position - August 31 (Ending)	<u>\$ 702,063</u>	<u>\$ 20,735</u>	<u>\$ 111,586</u>	<u>\$ 19,818</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	826 Green & Davis Scholarship Fund	827 Lucile Ball Scholarship Fund
\$ 427	\$ 7	\$ 25	\$ 14	\$ 14,736	\$ 2,371	\$ 1,225	\$ 1,970
-	-	-	-	-	-	-	-
<u>427</u>	<u>7</u>	<u>25</u>	<u>14</u>	<u>14,736</u>	<u>2,371</u>	<u>1,225</u>	<u>1,970</u>
-	-	-	-	87	-	-	255
100	-	1,625	250	27,125	3,075	1,100	-
-	-	-	-	-	-	700,440	-
<u>100</u>	<u>-</u>	<u>1,625</u>	<u>250</u>	<u>27,212</u>	<u>3,075</u>	<u>701,540</u>	<u>255</u>
327	7	(1,600)	(236)	(12,476)	(704)	(700,315)	1,715
18,747	1,690	6,107	3,391	1,410,091	481,340	929,494	168,141
-	-	-	-	150	10,749	350	500
<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>\$ 229,529</u>	<u>\$ 170,356</u>

CLEBURNE INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 PRIVATE PURPOSE TRUST FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	828 F. Nooner Scholarship Fund	Total Private Purpose Trust Funds
ADDITIONS:		
Local and Intermediate Sources	\$ 52	\$ 37,374
Transfer In	-	700,440
Total Additions	52	737,814
DEDUCTIONS:		
Other Operating Costs	-	342
Scholarships Awarded	1,000	47,150
Transfers Out	-	700,440
Total Deductions	1,000	747,932
Change in Net Position	(948)	(10,118)
Total Net Assets - September 1 (Beginning)	12,467	3,179,908
Prior Period Adjustment	-	13,399
Total Net Assets - August 31 (Ending)	\$ 11,519	\$ 3,183,189

REQUIRED TEXAS EDUCATION AGENCY SCHEDULES

CLEBURNE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2016

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2007 and prior years	Various	Various	\$ Various
2008	1.040000	0.196800	2,503,814,976
2009	1.040000	0.196600	3,229,320,314
2010	1.040000	0.196600	3,379,047,550
2011	1.040000	0.196600	2,957,824,842
2012	1.040000	0.196600	2,900,378,134
2013	1.040000	0.196600	2,815,894,307
2014	1.040000	0.196600	2,644,490,296
2015	1.170000	0.196600	2,608,578,516
2016 (School year under audit)	1.170000	0.196600	2,560,987,414
1000 TOTALS			

(10) Beginning Balance 9/1/2015	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2016
\$ 609,328	\$ -	\$ 2,061	\$ 295	\$ (3,508)	\$ 603,464
112,415	-	961	182	(516)	110,756
114,759	-	10,684	2,020	(39,699)	62,356
265,935	-	6,923	1,309	(41,206)	216,497
142,654	-	(22,296)	(4,215)	(33,597)	135,568
111,911	-	(35,814)	(6,770)	(51,000)	103,495
205,857	-	33,775	6,385	(51,903)	113,794
339,943	-	74,648	14,111	(52,978)	198,206
644,365	-	326,572	54,875	(11,462)	251,456
-	34,998,454	29,531,012	4,962,220	76,518	581,740
<u>\$ 2,547,167</u>	<u>\$ 34,998,454</u>	<u>\$ 29,928,526</u>	<u>\$ 5,030,412</u>	<u>\$ (209,351)</u>	<u>\$ 2,377,332</u>

CLEBURNE INDEPENDENT SCHOOL DISTRICT
 FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET
 GENERAL FUND AS OF AUGUST 31, 2016

EXHIBIT J-3

UNAUDITED

1	Total General Fund Balance as of 8/31/16 (Exhibit C-1 object 3000 for the General Fund Only)		\$ 19,033,634
2	Total Non-Spendable Fund Balance (from Exhibit C-1 - for the General Fund Only)	\$ 603,652	
3	Total Restricted Fund Balance (from Exhibit C-1 - for the General Fund Only)	-	
4	Total Committed Fund Balance (from Exhibit C-1 - for the General Fund Only)	-	
5	Total Assigned Fund Balance (from Exhibit C-1 - for the General Fund Only)	-	
6	Estimated amount needed to cover fall cash flow deficits in the General Fund (Net of borrowed funds and funds representing deferred revenues.)	4,950,711	
7	Estimate of two month's average cash disbursements during the fiscal year.	9,303,359	
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.	2,596,719	
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 (Lines 2+3+4+5+6+7+8+9+10+11)	<hr style="width: 100%;"/>	17,454,441
13	Excess (Deficit) Unassigned Fund Balance (Line 1 minus Line 12)		<hr style="width: 100%;"/> <hr style="width: 100%;"/> \$ 1,579,193

Explanation of need for and/or projected use of net positive Unassigned General Fund Fund Balance:

The District will utilize the 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 YEAR ENDED AUGUST 31, 2016

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 772,721	\$ 772,721	\$ 743,457	\$ (29,264)
5800	State Program Revenues	48,388	48,388	54,143	5,755
5900	Federal Program Revenues	2,595,241	2,595,241	2,764,018	168,777
5020	Total Revenues	3,416,350	3,416,350	3,561,618	145,268
EXPENDITURES:					
0035	Food Services	3,525,002	3,826,002	3,667,859	158,143
0051	Facilities Maintenance and Operations	30,000	36,000	33,650	2,350
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	42,000	19,833	22,167
6030	Total Expenditures	3,555,002	3,904,002	3,721,342	182,660
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(138,652)	(487,652)	(159,724)	327,928
OTHER FINANCING SOURCES (USES):					
7912	Sale of Real and Personal Property	4,094	4,094	7,125	3,031
1200	Net Change in Fund Balances	(134,558)	(483,558)	(152,599)	330,959
0100	Fund Balance - September 1 (Beginning)	770,856	770,856	770,856	-
3000	Fund Balance - August 31 (Ending)	\$ 636,298	\$ 287,298	\$ 618,257	\$ 330,959

CLEBURNE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - DEBT SERVICE FUND
 FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 5,242,611	\$ 5,242,611	\$ 5,140,431	\$ (102,180)
5800	State Program Revenues	-	-	144,516	144,516
5020	Total Revenues	5,242,611	5,242,611	5,284,947	42,336
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	4,340,000	4,340,000	4,340,000	-
0072	Interest on Long Term Debt	1,110,531	1,110,531	1,110,055	476
0073	Bond Issuance Cost and Fees	3,000	3,000	2,994	6
6030	Total Expenditures	5,453,531	5,453,531	5,453,049	482
1200	Net Change in Fund Balances	(210,920)	(210,920)	(168,102)	42,818
0100	Fund Balance - September 1 (Beginning)	2,576,276	2,576,276	2,576,276	-
3000	Fund Balance - August 31 (Ending)	\$ 2,365,356	\$ 2,365,356	\$ 2,408,174	\$ 42,818

**REPORTS ON INTERNAL CONTROLS, COMPLIANCE
AND FEDERAL AWARDS**

KIRK, RICHARDSON & POOLE, P. C.

Certified Public Accountants

Tom Kirk, CPA	Don Richardson, CPA	Cindy Poole, CPA
7559 John T. White Road	P. O. Box 8342	Fort Worth, Texas 76124
(817) 451-7406	www.krp-cpa.com	Fax (817) 451-7597

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

Board of Trustees
Cleburne Independent School District
505 N. Ridgeway, Suite 100
Cleburne, Texas 76033

Members of the Board of Trustees:

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cleburne Independent School District (the "District") as of and for the year ended August 31, 2016, and the related notes to the financial statements which collectively comprise the District's basic financial statements and have issued our report thereon dated December 5, 2016.

Internal Control over Financial Reports

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free 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 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.

Kirk, Richardson & Poole, P.C.

Kirk, Richardson & Poole, P. C.
Fort Worth, Texas
December 5, 2016

KIRK, RICHARDSON & POOLE, P. C.

Certified Public Accountants

Tom Kirk, CPA	Don Richardson, CPA	Cindy Poole, CPA
7559 John T. White Road	P. O. Box 8342	Fort Worth, Texas 76124
(817) 451-7406	www.krp-cpa.com	Fax (817) 451-7597

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

Board of Trustees
Cleburne Independent School District
505 N. Ridgeway, Suite 100
Cleburne, Texas 76033

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited the Cleburne Independent School District (the "District") compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2016. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirement 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 the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2016.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance. 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* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control of 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.

Kirk, Richardson & Poole, P.C.

Kirk, Richardson & Poole, P.C.
Fort Worth, Texas
December 5, 2016

CLEBURNE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED AUGUST 31, 2016

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiency(ies) identified that are not considered to be material weakness?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiency(ies) identified that are not considered to be material weakness?	No
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with <i>Audit Requirements for Federal Awards</i> (Uniform Guidance).	No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010A	ESEA – Title I, Part A – Improving Basic Programs

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.

Auditee qualified as low risk auditee?: Yes

Section II – Financial Statement Findings

None.

Section III – Federal Award Findings and Questioned Costs

None.

CLEBURNE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF STATUS OF PRIOR FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2016

STATUS OF PRIOR YEAR'S FINDING/NONCOMPLIANCE:

None required.

CLEBURNE INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2016

Contact: David Johnson, Chief Financial Officer
505 N. Ridgeway, Suite 100
Cleburne, Texas 76033
(817) 202-1100

N/A – None required.

THIS PAGE LEFT BLANK INTENTIONALLY

CLEBURNE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2016

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
FEDERAL COMMUNICATIONS COMMISSION			
<u>Direct Programs:</u>			
Universal E-Rate	32.001		\$ 6,181
Total Direct Programs			\$ 6,181
TOTAL FEDERAL COMMUNICATIONS COMMISSION			\$ 6,181
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through Texas Workforce Commission</u>			
Adult Education (ABE) - Federal	84.002	0414AELA00	\$ 37,514
Adult Education (ABE) - Federal	84.002	0414AELA00	347,664
Total CFDA Number 84.002			385,178
Total Passed Through Texas Workforce Commission			\$ 385,178
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	16610101126903	\$ 1,434,603
ESEA, Title I, Part A - Improving Basic Programs	84.010A	17610101126903	102,151
Total CFDA Number 84.010A			1,536,754
*IDEA - Part B, Formula	84.027	16660001126903	1,114,412
*IDEA - Part B, Formula	84.027	17660001126903	98,613
Total CFDA Number 84.027			1,213,025
*IDEA - Part B, Preschool	84.173	16661001126903	41,026
Total Special Education Cluster (IDEA)			1,254,051
Career and Technical - Basic Grant	84.048	16420006126903	77,503
Career and Technical - Basic Grant	84.048	17420006126903	11,345
Total CFDA Number 84.048			88,848
ESEA, Title X, Part C -Homeless Children	84.196	16-009	31,982
Title III, Part A - English Language Acquisition	84.365A	16671001126903	136,277
Title III, Part A - English Language Acquisition	84.365A	17671001126903	13,746
Total CFDA Number 84.365A			150,023
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	16694501126903	266,693
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	17694501126903	19,403
Total CFDA Number 84.367A			286,096
Summer School LEP	84.369	69551502	5,565
Total Passed Through State Department of Education			\$ 3,353,319
TOTAL U.S. DEPARTMENT OF EDUCATION			\$ 3,738,497
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through Texas Workforce Commission</u>			
Temporary Assistance for Needy Families (TANF)	93.558	0414AELA00	\$ 31,994
Total Passed Through Texas Workforce Commission			\$ 31,994
<u>Passed Through Texas Dept of Human Services</u>			
Medicaid Administrative Claiming Program - MAC	93.778		\$ 71,349
Total Passed Through Texas Dept of Human Services			\$ 71,349
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ 103,343

CLEBURNE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2016

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	00783	\$ 585,850
*National School Lunch Program - Cash Assistance	10.555	00783	1,937,395
*National School Lunch Prog. - Non-Cash Assistance	10.555	00783	<u>239,773</u>
Total CFDA Number 10.555			<u>2,177,168</u>
Total Child Nutrition Cluster			<u>2,763,018</u>
State Administrative Expenses for Child Nutrition	10.560	00783	<u>1,000</u>
Total Passed Through the State Department of Agriculture			<u>\$ 2,764,018</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>\$ 2,764,018</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 6,612,039</u></u>

*Clustered Programs

CLEBURNE INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES TO FEDERAL AWARDS
 AUGUST 31, 2016

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 designated for, specific purposes by a grantor. Federal and state financial assistance generally is account 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 accounted 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 measurable 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 judgments, 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	\$6,894,901
School Health & Related Services (SHARS) reimbursement not reported in the Schedule of Expenditures of Federal Awards	(282,863)
Rounding	1
Total federal expenditures on Schedule of Expenditures of Federal Awards	\$6,612,039