

MCDADE INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL AND
COMPLIANCE REPORT

FOR THE YEAR ENDED
AUGUST 31, 2017



SINGLETON, CLARK
& COMPANY, PC CERTIFIED PUBLIC ACCOUNTANTS

MCDADE INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL AND COMPLIANCE REPORT
FOR THE YEAR ENDED AUGUST 31, 2017

TABLE OF CONTENTS

<u>Exhibit</u>		<u>Page</u>
	CERTIFICATE OF BOARD	1
	FINANCIAL SECTION	
	Independent Auditor's Report	5
	Management's Discussion and Analysis	9
	Basic Financial Statements:	
	Government-Wide Statements:	
A-1	Statement of Net Position	18
B-1	Statement of Activities	19
	Governmental Fund Financial Statements:	
C-1	Balance Sheet	20
C-1R	Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	21
C-2	Statement of Revenues, Expenditures, and Changes in Fund Balance	22
C-2R	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	23
C-3	Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	25
	Fiduciary Fund Financial Statements:	
E-1	Statement of Fiduciary Net Position	27
	Notes to the Financial Statements	31
	Required Supplementary Information	
G-1	Schedule of the District's Proportionate Share of the Net Pension Liability – Teacher Retirement System	54
G-2	Schedule of District Contributions – Teacher Retirement System	55
	Notes to Required Supplementary Information	57
	Combining and Individual Fund Statements and Schedules:	
H-1	Combining Balance Sheet – Nonmajor Governmental Funds	60
H-2	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	62

MCDADE INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL AND COMPLIANCE REPORT
FOR THE YEAR ENDED AUGUST 31, 2017

TABLE OF CONTENTS
(continued)

FINANCIAL SECTION (continued)

	Combining and Individual Fund Statements and Schedules (continued):	
J-1	Schedule of Delinquent Taxes Receivable	64
J-4	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Child Nutrition Fund	66
J-5	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual - Debt Service Fund	67
L-1	Schedule of Required Responses to Selected School First Indicators	69

FEDERAL AWARDS SECTION

	Report on Internal Control 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>	73
	Schedule of Findings and Questioned Costs	

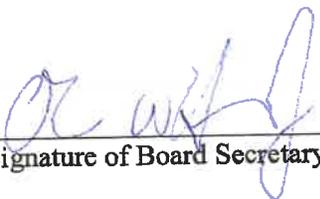
CERTIFICATE OF BOARD

McDade Independent School District
Name of School District

Bastrop
County

011-905
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) approved disapproved for the year ended August 31, 2017, at a meeting of the Board of Trustees of such school district on the 12th day of December, 2017.



Signature of Board Secretary



Signature of Board President 171212

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

THIS PAGE LEFT BLANK INTENTIONALLY

FINANCIAL SECTION

THIS PAGE LEFT BLANK INTENTIONALLY



INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
McDade Independent School District

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 McDade Independent School District as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant 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 McDade Independent School District as of August 31, 2017, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

THIS PAGE LEFT BLANK INTENTIONALLY

Other Matters

Required Supplementary Information

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

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise McDade Independent School District's basic financial statements. The combining statements of individual nonmajor funds and the Texas Education Agency required schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining statements of individual nonmajor funds and the Texas Education Agency required schedules 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 statements and the Texas Education Agency required schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2017 on our consideration of McDade Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering McDade Independent School District's internal control over financial reporting and compliance.



Singleton, Clark & Company, PC
Cedar Park, Texas

October 20, 2017

THIS PAGE LEFT BLANK INTENTIONALLY

MCDADE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2017

MANAGEMENT’S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of McDade Independent School District (the “District”) discuss and analyze the financial performance of the District for the fiscal year ended August 31, 2017. Please read this information in conjunction with the District’s basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District’s net position for governmental activities increased by \$126,949 as a result of this year’s current operations, to end at \$1,999,427.
- Total Governmental Funds of the District (the General Fund plus all Special Revenue Funds and the Debt Service Fund) reported an overall fund balance increase of \$56,934, to end at \$960,483.
- The General Fund of the District reported a fund balance increase of \$48,777 for the year, to end at \$885,074.

OVERVIEW OF THE FINANCIAL SECTION

The Financial Section is the most substantial part of this Annual Financial and Compliance Report. It consists of the independent auditor’s report, management’s discussion and analysis (this section), a set of basic financial statements with required note disclosures, and finally required supplementary information and other supporting statements and schedules as applicable.

Independent Auditor’s Report

State law requires the District’s financial statements to be audited by an independent certified public accountant each year. The primary purpose of the annual audit is for the auditor to express an opinion as to whether the financial statements of the District appear to be free from material misstatement. In addition, the auditor reports any deficiencies noted within the financial internal controls of the District and whether any noncompliance with rules, regulations, or grant agreements was observed.

Management’s Discussion and Analysis

The Management’s Discussion and Analysis (MD&A) section of the report is intended to introduce the financial statements and to provide discussion and analysis regarding the financial performance of the District during the year. The MD&A is written by management of the District and provides for a less formal presentation of the financial activities of the District than is found within the basic financial statements themselves.

Basic Financial Statements

The Basic Financial Statements consist of a series of financial statements and required note disclosures. These statements include government-wide financial statements which present the District in a consolidated and long-term manner using full-accrual accounting similar to that of a business enterprise, and fund financial statements which present a more detailed view of the District using a more short-term view and traditional modified-accrual governmental accounting. These financial statements are followed with detailed notes which provide narrative explanations and additional data for full disclosure of information.

MCDADE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2017

Required Supplementary Information

The previously discussed Management's Discussion and Analysis section is considered to be required supplementary information, however, the governmental reporting framework requires that it be presented before the financial statements. When applicable, additional required supplementary information must follow the financial statements. Within this financial report, the District presents required schedules related to its participation in the Teacher Retirement System of Texas pension plan.

Combining and Individual Fund Statements and Schedules

The combining statements provide detailed information about the District's nonmajor funds. While the primary financial statements present the nonmajor funds in a consolidated manner, the combining statements list all of the nonmajor funds separately, each in its own column. In addition, this section also includes schedules required by the Texas Education Agency to report tax collection information and budget to actual information for the District's debt service and child nutrition functions.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins with the government-wide financial statements which immediately follow this section. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. The primary purpose of these financial statements is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

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

The Statement of Net Position and the Statement of Activities report the District's net position and changes in net position. The District's net position (the difference between assets and liabilities) provides one measure of the District's financial health. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider nonfinancial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

MCDADE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2017

In the Statement of Net Position and the Statement of Activities, school districts divide up their financial activities as follows:

- Governmental activities – School districts report basic services here, including the instruction of students, counseling, co-curricular activities, child nutrition services, transportation, maintenance, community services, and general administration. Property taxes, state block grants based on student attendance and demographics, and other state and federal grants finance most of these activities.
- Business-type activities – School districts may charge a fee to "customers" to help it cover all or most of the cost of services it provides for child care programs or other activities that closely model a business venture.

Our school district reported governmental activities this year, however, we did not engage in business-type activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements follow the government-wide statements and provide detailed information about the most significant funds of the District, not the District as a whole. Laws and regulations require the District to establish separate funds, such as for grants received from the state and federal government, money received from bond issues for capital projects, or for money raised specifically for debt service purposes, in order to clearly display financial accountability for use of these funds.

School districts use two different kinds of funds for operations, governmental funds and proprietary funds, which use different accounting approaches.

- A school district will use *governmental funds* to account for basic services. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.
- A school district will use *proprietary funds* to account for the activities for which it charges users (whether outside customers or other units of the district). Proprietary funds use the same accounting methods employed in the Statement of Net Position and the Statement of Activities. In fact, when a district utilizes enterprise funds, (one category of proprietary funds) these are the business-type activities reported in the government-wide statements but they contain more detail and additional information, such as cash flows. Internal service funds (the other category of proprietary funds) report activities that provide supplies and services for a district's other programs and activities, such as a district's self-insurance programs.

Our District reported several governmental funds this year, however, we did not utilize proprietary funds.

MCDADE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2017

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities and alumnae scholarship programs. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages that follow the governmental fund and proprietary fund financial statements. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is however responsible for applying sound financial internal controls over these funds and for ensuring that these resources are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Net position of the District's governmental activities increased from \$1,872,478 to \$1,999,427. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$784,115 at August 31, 2017. The increase in governmental net position was primarily due to an increase in state revenue compared to the prior year due to increased student enrollment.

	Governmental Activities 2017	Governmental Activities 2016	Change
Current & other assets	\$ 1,735,871	\$ 1,146,382	\$ 589,489
Capital assets	2,174,510	2,219,571	(45,061)
Deferred outflows	481,174	267,289	213,885
Total assets and deferred outflows	<u>4,391,555</u>	<u>3,633,242</u>	<u>758,313</u>
Current liabilities	670,903	152,362	518,541
Long-term liabilities	1,626,273	1,542,817	83,456
Deferred inflows	94,952	65,585	29,367
Total liabilities and deferred inflows	<u>2,392,128</u>	<u>1,760,764</u>	<u>631,364</u>
Net Position:			
Net investment in capital assets	1,121,442	1,067,781	53,661
Restricted	93,870	63,055	30,815
Unrestricted	784,115	741,642	42,473
Total net position	<u>\$ 1,999,427</u>	<u>\$ 1,872,478</u>	<u>\$ 126,949</u>

MCDADE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2017

Table II
MCDADE INDEPENDENT SCHOOL DISTRICT
CHANGES IN NET POSITION

	Governmental Activities 2017	Governmental Activities 2016	Change
Revenues:			
Program Revenues:			
Charges for services	\$ 54,914	\$ 65,423	\$ (10,509)
Operating grants & contributions	496,822	507,769	(10,947)
General Revenues:			
Maintenance & operations taxes	885,800	830,714	55,086
Debt service taxes	49,422	62,955	(13,533)
State aid - formula grants	2,178,239	1,244,260	933,979
Grants & contributions not restr.	25,592	17,874	7,718
Investment earnings	3,219	5,437	(2,218)
Miscellaneous	60,724	10,826	49,898
Total Revenue	<u>3,754,732</u>	<u>2,745,258</u>	<u>1,009,474</u>
Expenses:			
Instruction	1,879,063	1,553,330	325,733
Instr. resources & media services	60,630	71,725	(11,095)
Curriculum and staff development	49,157	19,500	29,657
Instructional leadership	10,120	5,036	5,084
School leadership	254,562	215,920	38,642
Guidance/counseling services	71,385	94,474	(23,089)
Health services	520	6,697	(6,177)
Student transportation	124,698	81,366	43,332
Food services	192,985	167,892	25,093
Cocurricular/extracurricular act.	82,911	114,904	(31,993)
General administration	335,994	265,053	70,941
Plant maintenance and operations	398,204	346,828	51,376
Security and monitoring services	8,480	4,210	4,270
Data processing services	55,101	144,158	(89,057)
Community services	265	-	265
Debt service	53,254	28,444	24,810
Other intergovernmental charges	50,454	31,655	18,799
Total Expenses	<u>3,627,783</u>	<u>3,151,192</u>	<u>476,591</u>
Change in net position	126,949	(405,934)	532,883
Net position at 9/1/16 and 9/1/15	<u>1,872,478</u>	<u>2,278,412</u>	<u>(405,934)</u>
Net position at 8/31/17 and 8/31/16	<u>\$ 1,999,427</u>	<u>\$ 1,872,478</u>	<u>\$ 126,949</u>

MCDADE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2017

THE DISTRICT'S FUNDS

As the District completed this annual period, the General Fund reported a fund balance of \$885,074, which is \$48,777 more than last year's total of \$836,297. The increase in fund balance is mainly attributable to an increase in state revenues due to increased student enrollment.

The District's other governmental funds reported combined ending fund balances of \$75,409. This combined balance is \$8,157 more than the previous year. The primary reason for this change in the combined fund balance was attributable to revenues exceeding expenditures in the Debt Service Fund.

Over the course of the year, the Board of Trustees generally revises the District's budget based on financial updates provided by management of the District. These amendments involve moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs, or to react to originally unforeseen circumstances, such as unanticipated new revenues or unavoidable new costs. None of the budget amendments made during the year were considered significant.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of August 31, 2017, the District had \$2,174,510 (net of accumulated depreciation) invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance.

A summary of the ending balances of capital assets by major category for both 2017 and 2016 is as follows:

	Governmental Activities 2017	Governmental Activities 2016	Change
Land	\$ 139,905	\$ 139,905	\$ -
Construction in Progress	-	41,552	(41,552)
Buildings	2,947,312	2,860,909	86,403
Furniture and Equipment	686,021	674,321	11,700
Total	<u>3,773,238</u>	<u>3,716,687</u>	<u>56,551</u>
Less Accumulated Depreciation	<u>(1,598,728)</u>	<u>(1,497,116)</u>	<u>(101,612)</u>
Capital assets, net of depreciation	<u><u>\$ 2,174,510</u></u>	<u><u>\$ 2,219,571</u></u>	<u><u>\$ (45,061)</u></u>

MCDADE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2017

Debt

At year-end, the District had \$1,626,273 in bonds and other long-term debt outstanding versus \$1,542,817 last year. The increase is attributable to the increase in the net pension liability during the year.

A summary of the ending balances of long-term debt by type for both 2017 and 2016 is as follows:

	Governmental Activities 2017	Governmental Activities 2016	Change
General Obligation Bonds	\$ 912,141	\$ 977,790	\$ (65,649)
Capital Leases Payable	140,927	174,000	(33,073)
Net Pension Liability	573,205	391,027	182,178
Total	<u>\$ 1,626,273</u>	<u>\$ 1,542,817</u>	<u>\$ 83,456</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the fiscal year 2017-2018 budget and tax rates. Those factors include property values, changes in enrollment, the economy, projections of future budget years, and legislative mandates. The District has adopted a General Fund budget of \$3.54 million for the 2017-2018 fiscal year. This reflects an approximate increase \$261,000 in budgeted expenditures from fiscal year 2016-2017 to fiscal year 2017-2018.

For the 2017-2018 budget year, the District has held constant its maintenance and operations tax rate at \$1.04 per hundred of taxable value. The District has the capability to call a tax ratification election which could authorize up to \$1.17 cents for maintenance and operations. The District has no current plans to call a tax ratification election. The District adopted a debt service tax rate of \$.06467 for the 2017-2018 budget year in order to fund required debt payments in the coming year. The combined tax rate of the District for the 2017-2018 budget year is \$1.10467 per hundred of taxable value.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Business Office, at McDade Independent School District, 156 Marlin St, McDade, Texas 78650, or by calling (512) 273-2522.

THIS PAGE LEFT BLANK INTENTIONALLY

BASIC FINANCIAL STATEMENTS

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

Data Control Codes	Primary Government 1 Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 678,016
1225 Property Taxes Receivable (net)	107,742
1240 Due from Other Governments	921,748
1250 Accrued Interest	420
1267 Due from Fiduciary Funds	6,546
1410 Deferred Expenditures or Expenses	21,399
Capital Assets:	
1510 Land	139,905
1520 Buildings and Improvements, Net	1,776,229
1530 Furniture and Equipment, Net	258,376
1000 Total Assets	3,910,381
DEFERRED OUTFLOWS OF RESOURCES	
1705 Deferred Outflows-Pension	481,174
Total Deferred Outflows of Resources	481,174
LIABILITIES	
2110 Accounts Payable	25,737
2120 Short-Term Debt Payable	435,000
2140 Interest Payable	7,663
2160 Accrued Wages Payable	164,590
2200 Accrued Expenses	4,579
2300 Unearned Revenue	33,334
Noncurrent Liabilities:	
2501 Bonds, Loans & Other Payable-Due Within One Year	98,623
2502 Bonds Payable - Due in More than One Year	785,000
2516 Unamortized Premium (Discount) on Bonds	62,141
2520 Loans Payable - Due in More than One Year	107,304
2540 Net Pension Liability	573,205
2000 Total Liabilities	2,297,176
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflows-Pension	94,952
Total Deferred Inflows of Resources	94,952
NET POSITION	
3200 Net Investment in Capital Assets	1,121,442
Restricted for:	
3820 Federal & State Programs	15,790
3850 Debt Service	58,080
3860 Capital Projects	20,000
3900 Unrestricted	784,115
3000 Total Net Position	\$ 1,999,427

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

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

Data Control Codes	1 Expenses	Program Revenues		Net (Expense) Rev. & Changes in Net Position
		3 Charges for Services	4 Operating Grants and Contributions	6 Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 1,879,063	\$ -	\$ 192,622	\$ (1,686,441)
12 Instructional Resources & Media Services	60,630	-	2,471	(58,159)
13 Curriculum & Staff Development	49,157	-	61,958	12,801
21 Instructional Leadership	10,120	-	8,493	(1,627)
23 School Leadership	254,562	-	8,814	(245,748)
31 Guidance/Counseling/Evaluation Services	71,385	-	107,867	36,482
33 Health Services	520	-	4,343	3,823
34 Student Transportation	124,698	-	-	(124,698)
35 Food Services	192,985	31,258	4,179	(157,548)
36 Extracurricular Activities	82,911	23,656	39,181	(20,074)
41 General Administration	335,994	-	9,960	(326,034)
51 Plant Maintenance and Operations	398,204	-	7,391	(390,813)
52 Security and Monitoring Services	8,480	-	-	(8,480)
53 Data Processing Services	55,101	-	817	(54,284)
61 Community Services	265	-	-	(265)
72 Interest on Long-Term Debt	38,254	-	48,726	10,472
73 Bond Issuance Cost & Fees	15,000	-	-	(15,000)
99 Other Intergovernmental Charges	50,454	-	-	(50,454)
TG Total Governmental Activities:	<u>3,627,783</u>	<u>54,914</u>	<u>496,822</u>	<u>(3,076,047)</u>
TP TOTAL PRIMARY GOVERNMENT:	<u>\$ 3,627,783</u>	<u>\$ 54,914</u>	<u>\$ 496,822</u>	<u>(3,076,047)</u>
General Revenues:				
Taxes:				
MT Property Taxes, Levied for General Purposes				\$ 885,800
DT Property Taxes, Levied for Debt Service				49,422
SF State Aid - Formula Grants				2,178,239
GC Grants and Contributions, not Restricted				25,592
IE Investment Earnings				3,219
MI Miscellaneous Local and Intermediate Revenue				60,724
Total General Revenues				<u>3,202,996</u>
CN Change in Net Position				126,949
NB Net Position -- Beginning				1,872,478
NE Net Position -- Ending				<u>\$ 1,999,427</u>

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

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

Data Control Codes	10 General Fund	Other Funds	98 Total Governmental Funds
ASSETS			
1110 Cash and Cash Equivalents	\$ 575,547	\$ 102,469	\$ 678,016
1220 Property Taxes - Delinquent	112,554	7,159	119,713
1230 Allowance for Uncollectible Taxes (Credit)	(11,255)	(716)	(11,971)
1240 Due from Other Governments	871,690	50,058	921,748
1250 Accrued Interest	420	-	420
1260 Due from Other Funds	55,590	411	56,001
1267 Due from Fiduciary Funds	6,546	-	6,546
1410 Deferred Expenditures	21,399	-	21,399
1000 Total Assets	<u>\$ 1,632,491</u>	<u>\$ 159,381</u>	<u>\$ 1,791,872</u>
LIABILITIES			
2110 Accounts Payable	\$ 25,232	\$ 494	\$ 25,726
2120 Short-Term Debt Payable	435,000	-	435,000
2140 Interest Payable	4,406	-	4,406
2160 Accrued Wages Payable	146,859	17,731	164,590
2170 Due to Other Funds	411	55,590	56,001
2190 Due to Student Groups	11	-	11
2200 Accrued Expenditures	3,315	1,264	4,579
2300 Unearned Revenues	30,884	2,450	33,334
2000 Total Liabilities	<u>646,118</u>	<u>77,529</u>	<u>723,647</u>
DEFERRED INFLOWS OF RESOURCES			
2600 Deferred Inflows-Unavailable Revenues	101,299	6,443	107,742
Total Deferred Inflows of Resources	<u>101,299</u>	<u>6,443</u>	<u>107,742</u>
FUND BALANCES			
Restricted for:			
3450 Federal or State Funds Restricted	-	15,790	15,790
3480 Retirement of Long-Term Debt	-	51,637	51,637
Committed for:			
3510 Construction	20,000	-	20,000
3545 Other Committed Fund Balance	-	7,982	7,982
3600 Unassigned Fund Balance	865,074	-	865,074
3000 Total Fund Balances	<u>885,074</u>	<u>75,409</u>	<u>960,483</u>
4000 Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 1,632,491</u>	<u>\$ 159,381</u>	<u>\$ 1,791,872</u>

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

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

		1
Total Fund Balances - Governmental Funds	\$	960,483
<p>¹ Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.</p>		
Governmental capital assets	\$ 3,773,238	
Less accumulated depreciation	<u>(1,598,728)</u>	2,174,510
<p>² Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.</p>		
Bonds payable, including unamortized premiums	(912,141)	
Notes and capital leases payable	(140,927)	
Net pension liability	<u>(573,205)</u>	(1,626,273)
<p>³ Accrued interest on long-term debt related to governmental fund activities is not due and payable in the current period and, therefore, not reported in the governmental funds.</p>		
		(3,257)
<p>⁴ Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.</p>		
Deferred outflows of resources related to pensions	481,174	
Deferred inflows of resources related to pensions	<u>(94,952)</u>	386,222
<p>⁵ Property taxes are recognized as revenue in the governmental funds when collected, but recognized on the Statement of Activities in the year levied. Therefore, property taxes receivable, net of allowance for uncollectible accounts, is added to the Statement of Net Position for governmental activities.</p>		
		107,742
¹⁹ Net Position of Governmental Activities	<u>\$</u>	<u>1,999,427</u>

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

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

Data	10		98
Control	General	Other	Total
Codes	Fund	Funds	Funds
REVENUES			
5700 Local and Intermediate Sources	\$ 938,232	\$ 101,001	\$ 1,039,233
5800 State Program Revenues	2,313,230	77,857	2,391,087
5900 Federal Program Revenues	15,476	313,251	328,727
5020 Total Revenues	<u>3,266,938</u>	<u>492,109</u>	<u>3,759,047</u>
EXPENDITURES			
0011 Instruction	1,755,607	75,888	1,831,495
0012 Instructional Resources & Media Services	59,124	-	59,124
0013 Curriculum & Instructional Staff Development	9,222	38,440	47,662
0021 Instructional Leadership	4,526	5,269	9,795
0023 School Leadership	247,998	-	247,998
0031 Guidance, Counseling & Evaluation Services	2,350	66,919	69,269
0033 Health Services	503	-	503
0034 Student (Pupil) Transportation	132,784	-	132,784
0035 Food Services	-	187,624	187,624
0036 Cocurricular/Extracurricular Activities	58,068	22,662	80,730
0041 General Administration	327,029	-	327,029
0051 Plant Maintenance and Operations	386,929	-	386,929
0052 Security and Monitoring Services	8,207	-	8,207
0053 Data Processing Services	53,474	-	53,474
0061 Community Services	256	-	256
0071 Debt Service - Principal	33,073	60,000	93,073
0072 Debt Service - Interest	9,360	32,750	42,110
0073 Debt Service - Bond Issuance Costs	15,000	-	15,000
0081 Facilities Acquisition and Construction	60,220	-	60,220
0099 Other Intergovernmental Charges	48,831	-	48,831
6030 Total Expenditures	<u>3,212,561</u>	<u>489,552</u>	<u>3,702,113</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>54,377</u>	<u>2,557</u>	<u>56,934</u>
OTHER FINANCING SOURCES (USES)			
7915 Transfers In	-	5,600	5,600
8911 Transfers Out	(5,600)	-	(5,600)
7080 Total Other Financing Sources (Uses)	<u>(5,600)</u>	<u>5,600</u>	<u>-</u>
1200 Net Change in Fund Balance	48,777	8,157	56,934
0100 Fund Balance - Beginning	836,297	67,252	903,549
3000 Fund Balance - Ending	<u>\$ 885,074</u>	<u>\$ 75,409</u>	<u>\$ 960,483</u>

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

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

Total Net Change in Fund Balances – Governmental Funds	\$	56,934
1 Governmental funds report the portion of capital outlay for capitalized assets as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense.		
Expenditures for capitalized assets	\$ 71,920	
Less current year depreciation	<u>(116,020)</u>	(44,100)
2 Repayment of principal on bonds, notes, and capital leases is an expenditure in the governmental funds, but this expenditure is removed from the Statement of Activities and the repayments instead reduce long-term liabilities on the Statement of Net Position.		
		93,073
3 Since long-term debt is not recorded in governmental funds, amortization of related issuance premiums and discounts is also not recorded.		
		5,649
4 The change in accrued interest due on long-term debt issued for governmental activities does not affect current financial resources and therefore is not reported in the governmental funds.		
		(1,793)
5 Property taxes are recognized as revenue in the governmental funds when collected but recognized on the Statement of Activities in the year levied. Therefore the uncollected amount of the current year levy is added to current year property tax revenue on the Statement of Activities.		
		15,807
6 Governmental funds report pension contributions as expenditures. However, pension contributions are reported as deferred outflows of resources on the Statement of Net Position if made after the net pension liability measurement date. In addition, the change in the net pension liability, adjusted for changes in deferred pension items, is reported as pension expense in the Statement of Activities.		
		2,340
7 Since capital assets are not reported in governmental funds, gains or losses on disposal of capital assets are also not reported in governmental funds.		
		(961)
19 Change in Net Position of Governmental Activities	<u>\$</u>	<u>126,949</u>

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

THIS PAGE LEFT BLANK INTENTIONALLY

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

Data	Budgeted Amounts		Actual	
Control			Amounts	Variance With
Codes	Original	Final	(GAAP BASIS)	Final Budget
REVENUES				
5700 Local & Intermediate Sources	\$ 867,668	\$ 951,668	\$ 938,232	\$ (13,436)
5800 State Program Revenues	2,362,961	2,226,927	2,313,230	86,303
5900 Federal Program Revenues	-	15,000	15,476	476
5020 Total Revenues	<u>3,230,629</u>	<u>3,193,595</u>	<u>3,266,938</u>	<u>73,343</u>
EXPENDITURES				
Current:				
0011 Instruction	1,556,389	1,756,389	1,755,607	782
0012 Instructional Resources & Media Services	67,922	61,922	59,124	2,798
0013 Curriculum and Staff Development	10,145	11,145	9,222	1,923
0021 Instructional Leadership	-	4,502	4,526	(24)
0023 School Leadership	262,194	254,194	247,998	6,196
0031 Guidance/Counseling/Evaluation Services	10,203	4,203	2,350	1,853
0033 Health Services	500	700	503	197
0034 Student Transportation	146,194	137,766	132,784	4,982
0036 Extracurricular Activities	53,910	64,360	58,068	6,292
0041 General Administration	295,764	337,764	327,029	10,735
0051 Facilities Maintenance & Operations	280,152	381,689	386,929	(5,240)
0052 Security and Monitoring Services	7,600	11,600	8,207	3,393
0053 Data Processing Services	124,279	64,279	53,474	10,805
0061 Community Services	700	700	256	444
Debt Service:				
0071 Principal on Long Term Debt	60,000	4,955	4,955	-
0072 Interest on Long Term Debt	32,750	37,573	37,478	95
0073 Bond Issuance Cost and Fees	-	15,000	15,000	-
Capital Outlay:				
0081 Facilities Acquisition & Construction	-	62,000	60,220	1,780
Intergovernmental:				
0099 Other Intergovernmental Charges	24,100	45,100	48,831	(3,731)
6030 Total Expenditures	<u>2,932,802</u>	<u>3,255,841</u>	<u>3,212,561</u>	<u>43,280</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>297,827</u>	<u>(62,246)</u>	<u>54,377</u>	<u>116,623</u>
OTHER FINANCING SOURCES (USES)				
8911 Transfers Out	-	(20,000)	(5,600)	14,400
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>(20,000)</u>	<u>(5,600)</u>	<u>14,400</u>
1200 Net Change in Fund Balances	297,827	(82,246)	48,777	131,023
0100 Fund Balance-September 1 (Beginning)	836,297	836,297	836,297	-
3000 Fund Balance-August 31 (Ending)	<u>\$ 1,134,124</u>	<u>\$ 754,051</u>	<u>\$ 885,074</u>	<u>\$ 131,023</u>

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

THIS PAGE LEFT BLANK INTENTIONALLY

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

Data Control Codes	Agency Funds
ASSETS	
1110 Cash and Cash Equivalents	\$ 13,739
1000 Total Assets	<u>13,739</u>
LIABILITIES	
Current Liabilities:	
2110 Accounts Payable	467
2170 Due to Other Funds	6,546
2190 Due to Student Groups	6,726
2000 Total Liabilities	<u>\$ 13,739</u>

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

THIS PAGE LEFT BLANK INTENTIONALLY

NOTES TO THE FINANCIAL STATEMENTS

THIS PAGE LEFT BLANK INTENTIONALLY

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Reporting Entity

This report includes those activities, organizations and functions related to McDade Independent School District (the “District”), which are controlled by or dependent upon the District’s governing body, the Board of Trustees (the “Board”). The Board, a seven member group, is the level of government having governance responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the District. Since the District receives funding from local, state, and federal government sources, it must comply with the requirements of the entities providing those funds. However, the District is not included in any other governmental “reporting entity” as defined by Statement No. 14 of the Governmental Accounting Standards Board (GASB), since Board members are elected by the public and have decision making authority. Furthermore, there are no legally separate organizations, known as “component units”, included within the reporting entity.

The accounting policies of the District comply with the rules prescribed by the Texas Education Agency (TEA) in its Financial Accountability System Resource Guide (FASRG). These accounting policies conform to generally accepted accounting principles applicable to state and local governments.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities, which are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for support. Currently, however, the District has no business-type activities.

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Agency funds have no measurement focus. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided and 2) operating grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Major revenue sources considered susceptible to accrual include state and federal program revenues and property taxes. No accrual for property taxes collected within sixty days of year end has been made as such amounts are deemed immaterial; delinquent property taxes at year end are reported as deferred inflows of resources within the governmental fund financial statements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Major Funds and Fund Types

The District reports the following major governmental funds:

The General Fund includes financial resources that are not required to be reported separately in another fund. It is a budgeted fund, and any unrestricted fund balances are considered to be resources available for current operations.

Additionally, the District reports the following fund types:

Special Revenue Funds are governmental funds which include resources restricted, committed, or assigned for specific purposes by a grantor or the Board. Federally financed programs where unused balances are returned to the grantor at the close of specified project periods are accounted for in these funds.

The Debt Service Fund includes debt service taxes and other revenues collected to retire bond principal and to pay interest due. It is a budgeted fund.

Agency Funds are fiduciary funds used to account for resources held for others in a custodial capacity. The District utilizes this fund type to account for funds held on behalf of student clubs and organizations.

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

Budgetary Information

Budgets are prepared annually for the General Fund, the Debt Service Fund, and the Child Nutrition Fund on the modified accrual basis, which is consistent with generally accepted accounting principles. A formal budget is prepared by the end of August and is adopted by the Board at a public meeting after public notice of the meeting has been given no earlier than the 30th day or later than the 10th day before the public hearing. The legal level of control for budgeted expenditures is the function level within the budgeted funds. Amendments to the budget are required prior to expending amounts greater than the budgeted amounts at the function level. Budgets are controlled at the departmental or campus level, the same level at which responsibility for operations is assigned. The budget was monitored by the administration throughout the year and amendments were brought to the Board as needed.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Balance

Investments - The District's investment policies and types of investments are governed by Section 2256 of the Texas Government Code ("Public Funds Investment Act"). The types of investments allowed under the Public Funds Investment Act are detailed in Note 2 - Deposits and Investments. The District's management believes that it complied with the requirements of the Public Funds Investment Act and the District's investment policies. The District accrues interest on temporary investments based on the terms and effective interest rates of the specific investments. Temporary investments throughout the year consisted of investments in external investment pools, which are recognized at amortized cost, and money market accounts.

Inventories - Inventories are generally not recorded in the General Fund or Child Nutrition Fund due to amounts of expendable supplies held or purchased food not being deemed material. When inventories are recorded, they are charged to expenditures when consumed. Amounts recorded are offset by a fund balance classification titled "nonspendable" which indicates that the inventory does not represent "available expendable resources."

Capital Assets - Capital assets, which include land, buildings and improvements, construction in progress, furniture and equipment, and vehicles are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of at least \$5,000 and a useful life of greater than one year. Such assets are recorded at historical cost, if purchased, or estimated fair value at the date of donation, if donated. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized. Capital assets (other than land and construction in progress) are depreciated using the straight line method over the following estimated useful lives: buildings and improvements - ten to forty years, furniture and equipment - three to twenty years, and vehicles - five to ten years.

Prepaid Items - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are charged to expenditures when consumed. When prepaid items are recorded, they are charged to expenditures when the value represented by the prepaid item has been used. Amounts recorded are offset by a fund balance classification titled "nonspendable" which indicates that the prepaid item amount does not represent "available expendable resources."

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

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

Accumulated Sick Leave Liability - The State of Texas (the "State") has created a minimum sick leave program consisting of five days of sick leave per year with no limit on accumulation and transferability among districts for every person regularly employed in Texas public schools. Each district's local Board is required to establish a sick leave plan. Local school districts may provide additional sick leave beyond the state minimum.

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 benefit terms. Investments are reported at fair value.

Deferred Outflows and Deferred Inflows of Resources - The District complies with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which provides guidance for reporting the financial statement elements of deferred outflows of resources, which represent a consumption of the District's net position that is applicable to a future reporting period, and deferred inflows of resources, which represent the District's acquisition of net position applicable to a future reporting period.

The District complies with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Fund Balance/Deficit - The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, 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 the resources reported in governmental funds.

Statement of Cash Flows - For purposes of the statement of cash flows when Proprietary Funds are used, cash and cash equivalents include demand deposits.

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

Fair Value Measurements - The District adopted GASB Statement No. 72, *Fair Value Measurement and Application*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

- Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access
- Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity
- Level 3 are unobservable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available

There are three general valuation techniques that may be used to measure fair value:

- Market approach - uses prices generated by market transactions involving identical or comparable assets or liabilities
- Cost approach - uses the amount that currently would be required to replace the service capacity of an asset (replacement cost)
- Income approach - uses valuation techniques to convert future amounts to present amounts based on current market expectations

Data Control Codes

The Data Control Codes shown on the financial statements refer to the account code structure prescribed by the FASRG. TEA requires school districts to display these codes in their financial statements to ensure accuracy in building a state-wide data base for policy development and funding plans.

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

2. DEPOSITS AND INVESTMENTS

The Public Funds Investment Act authorizes the District to invest in funds under a written investment policy, which is approved annually by the Board. The primary objectives of the District's investment strategy for operating and agency funds, in order of priority, are safety, investment liquidity, and maturity sufficient to meet anticipated cash flow requirements. The primary objective of the District's investment strategy for Debt Service and Capital Projects Funds is sufficient investment liquidity to meet related obligations.

The District is authorized to invest in the following investment instruments provided that they meet the guidelines established in the investment policy:

- Obligations of, or guaranteed by, governmental entities
- Certificates of deposit and share certificates
- Fully collateralized repurchase agreements
- Securities lending program
- Banker's acceptances
- Commercial paper
- No-load money market mutual funds and no-load mutual funds
- Guaranteed investment contracts as an investment vehicle for bond proceeds
- Public funds investment pools

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 deposits for safekeeping and trust with the District's agent approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. Therefore the District is not exposed to custodial credit risk.

Under the depository contract, the District, at its own discretion, may invest funds in time deposits and certificates of deposit provided by the depository bank at interest rates approximating United States Treasury Bill rates.

At August 31, 2017, the carrying amount of the District's deposits was \$691,756 and the bank balance was \$744,400. The District's deposits with financial institutions at August 31, 2017 and during the year ended August 31, 2017 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name. The deposits were collateralized in accordance with Texas law and the District maintains copies of all safekeeping receipts in the name of the District.

The District maintains a cash pool consisting of demand deposits. The combined pool is available for use by most Special Revenue Funds. If a fund overdraws its share of the pool, the overdraft is reported as an interfund payable in that fund. The offsetting interfund receivable is reported in the General Fund.

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

The following is disclosed regarding coverage of combined balances on the date of highest deposit:

- a) Name of depository bank: Prosperity Bank
- b) The amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$1,813,886.
- c) The largest cash, savings and time deposit combined account balance amounted to \$1,012,501 and occurred during the month of September 2016.
- d) Total amount of FDIC coverage at the time of highest combined balance was \$250,000.

As of August 31, 2017, the District had no investments.

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized agencies are designed to give an indication of credit risk. At August 31, 2017, investments were included in local governmental investment pools with ratings from Standard & Poor's in compliance with the District's investment policy.

Custodial Credit Risk - Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the District, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name. At August 31, 2017, the District was not exposed to custodial credit risk.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investments in a single issuer. Information regarding investments in any one issuer that represents five percent or more of the District's total investments must be disclosed under GASB Statement No. 40, excluding investments issued or explicitly guaranteed by the U.S. government.

Interest Rate Risk - As a means of minimizing risk of loss due to interest rate fluctuations, the District's investment policy requires that maturities will not exceed the weighted average maturity of 180 days for any internally created pool fund group and one year from the time of purchase for any other individual investment. The Board may specifically authorize a longer maturity for a given investment, within legal limits. The District considers the holdings in the local governmental investment pools to have a one day weighted average maturity due to the fact that the share position can usually be redeemed each day at the discretion of the shareholders, unless there has been a significant change in value.

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

3. PROPERTY TAXES

The Texas Legislature in 1979 adopted a comprehensive Property Tax Code (the “Code”) which established a county-wide appraisal district and an appraisal review board in each county in the State. The Bastrop Central Appraisal District (the “Appraisal District”) is responsible for the recording and appraisal of all property in the District. Under the Code, the school board sets the tax rates on property and the Bastrop County Tax Assessor/Collector provides tax collection services. The Appraisal District is required under the Code to assess property at 100% of its appraised value. Further, real property must be reappraised at least every three years. Under certain circumstances, taxpayers and taxing units, including the District, may challenge orders of the Appraisal Review Board through various appeals and, if necessary, legal action.

Property taxes are levied as of October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes and penalties and interest that are ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period, including those property taxes expected to be collected during a 60 day period after the end of the District’s fiscal year. The assessed value at January 1, 2016, upon which the October 2016 levy was based was \$83,588,082. The District levied taxes based on a combined tax rate of \$1.09809 per \$100 of assessed valuation for local maintenance (general governmental services) and debt service.

4. DUE FROM/TO OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully fund certain activities. The District also receives entitlements from the State through the School Foundation and Per Capita Programs. Grants and entitlements are recorded as revenue when earned, therefore at year end amounts earned but not yet received in cash may be recorded as due from the grantor government. Amounts already received in cash but not yet earned are recorded as due to the grantor government.

A summary of amounts recorded as Due From Other Governments in the basic financial statements as of August 31, 2017 are summarized below:

Due From Other Governments:	Non-Major		
	General	Governmental	Total
	Fund	Funds	Total
Governmental Activities:			
Foundation & Per Capita entitlements	\$ 871,690	\$ -	\$ 871,690
State grants	-	2,595	2,595
Federal grants	-	47,463	47,463
Total - Governmental Activities	\$ 871,690	\$ 50,058	\$ 921,748

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

5. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

During the course of operations, the individual funds of the District may engage in temporary borrowings of money between one another to meet liquidity needs. These interfund receivables and payables are recorded on the balance sheet of the loaning fund as “Due from Other Funds” and on the balance sheet of the borrowing fund as “Due to Other Funds”. Amounts are repaid when funds are available in the borrowing fund.

Individual funds may also make payments between one another which are intended to be permanent and therefore not repaid. These transactions are recorded on the statement of revenues, expenditures, and changes in fund balance as “Transfers Out” for the paying fund and “Transfers In” for the receiving fund.

During the year, the General Fund transferred \$5,600 to the Debt Service Fund to provide for supplemental financing needs.

The composition of interfund balances as of August 31, 2017 was as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Special Revenue Funds	\$ 39,728
	Debt Service Fund	15,862
	Trust and Agency Funds	6,546
Total General Fund		<u>62,136</u>
Special Revenue Funds	Special Revenue Funds	\$ 411
Total Special Revenue Funds		<u>411</u>
Grand Total		<u><u>\$ 62,547</u></u>

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

6. CAPITAL ASSETS

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

	Beginning				Ending
	Balance				Balance
	9/1/16	Additions	Retirements	Adjustments	8/31/17
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 139,905	\$ -	\$ -	\$ -	\$ 139,905
Construction in progress	41,552	-	-	(41,552)	-
Total capital assets, not being depreciated	<u>181,457</u>	<u>-</u>	<u>-</u>	<u>(41,552)</u>	<u>139,905</u>
Capital assets, being depreciated:					
Buildings and improvements	2,860,909	60,220	(15,369)	41,552	2,947,312
Furniture and equipment	674,321	11,700	-	-	686,021
Total capital assets, being depreciated	<u>3,535,230</u>	<u>71,920</u>	<u>(15,369)</u>	<u>41,552</u>	<u>3,633,333</u>
Less accumulated depreciation for:					
Buildings and improvements	(1,111,377)	(74,114)	14,408	-	(1,171,083)
Furniture and equipment	(385,739)	(41,906)	-	-	(427,645)
Total accumulated depreciation	<u>(1,497,116)</u>	<u>(116,020)</u>	<u>14,408</u>	<u>-</u>	<u>(1,598,728)</u>
Governmental Activities Capital Assets, Net	<u>\$ 2,219,571</u>	<u>\$ (44,100)</u>	<u>\$ (961)</u>	<u>\$ -</u>	<u>\$ 2,174,510</u>

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

Function	Depreciation Allocation
Instruction	\$ 60,854
Instructional Resources & Media	1,965
Curriculum & Staff Development	1,584
Instructional Leadership	325
School Leadership	8,240
Guidance/Counseling/Evaluation Services	2,302
Health Services	17
Student Transportation	4,412
Food Services	6,234
Cocurricular/Extracurricular Activities	2,682
General Administration	10,866
Plant Maintenance and Operations	12,857
Security and Monitoring Services	273
Data Processing Services	1,777
Community Services	9
Other Intergovernmental Charges	1,623
Totals	<u>\$ 116,020</u>

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

7. BONDS, NOTES, AND OTHER LONG-TERM LIABILITIES

Governmental activities long-term debt obligations at August 31, 2017 consisted of the following:

General Long-Term Debt Description	Outstanding at August 31, 2017
\$1,149,961 Series 2010 Unlimited Tax Building Bonds due in annual installments of \$65,000 to 95,000 through August 31, 2028; interest at 4.0%.	\$ 850,000
\$174,000 Capital Lease, with Government Capital Corporation, issued 2016, due in annual installments of \$38,027 through March 30, 2021; interest at 3.125%	140,927
Total General Obligation Bonds and Capital Leases	\$ 990,927

The following is a summary of changes in long-term liabilities for the year ended August 31, 2017:

Type	Outstanding 9/1/16	Additions	Deletions	Outstanding 8/31/17	Due in One Year
Bonds Payable:					
General Oblig. & Refunding Bonds	\$ 910,000	\$ -	\$ (60,000)	\$ 850,000	\$ 65,000
Premium on Issuance of Bonds	67,790	-	(5,649)	62,141	-
Total Bonds	977,790	-	(65,649)	912,141	65,000
Other Long-Term Liabilities:					
Capital Leases	174,000	-	(33,073)	140,927	33,623
Net Pension Liability	391,027	182,178	-	573,205	-
Total Other Long-Term Debt	565,027	182,178	(33,073)	714,132	33,623
Total Governmental Activities	\$ 1,542,817	\$ 182,178	\$ (98,722)	\$ 1,626,273	\$ 98,623

For the general obligation bonds, the District has pledged as collateral the proceeds of a continuing, direct annual tax levied against taxable property within the District. The Texas Education Code generally limits issuance of additional ad valorem tax bonds if the tax rate needed to pay aggregate principal and interest amounts of the District's tax bond indebtedness would exceed \$0.50 per \$100 of assessed valuation of taxable property within the District.

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

Annual principal installments for outstanding bonds vary each year. The debt service requirements to maturity for general obligation bonds as of August 31, 2017 are as follows:

Year Ended August 31,	General Obligations		Total Requirements
	Principal	Interest	
2018	\$ 65,000	\$ 31,025	\$ 96,025
2019	65,000	29,075	94,075
2020	70,000	27,050	97,050
2021	70,000	24,600	94,600
2022	70,000	21,800	91,800
2023-2027	415,000	61,900	476,900
2028	95,000	1,900	96,900
Totals	<u>\$ 850,000</u>	<u>\$ 197,350</u>	<u>\$ 1,047,350</u>

The debt service requirements for notes payable and capital leases as of August 31, 2017 are as follows:

Year Ended August 31,			Total Requirements
	Principal	Interest	
2018	\$ 33,623	\$ 4,404	\$ 38,027
2019	34,673	3,353	38,026
2020	35,757	2,270	38,027
2021	36,874	1,153	38,027
	<u>\$ 140,927</u>	<u>\$ 11,180</u>	<u>\$ 152,107</u>

8. DEFINED BENEFIT PENSION PLAN

Plan Description

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

All employees of public, state-supported education 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.

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

Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System’s fiduciary net position is available in a separately issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, Texas, 78701-2698; or by calling (512) 542-6592. The information provided in the Notes to the Financial Statements in the 2016 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2016.

<u>Net Pension Liability</u>	<u>Total</u>
Total Pension Liability	\$ 171,797,150,487
Less: Plan Fiduciary Net Position	<u>(134,008,637,473)</u>
Net Pension Liability	<u>\$ 37,788,513,014</u>
 Net Position as a Percentage of Total Pension Liability	 78.00%

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 the date of employment, or if the member was grandfathered under a previous rule. There are no automatic post-employment benefit changes; including automatic cost-of-living-adjustments (COLAs). Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

Contributions

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

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

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 84th Texas Legislature, General Appropriations Act (“GAA”) established the employer contribution rates for fiscal years 2016 and 2017.

<u>Contribution Rates</u>	<u>2016</u>	<u>2017</u>
Member	7.2%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
 <u>Contribution Amounts</u>		
Employer Contribution	\$ 43,743	\$ 110,708
Member Contributions	115,746	151,475
State On-Behalf Contributions	107,044	130,101

Contributors to the plan include members, employers, and the State of Texas as the only non-employer contributing entity (“NECE”). The State contributes to the plan in accordance with state statutes and the 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. Public school employers are required to pay the employer contribution rate in the following instances:

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

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

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

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

Actuarial Assumptions

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

Valuation Date	August 31, 2016
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Single Discount Rate	8.00%
Long-Term Expected Investment Rate of Return	8.00%
Municipal Bond Rate*	N/A*
Last year ending August 31 in the 2016 to 2115	
Projection period (100 years)	2115
Inflation	2.50%
Salary Increases	3.50% to 9.50% including inflation
Benefit Changes During the Year	None
Ad Hoc Post-Employment Benefit Changes	None

*If a municipal bond rate was to be used, the rate would be 2.84% as of August 2016 (i.e. the weekly rate closest to but not later than the Measurement Date). The source for the rate is the Federal Reserve Statistical Release H.15, citing the Bond Buyer Index of general obligation bonds with 20 years to maturity and an average AA credit rating.

The total pension liability is determined by an annual actuarial valuation. The actuarial methods and assumptions have been selected by the Board of Trustees based upon analysis and recommendations by the System’s actuary. The Board of Trustees has sole authority to determine the actuarial assumptions used for the plan. The actuarial methods and assumptions are primarily based on a study of actual experience for the four year period ending August 31, 2014 and were adopted in September 2015.

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

Discount Rate

A single discount rate of 8.0 % was used to measure the total pension liability. There was no change in the discount rate since the previous fiscal year. This single discount rate was based on the expected rate of return on pension plan investments of 8.0%. The projection of cash flows used to determine this single discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity will be made at the rates set by the legislature during the 2013 legislative session.

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 with no cross-over point to a municipal bond rate.

The long-term expected rate of return on pension plan investments is 8.0%. 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.

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

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

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

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the net pension liability if the discount rate used was 1% less or 1% greater than the discount rate that was used (8%) in measuring the 2016 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate 8.0%	1% Increase in Discount Rate (9.0%)
District's Proportionate Share of the Net Pension Liability:	\$ 887,128	\$ 573,205	\$ 306,935

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At August 31, 2017, McDade Independent School District reported a liability of \$573,205 for its proportionate share of the TRS net pension liability. This liability reflects a reduction for State pension support provided to McDade Independent School District. The amount recognized by McDade Independent School District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with McDade Independent School District were as follows:

District's Proportionate Share of the Collective Net Pension Liability	\$ 573,205
State's Proportionate Share that is Associated with the District	1,069,035
Total	\$ 1,642,240

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

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

At August 31, 2016 the employer's proportion of the collective net pension liability was .0015168763% which was an increase of .00041067630% from its proportion measured as of the previous measurement date of August 31, 2015.

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period. In addition, there were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

For the year ended August 31, 2017, McDade Independent School District recognized pension expense of \$(2,340) and revenue of \$110,940 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 8,988	\$ 17,116
Changes in Actuarial Assumptions	17,470	15,888
Difference Between Projected and Actual Investment Earnings	110,457	61,920
Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions	233,551	28
Contributions Paid to TRS Subsequent to the Measurement Date	110,708	-
Total	\$ 481,174	\$ 94,952

9. EMPLOYEE HEALTH CARE COVERAGE

During the year ended August 31, 2017, employees of the District were covered by the state-wide health insurance plan, TRS Active Care. The District contributed \$429 per month per employee to the Plan, the State provided an additional \$75 per month per employee, and employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. TRS manages TRS Active Care. The Plan is administered by Aetna while Caremark was assigned the prescription drug plan.

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

10. RETIREE HEALTH CARE PLAN

Plan Description

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

Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. TIC, Sections 1575.202, 203 and 204 establish state, active employee and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per TIC, 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 State of Texas and active public school employee contribution rates were 1.0% and 0.65% of the public school payroll, respectively, with school districts contributing a percentage of payrolls set at 0.55% for fiscal years 2016 and 2017.

Medicare Part-D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part-D. One of the provisions of Medicare 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.

A summary of the subsidy payments received by TRS-Care on behalf of the District for the last two fiscal years is as follows:

Fiscal Year	Medicare Part-D State On-Behalf Payments
2017	\$ 8,642
2016	4,641

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

11. FUND BALANCES

The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, 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 the resources reported in governmental funds. Those fund balance classifications are described below.

Nonspendable - Amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact.

Restricted - Amounts that can be spent only for specific purposes because of constraints imposed by external providers, or imposed by constitutional provisions or enabling legislation.

Committed - Amounts that can only be used for specific purposes pursuant to approval by formal action by the Board.

Assigned - For the General Fund, the Board, or an official or body that has been delegated authority by the Board, may appropriate amounts that are to be used for a specific purpose. For all other governmental funds, any remaining positive amounts not previously classified as nonspendable, restricted or committed.

Unassigned - Amounts that are available for any purpose; these amounts can be reported only in the District's General Fund.

A detail of the fund balance amounts within each category is included on the governmental funds balance sheet.

Fund balance of the District may be committed for a specific purpose by formal action of the Board, the District's highest level of decision-making authority. Commitments may be established, modified, or rescinded only through a resolution approved by the Board. The Board has delegated authority to the Superintendent to assign fund balance for a specific purpose. In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance.

12. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

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

Type	General Fund	Non-Major Governmental Funds	Total
Property Taxes	\$ 870,543	\$ 48,872	\$ 919,415
Investment Income	2,901	318	3,219
Gifts	60	-	60
Insurance Recovery	31,614	-	31,614
Food Sales	-	31,258	31,258
Athletics	1,603	-	1,603
Enterprising Revenues	1,500	20,553	22,053
Miscellaneous Local Revenue	30,011	-	30,011
Total	<u>\$ 938,232</u>	<u>\$ 101,001</u>	<u>\$ 1,039,233</u>

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

13. UNEARNED REVENUE

Unearned revenue at August 31, 2017 consisted of the following amounts:

Fund	State Grants	Local Revenue	Total
General Fund	\$ -	\$ 30,884	\$ 30,884
Non-Major Governmental Funds	2,450	-	2,450
Total	<u>\$ 2,450</u>	<u>\$ 30,884</u>	<u>\$ 33,334</u>

14. RISK MANAGEMENT

General and Professional Liability

The District's risk management program includes coverages through third party insurance providers for property, automobile liability, school professional liability, crime, and other miscellaneous bonds. During the year ended June 30, 2017, there were no significant reductions in insurance coverage from coverage in the prior year. Losses in excess of the various deductible levels are covered through traditional indemnity coverage for buildings and contents, and vehicle liability with various insurance firms. Settled claims have not exceeded insurance limits for the past three years.

Workers Compensation

During the year ended August 31, 2017, McDade ISD met its statutory workers' compensation obligations through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government 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' injured employees.

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 \$2 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2016, the Fund carries a discounted reserve of \$51,843,324 for future development on reported claims and claims that have been incurred but not yet reported. For the year-ended June 30, 2017, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2016, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

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

Unemployment Compensation

During the year ended August 31, 2017, McDade ISD provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore there is no need for specific or aggregate stop loss coverage for the Unemployment Compensation pool. For the year ended August 31, 2017, the Fund anticipates that McDade ISD has no additional liability beyond the contractual obligation for payment of contribution.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2016, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

15. COMMITMENTS AND CONTINGENCIES

The District participates in a number of federal financial assistance programs. Although the District's grant programs have been audited in accordance with the provisions of *Government Auditing Standards* and when applicable, the Uniform Guidance, for the year ended August 31, 2017, these programs are subject to financial and compliance audits performed by the specific grantors. These audits, if performed, could result in amounts of expenditures being disallowed by the granting agencies and subject to repayment. The District however expects that such amounts, if any, would be immaterial.

THIS PAGE LEFT BLANK INTENTIONALLY

REQUIRED SUPPLEMENTARY INFORMATION

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>
District's Proportion of the Net Pension Liability	0.0005960000%	0.0011062000%	0.0015168763%
District's Proportionate Share of the Net Pension Liability	\$ 159,200	\$ 391,027	\$ 573,205
State's Proportionate Share of the District Net Pension Liability	<u>857,029</u>	<u>934,935</u>	<u>1,069,035</u>
Total	<u>\$ 1,016,229</u>	<u>\$ 1,325,962</u>	<u>\$ 1,642,240</u>
District's Covered-Employee Payroll	\$ 1,344,273	\$ 1,607,580	\$ 1,967,211
District's Proportionate Share of the Net Pension Liability as a percentage of its covered-employee payroll	11.8%	24.3%	29.1%
Plan Fiduciary Net Position as a Percentage of the Total Net Pension Liability	83.25%	78.43%	78.00%

MCDADE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DISTRICT CONTRIBUTIONS –
 TEACHER RETIREMENT SYSTEM
 FOR THE YEAR ENDED AUGUST 31, 2017

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually Required Contribution	\$ 31,063	\$ 43,743	\$ 110,708
Contribution in Relation to the Contractually Required Contribution	<u>(31,063)</u>	<u>(43,743)</u>	<u>(110,708)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered-Employee Payroll	\$ 1,344,273	\$ 1,607,580	\$ 1,967,211
Contributions as a Percentage of Covered-Employee Payroll	2.3%	2.7%	5.6%

THIS PAGE LEFT BLANK INTENTIONALLY

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

Changes to Benefit Terms

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

Changes of Assumptions

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

THIS PAGE LEFT BLANK INTENTIONALLY

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

MCDADE INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2017

Data	211	224	240	255	289
Control			National Breakfast and Lunch Program	ESEA, Title II, Part A	Federally Funded Spec. Rev. Fund
Codes	ESEA, Title I, Part A	IDEA-Part B, Formula			
ASSETS					
1110 Cash and Cash Equivalents	\$ 5,468	\$ 404	\$ 20,311	\$ -	\$ -
1220 Property Taxes - Delinquent	-	-	-	-	-
1230 Allowance for Uncollectible Taxes (Credit)	-	-	-	-	-
1240 Due from Other Governments	22,416	9,680	1,974	3	13,390
1260 Due from Other Funds	-	-	411	-	-
1000A Total Assets	<u>\$ 27,884</u>	<u>\$ 10,084</u>	<u>\$ 22,696</u>	<u>\$ 3</u>	<u>\$ 13,390</u>
LIABILITIES					
2110 Accounts Payable	\$ -	\$ -	\$ 2	\$ -	\$ -
2160 Accrued Wages Payable	7,198	3,774	6,759	-	-
2170 Due to Other Funds	19,950	5,927	-	3	13,390
2200 Accrued Expenditures	736	383	145	-	-
2300 Unearned Revenues	-	-	-	-	-
2000 Total Liabilities	<u>27,884</u>	<u>10,084</u>	<u>6,906</u>	<u>3</u>	<u>13,390</u>
DEFERRED INFLOWS OF RESOURCES					
2600 Unavailable Revenue	-	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Restricted for:					
3450 Federal or State Funds Restricted	-	-	15,790	-	-
3480 Retirement of Long-Term Debt	-	-	-	-	-
Committed for:					
3545 Other Committed Fund Balance	-	-	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>15,790</u>	<u>-</u>	<u>-</u>
4000 Total Liab., Def. Inflows, and Fund Balances	<u>\$ 27,884</u>	<u>\$ 10,084</u>	<u>\$ 22,696</u>	<u>\$ 3</u>	<u>\$ 13,390</u>

410	429	461	599	
State Textbook Fund	State Funded Special Revenue Funds	Campus Activity Funds	Debt Service Fund	Total Non- Major Governmental Funds
\$ -	\$ 313	\$ 8,474	\$ 67,499	\$ 102,469
-	-	-	7,159	7,159
-	-	-	(716)	(716)
-	2,595	-	-	50,058
-	-	-	-	411
<u>\$ -</u>	<u>\$ 2,908</u>	<u>\$ 8,474</u>	<u>\$ 73,942</u>	<u>\$ 159,381</u>
\$ -	\$ -	\$ 492	\$ -	\$ 494
-	-	-	-	17,731
-	458	-	15,862	55,590
-	-	-	-	1,264
-	2,450	-	-	2,450
<u>-</u>	<u>2,908</u>	<u>492</u>	<u>15,862</u>	<u>77,529</u>
-	-	-	6,443	6,443
-	-	-	6,443	6,443
-	-	-	-	15,790
-	-	-	51,637	51,637
-	-	7,982	-	7,982
-	-	7,982	51,637	75,409
<u>\$ -</u>	<u>\$ 2,908</u>	<u>\$ 8,474</u>	<u>\$ 73,942</u>	<u>\$ 159,381</u>

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

Data Control Codes	211 ESEA, Title I, Part A	224 IDEA-Part B, Formula	240 Breakfast and Lunch Program	255 ESEA, Title II, Part A	289 Federally Funded Spec. Rev. Fund
REVENUES					
5700 Local and Intermediate Sources	\$ -	\$ -	\$ 31,409	\$ -	\$ -
5800 State Program Revenues	-	-	6,028	-	-
5900 Federal Program Revenues	100,356	43,859	149,838	5,808	13,390
5020 Total Revenues	100,356	43,859	187,275	5,808	13,390
EXPENDITURES					
0011 Instruction	4,508	42,469	-	5,808	-
0013 Curriculum & Instructional Staff Dev.	38,440	-	-	-	-
0021 Instructional Leadership	5,269	-	-	-	-
0031 Guidance, Counseling & Evaluation Svcs.	52,139	1,390	-	-	13,390
0035 Food Services	-	-	187,624	-	-
0036 Cocurricular/Extracurricular Activities	-	-	-	-	-
0071 Debt Service - Principal	-	-	-	-	-
0072 Debt Service - Interest	-	-	-	-	-
6030 Total Expenditures	100,356	43,859	187,624	5,808	13,390
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(349)	-	-
OTHER FINANCING SOURCES (USES)					
7915 Transfers In	-	-	-	-	-
7080 Total Other Financing Sources (Uses)	-	-	-	-	-
1200 Net Change in Fund Balance	-	-	(349)	-	-
0100 Fund Balance - Beginning	-	-	16,139	-	-
3000 Fund Balance - Ending	\$ -	\$ -	\$ 15,790	\$ -	\$ -

410 State Textbook Fund	429 Special Revenue Funds	461 Campus Activity Funds	599 Debt Service Fund	Total Non- Major Governmental Funds
\$ -	\$ -	\$ 20,553	\$ 49,039	\$ 101,001
12,589	10,514	-	48,726	77,857
-	-	-	-	313,251
12,589	10,514	20,553	97,765	492,109
12,589	10,514	-	-	75,888
-	-	-	-	38,440
-	-	-	-	5,269
-	-	-	-	66,919
-	-	-	-	187,624
-	-	22,662	-	22,662
-	-	-	60,000	60,000
-	-	-	32,750	32,750
12,589	10,514	22,662	92,750	489,552
-	-	(2,109)	5,015	2,557
-	-	-	5,600	5,600
-	-	-	5,600	5,600
-	-	(2,109)	10,615	8,157
-	-	10,091	41,022	67,252
\$ -	\$ -	\$ 7,982	\$ 51,637	75,409

MCDADE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FOR THE YEAR ENDED AUGUST 31, 2017

Last 10 Years Ended August 31,	1		2		3	
	Tax Rates				Assessed/Appraised Value for School Tax Purposes	
	Maintenance		Debt Service			
2008	Various		Various		Various	
2009	1.04000		0.06260		\$	70,549,586
2010	1.04000		0.06260			70,549,586
2011	1.04000		0.06990			70,085,569
2012	1.04000		0.06890			70,148,772
2013	1.04000		0.06890			71,981,119
2014	1.04000		0.06890			72,830,403
2015	1.04000		0.06890			73,443,322
2016	1.04000		0.07906			75,275,499
2017	1.04000		0.05809			83,588,082
TOTALS						

10	20	31	32	40	50
Beginning Balance 9/1/16	Current Year's Total Levy	Maintenance Collections	Debt Service Collections	Entire Year's Adjustments	Ending Balance 8/31/17
\$ 16,582	\$ -	\$ 2,060	\$ 124	\$ (1,375)	\$ 13,023
4,499	-	239	14	-	4,246
4,081	-	64	4	-	4,013
5,703	-	195	13	-	5,495
4,476	-	232	16	-	4,228
6,877	-	919	61	-	5,897
10,698	-	125	8	(4,067)	6,498
14,100	-	5,271	349	(8)	8,472
35,134	-	9,064	689	(7)	25,374
-	917,872	837,901	46,802	9,298	42,467
<u>\$ 102,150</u>	<u>\$ 917,872</u>	<u>\$ 856,070</u>	<u>\$ 48,080</u>	<u>\$ 3,841</u>	<u>\$ 119,713</u>

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

Data Control Codes	Budgeted Amounts		Actual	Variance With Final Budget	
	Original	Final	Amounts (GAAP BASIS)		
REVENUES					
5700	Local & Intermediate Sources	\$ -	\$ 30,500	\$ 31,409	\$ 909
5800	State Program Revenues	-	9,505	6,028	(3,477)
5900	Federal Program Revenues	114,000	139,000	149,838	10,838
5020	Total Revenues	114,000	179,005	187,275	8,270
EXPENDITURES					
0035	Food Services	173,263	191,263	187,624	3,639
6030	Total Expenditures	173,263	191,263	187,624	3,639
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(59,263)	(12,258)	(349)	11,909
OTHER FINANCING SOURCES (USES)					
7915	Transfers In	-	20,000	-	(20,000)
7080	Total Other Finance Sources (Uses)	-	20,000	-	(20,000)
1200	Net Change in Fund Balances	(59,263)	7,742	(349)	(8,091)
0100	Fund Balance-September 1 (Beginning)	16,139	16,139	16,139	-
3000	Fund Balance-August 31 (Ending)	\$ (43,124)	\$ 23,881	\$ 15,790	\$ (8,091)

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

Data	Budgeted Amounts		Actual	Variance With
Control			Amounts	Final Budget
Codes	Original	Final	(GAAP BASIS)	
REVENUES				
5700 Local & Intermediate Sources	\$ 61,000	\$ 61,000	\$ 49,039	\$ (11,961)
5800 State Program Revenues	44,917	44,917	48,726	3,809
5020 Total Revenues	<u>105,917</u>	<u>105,917</u>	<u>97,765</u>	<u>(8,152)</u>
EXPENDITURES				
Debt Service:				
0071 Principal on Long Term Debt	60,000	60,000	60,000	-
0072 Interest on Long Term Debt	32,750	32,750	32,750	-
6030 Total Expenditures	<u>92,750</u>	<u>92,750</u>	<u>92,750</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
7915 Transfers In	-	-	5,600	5,600
7080 Total Other Finance Sources (Uses)	<u>-</u>	<u>-</u>	<u>5,600</u>	<u>5,600</u>
1200 Net Change in Fund Balances	13,167	13,167	10,615	(2,552)
0100 Fund Balance-September 1 (Beginning)	41,022	41,022	41,022	-
3000 Fund Balance-August 31 (Ending)	<u>\$ 54,189</u>	<u>\$ 54,189</u>	<u>\$ 51,637</u>	<u>\$ (2,552)</u>

THIS PAGE LEFT BLANK INTENTIONALLY

MCDADE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
 FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes		1 Responses
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies as applicable?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on capital appreciation bonds included in the government-wide financial statements at fiscal year-end.	\$ -
SF11	Net Pension Assets (1920) at fiscal year-end	\$ -
SF12	Net Pension Liabilities (2540) at fiscal year-end	\$ 573,205
SF13	Pension Expense (6147) at fiscal year-end	\$ -

THIS PAGE LEFT BLANK INTENTIONALLY

FEDERAL AWARDS SECTION

THIS PAGE LEFT BLANK INTENTIONALLY



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

To the Board of Trustees of
McDade Independent School District

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 McDade Independent School District, as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise McDade Independent School District's basic financial statements, and have issued our report thereon dated October 20, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

THIS PAGE LEFT BLANK INTENTIONALLY

Purpose of this Report

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

A handwritten signature in black ink that reads "Singleton, Clark & Company, PC". The signature is written in a cursive, flowing style.

Singleton, Clark & Company, PC
Cedar Park, Texas

October 20, 2017

THIS PAGE LEFT BLANK INTENTIONALLY

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

SECTION I – SUMMARY OF AUDITOR’S RESULTS

FINANCIAL STATEMENTS

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

FEDERAL AWARDS

Under the guidelines of the federal Uniform Guidance, a Single Audit was not required for the year ended August 31, 2017 due to expenditures of federal awards being below \$750,000.

SECTION II – FINANCIAL STATEMENT FINDINGS

Findings Related to Financial Statements Which are Required to be Reported in Accordance with Government Auditing Standards:

No findings or questioned costs required to be reported in accordance with *Government Auditing Standards* for the year ended August 31, 2017.

Prior year financial statement findings as required to be restated with current status:

2016-002	State Purchasing Law
Criteria:	Under Texas Education Code Sect. 44.031 (a);(b), "all contracts, except contracts for the purchase of produce or vehicle fuel, valued at \$50,000 or more in the aggregate, for each 12-month period shall be made by one of the following methods, that provides the best value for the district: (1) competitive bidding; (2) competitive sealed proposals; (3) request for proposals, for services other than construction services; (4) inter-local contracts; (5) design-build contracts; (6) contract to construct, or repair facilities that involve using a construction manager; (7) a job order contract for the minor construction or repair of a facility; (8) reverse auction procedure; or (9) the formation of a political subdivision corporation.
Condition Found:	No public advertisement for competitive bidding was made for construction of the new Band Hall for the District in which the cost exceeded \$50,000.
Cause:	The District did not estimate that construction costs would exceed \$50,000.
Effect:	The effect of this condition is noncompliance with the state purchasing laws.

THIS PAGE LEFT BLANK INTENTIONALLY

MCDADE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED AUGUST 31, 2017

SECTION II – FINANCIAL STATEMENT FINDINGS (continued)

Recommendation: We recommend that the District closely review prospective projects for determination as to whether they may be subject to state competitive purchasing laws.

Current Status: This condition was not observed again in the current year.

Contact Person: Barbara Marchbanks, Superintendent

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Findings Related to Federal Awards Which are Required to be Reported in Accordance with Uniform Guidance:

Not applicable.