

**PEWITT CONSOLIDATED
INDEPENDENT SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED**

AUGUST 31, 2015

PEWITT CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2015

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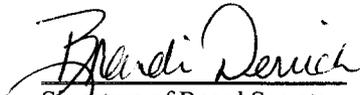
CERTIFICATE OF BOARD

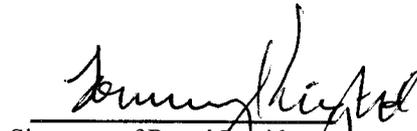
Pewitt Consolidated Independent School District
Name of School District

Morris
County

172-905
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, 2015 at a meeting of the Board of Trustees of such school district on the 15 day of October, 2015.


Signature of Board Secretary


Signature of Board President

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



ARNOLD, WALKER, ARNOLD, & Co., P.C.
Certified Public Accountants and Consultants

Bob J. Arnold, C.P.A., P.F.S.
Lanny G. Walker, C.P.A., P.F.S.
Kris Arnold, C.P.A., P.F.S.
Andrew T. Arnold, C.P.A.
Melissa J. Godfrey, C.P.A.

MEMBER
American Institute Of
Certified Public Accountants
Texas State Society Of
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Pewitt Consolidated Independent School District
Omaha, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pewitt Consolidated Independent School District as of and for the year ended August 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of August 31, 2015, 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.

Emphasis of Matter

As discussed in Note I to the financial statements, in 2015, the District adopted new accounting guidance prescribed by GASB #68 for its pension plan a multiple-employer, cost-sharing, defined benefit pension plan that has a special funding situation. Because GASB #68 implements new measurement criteria and reporting provisions, significant information has been added to the Government Wide Statements. Exhibit A-1 discloses the District's Net Pension Liability and some deferred resource outflows and deferred resource inflows related to the District's pension plan. Exhibit B-1 discloses the adjustment to the District's Beginning Net Position. Our opinion is not modified with respect to the matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and net pension liability and contributions to TRS on pages 4 through 12 and pages 42 and 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual non-major fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The Texas Education Agency requires school districts to include certain information in the Annual Financial and Compliance Report in conformity with laws and regulations of the State of Texas. The information is in Exhibits identified in the Table of Contents as J-1, J-4, and J-5. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Arnold, Walker, Arnold & Co., P.C.

Arnold, Walker, Arnold & Co., P.C.
September 23, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Pewitt Consolidated Independent School District we offer readers of the Pewitt Consolidated Independent School District's financial statements this narrative overview and analysis of the financial activities of the Pewitt Consolidated Independent School District for the year ended August 31, 2015. The information presented here should be read in conjunction with the District's financial statements.

FINANCIAL HIGHLIGHTS

The District's total combined net position was \$9.6 million at August 31, 2015. During the year, the District's total revenues exceeded expenses by \$426 thousand, which is about \$176 thousand more than the previous year. Total expenses of the District were \$9.17 million for the year which was \$414 thousand less than the prior year or 4%. Decreases in payroll costs was the largest part of this decrease. Total revenues of the District were \$9.6 million for the year, which is a decrease of 2%, or \$238 thousand, from the prior year. Operating grants and contributions were down \$205 thousand. State aid revenue was up \$69 thousand.

Under new accounting standards as per GASB 68, the District's portion of the net pension liability has been recorded on the government-wide statements. The District's portion of this liability is \$858 thousand.

The District reported fund balance in the general fund of \$5.7 million at August 31, 2015. The general fund reported a net income of \$308 thousand as compared to the \$318 thousand the prior year. Total revenues and expenses were similar to the prior year.

Capital assets costing approximately \$299 thousand were added.

No new debt was issued this year.

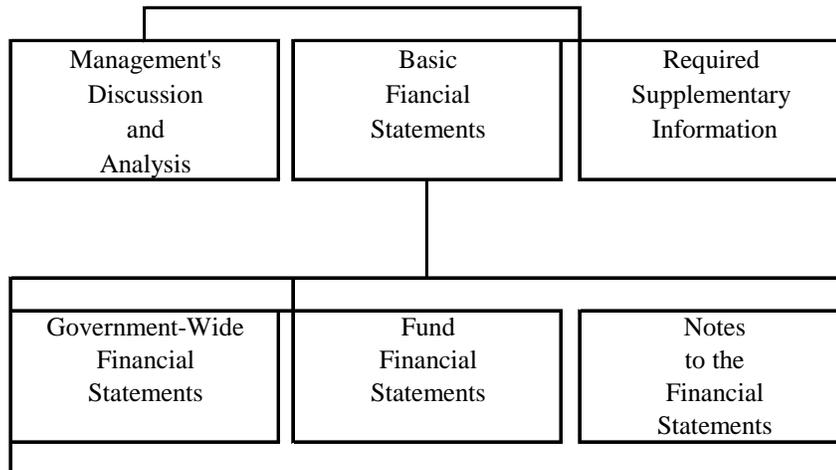
Approximately 95% of the taxes levied for 2014-15 were collected by fiscal year end. Taxable values decreased about 1.4% compared to the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts--*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in *more detail* than the government-wide statements.
 - The *governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
 - *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

Figure A-1. Required Components of the District's Annual Financial Report



Summary ← ⇌ → Detail

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-2. Major Features of the District's Government-wide Fund Financial Statements

<i>Type of Statements</i>	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
<i>Scope</i>	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the district that are not proprietary or fiduciary	Activities the district operates similar to private businesses: self insurance	Instances in which the district is the trustee or agent for someone else's resources
<i>Required financial statements</i>	*Statement of net position	*Balance sheet	*Statement of net position	*Statement of fiduciary net position
	*Statement of activities	*Statement of revenues, Expenditures & changes in fund balances	*Statement of revenues, expenses and changes in fund net position *Statement of cash flows	*Statement of changes in fiduciary net position
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	all assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon after	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

(A) The District has no enterprise funds.

(B) Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's *net position* and how they have changed. Net position, the difference between the District's assets and liabilities, is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, consideration should be given to additional non-financial factors such as changes in the District's tax base.

The government-wide financial statements of the District include the *Governmental activities*. Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services, and general administration. Property taxes and grants finance most of these activities.

Fund Financial Statements

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

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

The District has two kinds of funds:

- *Governmental funds*-Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided that explains the relationship (or differences) between them.
- *Fiduciary funds*-The District is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that-because of a trust arrangement-can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. These activities are excluded from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position. The District's combined net position was approximately \$9.6 million at August 31, 2015.

Table A-1
The District's Net Position
(in thousands of dollars)

	Governmental Activities	
	2015	2014
Current and other assets	6,750	6,421
Capital and non-current assets	5,852	5,952
TOTAL ASSETS	<u>12,602</u>	<u>12,373</u>
Deferred charge for refunding	89	98
Deferred resource outflow related to TRS	166	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>255</u>	<u>98</u>
Long-term liabilities	2,542	1,804
Other liabilities	468	409
TOTAL LIABILITIES	<u>3,010</u>	<u>2,213</u>
Unavailable revenue-property taxes	45	28
Deferred resource inflow related to TRS	197	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>242</u>	<u>28</u>
Net position		
Invested in capital assets		
net of related debt	4,256	4,246
Restricted	399	445
Unrestricted	4,950	5,539
TOTAL NET POSITION	<u><u>9,605</u></u>	<u><u>10,230</u></u>

Net assets invested in capital assets net of related debt reflects the book value of the District's capital assets in excess of the debt which financed those assets. The \$4.9 million of unrestricted net position represents resources available to fund the programs of the District for the next fiscal year.

The \$399 thousand is restricted as follows:

Restricted for food service	172
Restricted for debt service	227
	<u>399</u>

Net position of the District's governmental activities decreased from \$10.23 million to \$9.61 million, or \$625 thousand. First, the District's revenues were more than expenditures by \$261 thousand. The District acquired capital assets this year of approximately \$299 thousand and paid \$105 thousand in debt service principal. Third, the District recorded depreciation of \$399 thousand. Fourth, the District recorded a prior period adjustment of \$1.05 million related to recording the District's portion of the net pension liability as required by GASB 68. The net pension liability at August 31, 2015 is \$858 thousand.

Changes in net position.

The District's total revenues were \$9.6 million. 32% of this comes from taxes, 51% was from state aid formula grants and 14% came from operating grants and contributions.

The total cost of all programs was \$9.2 million. Approximately 68% of this was for instructional and student services.

Net position increased by \$426 thousand from the excess of expenses over revenues.

Table A-2
The District's Changes in Net Position
(in thousands of dollars)

	Governmental Activities	
	2015	2014
Revenues		
Program Revenues:		
Charges for Services	171	203
Operating Grants and Contributions	1,346	1,551
General Revenues:		
Property Taxes	3,064	3,126
State aid - formula	4,867	4,798
Investment earnings	12	10
Other	140	150
Total Revenues	9,600	9,838
Expenses		
Instruction and instructional related	5,029	5,478
Instructional leadership/school administration	526	514
Guidance, social work, health, transportation	681	711
Food services	566	598
Extracurricular activities	452	407
General Administration	260	223
Plant maintenance and security	1,006	1,026
Data processing services	243	268
Debt Service	68	41
Facilities acquisition and constructions	32	-
Pmts to fiscal agent/member districts - shared service	232	231
Other intergovernmental	79	91
Total Expenses	9,174	9,588
Increase (Decrease) in Net Position	426	250
Beginning Net Position	10,230	9,980
Prior period adjustment	(1,051)	-
Ending Net Position	9,605	10,230

Table A-3 presents the cost of each of the District's largest functions as well as each function's *net cost* (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

- The cost of all *governmental* activities this year was \$9.17 million.
- However, the amount that taxpayers paid for these activities through property taxes was only \$3.1 million.
- Some of the cost was paid by those who directly benefited from the programs (\$171 thousand), or by grants and contributions (\$1.35 million).

Table A-3
Net Cost of Selected District Functions
(in thousands of dollars)

	Total Cost of Services		Net Cost of Services	
	2015	2014	2015	2014
Instruction	5,029	5,478	4,192	4,464
School administration	260	223	260	231
Plant Maintenance & Operations	1,006	1,026	1,006	1,026

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District reported fund balance in its governmental funds of approximately \$6.1 million reflecting a net increase of \$261 thousand. The general fund balance increased \$307 thousand. Reasons for the increase are explained above on page 4. The fund balance in the Food Service Fund decreased \$63 thousand. The District had some capital expenditures paid out of food service this year. Also, revenues were down \$35 thousand in total. The fund balance in the debt service fund increased \$16 thousand. This was similar the prior year.

General Fund Budgetary Highlights

Several budget amendments were made during the year. Even with these amendments, actual expenditures were less than budgeted by approximately \$79 thousand. All functions were properly budgeted. Revenues were \$276 thousand more than budgeted. The net change to fund balance was better than the budgeted amount by \$356 thousand.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Table A-4
District's Capital Assets
(in thousands of dollars)

	Governmental Activities	
	2015	2014
Land	54	54
Buildings and improvements	11,851	11,787
Furniture and equipment	3,281	3,046
Totals at historical cost	<u>15,186</u>	<u>14,887</u>
Total accumulated depreciation	<u>(9,334)</u>	<u>(8,935)</u>
Net capital assets	<u><u>5,852</u></u>	<u><u>5,952</u></u>

A bus and smaller items were acquired this year.

Long-Term Debt

Table A-5
District's Long-Term Debt
(in thousands of dollars)

	Governmental Activities	
	2015	2014
Bonds payable	1,535	1,640
	<u>1,535</u>	<u>1,640</u>

There was no new debt issued this year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Board of Trustees considered many factors when setting the fiscal year 2015-2016 budget and tax rates. Key factors considered were state funding formulas, current property values, enrollment declining and staffing needs. The District adopted the Maintenance & Operating (M&O) tax rate of \$1.04 and Interest & Sinking (I&S) tax rate of \$0.058 for a total of \$1.098 which kept the tax rate the same as last year. The District gave raises and increased the employer health insurance contribution for the 2015-2016 fiscal year. The District's original fiscal year 2016 budget shows a balanced budget.

The district is currently in a period of declining enrollment as compared to the previous year as evidenced by the chart below.

Year	ADA	M&O Tax Rate	Local Revenue
2011-2012	943.03	\$1.04	\$2,979,603
2012-2013	955.10	\$1.04	\$2,948,579
2013-2014	965.43	\$1.04	\$2,822,851
2014-2015	940.90	\$1.04	\$2,879,543
2015-2016	917.48	\$1.04	\$2,766,071

The Pewitt CISD projected state aid is \$5,092,127.00, which is an increase from prior year.

Certified taxable values have decreased from 2014-2015 to 2015-2016 school year. The amount of taxable value has decreased by \$5,836,551 from the prior year. A large portion of decrease is due to the anticipated increase in homestead exemptions.

Pewitt CISD has no major industry in the district.

2015 Unemployment Rates for Morris County

January	7.2%	May	8.5%
February	7.0%	June	8.7%
March	7.0%		
April	8.6%		

The budgeted expenditure for the 2015-2016 general fund is \$8,392,713.72
 The projected revenue for the 2015-2016 general fund is \$8,392,713.72

The District will continue to monitor enrollment figures, tax collections, and all significant factors affecting the budget. The District's fund balance in the General Fund should remain relatively unchanged if the budgetary estimates are realized.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Pewitt Consolidated Independent School District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the District's Central Business Office.

PEWITT CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2015

EXHIBIT A-1

Data Control Codes	Primary Government
	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 6,333,748
1220 Property Taxes Receivable (Delinquent)	568,034
1230 Allowance for Uncollectible Taxes	(383,822)
1240 Due from Other Governments	232,290
Capital Assets:	
1510 Land	54,000
1520 Buildings, Net	5,237,143
1530 Furniture and Equipment, Net	560,433
1701 Deferred Charge on Refunding	88,806
1000 Total Assets	12,690,632
DEFERRED OUTFLOWS OF RESOURCES	
1702 Deferred Resource Outflow related to TRS	165,639
1700 Total Deferred Outflows of Resources	165,639
LIABILITIES	
2150 Payroll Deductions & Withholdings	41
2160 Accrued Wages Payable	215,985
2180 Due to Other Governments	251,277
2200 Accrued Expenses	337
Noncurrent Liabilities	
2501 Due Within One Year	135,000
2502 Due in More Than One Year	1,549,178
2540 Net Pension Liability (District's Share)	858,156
2000 Total Liabilities	3,009,974
DEFERRED INFLOWS OF RESOURCES	
2601 Unavailable Revenue - Property Taxes	44,502
2603 Deferred Resource Inflow related to TRS	196,928
2600 Total Deferred Inflows of Resources	241,430
NET POSITION	
3200 Net Investment in Capital Assets	4,256,204
3820 Restricted for Federal and State Programs	172,234
3850 Restricted for Debt Service	227,046
3900 Unrestricted	4,949,383
3000 Total Net Position	\$ 9,604,867

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

PEWITT CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2015

EXHIBIT B-1

Data	Program Revenues			Net (Expense)
Control	1	3	4	Revenue and
Codes	Expenses	Charges for	Operating	Changes in Net
		Services	Grants and	Position
			Contributions	6
				Primary Gov.
				Governmental
				Activities

Primary Government:

GOVERNMENTAL ACTIVITIES:

11 Instruction	\$ 4,930,694	\$ 7,500	\$ 813,448	\$ (4,109,746)
12 Instructional Resources and Media Services	79,628	-	-	(79,628)
13 Curriculum and Staff Development	17,271	-	15,282	(1,989)
21 Instructional Leadership	57,109	-	5,163	(51,946)
23 School Leadership	467,936	-	-	(467,936)
31 Guidance, Counseling and Evaluation Services	196,337	-	93,056	(103,281)
33 Health Services	61,019	-	-	(61,019)
34 Student (Pupil) Transportation	423,729	-	-	(423,729)
35 Food Services	566,266	131,797	418,927	(15,542)
36 Extracurricular Activities	452,339	32,064	-	(420,275)
41 General Administration	260,466	-	-	(260,466)
51 Facilities Maintenance and Operations	979,074	-	-	(979,074)
52 Security and Monitoring Services	27,222	-	-	(27,222)
53 Data Processing Services	242,854	-	-	(242,854)
72 Debt Service - Interest on Long Term Debt	67,262	-	-	(67,262)
73 Debt Service - Bond Issuance Cost and Fees	500	-	-	(500)
81 Capital Outlay	32,275	-	-	(32,275)
93 Payments related to Shared Services Arrangements	232,181	-	-	(232,181)
99 Other Intergovernmental Charges	79,364	-	-	(79,364)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 9,173,526	\$ 171,361	\$ 1,345,876	(7,656,289)

Data	General Revenues:		
Control			
Codes			
	Taxes:		
MT	Property Taxes, Levied for General Purposes		2,899,952
DT	Property Taxes, Levied for Debt Service		163,608
SF	State Aid - Formula Grants		4,866,975
IE	Investment Earnings		11,557
MI	Miscellaneous Local and Intermediate Revenue		140,269
TR	Total General Revenues		8,082,361
CN	Change in Net Position		426,072
NB	Net Position - Beginning		10,230,411
PA	Prior Period Adjustment		(1,051,616)
NE	Net Position--Ending		\$ 9,604,867

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

PEWITT CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2015

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
ASSETS			
1110 Cash and Cash Equivalents	\$ 5,951,379	\$ 382,369	\$ 6,333,748
1220 Property Taxes - Delinquent	533,749	34,285	568,034
1230 Allowance for Uncollectible Taxes (Credit)	(359,378)	(24,444)	(383,822)
1240 Receivables from Other Governments	199,968	32,322	232,290
1000 Total Assets	<u>\$ 6,325,718</u>	<u>\$ 424,532</u>	<u>\$ 6,750,250</u>
LIABILITIES			
2150 Payroll Deductions and Withholdings Payable	\$ 41	\$ -	\$ 41
2160 Accrued Wages Payable	215,985	-	215,985
2180 Due to Other Governments	235,866	15,411	251,277
2200 Accrued Expenditures	337	-	337
2000 Total Liabilities	<u>452,229</u>	<u>15,411</u>	<u>467,640</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	174,371	9,841	184,212
2600 Total Deferred Inflows of Resources	<u>174,371</u>	<u>9,841</u>	<u>184,212</u>
FUND BALANCES			
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	172,234	172,234
3480 Retirement of Long-Term Debt	-	227,046	227,046
Committed Fund Balance:			
3510 Construction	109,740	-	109,740
3530 Capital Expenditures for Equipment	118,000	-	118,000
Assigned Fund Balance:			
3590 Other Assigned Fund Balance	500,000	-	500,000
3600 Unassigned Fund Balance	4,971,378	-	4,971,378
3000 Total Fund Balances	<u>5,699,118</u>	<u>399,280</u>	<u>6,098,398</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 6,325,718</u>	<u>\$ 424,532</u>	<u>\$ 6,750,250</u>

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

PEWITT CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2015

Total Fund Balances - Governmental Funds	\$	6,098,398
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$14,886,684 and the accumulated depreciation was \$8,934,670. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net position.		4,245,604
2 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2015 capital outlays and debt principal payments is to increase (decrease) net position.		404,019
3 The 2015 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(399,457)
4 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.		145,748
5 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of \$858,156 a Deferred Resource Inflow related to TRS in the amount of \$65,585, and a Deferred Resource Outflow related to TRS in the amount of \$96,874. This amounted to a decrease in Net Position in the amount of \$889,445.		(889,445)
 19 Net Position of Governmental Activities	\$	9,604,867

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

PEWITT CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 3,085,962	\$ 305,338	\$ 3,391,300
5800 State Program Revenues	5,175,300	35,096	5,210,396
5900 Federal Program Revenues	93,056	912,688	1,005,744
5020 Total Revenues	<u>8,354,318</u>	<u>1,253,122</u>	<u>9,607,440</u>
EXPENDITURES:			
Current:			
0011 Instruction	4,440,636	483,369	4,924,005
0012 Instructional Resources and Media Services	79,628	-	79,628
0013 Curriculum and Instructional Staff Development	1,989	15,282	17,271
0021 Instructional Leadership	51,946	5,163	57,109
0023 School Leadership	474,429	-	474,429
0031 Guidance, Counseling and Evaluation Services	196,337	-	196,337
0033 Health Services	65,347	-	65,347
0034 Student (Pupil) Transportation	383,770	-	383,770
0035 Food Services	-	616,882	616,882
0036 Extracurricular Activities	395,647	-	395,647
0041 General Administration	257,697	-	257,697
0051 Facilities Maintenance and Operations	1,003,696	-	1,003,696
0052 Security and Monitoring Services	27,222	-	27,222
0053 Data Processing Services	261,394	-	261,394
Debt Service:			
0071 Principal on Long Term Debt	-	105,000	105,000
0072 Interest on Long Term Debt	-	73,300	73,300
0073 Bond Issuance Cost and Fees	-	500	500
Capital Outlay:			
0081 Facilities Acquisition and Construction	95,518	-	95,518
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	232,181	-	232,181
0099 Other Intergovernmental Charges	79,364	-	79,364
6030 Total Expenditures	<u>8,046,801</u>	<u>1,299,496</u>	<u>9,346,297</u>
1200 Net Change in Fund Balances	307,517	(46,374)	261,143
0100 Fund Balance - September 1 (Beginning)	<u>5,391,601</u>	<u>445,654</u>	<u>5,837,255</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 5,699,118</u>	<u>\$ 399,280</u>	<u>\$ 6,098,398</u>

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

PEWITT CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED AUGUST 31, 2015

Total Net Change in Fund Balances - Governmental Funds	\$	261,143
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2015 capital outlays and debt principal payments is to increase (decrease) net position.		404,019
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.		(399,457)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.		(1,804)
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/2014 caused the change in the ending net position to increase in the amount of \$108,210. The District's share of the unrecognized deferred inflows and outflows for TRS as of the measurement date had to be amortized. This caused an increase in the change in net position in the amount of \$53,961. The impact of all of these is to increase the change in net position by \$162,171.		162,171
 Change in Net Position of Governmental Activities	 \$	 <u>426,072</u>

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

PEWITT CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 2,968,543	\$ 2,990,746	\$ 3,085,962	\$ 95,216
5800	State Program Revenues	4,882,753	4,992,832	5,175,300	182,468
5900	Federal Program Revenues	94,000	94,000	93,056	(944)
5020	Total Revenues	7,945,296	8,077,578	8,354,318	276,740
EXPENDITURES:					
Current:					
0011	Instruction	4,477,205	4,490,999	4,440,636	50,363
0012	Instructional Resources and Media Services	82,460	80,967	79,628	1,339
0013	Curriculum and Instructional Staff Development	5,650	2,550	1,989	561
0021	Instructional Leadership	84,356	55,806	51,946	3,860
0023	School Leadership	466,094	474,516	474,429	87
0031	Guidance, Counseling and Evaluation Services	202,369	199,393	196,337	3,056
0033	Health Services	65,074	65,367	65,347	20
0034	Student (Pupil) Transportation	308,015	385,751	383,770	1,981
0036	Extracurricular Activities	381,369	395,918	395,647	271
0041	General Administration	276,189	261,739	257,697	4,042
0051	Facilities Maintenance and Operations	956,981	1,005,558	1,003,696	1,862
0052	Security and Monitoring Services	35,800	27,772	27,222	550
0053	Data Processing Services	272,288	272,288	261,394	10,894
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	95,518	95,518	-
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	232,500	232,500	232,181	319
0099	Other Intergovernmental Charges	98,945	79,364	79,364	-
6030	Total Expenditures	7,945,295	8,126,006	8,046,801	79,205
1200	Net Change in Fund Balances	1	(48,428)	307,517	355,945
0100	Fund Balance - September 1 (Beginning)	5,391,601	5,391,601	5,391,601	-
3000	Fund Balance - August 31 (Ending)	\$ 5,391,602	\$ 5,343,173	\$ 5,699,118	\$ 355,945

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

PEWITT CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2015

	Agency Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 97,390
Total Assets	<u>\$ 97,390</u>
LIABILITIES	
Due to Student Groups	\$ 97,390
Total Liabilities	<u>\$ 97,390</u>

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

PEWITT CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. REPORTING ENTITY

The Board of Trustees (the "Board") is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, "The Financial Reporting Entity." There are no component units included within the reporting entity.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the PEWITT CONSOLIDATED INDEPENDENT SCHOOL DISTRICT non-fiduciary activities with most of the inter-fund activities removed. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants and other intergovernmental revenues. There are no business type activities.

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

Inter-fund activities between governmental funds appear as due to/due froms on the Governmental Fund Balance Sheet and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance. All inter-fund transactions between governmental funds are eliminated on the

government-wide statements. Inter-fund activities between governmental funds and fiduciary funds remain as due to/due froms on the government-wide Statement of Activities.

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

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

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

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

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

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

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

D. FUND ACCOUNTING

The District's accounts are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which are comprised of each fund's assets, liabilities, equity, revenues and expenditures.

The District reports the following major governmental funds:

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

Additionally, the District reports the following fund type(s):

Governmental Funds:

1. **Special Revenue Funds** – The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.
2. **Debt Service Funds** -- The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.

Fiduciary Funds:

1. **Agency Funds** - The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency Funds are student activity funds.

E. OTHER ACCOUNTING POLICIES

1. In the government-wide financial statements, long-term debt is reported as a liability in the governmental activities statement of net position. In the fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs are reported as debt service expenditures.
2. In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

3. Capital assets, which include land, buildings, furniture and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

<u>Assets</u>	<u>Years</u>
Buildings	50
Building Improvements	20-50
Vehicles	10
Office Equipment	10
Computer Equipment	10

4. Investments are stated at fair value.
5. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Commitments of fund balance represent tentative management plans that are subject to change.
6. When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.
7. The Data Control Codes refer to the account code structure prescribed by TEA in the *Financial Accountability System Resource Guide*. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a statewide data base for policy development and funding plans.
8. School Districts are required to report all expenses by function, except certain indirect expenses. General administration and data processing service functions (data control codes 41 and 53, respectively) include expenses that are indirect expenses of other functions. These indirect expenses are not allocated to other functions.
9. Deferred Outflows/Inflows of Resources—The District implemented GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position and GASB Statement No. 65, Items Previously Reported as Assets and Liabilities for the year ended August 31, 2013. The District implemented GASB Statement No. 68 Accounting and Financial Reporting for Pensions for the year ended August 31, 2015. In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two types of items that qualify for reporting in this category, deferred charge for refunding bonded indebtedness and deferred outflows related to TRS as per GASB 68 related to pension accounting. These will be recognized as an outflow of resources in the subsequent years as they are amortized.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has two types of items that qualify for reporting in this category, property taxes and deferred inflows related to TRS. These amounts will be recognized as an inflow of resources in the subsequent years as collected.

10. Fund balance measures the net financial resources available to finance expenditures of future periods.

The District's Unassigned General Fund Balance will be maintained to provide the District with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing. The Unassigned General Fund balance may only be appropriated by resolution of the Board of Trustees.

Fund balance of the District may be committed for a specific source by formal action of the Pewitt Consolidated I.S.D. Board of Trustees. Amendments or modifications of the committed fund balance must also be approved by formal action of the Pewitt Consolidated I.S.D. Board of Trustees.

When it is appropriate for fund balance to be assigned, the Board delegates authority to the Superintendent and Business Manager.

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, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net position for governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds. The details of capital assets and long-term debt at the beginning of the year were as follows:

<u>Capital Assets</u> <u>at the Beginning of the year</u>	<u>Historic Cost</u>	<u>Accumulated</u> <u>Depreciation</u>	<u>Net Value at the</u> <u>Beginning of the</u> <u>Year</u>	<u>Change in Net</u> <u>Position</u>
Land	54,000	-	54,000	
Buildings	11,787,334	(6,420,190)	5,367,144	
Furniture & Equipment	3,045,350	(2,514,480)	530,870	
Construction in Progress	-	-	-	
Change in Net Position	<u>14,886,684</u>	<u>(8,934,670)</u>	<u>5,952,014</u>	<u>5,952,014</u>
<u>Long-term Liabilities</u> <u>at the Beginning of the year</u>			<u>Payable at the</u> <u>Beginning of the</u> <u>Year</u>	
Bonds payable			1,640,000	
Premium/Discount on Bond Issues			164,096	
Deferred Charges on Refunding			(97,686)	
Change in Net Position			<u>1,706,410</u>	<u>1,706,410</u>
Net Adjustment to Net Position				<u><u>4,245,604</u></u>

B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Exhibit C-4 provides a reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net position of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net position balance and the change in net position. The details of this adjustment are as follows:

	<u>Amount</u>	<u>Adjustments to Changes in Net Position</u>	<u>Adjustments to Net Position</u>
<u>Current year Capital Outlay</u>			
Buildings & Improvements	63,243	63,243	63,243
Furniture & Equipment	235,776	235,776	235,776
Total Capital Outlay	<u>299,019</u>	<u>299,019</u>	<u>299,019</u>
Book Value of Asset Dispositions	<u>-</u>	<u>-</u>	<u>-</u>
<u>Debt Principal Payments</u>	<u>105,000</u>	<u>105,000</u>	<u>105,000</u>
Total Adjustment to Net Position	<u><u>404,019</u></u>	<u><u>404,019</u></u>	<u><u>404,019</u></u>

Another element of the reconciliation on Exhibit C-4 is described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This adjustment is the result of several items. The details for this element are as follows:

	<u>Amount</u>	<u>Adjustments to Change in Net Position</u>	<u>Adjustments to Net Position</u>
<u>Adjustments to Revenue and Unearned Revenue</u>			
Taxes Collected from Prior Year Levies	126,587	(126,587)	-
Uncollected taxes (assumed collectible) from Current Year Levy	139,710	139,710	139,710
Effect of prior year tax entries	20,965	(20,965)	-
Amortization of premium/discount	14,918	14,918	14,918
Amortization of deferred charge on refunding	8,880	(8,880)	(8,880)
Total		<u><u>(1,804)</u></u>	<u><u>145,748</u></u>

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA

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

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

1. Prior to August 20 the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. However, none of these were significant.
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end. A reconciliation of fund balances for both appropriated budget and non-appropriated budget special revenue funds is as follows:

	August 31, 2015
	<u>Fund Balance</u>
Appropriated Budget Funds - Food Service Special Revenue Fund	172,234
Nonappropriated Budget Funds	<u>-</u>
All Special Revenue Funds	<u><u>172,234</u></u>

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments

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

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

Policies Governing Deposits and Investments

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy. That policy does address the following risks:

1. Custodial Credit Risk – Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The District’s policy regarding types of deposits allowed and collateral requirements is that the funds of the District must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping in an amount sufficient to protect the District’s funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank’s dollar amount of Federal Deposit Insurance Corporation (“FDIC”) insurance.

Deposits of the District are insured or collateralized with securities held by the pledging financial institution’s trust department or agent in the name of the District.

At August 31, 2015, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$3,777,956 and the bank balance was \$4,075,788. The District's cash deposits at August 31, 2015 and during the year ended August 31, 2015 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit:

- a. Depository: Morris County National Bank
- b. The market value of securities pledged as of the date of the highest combined balance on deposit was \$5,235,557.
- c. The highest combined balances of cash, savings, and time deposit accounts amounted to \$4,943,679 and occurred during the month of February, 2015.
- d. Total amount of FDIC coverage at the time of the highest combined balance was \$345,306.

2. **Custodial Credit Risk – Investments:** For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Positions in external investment pools are not subject to custodial credit risk. The District has no investments exposed to custodial credit risk at the end of the period.
3. **Interest- rate Risk – Interest-rate risk** occurs when potential purchases of debt securities do not agree to pay face value for these securities if interest rates rise. The District does not purchase investments where the face value is not guaranteed.
4. **Concentration Risk – Concentration risk** is defined as positions of 5 percent or more in the securities of a single issuer. Investments in external investment pools are not subject to concentration risk. The District is not exposed to any amounts of concentration risk.
5. **Other Credit Risk Exposure –** The District has investments in external investment pools. The rating of the pool is disclosed below.

The Districts investments at August 31, 2015, are shown below:

Investment Type	Fair Value	Average CreditQuality/ Ratings	Weighted Avg. Days to Maturity
Lonestar Investment Pool	2,555,793	AAAm	49 days

B. PROPERTY TAXES

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

C. DELINQUENT TAXES RECEIVABLE

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

D. INTERFUND RECEIVABLES AND PAYABLES

There were no inter-fund balances at August 31, 2015. There were no transfers between funds during the year ended August 31, 2015.

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at August 31, 2015, were as follows:

	Property Taxes	Other Governments	Due From Other Funds	Other	Total Receivables
Governmental Activities:					
General Fund	533,749	199,968	-	-	733,717
Nonmajor Governmental Funds	34,285	32,322	-	-	66,607
Total - Governmental Activities	<u>568,034</u>	<u>232,290</u>	<u>-</u>	<u>-</u>	<u>800,324</u>
Amounts not scheduled for collection during the subsequent year					
	<u>383,822</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>383,822</u>

Payables at August 31, 2015, were as follows:

	<u>Loans, Leases and Bonds Payable- Current Year</u>	<u>Salaries and Benefits</u>	<u>Due to Other Funds</u>	<u>Due to Other Governments</u>	<u>Other</u>	<u>Total Payables</u>
Governmental Activities:						
General Fund	-	216,026	-	235,866	337	452,229
Nonmajor Governmental Funds	-	-	-	15,411	-	15,411
Total - Governmental Activities	<u>-</u>	<u>216,026</u>	<u>-</u>	<u>251,277</u>	<u>337</u>	<u>467,640</u>
Amounts not scheduled for payment during the subsequent year						
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

F. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the year ended August 31, 2015, was as follows:

	Primary Government				
	<u>Beginning</u>				<u>Ending</u>
	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjustments</u>	<u>Balance</u>
Governmental Activities:					
Land	54,000	-	-	-	54,000
Buildings and Improvements	11,787,334	63,243	-	-	11,850,577
Furniture and Equipment	3,045,350	235,776	-	-	3,281,126
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Totals at Historic Cost	14,886,684	299,019	-	-	15,185,703
Less Accumulated Depreciation for:					
Buildings and Improvements	(6,420,190)	(193,244)	-	-	(6,613,434)
Furniture and Equipment	(2,514,480)	(206,213)	-	-	(2,720,693)
Total Accumulated Depreciation	<hr/> (8,934,670) <hr/>	<hr/> (399,457) <hr/>	<hr/> - <hr/>	<hr/> - <hr/>	<hr/> (9,334,127) <hr/>
Governmental Activities Capital Assets, Net	<hr/> <u>5,952,014</u> <hr/>	<hr/> <u>(100,438)</u> <hr/>	<hr/> - <hr/>	<hr/> - <hr/>	<hr/> <u>5,851,576</u> <hr/>

Depreciation expense was charged to governmental functions as follows:

Instruction	172,969
Student (Pupil) Transportation	137,755
Food Services	19,112
Curricular/Extracurricular Activities	59,938
General Administration	6,015
Plant Maintenance and Operations	<u>3,668</u>
Total Depreciation Expense	<hr/> <u>399,457</u> <hr/>

G. BONDS PAYABLE

Bonded indebtedness of the District is reflected in the Statement of net assets. Current requirements for principal and interest expenditures are accounted for in the Debt Service Fund. The effective interest rate on the bond is 2.73%.

A summary of changes in long-term debt for the year ended August 31, 2015 is as follows:

<u>Description</u>	<u>Interest Rate Payable</u>	<u>Amounts Original Issue</u>	<u>Interest Current Year</u>	<u>Amounts Outstanding 9/1/2014</u>	<u>Issued/</u>	<u>Refunded/</u>	<u>Amounts Outstanding 8/31/2015</u>
					<u>Interest Retired Current Year</u>	<u>Refunded Current Year</u>	
Unlimited Tax Refunding							
Bonds, Series 2012	2.00%-3.00%	1,705,000	73,300	1,640,000	-	(105,000)	1,535,000
TOTAL			73,300	1,640,000	-	(105,000)	1,535,000

Debt service requirements are as follows:

<u>Year Ended August 31</u>	<u>General Obligations</u>		<u>Total Requirements</u>
	<u>Principal</u>	<u>Interest</u>	
2016	135,000	41,950	176,950
2017	140,000	39,200	179,200
2018	140,000	35,700	175,700
2019	145,000	31,425	176,425
2020	150,000	27,000	177,000
2021-2025	825,000	63,375	888,375
	<u>1,535,000</u>	<u>238,650</u>	<u>1,773,650</u>

Proceeds from the issuance of refunding bonds, The Pewitt Consolidated Independent School District Unlimited Tax Refunding Bonds, Series 2012 dated November 15, 2012 were received during February, 2013 pursuant to Texas Government Code, Chapter 1207. Proceeds from the \$1,705,000 bonds were used to advance refund a portion of the District's outstanding bonds for debt service savings and to pay the costs of issuing the Bonds. Interest will range from 2.00% to 3.00%. Interest and principal are being repaid annually beginning in fiscal year 2014 and will continue until maturity in fiscal year 2025. The refunding was undertaken to reduce total debt service payments by approximately \$245 thousand and to obtain an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of approximately \$224 thousand.

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions at August 31, 2015.

H. HEALTHCARE COVERAGE

From September 1, 2014 to August 31, 2015, employees of Pewitt Consolidated Independent School District were covered by a health insurance plan with TRS. The District paid premiums of \$175 per month per employee to the Plan and Employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents.

I. MAINTENANCE OF EFFORT

Contributions for health care for the year ended August 31, 2015 were as follows:

Total contributions for health care:	208,102
Less alternate plan contributions	-
Less COBRA	-
2014-2015 maintenance of effort	<u>208,102</u>

J. DEFINED BENEFIT PENSION PLAN

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

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

Pension Plan Fiduciary Net Position. Detailed information about the Teacher Retirement System’s fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statement 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, TX, 78701-2698; or by calling (512) 542-6592. The information provided in the Notes to the Financial Statements in the 2014 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2015.

<u>Net Position Liability</u>	<u>Total</u>
Total Pension Liability	159,496,075,886
Less: Plan Fiduciary Net Position	132,779,243,085
Net Pension Liability	<u>\$ 26,716,832,801</u>
Net Position as percentage of Total Pension Liability	83.25%

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 retirements is at age 65 with 5 years of credited service or when the sum of the member’s age and years of credited serviced 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 precisions for early retirement if the sum of the member’s age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

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

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 rates for fiscal years 2014 thru 2017. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees effective for fiscal year 2015 as discussed in Note 1 of the TRS 2014 CAFR. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015.

Contribution Rates					
				2014	2015
Member				6.4%	6.7%
Non-Employer Contributing Entity (State)				6.8%	6.8%
Employers				6.8%	6.8%
Pewitt CISD 2014 Employers Contributions					\$ 81,452
Pewitt CISD 2014 Member Contributions					\$ 363,654
Pewitt CISD 2014 NECE On-Behalf Contributions					\$ 314,182

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

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

- On the portion of the member’s salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member’s first 90 days of employment.
- When any part or all of an employee’s salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or actuarial methods and assumptions are primarily based on a study of actual experience for the four year period ending August 31, 2010 and adopted on April 8, 2011. With the exception of the post-retirement local funds.

In addition to the employer contributions listed above, when employing a retiree of the Teacher Retirement System them employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

Actuarial Assumptions. The total pension liability in the August 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date				August 31, 2014
Actuarial Cost Method				Individual Entry
Age Normal				
Amortization Method of Payroll, Open				Level Percentage
Remaining Amortization Period				30 years
Asset Valuation Method				5 year market
Value				
Discount Rate				8.00%
Long-term expected Investment Rate of Return*				8.00%
Salary Increases*				4.25% to 7.25%
Weighted-Average at Valuation Date				5.55%
Payroll Growth Rate				3.50%
<i>*Includes Inflation of 3%</i>				

The mortality rates for healthy lives and a minor change to the expected retirement age for inactive vested members stemming from the actuarial audit performed in the summer of 2014, the assumptions and methods are the same as used in the prior valuation. When the mortality assumptions were adopted in 2011 they contained a significant margin for possible future mortality improvement. As of the date of the valuation there has been a significant erosion of this margin to the point that the margin has been eliminated. Therefore, the post-retirement mortality rates for current and future retirees were decreased to add additional margin for future improvement in mortality in accordance with the Actuarial Standards of Practice No. 35.

Discount Rate. The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from the plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investment was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which beset-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2014 are summarized below:

Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return*
Global Equity			
U.S.	18%	7.0%	1.4%
Non-U.S. Developed	13%	7.3%	1.1%
Emerging Markets	9%	8.1%	0.9%
Directional Hedge Funds	4%	5.4%	0.2%
Private Equity	13%	9.2%	1.4%
Stable Value			
U.S. Treasuries	11%	2.9%	0.3%
Absolute Return	0%	4.0%	0.0%
Stable Value Hedge Funds	4%	5.2%	0.2%
Cash	1%	2.0%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	3.1%	0.0%
Real Assets	16%	7.3%	1.5%
Energy and Natural Resources	3%	8.8%	0.3%
Commodities	0%	3.4%	0.0%
Risk Parity			
Risk Parity	5%	8.9%	0.4%
Alpha			1.0%
Total	100%		8.7%

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

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net Pension Liability if the discount rate used was 15 or less than and 1% greater than the discount rate that was used (8%) in measuring the 2014 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:	1,533,474	858,156	353,145

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2014, Pewitt Consolidated Independent School District reported a liability of \$858,156 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Pewitt Consolidated Independent School District. The amount recognized by State support, and the total portion of the net pension liability that was associated with Pewitt Consolidated Independent School District were as follows:

District's Proportionate share of the collective net pension liability	\$ 858,156
State's proportionate share that is associated with the District	\$ 3,317,245
Total	\$ 4,175,401

The net pension liability was measured as of August 31, 2014 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, 2013 through August 31, 2014.

At August 31, 2014 the employer's proportion of the collective net pension liability was \$1,053,746. Since this is the first year of implementation, the District does not have the proportion measured as of August 31, 2013. The Notes to the Financial Statements for August 31, 2014 for TRS stated that the change in proportion was immaterial and therefore disregarded this year.

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

There was a change in employer contribution requirements that occurred after the measurement date of the net pension liability and the employer's reporting date. A 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees went into law effective 09/01/2013. The amount of the expected resultant change in the employer's proportion cannot be determined at this time.

For the year ended August 31, 2014 Pewitt Consolidated Independent School District recognized pension expense of \$306,677 and revenue of \$314,182 support provided by the State.

At August 31, 2014, Pewitt Consolidated 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	\$ 13,272	\$ -
Changes in actuarial assumptions	\$ 55,781	\$ -
Difference between projected and actual investment earnings	\$ -	\$ 262,288
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	\$ -	\$ 225
Contributions paid to TRS subsequent to the measurement date [to be calculated by employer]	\$ -	\$ -
Total	\$ 69,053	\$ 262,513

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

Year ended August 31:	Pension Expense Amount
2016	\$ 53,961
2017	\$ 53,961
2018	\$ 53,961
2019	\$ 53,961
2020	\$ (11,611)
Thereafter	\$ (10,773)

K. CHANGES IN LONG-TERM LIABILITIES

Long-term activity for the year ended August 31, 2015 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Adjustments</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:						
Bonds Payable:						
General Obligation Bonds	1,640,000	-	(105,000)	-	1,535,000	135,000
Premium/discount on Bonds issued	164,096	-	(14,918)	-	149,178	-
Deferred Charge on Refunding	(97,686)	-	8,880	-	(88,806)	-
	<u>1,706,410</u>	<u>-</u>	<u>(111,038)</u>	<u>-</u>	<u>1,595,372</u>	<u>135,000</u>

L. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2015 are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from State Agencies.

<u>FUND</u>	<u>STATE ENTITLEMENTS</u>	<u>FEDERAL GRANTS</u>	<u>OTHER</u>	<u>TOTAL</u>
General	199,968	-	-	199,968
Special Revenue	-	32,322	-	32,322
Debt Service	-	-	-	-
Total	<u>199,968</u>	<u>32,322</u>	<u>-</u>	<u>232,290</u>

M. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

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

	General Fund	Special Revenue Fund	Debt Service Fund	Total
Property Taxes	2,902,784	-	168,618	3,071,402
Penalties, Interest and Other Tax-related Income	73,601	-	4,341	77,942
Investment Income	10,975	362	220	11,557
Food Sales	-	131,797	-	131,797
Co-Curricular Student Activities	32,064	-	-	32,064
Other	66,538	-	-	66,538
	<u>3,085,962</u>	<u>132,159</u>	<u>173,179</u>	<u>3,391,300</u>
Total	<u>3,085,962</u>	<u>132,159</u>	<u>173,179</u>	<u>3,391,300</u>

N. DEFERRED OUTFLOWS OF RESOURCES

The District refunded bonded indebtedness during the year ended August 31, 2014. The balance of deferred charge on refunding of \$88,806 is reflected as a deferred outflow of resources in the government wide statements. This deferral is being amortized over the repayment period of the refunding bonds and recognized as an outflow of resources each year as it is amortized.

O. DEFERRED INFLOWS OF RESOURCES

In the government wide statements and the governmental fund financial statements the amount of property taxes receivable expected to be collected in the future is reflected as a deferred inflow of resources and will be recognized as such each year as it is collected.

P. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal 2015, the district purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

Q. JOINT VENTURE-SHARED SERVICE ARRANGEMENTS

The District participates in a shared service arrangement (“SSA”) for IDEA Part B – Formula, IDEA Part B - Pre-School, IDEA Part B ARRA Formula, and IDEA Part B ARRA-Preschool with Daingerfield-Lone Star Independent School District. Daingerfield-Lone Star is the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal extingencies that would give rise to a future additional benefit or burden to Pewitt Consolidated Consolidated Independent School District. The fiscal agent manager is responsible for all financial activities of the shared service arrangement. Presented below are the revenues and expenditures attributable to the District’s participation.

<u>IDEA Part B-Formula</u>							
	Revenues:						
	5952	Federal Revenue from Fiscal Agent			225,119		
	Expenditures:						
	6100	Payroll Costs			147,200		
	6200	Professional Services			32,439		
	6300	Supplies & Materials			35,489		
	6400	Other			9,991		
	6600	Capital Outlay			-		
<u>IDEA Part B-Pre School</u>							
	Revenues:						
	5952	Federal Revenue from Fiscal Agent			9,603		
	Expenditures:						
	6100	Payroll Costs			9,603		
	6300	Supplies & Materials			-		

R. COMMITMENTS AND CONTINGENCIES

The District has no significant commitments and contingencies.

S. LITIGATION

The District has no litigation or law suits in progress at August 31, 2015.

T. SUBSEQUENT EVENT

Administration has evaluated subsequent events through October 1, 2015, the financial statement issuance date.

U. PRIOR PERIOD ADJUSTMENT

During fiscal year 2015, the District adopted GASB Statement No. 68 for Accounting and Reporting for Pensions. With GASB 68, the District must assume their proportionate share of the Net Pension Liability of the Teachers Retirement System of Texas. Adoption of GASB 68 require a prior period adjustment to report the effect of GASB 68 retroactively. The amount of the prior period adjustment is \$1,051,616. The restated beginning net position is \$9,178,795.

PEWITT CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 TEACHERS RETIREMENT SYSTEM
 FOR THE YEAR ENDED AUGUST 31, 2015

EXHIBIT G-2

	2015
District's Proportion of the Net Pension Liability (Asset)	0.000032127%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 858,156
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	3,317,245
Total	\$ 4,175,401
District's Covered-Employee Payroll	\$ 5,429,270
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its covered-Employee Payroll	20.55%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.25%

Note: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the period covered as of the measurement date of August 31, 2014 - the period from September 1, 2013 - August 31, 2014.

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

PEWITT CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHERS RETIREMENT SYSTEM
FOR FISCAL YEAR 2015

EXHIBIT G-3

		2015
Contractually Required Contribution	\$	363,627
Contribution in Relation to the Contractually Required Contribution		(363,627)
		-
Contribution Deficiency (Excess)	\$	-0-
District's Covered-Employee Payroll	\$	5,429,270
Contributions as a Percentage of Covered-Employee Payroll		6.80%

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the District's current fiscal year as opposed to the time period covered by the measurement date of September 1, 2013 - August 31, 2014.

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

PEWITT CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2015

Changes of benefit terms

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

Changes of assumptions

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

COMBINING AND OTHER STATEMENTS

PEWITT CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2015

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program	
ASSETS					
1110	Cash and Cash Equivalents	\$ (3,438)	\$ (21,387)	\$ (770)	\$ 172,234
1220	Property Taxes - Delinquent	-	-	-	-
1230	Allowance for Uncollectible Taxes (Credit)	-	-	-	-
1240	Receivables from Other Governments	3,438	21,387	770	-
1000	Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 172,234</u>
LIABILITIES					
2180	Due to Other Governments	\$ -	\$ -	\$ -	\$ -
2000	Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES					
2601	Unavailable Revenue - Property Taxes	-	-	-	-
2600	Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	172,234
3480	Retirement of Long-Term Debt	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>172,234</u>
4000	Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 172,234</u>

255 ESEA II,A Training and Recruiting	270 ESEA VI, Pt B Rural & Low Income	410 State Textbook Fund	Total Nonmajor Special Revenue Funds	599 Debt Service Fund	Total Nonmajor Governmental Funds
\$ (6,727)	\$ -	\$ 15,411	\$ 155,323	\$ 227,046	\$ 382,369
-	-	-	-	34,285	34,285
-	-	-	-	(24,444)	(24,444)
6,727	-	-	32,322	-	32,322
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,411</u>	<u>\$ 187,645</u>	<u>\$ 236,887</u>	<u>\$ 424,532</u>
\$ -	\$ -	\$ 15,411	\$ 15,411	\$ -	\$ 15,411
-	-	15,411	15,411	-	15,411
-	-	-	-	9,841	9,841
-	-	-	-	9,841	9,841
-	-	-	172,234	-	172,234
-	-	-	-	227,046	227,046
-	-	-	172,234	227,046	399,280
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,411</u>	<u>\$ 187,645</u>	<u>\$ 236,887</u>	<u>\$ 424,532</u>

PEWITT CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ 132,158
5800 State Program Revenues	-	-	-	3,288
5900 Federal Program Revenues	193,478	225,119	9,603	418,928
5020 Total Revenues	<u>193,478</u>	<u>225,119</u>	<u>9,603</u>	<u>554,374</u>
EXPENDITURES:				
Current:				
0011 Instruction	185,942	220,587	9,603	-
0013 Curriculum and Instructional Staff Development	3,354	4,532	-	-
0021 Instructional Leadership	4,182	-	-	-
0035 Food Services	-	-	-	616,882
Debt Service:				
0071 Principal on Long Term Debt	-	-	-	-
0072 Interest on Long Term Debt	-	-	-	-
0073 Bond Issuance Cost and Fees	-	-	-	-
6030 Total Expenditures	<u>193,478</u>	<u>225,119</u>	<u>9,603</u>	<u>616,882</u>
1200 Net Change in Fund Balance	-	-	-	(62,508)
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>234,742</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 172,234</u>

255 ESEA II,A Training and Recruiting	270 ESEA VI, Pt B Rural & Low Income	410 State Textbook Fund	Total Nonmajor Special Revenue Funds	599 Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 132,158	\$ 173,180	\$ 305,338
-	-	10,054	13,342	21,754	35,096
46,393	19,167	-	912,688	-	912,688
46,393	19,167	10,054	1,058,188	194,934	1,253,122
38,016	19,167	10,054	483,369	-	483,369
7,396	-	-	15,282	-	15,282
981	-	-	5,163	-	5,163
-	-	-	616,882	-	616,882
-	-	-	-	105,000	105,000
-	-	-	-	73,300	73,300
-	-	-	-	500	500
46,393	19,167	10,054	1,120,696	178,800	1,299,496
-	-	-	(62,508)	16,134	(46,374)
-	-	-	234,742	210,912	445,654
\$ -	\$ -	\$ -	\$ 172,234	\$ 227,046	\$ 399,280

T.E.A. REQUIRED SCHEDULES

PEWITT CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED AUGUST 31, 2015

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2006 and prior years	Various	Various	\$ Various
2007	1.281400	0.145000	149,072,210
2008	1.040000	0.060000	157,478,636
2009	1.040000	0.060000	204,244,091
2010	1.040000	0.060000	241,540,636
2011	1.040000	0.055000	306,217,260
2012	1.040000	0.065000	285,611,584
2013	1.040000	0.065000	283,477,014
2014	1.040000	0.058000	288,335,246
2015 (School year under audit)	1.040000	0.058000	284,292,350
1000 TOTALS			

(10) Beginning Balance 9/1/2014	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2015
\$ 111,748	\$ -	\$ 16,589	\$ 2,927	\$ -	\$ 92,232
19,672	-	2,223	340	-	17,109
18,582	-	2,224	200	-	16,158
24,900	-	2,893	517	-	21,490
32,652	-	4,222	1,523	-	26,907
38,937	-	4,895	1,725	-	32,317
57,219	-	9,785	1,165	-	46,269
88,530	-	20,849	1,163	-	66,518
155,318	-	50,530	2,817	-	101,971
-	3,121,530	2,788,574	156,241	(29,652)	147,063
<u>\$ 547,558</u>	<u>\$ 3,121,530</u>	<u>\$ 2,902,784</u>	<u>\$ 168,618</u>	<u>\$ (29,652)</u>	<u>\$ 568,034</u>

PEWITT CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
 FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 154,500	\$ 154,500	\$ 132,158	\$ (22,342)
5800 State Program Revenues	3,500	3,500	3,288	(212)
5900 Federal Program Revenues	411,000	411,000	418,928	7,928
5020 Total Revenues	<u>569,000</u>	<u>569,000</u>	<u>554,374</u>	<u>(14,626)</u>
EXPENDITURES:				
0035 Food Services	<u>569,000</u>	<u>638,500</u>	<u>616,882</u>	<u>21,618</u>
6030 Total Expenditures	<u>569,000</u>	<u>638,500</u>	<u>616,882</u>	<u>21,618</u>
1200 Net Change in Fund Balances	-	(69,500)	(62,508)	6,992
0100 Fund Balance - September 1 (Beginning)	<u>234,742</u>	<u>234,742</u>	<u>234,742</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 234,742</u>	<u>\$ 165,242</u>	<u>\$ 172,234</u>	<u>\$ 6,992</u>

PEWITT CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 150,836	\$ 150,836	\$ 173,180	\$ 22,344
5800 State Program Revenues	21,388	21,388	21,754	366
5020 Total Revenues	172,224	172,224	194,934	22,710
EXPENDITURES:				
Debt Service:				
0071 Principal on Long Term Debt	105,000	105,000	105,000	-
0072 Interest on Long Term Debt	73,300	73,300	73,300	-
0073 Bond Issuance Cost and Fees	750	750	500	250
6030 Total Expenditures	179,050	179,050	178,800	250
1200 Net Change in Fund Balances	(6,826)	(6,826)	16,134	22,960
0100 Fund Balance - September 1 (Beginning)	210,912	210,912	210,912	-
3000 Fund Balance - August 31 (Ending)	\$ 204,086	\$ 204,086	\$ 227,046	\$ 22,960



ARNOLD, WALKER, ARNOLD, & Co., P.C.
Certified Public Accountants and Consultants

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Kris Arnold, C.P.A., P.F.S.
Andrew T. Arnold, C.P.A.
Melissa J. Godfrey, C.P.A.

MEMBER
American Institute Of
Certified Public Accountants
Texas State Society Of
Certified Public Accountants

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

Board of Trustees
Pewitt Consolidated Independent School District
Omaha, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pewitt Consolidated Independent School District, as of and for the year ended August 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 23, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Arnold, Walker, Arnold & Co., P.C.

Arnold, Walker, Arnold & Co., P.C.

September 23, 2015



ARNOLD, WALKER, ARNOLD, & Co., P.C.
Certified Public Accountants and Consultants

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REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Board of Trustees
Pewitt Consolidated Independent School District
Omaha, Texas

Report on Compliance for Each Major Federal Program

We have audited Pewitt Consolidated Independent School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2015. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2015.

Report on Internal Control Over Compliance

Management of the District, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Arnold, Walker, Arnold & Co., P.C.

Arnold, Walker, Arnold & Co., P.C.

September 23, 2015

PEWITT CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2015

I. Summary of the Auditor's Results:

- a. The type of report issued on the financial statements of the Pewitt Consolidated Independent School District was an unmodified opinion.
- b. Where applicable, a statement that control deficiencies in internal control were disclosed by the audit of the financial statements and whether they were material weaknesses. NONE
- c. A statement as to whether the audit disclosed any noncompliance which is material to the financial statements of the auditee. NONE
- d. Where applicable, a statement that control deficiencies in internal control over major programs were disclosed by the audit and whether any such conditions were material weaknesses. NONE
- e. The type of report the auditor issued on compliance for major programs. unmodified opinion
- f. A statement as to whether the audit disclosed any audit findings which the auditor is required to report under Section __.510(a). These include: NONE
- g. An identification of major programs: National School Lunch Program CFDA# 10.555; IDEA Part B, Formula CFDA# 84.027A.
- h. The dollar threshold used to distinguish between Type A and Type B programs. \$300,000
- i. A statement as to whether the auditee qualified as a low-risk auditee. Yes

II. Findings Relating to the Financial Statements Which Are Required To Be Reported in Accordance with *Generally Accepted Government Auditing Standards*.

NONE

III. Findings and Questioned Costs for Federal Awards Including Audit Findings as Described in I.f Above

None

PEWITT CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2015

PRIOR YEAR'S FINDINGS/ NONCOMPLIANCE

N/A

STATUS OF PRIOR YEAR'S FINDINGS/ NONCOMPLIANCE

N/A

PEWITT CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2015

CORRECTIVE ACTION

N/A

The contact at the District is Andy Reddock at (903) 884-2136.

PEWITT CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2015

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through Other Entities</u>			
*IDEA-Part B, Formula	84.027A	1560006172905	\$ 225,119
*IDEA-Part B, Preschool	84.173A	1560006172905	9,603
Total Passed Through Other Entities			\$ 234,722
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	15610101172905	\$ 193,478
ESEA, Title VI, Part B-Rural & Low Income Prog.	84.358B	15696001172905	19,167
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	15694501172905	46,393
Total Special Education Cluster (IDEA)			65,560
Total Passed Through State Department of Education			\$ 259,038
TOTAL U.S. DEPARTMENT OF EDUCATION			\$ 493,760
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through TX Medicaid/Healthcare Partnership</u>			
Medicaid Administrative Claiming Program - MAC	93.778	N/A	\$ 93,056
Total Passed Through TX Medicaid/Healthcare Partnership			\$ 93,056
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ 93,056
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553		\$ 102,650
*National School Lunch Program - Cash Assistance	10.555		278,806
*National School Lunch Prog. - Non-Cash Assistance	10.555		37,472
Total CFDA Number 10.555			316,278
Total Child Nutrition Cluster			418,928
Total Passed Through the State Department of Agriculture			\$ 418,928
TOTAL U.S. DEPARTMENT OF AGRICULTURE			\$ 418,928
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 1,005,744

*Clustered Programs

PEWITT CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2015

For all Federal programs, the District uses the fund types specified in Texas Education Agency's *Financial Accountability System Resource Guide*. Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types and Expendable Trust Funds are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in a Special Revenue Fund which is a Governmental Fund type.

With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The modified accrual basis of accounting is used for the Governmental Fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as deferred revenues until earned.

The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Statement - Provisional 6/97.

CFDA number 10.550 pertains to food commodities distributed by USDA under the following categorical programs (as applicable): the National School Lunch Program (CFDA 10.555), the Child and Adult Care Food Program (CFDA 10.558), the Summer Food Service Program (CFDA 10.559), the Commodity Supplemental Food Program (CFDA 10.565), and the Food Distribution Program on Indian Reservations (CFDA 10.567). USDA deleted this number from the CFDA on May 6, 2008. The audit covering PEWITT CONSOLIDATED Independent School District fiscal year beginning September 1, 2013, and future audits, will therefore identify commodity assistance by the CFDA numbers of the programs under which USDA donated the commodities.

SCHOOLS FIRST QUESTIONNAIRE

PEWITT CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

Fiscal Year 2015

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?	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?	No
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	0
SF11	Net Pension Assets (1920) at fiscal year-end.	0
SF12	Net Pension Liabilities (2540) at fiscal year-end.	858156
SF13	Pension Expense (6147) at fiscal year-end.	79322