

BUNA INDEPENDENT
SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2015

BUNA INDEPENDENT SCHOOL DISTRICT
Annual Financial Report
For The Year Ended August 31, 2015

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INTRODUCTORY SECTION

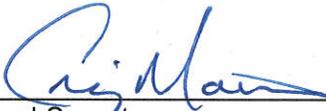
CERTIFICATE OF BOARD

Buna Independent School District
Name of School District

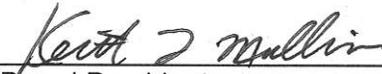
Jasper
County

121-903
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district was reviewed and approved disapproved for the year ended August 31, 2015 at a meeting of the board of school trustees of such school district on the 11th day of January, 2016.



Board Secretary



Board President

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

FINANCIAL SECTION

J. R. Edwards & Associates, LLC

Certified Public Accountants

December 28, 2015

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Buna Independent School District
1022 Texas State Hwy 62
Buna, Texas 77612

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Buna Independent School District (the "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 Buna Independent School District, as of August 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Board of Trustees
Buna Independent School District
December 28, 2015

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-10 and 39 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 introductory section and other supplementary information is presented for purposes of additional analysis and is 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 schedule of expenditures of federal awards is the responsibility of management and was 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and other supplementary information sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Governmental Auditing Standards*, we have also issued our report dated December 28, 2015, on our consideration of the District's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering District's internal control over financial reporting and compliance

J.R. Edwards & Associates, LLC

BUNA INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2015

In this section of the Annual Financial Report, we, the managers of the Buna Independent School District (the District), discuss and analyze the District's financial performance for the fiscal year ended August 31, 2015. We encourage readers to consider the information presented here in conjunction with the independent auditors' report on page 2, and the District's Basic Financial Statements that begin on page 11.

FINANCIAL HIGHLIGHTS

- The District's total combined net assets were \$9,163,283 at August 31, 2015.
- During the year, the District's expenses were \$47,409 more than the \$16,229,923 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs increased slightly from the period ended August 31, 2014. The District continues to introduce new programs and enhance existing programs designed to assist students in at-risk, economically disadvantaged, and special education sub groups.
- The general fund reported a fund balance this year of \$3,050,958. Of this amount, \$1,050,958 is for unrestricted use by the District.
- During the 2014-2015 school year, the District passed the State's Financial Integrity Rating System of Texas for the school year 2013-2014. The District scored 30 out of a possible 30 points.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements include three components: (1) management's discussion and analysis (this section), (2) the basic financial statements, and (3) required supplementary information.

Government-Wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. They include the Statement of Net Position and the Statement of Activities that provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

The Statement of Net Position presents information in a format that displays assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources to equal net position. Net position is displayed in three components – net investment in capital assets, restricted, and unrestricted. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District's tax base.

The *Statement of Activities* presents information showing how the government's net position changed during the current fiscal year. All changes in net position are reported for all of the current year's revenues and expenses regardless of when cash is received or paid. Thus, revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the District's government-wide financial statements distinguish the functions of the District as being principally supported by taxes and intergovernmental revenues (governmental activities) as opposed to business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges.

OVERVIEW OF THE FINANCIAL STATEMENTS - Continued

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objects. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. The fund financial statements provide detailed information about the District's most significant funds, *not* the District as a whole.

- 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 the following kinds of funds:

- **Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term effort of the government's near-term effort of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains several individual governmental funds organized according to their type. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the District's most significant funds. The District's major governmental fund is the General Fund. Data for the remaining governmental funds are combined into a single, aggregated presentation.

The District adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. The Texas Education Agency also requires the District to present a budgetary comparison statement for one of its special revenue funds (food service) and the debt service fund.

- **Fiduciary Funds.** The District is the trustee, or fiduciary, for money raised by student activities. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets on page 17. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to the Financial Statements. The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20 - 38 of this report.

OVERVIEW OF THE FINANCIAL STATEMENTS - Continued

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that further explains and supports the information in the financial statements. Required supplementary information can be found on page 39 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the Net Assets (Table I) and Changes in Net Assets (Table II) of the District's governmental activities.

The District's combined net assets were \$9,163,283 at August 31, 2015. (See Table I)

Table I
Buna Independent School District
Net Assets

	August 31, 2015	August 31, 2014
Current and Other Assets	\$ 19,882,022	\$ 24,485,298
Capital Assets	19,392,811	14,072,135
Deferred Outflows	359,643	-
Total Assets	<u>39,634,476</u>	<u>38,557,433</u>
Long-term Liabilities	26,396,236	26,621,458
Other Liabilities	3,606,737	991,088
Deferred Inflows	468,220	-
Total Liabilities	<u>30,471,193</u>	<u>27,612,546</u>
Net Position:		
Invested in Capital Assets Net of Related Debt	6,825,588	6,355,934
Restricted for Federal and State Programs	19,715	19,715
Restricted for Debt Service	618,468	639,992
Unrestricted	1,699,512	3,929,246
Total Net Position	<u>\$ 9,163,283</u>	<u>\$ 10,944,887</u>

Approximately \$6.8 million of the District's net position represents investments in capital assets net of related debt. The \$1.69 million of unrestricted position represents resources available to fund the programs of the District next year.

Changes in net position. The District's total revenues were \$16.3 million. A portion, 29 percent, of the District's revenue comes from local property taxes, 62 percent comes from grants and contributions not restricted, while only 7 percent relates to charges for services and 2 percent relates to investment earnings and other miscellaneous revenue.

Total Cost of all programs and services was \$16.3 million, of this amount \$8.3 million were instruction related costs.

Net assets of the District decreased \$47,409 for the current year (see Table II on page 7 of this report).

BUNA INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2015

Key elements of the governmental and business – type activities of the District are reflected in the following table.

Table II
Buna Independent School District
Changes in Net Position

	August 31, 2015	August 31, 2014
Revenues:		
Program Revenues:		
Charges for Services	\$ 1,193,186	\$ 652,565
Operating Grants and Contributions	2,324,964	2,221,677
General Revenues:		
Maintenance and Operations Taxes	3,342,643	2,832,430
Debt Service Taxes	1,387,836	590,508
State Aid - Formula Grants		
Grants and Contributions - Not Restricted to Specific Functions	7,662,516	7,890,652
Investment Earnings	39,282	26,801
Miscellaneous	279,496	809,631
Total Revenue	<u>16,229,923</u>	<u>15,024,264</u>
Expenses:		
Instruction	8,327,282	7,823,294
Instructional Resources and Media Services	186,100	184,395
Curriculum/Instructional Development	146,221	146,936
Instructional Leadership	178,162	172,779
School Leadership	757,313	747,043
Guidance and Counseling Services	791,010	734,281
Health Services	179,562	177,501
Student (Pupil) Transportation	636,116	671,086
Food Services	914,562	893,356
Cocurricular/Extracurricular Activities	498,931	494,210
General Administration	384,290	482,509
Plant Maintenance and Operations	1,448,592	1,607,936
Security and Monitoring Services	47,932	50,717
Data Processing Services	327,340	336,343
Debt Services - Interest on Long Term Debt	904,403	581,499
Debt Services - Bond Issuance Cost & Fees	1,750	318,147
Payments to Fiscal Agent/Member Districts of SSA	420,409	258,816
Other Intergovernmental Charges	127,357	101,490
Total Expenses	<u>16,277,332</u>	<u>15,782,338</u>
Increase (Decrease) in Net Position	(47,409)	(758,074)
Net Position - September 1 (Beginning)	10,944,887	11,804,161
Prior Period Adjustment	(1,734,195)	(101,200)
Net Position - September 1 (Restated)	<u>9,210,692</u>	<u>11,702,961</u>
Net Position- August 31 (Ending)	<u>\$ 9,163,283</u>	<u>\$ 10,944,887</u>

BUNA INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2015

GOVERNMENTAL ACTIVITIES

- Property tax rates were set at \$1.49 per \$100 valuation for 2014-2015.
- The District continues to pay down the \$25 million in bonds.

Table III 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 \$16.3 million.
- The amount that our taxpayers paid for these activities through property taxes was \$4.7 million.
- Some of the cost, \$1,193,186 was paid by those who directly benefited from the programs or by grants and contributions in the amount of \$2,324,964.

Table III
Net Cost of Selected District Functions

	Total Cost of Services		Net Cost of Services	
	2015	2014	2015	2014
Instruction	\$ 8,327,282	\$ 7,823,294	\$ 6,493,864	\$ 6,495,685
School Administration	384,290	482,509	378,905	475,003
School Leadership	757,313	747,043	722,215	708,896
Plant Maintenance & Operations	1,448,592	1,607,936	1,410,706	1,567,220
Cocurricular/Extracurricular Activities	498,931	494,210	434,859	442,795
Food Services	914,562	893,356	156,495	55,249

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District continues to operate in a very conservative manner as required in the current state of economic uncertainty regarding school finance, in general, and Buna ISD, specifically. The District is experiencing continued decline, although at a slower pace, in student population. Student enrollment as of October 2013 was approximately 1533 students, 1462 students October 2014, and 1434 in November 2015. The current and next year graduating classes are small, so some improvement in enrollment is expected as those two classes graduate. The District has made several adjustments in staffing and revenue estimates to cope with the decline in enrollment, and additional program changes are likely for the 2016-17 school year. It is anticipated that the new Buna High School, once completed, will attract additional residents to the community. It is further anticipated that the outcome of the statewide school finance litigation will be beneficial for the District, whatever the outcome proves to be, although the benefits may not be realized for one to two years, depending on the court decision and legislative schedule.

GENERAL FUND BUDGETARY HIGHLIGHTS

There were few budget amendments during the year required to meet the needs of the District, and all were approved by the Board of Trustees, as required.

BUNA INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2015

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

Capital Assets. At August 31, 2015 the District had \$19 million (net of depreciation) invested in a broad range of capital assets, including land, buildings, furniture and equipment used for instruction, transportation, athletics, administration, and maintenance. This amount represents a net increase (including additions and deductions) of \$5 million over last year primarily due to capital projects.

**Buna Independent School District
Capital Assets
Governmental Activities**

	August 31, 2015	August 31, 2014
Land	\$ 612,729	\$ 612,729
Buildings and Improvements	18,351,379	18,351,379
Equipment	1,107,366	1,086,497
Vehicles	1,714,341	1,525,341
Construction in Progress	6,483,327	747,812
Totals at Historical Cost	<u>28,269,142</u>	<u>22,323,758</u>
Less Accumulated Depreciation:		
Buildings and Improvements	(7,315,696)	(6,874,449)
Equipment	(653,308)	(582,217)
Vehicles	<u>(907,327)</u>	<u>(794,957)</u>
Total Accumulated Depreciation	<u>(8,876,331)</u>	<u>(8,251,623)</u>
Net Capital Assets	<u>\$19,392,811</u>	<u>\$ 14,072,135</u>

Long-Term Debt. At year-end, the District had \$25 million in bonds outstanding. More detailed information about the District's long-term liabilities is presented in the notes to the financial statements.

**Buna Independent School District
Outstanding Debt**

	August 31, 2015	August 31, 2014
Governmental activities:		
General Obligation Bonds	\$ 25,240,000	\$ 26,070,000
Total	<u>\$ 25,240,000</u>	<u>\$ 26,070,000</u>

BUNA INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2015

ECONOMIC FACTORS AND NEW YEAR'S BUDGETS AND RATES

The District budget for 2015-16 was adopted with a substantial deficit. Although the District continues to maintain a healthy fund balance, the Board and Administration are making adjustments to address declines in the fund balance that will occur in the 2015-16 year, and align spending with revenue.

Property values decreased by approximately \$20 million and were primarily due to the decline in mineral values. This further exacerbated the impact on the District's finances. The tax rates remained unchanged from the prior year at \$1.04 for Maintenance and Operations, and \$0.45 for Interest and Sinking. State aid for facilities is expected to increase in the 2015-16 school year.

Current projections for the refined ADA for 2015-16 are approximately 1365, which is less than the projections for the prior year.

The District continues to attempt to be competitive in the salary structure, as operational costs continue to increase. In spite of those drains on resources, the District continues to move forward to improve educational opportunities for students and employment opportunities for staff members.

OTHER

In the 2012-13 year, the Board of Trustees asked a Citizens Advisory Committee to review the aging facilities of the District and provide them with recommendations for improvements to the Educational Facilities. The Committee recommended that the District seek approval for a bond issue to construct a new High School and renovate the existing High School for a Junior High School. The Board of Trustees agreed with the recommendation and called an election for \$20 million in bonds for that purpose, which was approved by 63% of those voting. The District sold \$9.825 million of the bonds prior to the end of calendar year 2013, and \$9.825 million of the bonds in 2014. The remaining \$350,000 is anticipated to sell in 2016 calendar year. The District anticipates that the 2016 sale will be funded with existing debt Service fund balance.

Construction of the new High School began in October 2014, and the District hopes to occupy the new High School facility beginning late in the 2015-16 school year, or the beginning of the 2016-17 school year. Renovations for the existing High School campus, which will become the Jr. High School are in motion. There are no plans for additional debt outside the unsold authorized bonds. The district is reviewing possible benefits of a tax rate election to garner additional State Aid without an increase to the total tax rate.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances as well as demonstrate accountability for funds the District receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the District's Superintendent, P O Box 1087, 1022 Texas State Hwy 62 Buna, Texas 77612.

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BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION

AUGUST 31, 2015

<u>Data</u>		<u>Primary Government</u>
<u>Control</u>		<u>Governmental</u>
<u>Codes</u>		<u>Activities</u>
	Assets	
1110	Cash and Cash Equivalents	\$ 19,285,522
1120	Current Investments	81,712
1220	Property Taxes Receivable (Delinquent)	1,165,521
1230	Allowance for Uncollectible Taxes	(815,864)
1240	Due from Other Governments	129,822
1267	Due from Fiduciary Funds	9,636
1290	Other Receivables	25,673
	Capital Assets (Net of Accumulated Depreciation):	
1510	Land	612,729
1520	Buildings and Improvements	11,035,683
1530	Furniture and Equipment	1,261,072
1580	Construction In Progress	6,483,327
1000	Total Assets	39,274,833
	Deferred Outflows of Resources	
1705	Deferred Outflow Related to TRS	359,643
1700	Total Deferred Outflows of Resources	359,643
	Liabilities	
2110	Accounts Payable and Accrued Expenses	1,390,762
2160	Accrued Wages Payable	487,549
2180	Due to Other Governments	826,274
2200	Accrued Expenditures	12,152
	Long Term Liabilities:	
2501	Due Within One Year	890,000
2502	Due in More Than One Year	24,865,621
2502	Net Pension Liability (District's Share)	1,530,615
2000	Total Liabilities	30,002,973
	Deferred Inflows of Resources	
2605	Deferred Inflow Related to TRS	468,220
1700	Total Deferred Inflows of Resources	468,220
	Net Assets	
3800	Invested in Capital Assets, Net of Related Debt	6,825,588
3820	Restricted for Federal and State Programs	19,715
3850	Restricted for Debt Service	618,468
3900	Unrestricted Net Position	1,699,512
3000	Total Net Assets	\$ 9,163,283

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

BUNA INDEPENDENT SCHOOL DISTRICT

EXHIBIT B-1

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED AUGUST 31, 2015

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
		3	4	6	
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	
Governmental Activities					
0011	Instruction	\$ 8,327,282	\$ 477,825	\$ 1,355,593	\$ (6,493,864)
0012	Instructional Resources & Media Services	186,100	-	7,105	(178,995)
0013	Curriculum/Instructional Development	146,221	-	6,358	(139,863)
0021	Instructional Leadership	178,162	131,016	46,663	(483)
0023	School Leadership	757,313	-	35,098	(722,215)
0031	Guidance and Counseling Services	791,010	161,844	370,434	(258,732)
0033	Health Services	179,562	-	10,317	(169,245)
0034	Student (Pupil) Transportation	636,116	-	29,041	(607,075)
0035	Food Services	914,562	372,096	385,971	(156,495)
0036	Cocurricular/Extracurricular Activities	498,931	50,405	13,667	(434,859)
0041	General Administration	384,290	-	5,385	(378,905)
0051	Plant Maintenance and Operations	1,448,592	-	37,886	(1,410,706)
0052	Security and Monitoring Services	47,932	-	2,920	(45,012)
0053	Data Processing Services	327,340	-	18,526	(308,814)
0072	Debt Service - Interest on Long Term Debt	904,403	-	-	(904,403)
0073	Debt Service - Bond Issuance Cost & Fees	1,750	-	-	(1,750)
0093	Payments to Fiscal Agent/Member Districts of SSA	420,409	-	-	(420,409)
0099	Other Intergovernmental Charges	127,357	-	-	(127,357)
TP	Total Primary Government	\$ 16,277,332	\$ 1,193,186	\$ 2,324,964	(12,759,182)
Data					
Control	General Revenues:				
Codes	Taxes:				
MT	Property Taxes, levied for general purposes			3,342,643	
DT	Property Taxes, levied for debt service			1,387,836	
GC	Grants and Contributions not restricted			7,662,516	
IE	Investment Earnings			39,282	
MI	Miscellaneous Local and Intermediate			279,496	
TR	Total General Revenues			12,711,773	
CN	Change in Net Position			(47,409)	
NB	Net Position - September 1 (Beginning)			10,944,887	
PA	Prior Period Adjustment			(1,734,195)	
NB	Net Position - September 1 (Restated)			9,210,692	
NE	Net Position - August 31 (Ending)			\$ 9,163,283	

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

BUNA INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET
 GOVERNMENTAL FUNDS
 AUGUST 31, 2015

Data Control Codes		10 General Fund	50 Debt Service
	Assets		
1110	Cash and Temporary Investments (market)	\$ 4,054,614	\$ 640,378
1120	Investments - Current	81,712	-
1220	Property Taxes - Delinquent	944,671	220,850
1230	Allowance for Uncollectible Taxes (credit)	(661,269)	(154,595)
1240	Due from Other Governments	2,717	-
1250	Accrued Interest		
1260	Due from Other Funds	209,895	-
1290	Other Receivables	20,116	5,557
1000	Total Assets	\$ 4,652,456	\$ 712,190
	Liabilities		
2110	Accounts Payable and Accrued Expenditures	\$ 33,239	\$ -
2160	Accrued Wages Payable	425,438	-
2170	Due to Other Funds	175,429	-
2180	Due to Other Governments	723,103	42,327
2200	Accrued Expenditures	7,938	-
2000	Total Liabilities	\$ 1,365,147	\$ 42,327
	Deferred Inflows of Resources		
2601	Unavailable Revenue - Property Taxes	\$ 236,351	\$ 51,395
2600	Total Deferred Inflows of Resources	\$ 236,351	\$ 51,395
	Fund Balance		
	Restricted Fund Balance:		
3450	Federal or State Funds	\$ -	\$ -
3470	Capital Acquisition Program	-	-
3480	Debt Service	-	618,468
	Committed Fund Balance:		
3510	Construction	1,500,000	-
3530	Capital Expenditures for Equipment	500,000	-
3600	Unassigned Fund Balance	1,050,958	-
3000	Total Fund Balance	\$ 3,050,958	\$ 618,468
4000	Total Liabilities, Deferred Inflows, and Fund Balance	\$ 4,652,456	\$ 712,190

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

EXHIBIT C-1

60 Capital Projects	Other Funds	Total Governmental Funds
\$ 14,451,340	\$ 139,190	\$ 19,285,522
-	-	81,712
-	-	1,165,521
-	-	(815,864)
-	127,105	129,822
-	-	-
-	175,430	385,325
-	-	25,673
<u>\$ 14,451,340</u>	<u>\$ 441,725</u>	<u>\$ 20,257,711</u>
\$ 1,262,942	\$ 94,581	\$ 1,390,762
	62,111	487,549
	200,260	375,689
	60,844	826,274
	4,214	12,152
<u>\$ 1,262,942</u>	<u>\$ 422,010</u>	<u>\$ 3,092,426</u>
		<u>\$ 287,746</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 287,746</u>
\$ -	\$ 19,715	\$ 19,715
13,188,398	-	13,188,398
-	-	618,468
-	-	-
-	-	1,500,000
-	-	500,000
-	-	1,050,958
<u>\$ 13,188,398</u>	<u>\$ 19,715</u>	<u>\$ 16,877,539</u>
<u>\$ 14,451,340</u>	<u>\$ 441,725</u>	<u>\$ 20,257,711</u>

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
FOR THE FISCAL YEAR ENDED AUGUST 31, 2015

Total Fund Balances - Governmental Funds	\$ 16,877,539
Capital assets and bond related costs used in governmental activities are not financial resources and therefore are not reported in governmental funds.	19,392,811
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	287,746
Notes payable which are not due in the current period are not reported in the funds.	(25,755,621)
Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of \$1,530,615, a Deferred Resource Inflow related to TRS in the amount of \$468,220, and a Deferred Resource Outflow related to TRS in the amount of \$359,653. This amounted to a decrease in Net Position in the amount of \$1,639,192.	(1,639,192)
Rounding adjustment	
Net Assets of Governmental Activities - Statement of Net Position	<u><u>\$ 9,163,283</u></u>

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

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BUNA INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS

FOR THE FISCAL YEAR ENDED AUGUST 31, 2015

Data Control Codes	10 General Fund	50 Debt Service
Revenues		
5700 Local Sources	\$ 3,673,146	\$ 1,422,207
5800 State Program Revenues	7,865,855	328,259
5900 Federal Program Revenues	70,687	-
5020 Total Revenues	<u>11,609,688</u>	<u>1,750,466</u>
Expenditures		
Current		
0011 Instruction	6,605,082	-
0012 Instructional Resources and Media Services	180,108	-
0013 Curriculum and Instructional Development	140,939	-
0021 Instructional Leadership	-	-
0023 School Leadership	735,000	-
0031 Guidance and Counseling Services	243,488	-
0033 Health Services	173,165	-
0034 Student (Pupil) Transportation	793,119	-
0035 Food Services	-	-
0036 Cocurricular/Extracurricular Activities	479,941	-
0041 General Administration	375,484	-
0051 Plant Maintenance and Operations	1,399,386	-
0052 Security and Monitoring Services	46,155	-
0053 Data Processing Services	315,138	-
Debt Service		
0071 Debt Service - Principal on long-term debt	-	830,000
0072 Debt Service - Interest on long-term debt	-	940,240
0073 Debt Service - Bond Issuance Cost and Fees	-	1,750
Capital Outlay		
0081 Facilities Acquisition and Construction	-	-
Intergovernmental		
0093 Payments to Fiscal Agent/Member Districts of SSA	420,409	-
0099 Other Intergovernmental Charges	127,357	-
6030 Total Expenditures	<u>12,034,771</u>	<u>1,771,990</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(425,083)</u>	<u>(21,524)</u>
Other Financing Sources (Uses):		
7915 Transfers In	-	-
8911 Transfers Out	(144,252)	-
7080 Total Other Financing Sources (Uses)	<u>(144,252)</u>	<u>-</u>
1200 Net Change in Fund Balances	(569,335)	(21,524)
0100 Fund Balance - September 1 (Beginning)	<u>3,620,293</u>	<u>639,992</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 3,050,958</u>	<u>\$ 618,468</u>

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

EXHIBIT C-3

60 Capital Projects	Other Funds	Total Governmental Funds
\$ 18,656	\$ 1,149,641	\$ 6,263,650
-	285,899	8,480,013
-	1,436,779	1,507,466
<u>18,656</u>	<u>2,872,319</u>	<u>16,251,129</u>
-	1,437,541	8,042,623
-	-	180,108
-	-	140,939
-	171,608	171,608
-	-	735,000
-	525,269	768,757
-	-	173,165
-	-	793,119
-	882,153	882,153
-	-	479,941
-	-	375,484
-	-	1,399,386
-	-	46,155
-	-	315,138
-	-	830,000
-	-	940,240
-	-	1,750
5,735,515	-	5,735,515
-	-	420,409
-	-	127,357
<u>5,735,515</u>	<u>3,016,571</u>	<u>22,558,847</u>
<u>(5,716,859)</u>	<u>(144,252)</u>	<u>(6,307,718)</u>
-	144,252	144,252
-	-	(144,252)
-	144,252	-
<u>(5,716,859)</u>	<u>-</u>	<u>(6,307,718)</u>
<u>18,905,257</u>	<u>19,715</u>	<u>23,185,257</u>
<u>\$ 13,188,398</u>	<u>\$ 19,715</u>	<u>\$ 16,877,539</u>

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF NET POSITION
FOR THE FISCAL YEAR ENDED AUGUST 31, 2015

Total Net Change in Fund Balances - Governmental Funds	\$ (6,307,718)
Capital outlays are not reported as expenses in the statement of activities.	5,945,384
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.	(624,708)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(21,207)
Repayment of loan principal is an expenditure in the funds but is not and expense in the statement of activities.	830,000
Amortization of bond premium is recorded in the statement of activities but not in the funds.	51,495
Amortization of bond issuance costs and accounting loss on bond refunding is not reported in the funds.	(15,658)
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 8/31/2014 caused the change in the ending net positions to increase in the amount of \$236,480. The District recorded their proportionate share of the pension expense during the measurement period as part of the net pension liability. The amounts expensed for FY2015 were \$237,768 for pension expense columns 6 - 12 from TRS data and the amounts de-expended for the net deferred resource inflow recognized TRS in the measurement period were \$96,291. This caused a net decrease in the change in net position of \$141,477. The impact of all of these is to increase the change in net position by \$95,003.	95,003
Change in Net Position of Governmental Activities	\$ (47,409)

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

STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2015

	<u>Agency Fund</u>
Assets	
Cash and Cash Equivalents	<u>\$ 226,282</u>
Total Assets	<u><u>\$ 226,282</u></u>
Liabilities	
Due to Other Funds	\$ 9,636
Due to Student Groups	<u>216,646</u>
Total Liabilities	<u><u>\$ 226,282</u></u>

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Buna Independent School District (“District”) is a public educational agency operating under the applicable laws and regulations of the State of Texas. The District prepares its basic financial statements in conformity with Generally Accepted Accounting Principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in *Statement of Auditing Standards No. 69* of the American Institute of Certified Public Accountants. Additionally, the District complies with the requirements of the appropriate version of the Texas Education Agency (TEA) *Financial Accountability System Resource Guide* (FASRG) and the requirements of contracts and grants of agencies from which it receives funds.

A. Reporting Entity

The Board of School trustees (“Board”), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency (“TEA”) or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental “reporting entity” as defined by the GASB in its Statement No. 14, “The Financial Reporting Entity” and there are no component units included within the reporting entity.

B. Government-wide and Fund Financial Statements

The government-wide financial statements consist of the statement of net position and the statement of activities. These statements report information on all non-fiduciary activities of the District. The effect of the interfund activity in the government-wide statements eliminates services provided and used in the process of consolidation. Governmental activities are mainly supported by tax revenues and intergovernmental revenues.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. All capital asset depreciation is reported as a direct expense of the functional program that benefits from the use of the capital assets. *Program revenues* include charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function. They also include grants and contributions that are restricted to meeting operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as *general revenues*.

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of 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.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation, Continued

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., both measurable and available to finance expenditures of the fiscal period. Revenues are considered available when they are collectible within the current period or soon enough thereafter to be pay liabilities of the current period. For this purpose, the government considers revenues available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments, are recorded only when the payment is due.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State of Texas are recognized under the susceptible-to-accrual concept and so have been recognized as revenues of the current fiscal period. 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 earned to the extent of the expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until the 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.

The District reports the following major governmental funds:

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

Debt Service Fund: This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Capital Projects Fund: This fund accounts for financial resources used for the acquisition for renovation and construction of major capital facilities and equipment purchases.

In addition, the District reports the following fund types:

Agency Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

D. Assets, Liabilities, and Net Assets or Equity

1. Cash, Cash Equivalents and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, money market bank sweep accounts, and short-term investments with original maturities of three months or less from the date of acquisition. Investments for the District are reported at fair value.

For cash management purposes, the District's funds must be deposited and invested under the terms of a depository contract, contents of which are set out in the Depository Contract Law. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the non-current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

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 Code. Taxes are due upon receipt of the tax bill and are delinquent if not paid before February 1 of the following 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 fiscal year.

Allowances for uncollectible tax receivables within the General Fund and Debt Service are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

3. Inventories and Deferred Expenditures

The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory in accordance with the Resource Guide.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

4. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in the accounting system in order to assign the portion of the applicable appropriation, is employed in the governmental fund financial statements. Encumbrances, which have not been liquidated, are reported as an assigned portion of fund balance in the governmental funds.

5. Capital Assets

Capital assets which include land, buildings, furniture, and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more 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.

When assets are retired or otherwise disposed of, the related costs or other recorded amounts are removed.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**5. Capital Assets, Continued**

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Building Improvements	40
Vehicles	10
Office Equipment	10
Computer Equipment	10

6. Compensated Absences

No compensated absences are allowed under the District's personnel policies.

7. Arbitrage Payable

The Federal Tax Reform Act of 1986 requires issuers of tax-exempt debt to make payments to the United States Treasury for investment income received at yields that exceed the issuer's tax exempt borrowing rates. The Treasury requires payment for each issue every five years. The estimated liability is updated annually for all tax-exempt issuances or changes in yields until such time payment of the calculated liability is due. The District had no arbitrage liability as of August 31, 2015.

8. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

9. Data Control Codes

The data control codes refer to the account code structure prescribed by TEA in the FASRG. The TEA requires school districts to display these codes in the financial statements filed with the Agency in order to ensure accuracy in building a statewide data base for policy development and funding plans.

10. Government-Wide Net Position

Net investment in capital assets – the component of net position that represents capital assets less capital debt plus unspent bond proceeds. As of August 31, 2015 this amount was \$6,825,588.

Restricted for Federal and State Programs – the component of net position that reports the difference between assets and liabilities of the Federal and State special revenue programs that consists of assets with constraints placed on their use by the Department of Education, Agriculture or Texas Education Agency ("TEA") of \$19,715.

Restricted for debt service – the component of net position that reports the difference between assets and liabilities of the Debt Service Fund net of accrued interest at August 31, 2015 that consist of assets with constraints placed on their use by the bond covenants of \$618,468

Unrestricted – the difference between the assets and liabilities that are not restricted for any purposes in the amount of \$1,699,512.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

11. Fund Equity

In the fund financial statements, governmental funds report classifications of fund balance based on controls placed upon the funds. In accordance with GASB Statement No. 54, fund balance classifications are recorded as follows:

Non-spendable Fund Balance – amounts that are not in spendable form or amounts that are legally and contractually required to be maintained intact.

Restricted Fund Balance – amounts constrained to a specific purpose by external parties through constitutional provisions or by enabling legislation.

Committed Fund Balance – amounts constrained to a specific purpose by the Board of Trustees (the highest level of authority within the District); amount cannot be used for any other purpose unless the Board of Trustees takes the same action to remove or change the constraint.

Assigned Fund Balance- general fund amounts constrained to a specific purpose by the Superintendent.

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.

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

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 from the least restrictive to the most restrictive, unless otherwise approved by the Board of Trustees.

12. 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.

13. Management's review of subsequent events

Management has evaluated subsequent events through December 28, 2015, the date the financial statements were available to be issued.

Note 2: COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The Board of Trustees adopts an "appropriated budget" on a basis consistent with GAAP for the General Fund, Debt Service Fund, and Food Service Fund, which is included in the Special Revenue Funds. At a minimum, the District is required to present the original and the final amended budgets for revenues and expenditures compared to actual revenues and expenditures for these three funds.

Note 2: COMPLIANCE AND ACCOUNTABILITY, Continued

A. Budgetary Information, Continued

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

- Prior to August 20th, the District prepares a budget for the next fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
- After one or more budget workshops with the Board of Trustees, a meeting is called for the purpose of adopting the proposed budget. At least ten (10) days but no more than thirty (30) days public notice for the meeting is required.
- Prior to August 31st, the Board of Trustees legally adopts the budget for the General Fund, Debt Service Fund and Food Service Fund through passage of a resolution.

After the budget is approved, it can only be amended at the function and fund level by approval of a majority of the Board. Amendments are presented to the Board at its regular meetings for their 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. Total expenditures may not exceed total appropriations, as amended, by fund at function level. Because the District has a policy of careful budgetary control, budget amendments are necessary throughout the year.

B. Finance-Related Legal and Contractual Provisions

1. In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

2. Deficit Fund Balance or Fund Net Assets of Individual Funds

The District did not have any deficit fund balances or negative fund net assets for the fiscal year ended August 31, 2015.

Note 3: DEPOSITS AND INVESTMENTS

At August 31, 2015, the carrying amount of the District's demand deposits and cash on hand was \$430,775. The \$465,359 bank balance was covered by federal deposit insurance through the FDIC and was collateralized by securities held by the District or by the District's agent in name of the District.

All cash balances and investments are held separately in each of its funds. The following was disclosed by the depository:

- a. Name of depository bank: Community Bank of Texas
- b. Amount of bond or securities pledged as of the date of the highest combined balance on deposit was \$4,363,357.
- c. Highest cash balance amounted to \$4,617,833 and occurred during the month of December, 2014.

Note 3: DEPOSITS AND INVESTMENTS, Continued

- d. Total amount of Federal Deposit Insurance Corporation (“FDIC”) coverage at the time of the highest combined balance was up to \$250,000 for Interest & Sinking Fund accounts and \$250,000 for interest bearing accounts.

Custodial Credit Risk

Deposits are exposed to custodial risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution’s trust department or agent but not in the District’s name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty’s trust department or agent but not in the District’s name.

The District was not exposed to concentration of credit risk during the course of the fiscal year.

Investments

The State Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. It requires the District to adopt, implement, and publicize an investment policy. The investment 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, and (9) bid solicitation preferences for certificates of deposit.

Statutes authorize the District to invest in (1) obligations of the United States Treasury, certain United States agencies, and obligations of 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, and (10) common trust funds. Management of the District believes it is in compliance with the requirements of the Act and with local policies. The District’s investments in public funds investment pools and money market mutual funds include those with the Lone Star Investment Pool (LSIP) and TexPool.

LSIP is a public funds investment pool administered by First Public (formerly known as the Texas Association of School Board Financial Service). LSIP is a public funds investment pool created under the authorization of the Interlocal Cooperation Act of the State of Texas, Article 4413 (32c), Vernon’s Texas Civil Statutes, as amended. It is designed to provide participating local governments with investment vehicles for (1) local funds that are not required to be spent immediately and are available for investment in securities with maturities and returns generally greater than those for money market instruments and (2) local funds which provide daily liquidity. The objective of the LSIP is to provide participating local governments with the highest possible rate of return for such funds, while maintaining safety of principal.

To achieve its objective, the LSIP invests primarily in obligations issued or secured by the U.S. Government, its agencies and instrumentalities, and in commercial paper. Standish Mellon Asset Management and AMR Investments provide investment advisory services. Each fund within the Pool has received the highest rating, AAA, from Standard & Poor’s as required by the Public Funds Investment Act.

TexPool is a public funds investment pool created by the Texas Treasury Safekeeping Trust Company to provide a safe environment for the placement of local government funds. The State Comptroller of Texas

Note 3: DEPOSITS AND INVESTMENTS, Continued

Investments, Continued

administers TexPool. Lehman Brothers and Federated Investors manage the daily operations of the pool under a contract with the Comptroller. TexPool operated in a manner consistent with the Security and Exchange Commission’s Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net assets to compute share prices. The fair value of the position in

TexPool is the same as the value of TexPool shares. TexPool is rated as AAAM money market fund by Standard & Poor’s. This rating indicates excellent safety and a superior capacity to maintain principal value and limit exposure to loss.

The District’s general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. The term “short-term” refers to investments which have a remaining term of one year or less at time of purchase. The term “nonparticipating” means that the investment’s value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts. The overall objective of the District’s investment policy is to ensure that District financial assets are properly safeguarded, provide sufficient liquidity, and produce a reasonable rate of return while enabling the District to react to changes in economic conditions.

The District’s investments at August 31, 2015 are shown below:

<u>Type</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Maturity</u>
Investments not subject to categorization			
TexPool	9,422,741	9,422,741	average < 60 days
Certificates of Deposit	9,740,000	9,740,000	12 months
Total Investments	<u>\$ 19,162,741</u>	<u>\$ 19,162,741</u>	

Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

Credit Risk: Credit Ratings

District investments conform to the District’s banking and investment policies and are in accordance with laws and regulations of the State of Texas and TEA. Statutes of the State of Texas and policies mandated by the District’s Board authorize the District to invest in obligations of the U.S. Government or its agencies, repurchase agreements, commercial paper, public funds investment pools, mutual funds and money market accounts. As stated above, Lonestar has received the highest rating, AAA, from Standard & Poor’s, and Texpool is rated as AAA money market fund by Standard & Poor’s. At year end, the District was not significantly exposed to credit risk.

Concentration of Credit Risk

It is the policy of the District to reduce risk associated with investments by diversification of the portfolio. The District was not exposed to concentration of credit risk during the course of the fiscal year.

BUNA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015

Note 3: DEPOSITS AND INVESTMENTS, CONTINUED

Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District concentrates its investment portfolio in short and intermediate term securities to limit market risk caused by changes in interest rates. At year end, the District was not exposed to interest rate risk.

Foreign Currency Risk

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

Note 4: CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated:				
Land	\$ 612,729	\$ -	\$ -	\$ 612,729
Construction in Progress	747,812	5,735,515	-	6,483,327
Total Capital Assets, Not Being Depreciated	<u>1,360,541</u>	<u>5,735,515</u>	<u>-</u>	<u>7,096,056</u>
Capital Assets, Being Depreciated:				
Buildings & Improvements	18,351,379	-	-	18,351,379
Equipment	1,086,497	20,869	-	1,107,366
Vehicles	1,525,341	189,000	-	1,714,341
Total Capital Assets, Being Depreciated:	<u>20,963,217</u>	<u>209,869</u>	<u>-</u>	<u>21,173,086</u>
Less Accumulated Depreciation:				
Buildings & Improvements	(6,874,449)	(441,247)		(7,315,696)
Equipment	(582,217)	(71,091)		(653,308)
Vehicles	(794,957)	(112,370)		(907,327)
Total Accumulated Depreciation	<u>(8,251,623)</u>	<u>(624,708)</u>	<u>-</u>	<u>(8,876,331)</u>
Total Capital Assets, Being Depreciated, Net	<u>12,711,594</u>	<u>(414,839)</u>	<u>-</u>	<u>12,296,755</u>
Governmental Activities Capital Assets, Net	<u>\$ 14,072,135</u>	<u>\$ 5,320,676</u>	<u>\$ -</u>	<u>\$ 19,392,811</u>

The District has active construction projects as of August 31, 2015 related to various projects to upgrade older facilities of the District. As of August 31, 2015, construction in progress totaled \$6,483,327. Open commitments to contractors totaled approximately \$11.8 million.

BUNA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015

Note 4: CAPITAL ASSETS, CONTINUED

Depreciation expense of the governmental activities was charged to functions/programs as follows:

Instruction	\$ 347,213
Instructional Resources & Media Services	7,776
Current Development and Staff Development	6,085
Instructional leadership	7,409
School Leadership	31,731
Guidance, Counseling & Evaluation Service:	33,189
Health Services	7,476
Student (Pupil) Transportation	34,240
Food Services	36,649
Cocurricular Activities	20,720
General Administration	16,210
Plant Maintenance & Operations	60,414
Security and Monitoring Services	1,991
Data Processing Services	13,605
Total Depreciation Expense	<u>\$ 624,708</u>

Note 5: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivables and payables are short-term transactions between funds that are accounted for in the appropriate interfund receivable and payable accounts. Interfund balances at August 31, 2015 consisted of the following individual fund receivables and payables:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special Revenue	\$ 200,259
General	Trust and Agency	9,636
Special Revenue	General	175,430
		<u>\$ 385,325</u>

The receivables in the general fund totaling \$200,260 and \$9,636, due from special revenue funds and the trust and agency fund represent amounts due for reimbursement of expenditures paid by the general fund. The receivable in the Special Revenue funds represents amounts deposited into the Texpool to be disbursed to other funds.

Interfund transfers are defined as “flows of assets without equivalent flows of assets in return and without a requirement for repayment”. During the fiscal year, the General Fund transferred \$144,252 to the Special Revenue Funds. This represents amounts transferred to the Food Service Fund to subsidize operations.

BUNA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015

Note 6: LEASE COMMITMENTS

Operating Leases

The school district has entered into a number of operating leases for copiers, which contain cancellation provisions and are subject to annual appropriations. For the year ending August 31, 2015, rentals approximated \$58,800 for such leases. These leases primarily support governmental activities. The future minimum lease payments will decrease to approximately \$7,000, as the majority of the equipment leases expired and the District opted to purchase new equipment.

Note 7: LONG-TERM DEBT

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for only governmental activities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. Current principal and interest requirements are payable solely from future revenues of the Debt Service fund which consists principally of property taxes collected by the District and interest earnings. Certain outstanding bonds may be redeemed at their par value prior to their normal maturity dates in accordance with the terms of the related bond indentures. The District has never defaulted on any principal or interest payment.

General obligation bonds payable at August 31, 2015, are summarized as follows:

<u>Date of Issue</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>Annual Installments</u>	<u>% Rate</u>	<u>Outstanding Balance</u>
2007	9,449,221	2023	\$75,000-\$810,000	4.00%	6,140,000
2013	9,545,000	2029	\$190,000-\$1,380,000	2.00%-4.00%	9,355,000
2014	9,745,000	2035	\$25,000-\$1,675,000	2.25%-4.00%	9,745,000
					<u>\$ 25,240,000</u>

Annual debt service requirements to maturity for the bonds are as follows:

<u>Year Ending August 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	890,000	910,840	1,800,840
2017	920,000	879,677	1,799,677
2018	970,000	847,315	1,817,315
2019	1,005,000	811,315	1,816,315
2020	1,040,000	773,965	1,813,965
2021-2025	5,795,000	3,262,025	9,057,025
2026-2031	8,270,000	2,440,725	10,710,725
2032-2035	6,350,000	618,988	6,968,988
Total	<u>\$ 25,240,000</u>	<u>\$ 10,544,850</u>	<u>\$ 35,784,850</u>

BUNA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015

Note 7: LONG-TERM DEBT, CONTINUED

Changes in long-term liabilities

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

	Beginning Balance	Additions	Retirements/ Payments	Ending Balance	Due Within One Year
Governmental activities:					
Bonds Payable:					
General obligations bonds	\$ 26,070,000	\$ -	\$ 830,000	\$ 25,240,000	\$ 890,000
Add: Premium on bonds	692,384	-	51,495	640,889	-
Less deferred amounts:					
On refunding	(140,926)	-	(15,658)	(125,268)	-
Total bonds payable	26,621,458	-	865,837	25,755,621	-
Total governmental activities	<u>\$ 26,621,458</u>	<u>\$ -</u>	<u>\$ 865,837</u>	<u>\$ 25,755,621</u>	<u>\$ 890,000</u>

Note 8: RETIREMENT BENEFITS

Plan Description

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

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

Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.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

Benefits Provided

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

Note 8: RETIREMENT BENEFITS, Continued

Benefits Provided, Continued

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 note above.

Contributions

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. 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

	<u>2014</u>	<u>2015</u>
Member	6.4%	6.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Buna ISD 2014 Employer Contributions		\$ 145,276
Buna ISD 2014 Member Contributions		\$ 579,490
Buna ISD 2014 NECE On-Behalf Contributions		\$ 505,771

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

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

1. 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.
2. During a new member’s first 90 days of employment.

Note 8: RETIREMENT BENEFITS, Continued

3. When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
4. When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

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

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	Level Percentage of Payroll, Open
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%

**Includes Inflation of 3%*

The 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 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 was 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 plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate

BUNA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015

Note 8: RETIREMENT BENEFITS, Continued

Discount Rate, Continued

of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2014 are summarized below:

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	<u>100%</u>		<u>8.7%</u>

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

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2014 Net Pension Liability.

	<u>1% Decrease in Discount Rate (7.0%)</u>	<u>Discount Rate (8.0%)</u>	<u>1% Increase in Discount Rate (9.0%)</u>
District's proportionate share of the net pension liability:	\$ 2,735,117	\$ 1,530,615	\$ 629,872

BUNA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015

Note 8: RETIREMENT BENEFITS, Continued

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

At August 31, 2014, the District reported a liability of \$1,530,615 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's Proportionate share of the collective net pension liability	\$ 1,530,615
State's proportionate share that is associated with District	<u>\$ 5,340,112</u>
Total	<u>\$ 6,870,727</u>

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 thru August 31, 2014.

At August 31, 2014 the employer's proportion of the collective net pension liability was .000057302%. Since this is the first year of implementation, the District does not have the proportion measured as of August 31, 2013. The Notes 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 were no changes of benefit terms 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 09/01/2014. 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, the District recognized pension expense of \$493,683 and revenue of \$493,683 for support provided by the State.

At August 31, 2014, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 23,671	-
Changes in actuarial assumptions	99,492	-
Difference between projected and actual investment earnings	-	467,819
Changes in proportion and difference between the District's contributions and the proportionate share of contributions		401
Contributions paid to TRS subsequent to the measure	-	
Total	<u>\$ 123,163</u>	<u>\$ 468,220</u>

Note 8: RETIREMENT BENEFITS, Continued

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

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	\$ (96,245)
2017	(96,245)
2018	(96,245)
2019	(96,245)
2020	20,710
Thereafter	19,213

At August 31, 2015, the District reported Deferred Resource Outflows and Deferred Resource Inflows for the TRS pension plan as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Total net amounts as of August 31, 2014 Measurement Date	\$ 123,163	\$ 468,220
Contributions made subsequent to the Measurement Date	236,480	-
Reported by the District as of August 31, 2015	<u>\$ 359,643</u>	<u>\$ 468,220</u>

Note 9: HEALTH CARE COVERAGE

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

Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203 and 204 establish state, active employee and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. Contribution rates and amounts are shown in the table below for fiscal years 2015–2013.

BUNA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015

Note 9: SCHOOL DISTRICT RETIREE HEALTH PLAN, Continued

Year	Member		State		School District	
	Rate	Amount	Rate	Amount	Rate	Amount
2015	0.65%	\$ 59,389	1.0%	\$ 91,367	0.55%	\$ 50,252
2014	0.65%	\$ 58,854	1.0%	\$ 87,450	0.55%	\$ 48,099
2013	0.65%	\$ 56,845	0.5%	\$ 84,865	0.55%	\$ 46,676

Medicare Part D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2015, 2014, and 2013, the subsidy payments received by TRS-Care on-behalf of the District were \$38,329, \$24,881, and \$23,832, respectively. The information for the year ended August 31, 2015 is an estimate provided by the Teacher Retirement System. These payments are recorded as equal revenues and expenditures in the governmental funds financial statements of the District.

Note 10: RISK MANAGEMENT

Property, Casualty and Liability Insurance

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of property; errors and omissions; and natural disasters for which the District carries insurance coverage. Settled claims have not exceeded insurance coverage in any of the previous three years. There has not been any significant reduction in insurance coverage from that of the previous year. The District retains the risk of the following deductibles: \$25,000 for Wind/Hail, \$5,000 for all other perils involving property, \$1,000 for General Liability and most Inland Marine and Crime coverage, \$2,500 for Educator's Legal Liability, and \$500 for Vehicle Physical Damage.

Note 11: COMMITMENTS AND CONTINGENCIES

During the year, the District received financial assistance from federal and state governmental agencies in the form of grants. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies and the TEA. Any disallowed claims resulting from such audits could become a liability of the General Fund. However, in the opinion of management, such disallowed claims, if any, will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at August 31, 2015.

As of August 31, 2015, there was no pending litigation against the District.

Note 12: SHARED SERVICE ARRANGEMENTS

The District participates in a Shared Service Arrangement ("SSA") for a federal program with the school districts listed below. All services are provided by the fiscal agent. The member districts provide the funds to the fiscal agent. According to guidance provided in TEA's Resource Guide, the District has accounted for the fiscal agent's activities of the SSA in a special revenue fund and will be accounted for using Model 3 in the SSA section of the Resource Guide.

BUNA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015

Note 12: SHARED SERVICE ARRANGEMENTS, Continued

Expenditures of the SSA are summarized below:

<u>Member Districts:</u>	Expenditures
Buna Independent School District	\$ 420,409
Kirbyville Independent School District	<u>350,276</u>
Total	<u><u>\$ 770,685</u></u>

Note 13: 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 for the Teachers Retirement System of Texas. Adoption of GASB 68 required a prior period adjustment to report the effect of GASB 68 retroactively. The amount of the prior period adjustment is \$(1,734,195). The restated beginning net position for the Governmental Activities and Primary Government is \$9,210,692.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE FISCAL YEAR ENDED AUGUST 31, 2015

Data Control Codes	Budgeted Amounts			Variance with Final Budget	
	Original	Final	Actual	Positive (Negative)	
Revenues					
5700	Local Sources	\$ 3,434,364	\$ 3,434,364	\$ 3,673,146	\$ 238,782
5800	State Program Revenues	8,377,489	8,377,489	7,865,855	(511,634)
5900	Federal Program Revenues	70,500	70,500	70,687	187
5020	Total Revenues	<u>11,882,353</u>	<u>11,882,353</u>	<u>11,609,688</u>	<u>(272,665)</u>
Expenditures					
Current					
0011	Instruction	6,710,907	6,670,907	6,605,082	65,825
0012	Instructional Resources & Media Svcs	183,463	183,463	180,108	3,355
0013	Curriculum and Instructional Development	140,586	145,586	140,939	4,647
0023	School Leadership	719,824	743,624	735,000	8,624
0031	Guidance and Counseling Services	263,070	263,070	243,488	19,582
0033	Health Services	182,158	182,158	173,165	8,993
0034	Student (Pupil) Transportation	756,143	850,343	793,119	57,224
0036	Cocurricular/Extracurricular Activities	514,403	514,403	479,941	34,462
0041	General Administration	436,965	418,965	375,484	43,481
0051	Plant Maintenance and Operations	1,479,503	1,463,503	1,399,386	64,117
0052	Security and Monitoring Services	53,081	53,081	46,155	6,926
0053	Data Processing Services	336,630	336,630	315,138	21,492
0093	Shared Service Arrangements/Deaf Program	340,860	411,860	420,409	(8,549)
0099	Other Intergovernmental Charges	124,000	127,500	127,357	143
6030	Total Expenditures	<u>12,241,593</u>	<u>12,365,093</u>	<u>12,034,771</u>	<u>330,322</u>
Excess (Deficiency) of Revenues					
1100	Over (Under) Expenditures	(359,240)	(482,740)	(425,083)	57,657
Other Financing Sources (Uses):					
7915	Operating Transfers In	-	-	-	-
8911	Operating Transfers Out	-	-	(144,252)	(144,252)
7080	Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(144,252)</u>	<u>(144,252)</u>
1200	Net Changes in Fund Balance	(359,240)	(482,740)	(569,335)	(86,595)
0100	Fund Balance - September 1 (Beginning)	<u>3,620,293</u>	<u>3,620,293</u>	<u>3,620,293</u>	<u>-</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ 3,261,053</u>	<u>\$ 3,137,553</u>	<u>\$ 3,050,958</u>	<u>\$ (86,595)</u>

OTHER SUPPLEMENTARY INFORMATION

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

BUNA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE (Unaudited)
FOR THE FISCAL YEAR ENDED AUGUST 31, 2015

Last Ten Years Ended August 31	Tax Rate*		Assessed/Appraised Value For School Tax Purposes
	Maintenance	Debt Service	
2006 and prior years	Various	Various	Various
2007	1.37	0.20	197,232,994
2008	1.04	0.20	209,651,694
2009	1.04	0.19	238,946,423
2010	1.04	0.22	251,005,794
2011	1.04	0.22	252,525,794
2012	1.04	0.22	255,415,873
2013	1.04	0.22	282,337,857
2014	1.04	0.22	302,699,398
2015	1.04	0.45	316,513,020
1000 Totals			

* - Per \$100 of assessed valuation

10 Beginning Balance 09/01/14	20 Current Year's Total Levy	30 Maintenance Total Collections	30a Debt Service Total Collections	40 Entire Year's Adjustments	50 Ending Balance 08/31/15
\$ 286,112	-	\$ 16,683	\$ 2,046	\$ (46,325)	\$ 221,058
54,354	-	5,587	816	(327)	47,624
49,530	-	4,720	908	(744)	43,158
57,184	-	6,147	1,123	(705)	49,209
72,424	-	7,170	1,517	(807)	62,930
98,165	-	12,552	2,655	(793)	82,165
117,351	-	24,014	5,080	347	88,604
142,097	-	27,545	5,827	1,492	110,217
301,032	-	98,765	20,892	(1,615)	179,760
-	4,716,044	3,095,971	1,339,714	437	280,796
<u>\$ 1,178,249</u>	<u>\$ 4,716,044</u>	<u>\$ 3,299,154</u>	<u>\$ 1,380,578</u>	<u>\$ (49,040)</u>	<u>\$ 1,165,521</u>

SCHEDULE OF EXPENDITURES FOR COMPUTATION OF INDIRECT COST FOR 2014-2015 (Unaudited)

GENERAL AND SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2015

Function 41 and Related Function 53 - General Administration

Account Number	1 (702) School Board	2 (703) Tax Collection	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (Other) Miscellaneous	7 Total
611X-6146 Payroll Costs	\$ -	\$ -	\$ 190,075	\$ 61,034	\$ -	\$ -	\$ 251,109
6149 Leave for Separating Employees in Fn 41 & 53				-			-
6149 Leave - Separating Employees not in 41 & 53				-			-
6211 Legal Services	-	-	5,092		-		5,092
6212 Audit Services				20,700			20,700
6213 Tax Appraisal and Collection		12,963					12,963
621X Other Professional Services	-	-	8,855	560	-	-	9,415
6220 Tuition and Transfer Payments							-
6230 Education Service Centers	-	-	1,750	6,534	-	-	8,284
6240 Contr. Maint. and Repair							-
6250 Utilities					4,292		4,292
6260 Rentals	-	-	-	8,000	-	-	8,000
6290 Miscellaneous Contracted	-	-	-	4,576	-	-	4,576
6320 Textbooks and Reading	-	-	-	-	-	-	-
6330 Testing Materials	-	-	-	-	-	-	-
63XX Other Supplies Materials	-	-	681	8,482	-	-	9,163
6410 Travel, Subsistence, Stipends	8,375	-	2,799	128	-	-	11,302
6420 Insurance and Bonding Costs	-	-	-	-	-	-	-
6430 Election Costs	-						-
6490 Miscellaneous Operating	1,801	-	4,895	17,484	-	-	24,180
6500 Debt Service							-
6600 Capital Outlay						6,408	6,408
6000- TOTAL	\$ 10,176	\$ 12,963	\$ 214,147	\$ 127,498	\$ 4,292	\$ 6,408	\$ 375,484

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 15,051,343

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 396,596
Total Debt & Lease (6500)	(11)	-
Plant Maintenance (Function 51, 6100-6400)	(12)	1,382,770
Food (Function 35, 6341 and 6499)	(13)	331,743
Stipends (6413)	(14)	-
Column 4 (above) - Total Indirect Cost		127,498

Subtotal:

2,238,607

Net Allowed Direct Cost

\$ 12,812,736

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15)	\$ 18,351,379
Historical Cost of Buildings over 50 years old	(16)	\$ 564,385
Amount of Federal Money in Building Cost (Net of Above)	(17)	\$ -
Total cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18)	\$ 9,305,034
Historical Cost of Furniture & Equipment over 16 years old	(19)	\$ 428,580
Amount of Federal Money in Furniture & Equipment (Net of Above)	(20)	\$ -

(8) Note A: No Function 53 expenditures are included in this report on administrative costs.

No Function 99 expenditures for appraisal district costs are included in this report on administrative costs.

BUNA INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-3

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (Unaudited)
 BUDGET AND ACTUAL - NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
 FOR THE FISCAL YEAR ENDED AUGUST 31, 2015

Data Control Codes		Budgeted Amounts			Variance with Final Budget Positive (Negative)
		Original	Final	Actual	
	Revenues				
5700	Local Sources	\$ 447,600	\$ 447,600	\$ 378,956	\$ (68,644)
5800	State Program Revenues	29,212	29,212	27,026	(2,186)
5900	Federal Program Revenues	375,235	375,235	331,919	(43,316)
5020	Total Revenues	<u>852,047</u>	<u>852,047</u>	<u>737,901</u>	<u>(114,146)</u>
	Expenditures				
0035	Food Services	852,047	852,047	882,153	(30,106)
6030	Total Expenditures	<u>852,047</u>	<u>852,047</u>	<u>882,153</u>	<u>(30,106)</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>(144,252)</u>	<u>(144,252)</u>
	Other Financing Sources (Uses):				
7915	Transfers In	-	-	144,252	144,252
	Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>144,252</u>	<u>144,252</u>
1200	Net Changes in Fund Balance	-	-	-	-
0100	Fund Balance - September 1 (Beginning)	<u>19,715</u>	<u>19,715</u>	<u>19,715</u>	<u>-</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ 19,715</u>	<u>\$ 19,715</u>	<u>\$ 19,715</u>	<u>\$ -</u>

BUNA INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-4

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (Unaudited)
 BUDGET AND ACTUAL - DEBT SERVICE FUND
 FOR THE FISCAL YEAR ENDED AUGUST 31, 2015

Data Control Codes		Budgeted Amounts			Variance with Final Budget Positive (Negative)
		Original	Final	Actual	
	Revenues				
5700	Local Sources	\$ 1,303,084	\$ 1,303,084	\$ 1,422,207	\$ 119,123
5800	State Program Revenues	470,536	470,536	328,259	(142,277)
5020	Total Revenues	<u>1,773,620</u>	<u>1,773,620</u>	<u>1,750,466</u>	<u>(23,154)</u>
	Expenditures				
	Debt Service:				
0071	Debt Service - Principal on Long Term Debt	830,000	830,000	830,000	-
0072	Debt Service - Interest on Long Term Debt	940,245	940,245	940,240	5
0073	Debt Service - Bond Issuance Cost and Fees	3,375	3,375	1,750	1,625
6030	Total Expenditures	<u>1,773,620</u>	<u>1,773,620</u>	<u>1,771,990</u>	<u>1,630</u>
1200	Net Changes in Fund Balance	-	-	(21,524)	(21,524)
0100	Fund Balance - September 1 (Beginning)	<u>639,992</u>	<u>639,992</u>	<u>639,992</u>	<u>-</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ 639,992</u>	<u>\$ 639,992</u>	<u>\$ 618,468</u>	<u>\$ (21,524)</u>

COMPLIANCE SECTION

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J. R. Edwards & Associates, LLC

Certified Public Accountants

December 28, 2015

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

Board of Trustees
Buna Independent School District
1022 Texas State Hwy 62
Buna, Texas 77612

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 Buna Independent School District (the "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 December 28, 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.

J.R. Edwards & Associates, LLC

J. R. Edwards & Associates, LLC

Certified Public Accountants

December 17, 2015

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

Board of Trustees
Buna Independent School District
1022 Texas State Hwy 62
Buna, Texas 77612

Report on Compliance for Each Major Program

We have audited Buna Independent School District's (the "District") 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.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the 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. We issued our report thereon dated December 17, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

J.R. Edwards & Associates, LLC

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

A. Summary of Auditors' Results

1. Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes X No

Significant deficiencies identified? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes X No

Significant deficiencies identified? Yes X None Reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027	IDEA Part B, Formula
84.173	IDEA Part B, Preschool

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? X Yes No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

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

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
None		

BUNA INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE FISCAL YEAR ENDED AUGUST 31, 2015

None

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

EXHIBIT K-1

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education:</u>			
ESEA Title I Part A Improving Basic Programs*	84.010A	15610101121903	\$ 251,842
ESEA Title I Part A Improving Basic Programs*	84.010A	15610101121903	18,485
Total CFDA Number 84.010A			<u>270,327</u>
SSA - IDEA Part B Formula*	84.027	156600011219036000	642,615
SSA - IDEA Part B Formula*	84.027		19,209
IDEA - Part B, Discretionary	84.027A	156600121219036000	39,523
Total CFDA Number 84.027A			<u>701,347</u>
SSA - IDEA Part B Preschool *	84.173	156610011219036000	19,043
SSA - IDEA Part B Preschool *	84.173		678
Total CFDA Number 84.173			<u>19,721</u>
Total Special Education Cluster (IDEA)			<u>721,068</u>
Career and Technical - Basic Grant	84.048	15420006121903	17,471
ESEA Title VI Part B Rural & Low Income Program	84.358B	15696001121903	29,540
ESEA Title II Part A Teacher Principal Training	84.367A	15694501121903	61,597
ESEA Title II Part A Teacher Principal Training	84.367A	15694501121903	4,858
Total CFDA Number 84.367A			<u>66,455</u>
Total Passed Through State Department of Education			<u>\$ 1,104,861</u>
TOTAL DEPARTMENT OF EDUCATION			<u>\$ 1,104,861</u>
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through State Department of Agriculture:</u>			
National School Breakfast Program*	10.553	71401501	\$ 83,554
National School Lunch Program*	10.555	71301501	215,128
National School Lunch Program - Non-Cash Assistance*	10.555	71301501	33,236
Total CFDA Number 10.555			<u>248,364</u>
Total Child Nutrition Cluster			<u>331,918</u>
Total Passed Through State Department of Agriculture			<u>\$ 331,918</u>
TOTAL DEPARTMENT OF AGRICULTURE			<u>\$ 331,918</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,436,779</u>

*Clustered Programs

BUNA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

AUGUST 31, 2015

Basis of Presentation

1. The District accounts for all awards under federal programs in the General and Certain Special Revenue Funds in accordance with the 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 awards generally are accounted for in a special revenue fund. Generally, unused balances are returned to the grantor at the close of specified grant periods.

2. These programs are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing resources) and decreases (i.e. expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for these funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the liability is incurred, if measurable, except for 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 accompanying schedule of expenditures of federal awards is presented on the modified accrual basis of accounting.

3. 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 extends 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 Supplement*.
4. The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustments by the grantor agencies; therefore, to the extent that the District has not complied with rules and regulations governing the grants, refund of any money received may be required and the collectability of any related receivable at August 31, 2015, may be impaired.

**SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2015**Data
Control
Codes

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the district receive a clean audit? - Was there an unqualified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls?	No
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?	No
SF10	Total Accumulated accretion on capital appreciation bonds included in government-wide financial statements at fiscal year end.	\$ -
SF13	District's proportionate share of TRS Pension Expenses	\$ 95,003