

**TEAGUE INDEPENDENT
SCHOOL DISTRICT**

**ANNUAL FINANCIAL AND
COMPLIANCE REPORT**

JUNE 30, 2017

**TEAGUE INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL AND COMPLIANCE REPORT
FOR THE YEAR ENDED JUNE 30, 2017**

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FOR THE YEAR ENDED JUNE 30, 2017**

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CERTIFICATE OF BOARD

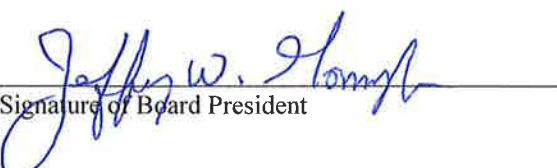
TEAGUE INDEPENDENT SCHOOL DISTRICT
Name of School

FREESTONE
County

081-904
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) ✓ approved _____ disapproved for the year ended June 30, 2017 at a meeting of the Board of Trustees of such school district on the 26 day of October, 17.


Signature of Board Secretary


Signature of Board President

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

WILLIAM A. COOMBES

CERTIFIED PUBLIC ACCOUNTANT 500 W 7th Street • Suite 900 • Fort Worth, Texas 76102 • (817) 632-2500

*Member
American Institute &
Texas Society of
Certified Public Accountants*

Independent Auditor's Report

Board of Trustees
Teague Independent School District
420 North 10th Street
Teague, Texas 75860

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Teague Independent School District as of and for the period ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, fiduciary type activities, each major fund, and the aggregate remaining fund information of Teague Independent School District as of June 30, 2017, 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.

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 iv-ix and 41-43, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 I obtained during my audit of the basic financial statements. I 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

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Teague Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for federal awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and other supplementary 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. 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 my opinion, the combining and individual nonmajor fund financial statements, the schedule of expenditures of federal awards and other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated September 29, 2017 on my consideration of Teague Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Teague Independent School District's internal control over financial reporting and compliance.

Yours very truly,



WILLIAM A. COOMBES, CPA
Fort Worth, Texas
September 29, 2017



TEAGUE INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Teague Independent School District's (the "District") annual financial report presents our discussion and analysis of the District's financial performance during the year ended June 30, 2017. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

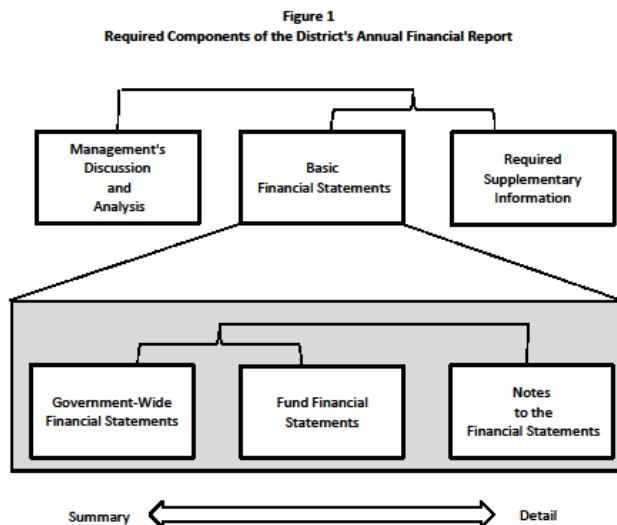
- The District's total combined net assets were \$32.7 million at June 30, 2017.
- The General Fund reported a fund balance at June 30, 2017 of \$13.8 million.
- The District used \$0.2 million of the fund balance to continue to fund staff positions to enrich programming and to fund additional projects. The district also purchased additional capital assets for \$369 thousand. Due to the District's healthy fund balance, the District plans to continue to use fund balance for the next fiscal year to enhance programming and to purchase capitalized assets.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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



Government-wide Statements

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

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

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- 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 government-wide financial statements of the District include the *Governmental Activities*. Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services, and general administration. Property taxes and grants finance most of these activities.

Fund Financial Statements

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

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

The District has the following kinds of funds:

- *Governmental funds* – Most of the District’s basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determining whether there are more or fewer financial resources that can be spent in the near future to finance the District’s programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provided additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Proprietary funds* – The two types of proprietary funds are Enterprise funds and Internal service funds. These funds are used to account for operations that are financed similar to those found in the private-sector. The District uses an internal service fund to report activities for its workers’ compensation program. As internal service funds predominantly benefit governmental functions, they have been consolidated with governmental activities in the government-wide financial statements.
- *Fiduciary funds* – The District is the trustee, or fiduciary, for certain funds. It is also responsible for other assets that – because of a trust arrangement – can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District’s fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the District’s government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets – The District’s combined net assets were \$32.7 million at June 30, 2017. (See Table 1, below).
(in thousands of dollars)

	Governmental Activities	
	2017	2016
Current and other assets	\$ 16,476	\$ 17,157
Capital assets	40,568	42,107
Total assets	57,044	59,264
Deferred Outflows	2,368	2,438
Total assets and deferred outflows	59,412	61,702
Current liabilities	1,510	4,842
Long-term liabilities	25,072	24,776
Total liabilities	26,582	29,618
Deferred inflows	158	420
Total liabilities and deferred inflows	26,740	30,038
Net assets:		
Invested in capital assets, net of debt	18,971	17,324
Restricted	1,278	1,601
Unrestricted	12,423	12,739
Total net assets	\$ 32,672	\$ 31,664

Changes in net assets – The District’s total revenues were \$18.4 million. A significant portion, 60 percent, of the District’s revenue comes from taxes, 25 percent comes from state aid – formula grants, and 15 percent relates to charges for services and other revenue.

Table 2
CHANGES IN NET ASSETS
(in thousands)

	Governmental Activities	
	2017	2016
Revenues:		
Program revenues:		
Charges for services	\$ 364	\$ 423
Operating grants and contributions	1,553	2,168
General revenues:	-	-
Maintenance and operations taxes	7,377	9,460
Debt service taxes	3,683	4,421
State aid - formula grants	4,571	2,435
Investment earnings	112	49
Miscellaneous	697	474
Total revenue	<u>18,357</u>	<u>19,430</u>
Expenses:		
Instruction	8,266	9,095
Instructional resources and media services	254	278
Curriculum and staff development	225	271
Instructional leadership	117	121
School leadership	1,032	1,018
Guidance, counseling and evaluation services	422	447
Social work services	16	16
Health services	139	158
Student transportation	489	399
Food services	735	882
Extracurricular activities	1,399	1,399
General administration	771	1,026
Facilities maintenance and operations	1,535	1,725
Security and monitoring services	71	68
Data processing services	360	353
Community services	19	19
Debt service - interest on long term debt	785	890
Debt service - bond issuance cost and fees	5	155
Capital outlay	-	-
Contracted instructional services between schools	367	441
Payments related to shared services arrangements	-	-
Other intergovernmental charges	342	338
Total expenses	<u>17,349</u>	<u>19,099</u>
Increase or (decrease) in net assets before extraordinary	<u>1,008</u>	<u>331</u>
Extra ordinary items net	-	-
Increase or (decrease) in net assets	<u>1,008</u>	<u>331</u>
Net assets at 7/1/16	31,664	31,333
Prior period adjustment	-	-
Net assets at 6/30/17	<u>\$ 32,672</u>	<u>\$ 31,664</u>

Governmental Activities

The District's tax rate increased slightly to \$1.550819 from \$1.521223. Next year's tax rate will increase slightly to \$1.580547. The increase for next year is primarily due to the decline in certified property values over previous years, causing the need to increase the tax rate for our I&S (debt service). \$367 thousand of the tax collections were sent to TEA for the 2016-2017 Chapter 41 (Robin Hood) payments during the fiscal year ending June 30, 2017. \$441 thousand payments were made during the fiscal year ending June 30, 2016.

The cost of all governmental activities this year was \$18.9 million compared to \$19.9 million last year. As shown in the Statement of Activities on page 5, the amount that our taxpayers financed for these activities through District taxes was \$11.1 million.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental funds totaled \$18.2 million while the previous year it was \$19.1 million. The decrease is a result of a decrease in local revenue and federal program revenue received offset by an increase in state program revenue.

As a measure of the general fund's liquidity, it may be useful to compare both the unassigned fund balance and the total fund balance to the total fund expenditures. The first represents 73 percent of total fund expenditures, while the total fund balance represents 80 percent.

General Fund Budgetary Highlights

The District revised its budget over the course of the year. Even with the adjustments, actual expenditures were \$1.7 million below final budget amounts.

Resources available were \$472 thousand more than the final budgeted amount, primarily in local revenues.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2017, the District had \$41 million invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This amount represents a net decrease of approximately \$1 million from last year. More detailed information about the District's capital assets is presented in the notes to the financial statements.

Long Term Debt

At year-end the District had \$20.2 million in bonds outstanding versus \$23.6 million last year. This represents a principal payment of \$3.3 million. The District's general obligation bond rating is A+. More detailed information about the District's bond activity is presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the fiscal year 2018 budget and tax rates. These include the economy, our Chapter 41 status, our appraised values, and state funding, to name a few.

Several indicators were taken into account when adopting the General Fund budget for 2018. Certified property values decreased over prior year. The District's tax rate for maintenance and operations remained at \$1.04 per \$100 of valuation. This is the highest rate we may levy without voter approval. The District's tax rate for interest and sinking increased from \$0.510819 to \$0.540547 per \$100 of valuation. The District plans to use a portion of the existing fund balance in the I&S fund to pay existing bond debt due in 2018.

Amounts available for appropriation in the General Fund budget are \$13.8 million. Property taxes account for approximately 67% of our revenue for 2018. The District will use its revenues to finance programs currently offered as well as offering new programs where needed.

If these estimates are realized, the District's budgetary General Fund balance is expected to decrease by the close of 2018.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the funds it receives. If you have questions about this report or need additional financial information, contact the District's business office at: Teague Independent School District, 420 North 10th Avenue, Teague, Texas 75860.

Prepared by:
Emily Evans
Director of Finance

BASIC FINANCIAL STATEMENTS

TEAGUE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2017

EXHIBIT A-1

Data	Primary Government
Control Codes	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 744,155
1120 Current Investments	13,594,296
1220 Property Taxes Receivable (Delinquent)	1,448,392
1230 Allowance for Uncollectible Taxes	(1,202,166)
1240 Due from Other Governments	1,876,520
1410 Prepayments	14,758
Capital Assets:	
1510 Land	342,325
1520 Buildings, Net	38,957,015
1530 Furniture and Equipment, Net	1,268,501
1000 Total Assets	57,043,796
DEFERRED OUTFLOWS OF RESOURCES	
1701 Deferred Charge for Refunding	1,020,462
1705 Deferred Outflow Related to TRS	1,347,948
1700 Total Deferred Outflows of Resources	2,368,410
LIABILITIES	
2110 Accounts Payable	52,056
2120 Short Term Debt Payable	58
2140 Interest Payable	288,900
2160 Accrued Wages Payable	1,001,628
2180 Due to Other Governments	98,087
2200 Accrued Expenses	68,832
Noncurrent Liabilities	
2501 Due Within One Year	3,095,000
2502 Due in More Than One Year	19,233,548
2540 Net Pension Liability (District's Share)	2,743,748
2000 Total Liabilities	26,581,857
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS	158,155
2600 Total Deferred Inflows of Resources	158,155
NET POSITION	
3200 Net Investment in Capital Assets	18,970,855
3820 Restricted for Federal and State Programs	20,090
3850 Restricted for Debt Service	1,192,166
3870 Restricted for Campus Activities	66,289
3900 Unrestricted	12,422,794
3000 Total Net Position	\$ 32,672,194

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

TEAGUE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

EXHIBIT B-1

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		3	4	
	Expenses	Charges for Services	Operating Grants and Contributions	6 Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 8,265,549	\$ 53,826	\$ 698,899	\$ (7,512,824)
12 Instructional Resources and Media Services	253,991	1,994	7,512	(244,485)
13 Curriculum and Staff Development	225,436	-	34,505	(190,931)
21 Instructional Leadership	116,565	-	14,541	(102,024)
23 School Leadership	1,031,763	3,987	56,362	(971,414)
31 Guidance, Counseling and Evaluation Services	421,913	-	124,598	(297,315)
32 Social Work Services	16,050	-	-	(16,050)
33 Health Services	139,388	-	8,589	(130,799)
34 Student (Pupil) Transportation	489,084	3,987	22,376	(462,721)
35 Food Services	734,657	117,490	480,778	(136,389)
36 Extracurricular Activities	1,398,946	169,018	33,064	(1,196,864)
41 General Administration	771,886	5,981	27,115	(738,790)
51 Facilities Maintenance and Operations	1,534,794	3,987	34,241	(1,496,566)
52 Security and Monitoring Services	71,053	-	-	(71,053)
53 Data Processing Services	360,841	3,987	10,734	(346,120)
61 Community Services	19,249	-	93	(19,156)
72 Debt Service - Interest on Long Term Debt	784,839	-	-	(784,839)
73 Debt Service - Bond Issuance Cost and Fees	4,831	-	-	(4,831)
91 Contracted Instructional Services Between Schools	367,429	-	-	(367,429)
95 Payments to Juvenile Justice Alternative Ed. Prg.	503	-	-	(503)
99 Other Intergovernmental Charges	341,122	-	-	(341,122)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 17,349,889	\$ 364,257	\$ 1,553,407	(15,432,225)

Data Control Codes	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	7,377,168
DT	Property Taxes, Levied for Debt Service	3,682,584
SF	State Aid - Formula Grants	4,571,472
GC	Grants and Contributions not Restricted	273,819
IE	Investment Earnings	111,854
MI	Miscellaneous Local and Intermediate Revenue	423,420
TR	Total General Revenues	16,440,317
CN	Change in Net Position	1,008,092
NB	Net Position - Beginning	31,664,102
NE	Net Position--Ending	\$ 32,672,194

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

TEAGUE INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 546,267	\$ 148,198	\$ 49,557	\$ 744,022
1120 Investments - Current	12,523,735	1,043,968	26,593	13,594,296
1220 Property Taxes - Delinquent	1,124,774	323,618	-	1,448,392
1230 Allowance for Uncollectible Taxes (Credit)	(933,563)	(268,603)	-	(1,202,166)
1240 Receivables from Other Governments	1,794,701	-	81,819	1,876,520
1410 Prepayments	14,758	-	-	14,758
1000 Total Assets	<u>\$ 15,070,672</u>	<u>\$ 1,247,181</u>	<u>\$ 157,969</u>	<u>\$ 16,475,822</u>
LIABILITIES				
2110 Accounts Payable	\$ 52,056	\$ -	\$ -	\$ 52,056
2120 Short Term Debt Payable - Current	58	-	-	58
2160 Accrued Wages Payable	930,038	-	71,590	1,001,628
2180 Due to Other Governments	98,087	-	-	98,087
2000 Total Liabilities	<u>1,080,239</u>	<u>-</u>	<u>71,590</u>	<u>1,151,829</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	191,212	55,015	-	246,227
2600 Total Deferred Inflows of Resources	<u>191,212</u>	<u>55,015</u>	<u>-</u>	<u>246,227</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3430 Prepaid Items	14,758	-	-	14,758
Restricted Fund Balance:				
3480 Retirement of Long-Term Debt	-	1,192,166	-	1,192,166
Committed Fund Balance:				
3545 Other Committed Fund Balance	-	-	20,090	20,090
Assigned Fund Balance:				
3590 Other Assigned Fund Balance	-	-	66,289	66,289
3600 Unassigned Fund Balance	13,784,463	-	-	13,784,463
3000 Total Fund Balances	<u>13,799,221</u>	<u>1,192,166</u>	<u>86,379</u>	<u>15,077,766</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 15,070,672</u>	<u>\$ 1,247,181</u>	<u>\$ 157,969</u>	<u>\$ 16,475,822</u>

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

TEAGUE INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2017

Total Fund Balances - Governmental Funds	\$ 15,077,766
1 The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.	133
2 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$58,020,737 and the accumulated depreciation was (\$15,913,486). In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to decrease net position. Note: Beginning Balances related to TRS are NOT included in this amount.	17,188,111
3 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2017 capital outlays and debt principal payments is to decrease net position.	3,665,595
4 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. At the beginning of the year, the net position related to TRS was a Deferred Resource Outflow in the amount of \$1,654,558, a Deferred Resource Inflow in the amount of \$420,105 and a net pension liability in the amount of \$2,536,833. The impact of this on Net Position is (1,302,380). Changes from the current year reporting of the TRS plan resulted in a decrease in net position in the amount of (\$409,869). The combination of the beginning of the year amounts and the changes during the year resulted in a difference between the ending fund balance and the ending net position in the amount of (\$1,553,955) .	(1,553,955)
5 The 2017 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(1,882,851)
6 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.	177,395
19 Net Position of Governmental Activities	\$ 32,672,194

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

TEAGUE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

EXHIBIT C-3

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 7,967,859	\$ 3,724,026	\$ 236,216	\$ 11,928,101
5800 State Program Revenues	5,152,326	49,305	73,364	5,274,995
5900 Federal Program Revenues	63,734	-	901,553	965,287
5020 Total Revenues	13,183,919	3,773,331	1,211,133	18,168,383
EXPENDITURES:				
Current:				
0011 Instruction	6,648,499	-	332,335	6,980,834
0012 Instructional Resources and Media Services	164,017	-	-	164,017
0013 Curriculum and Instructional Staff Development	180,554	-	31,643	212,197
0021 Instructional Leadership	71,184	-	11,062	82,246
0023 School Leadership	921,277	-	8,592	929,869
0031 Guidance, Counseling and Evaluation Services	276,336	-	110,649	386,985
0033 Health Services	129,702	-	-	129,702
0034 Student (Pupil) Transportation	507,443	-	-	507,443
0035 Food Services	-	-	676,892	676,892
0036 Extracurricular Activities	912,220	-	103,306	1,015,526
0041 General Administration	700,935	-	2,120	703,055
0051 Facilities Maintenance and Operations	1,689,783	-	-	1,689,783
0052 Security and Monitoring Services	63,303	-	-	63,303
0053 Data Processing Services	345,671	-	-	345,671
0061 Community Services	1,239	-	-	1,239
Debt Service:				
0071 Principal on Long Term Debt	-	3,320,000	-	3,320,000
0072 Interest on Long Term Debt	-	935,621	-	935,621
0073 Bond Issuance Cost and Fees	-	2,250	-	2,250
Intergovernmental:				
0091 Contracted Instructional Services Between Schools	367,429	-	-	367,429
0095 Payments to Juvenile Justice Alternative Ed. Prg.	503	-	-	503
0099 Other Intergovernmental Charges	341,122	-	-	341,122
6030 Total Expenditures	13,321,217	4,257,871	1,276,599	18,855,687
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(137,298)	(484,540)	(65,466)	(687,304)
OTHER FINANCING SOURCES (USES):				
7911 Capital Related Debt Issued (Regular Bonds)	-	9,215,000	-	9,215,000
7915 Transfers In	-	-	81,270	81,270
7916 Premium or Discount on Issuance of Bonds	-	728,802	-	728,802
7949 Other Resources	18,133	-	-	18,133
8911 Transfers Out (Use)	(81,270)	-	-	(81,270)
8940 Payment to Bond Refunding Escrow Agent (Use)	-	(9,797,755)	-	(9,797,755)
7080 Total Other Financing Sources (Uses)	(63,137)	146,047	81,270	164,180
1200 Net Change in Fund Balances	(200,435)	(338,493)	15,804	(523,124)
0100 Fund Balance - July 1 (Beginning)	13,999,656	1,530,659	70,575	15,600,890
3000 Fund Balance - June 30 (Ending)	\$ 13,799,221	\$ 1,192,166	\$ 86,379	\$ 15,077,766

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

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

Total Net Change in Fund Balances - Governmental Funds	\$ (523,124)
The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase net position.	-
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2017 capital outlays and debt principal payments is to decrease net position.	3,665,595
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.	(1,882,851)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position.	47
Current year changes due to GASB 68 increased revenues in the amount of \$158,274 but also increased expenditures in the amount of \$409,849. The net effect on the change in the ending net position was a decrease in the amount of \$251,575.	(251,575)
Change in Net Position of Governmental Activities	<u><u>\$ 1,008,092</u></u>

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

7

TEAGUE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Governmental Activities -
	Internal Service Fund
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 56,167
Total Operating Revenues	56,167
OPERATING EXPENSES:	
Professional and Contracted Services	56,167
Total Operating Expenses	56,167
Operating Income	-
Total Net Position - July 1 (Beginning)	133
Total Net Position - June 30 (Ending)	\$ 133

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

TEAGUE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Governmental Activities -
	Internal Service Fund
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Assessments - Other Funds	\$ 56,167
Cash Payments for Other Operating Expenses	(56,167)
Net Cash Provided by Operating Activities	<u>-</u>
Net Increase in Cash and Cash Equivalents	-
Cash and Cash Equivalents at Beginning of Year	<u>133</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 133</u></u>
<u>Reconciliation of Total Cash and Cash Equivalents:</u>	
Cash and Cash Equivalents on Balance Sheet	\$ 133
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>Provided By (Used For) Operating Activities:</u>	
Operating Income (Loss):	<u><u>\$ -</u></u>

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

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

	Agency Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 46,787
Total Assets	<u>\$ 46,787</u>
LIABILITIES	
Due to Student Groups	\$ 46,787
Total Liabilities	<u>\$ 46,787</u>

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

**TEAGUE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

Teague Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board ("GASB") and other authoritative sources identified in GASB No. 56; and it complies with the requirements of the appropriate version of Texas Education Agency's Financial Accountability System Resource Guide (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

Pensions. The fiduciary net position of the Teachers Retirement System of Texas (TRS) has been determined using the flow of economic resource 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 expenses, and information about assets, liabilities and additions to/deductions from TRS 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.

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the District's nonfiduciary activities with most of the interfund activities removed. Governmental activities include programs supported primarily by taxes, State foundation funds, grants and other intergovernmental revenues. Business-type activities include operations that rely to a significant extent on fees and charges for support.

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

Interfund activities between governmental funds appear as due to/due froms on the governmental fund Balance Sheet and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due froms on the government-wide Statement of Activities.

TEAGUE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS, continued

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are nonoperating.

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

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

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

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

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible to accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

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

**TEAGUE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets and unrestricted net assets.

D. FUND ACCOUNTING

The District reports the following major governmental funds:

- **The General Fund** – The General Fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
- **Debt Service Fund** – The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.

Additionally, the District reports the following fund types:

Governmental Funds:

- **Special Revenue Funds** – The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in special revenue funds, and sometimes unused balances must be returned to the grantor at the close of specified project periods.
- **The Capital Projects Fund** – The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.

Proprietary Funds:

- **Internal Service Fund** – Revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis are accounted for in an internal service fund. The District's internal service fund is an Insurance Fund.

Fiduciary Funds:

- **Agency Fund** – The District accounts for resources held for others in a custodial capacity in agency funds. Fiduciary funds are reported in the fiduciary fund financial statements. However, because these assets are not available to support District programs, this fund is not included in the government-wide statements. The District's agency fund is a Student Activity Fund.

TEAGUE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

E. OTHER ACCOUNTING POLICIES

1. For purposes of the statement of cash flows for proprietary and similar fund-types, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.
2. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.
3. In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.
4. It is the District's policy to permit some employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.
5. Capital assets, which include land, buildings, furniture and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	10-40
Furniture and Equipment	5-20
Vehicles	10-15

TEAGUE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

E. OTHER ACCOUNTING POLICIES, continued

6. All employees of the District are eligible to be covered by a fully insured health insurance plan with insurance premiums paid by the District. Employees may elect to pay for dependent coverage and upgrades.

The District participates in a partially self-funded workers' compensation pool administered by Claims Administrative Services, Inc. The District accounts for this plan according to GASB Statement No. 10 whereby fixed costs are recognized as an insurance expenditure/expense. A liability for estimated claims is reflected in the government-wide financial statements. The liability includes claims that have been reported and claims that have been incurred but not reported ("IBNR"). IBNR is a projection based on the experience history of the District.

Since the Internal Service Funds support the operations of governmental funds, they are consolidated with the governmental funds in the government-wide financial statements. The expenditures of governmental funds that create the revenues of internal service funds are eliminated to avoid "grossing up" the revenues and expenses of the District as a whole.

7. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.
8. When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first unless unrestricted assets will have to be returned because they were not used.
9. The Data Control Codes refer to the account code structure prescribed by the Texas Education Agency ("TEA") in the Resource Guide. TEA requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a Statewide data base for policy development and funding plans.
10. In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditure) until then.
11. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred expense of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resource (revenue) until that time.

**TEAGUE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

F. FUND BALANCES AND NET ASSETS

Net position on the Statement of Net Position includes the following:

Invested in Capital Assets, net of Related Debt – the component of net assets that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt net of premiums and discounts, excluding unspent proceeds, that is directly attributable to the acquisition, construction or improvement of these capital assets.

Restricted for Debt Service – the component of net assets that reports the difference between assets and liabilities with constraints placed on their use by law.

Restricted for Capital Projects – the component of net assets that reports the difference between assets and liabilities with constraints placed on their use by law.

Restricted for Federal and State Programs – the component of net assets that reports the difference between assets and liabilities with constraints placed on their use by law to Federal or State Programs.

Unrestricted – the difference between the assets and liabilities that is not reported in Net Assets Invested in Capital Assets, net of Related Debt and restricted net assets.

The District has adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of the statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing government fund type definitions. The statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications, under GASB 54 are Nonspendable, Restricted, Committed, Assigned, and Unassigned. These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Fund balance can have different levels of constraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification within the General Fund. The General Fund should be the only fund that reports a positive unassigned balance.

In accordance with GASB 54, the District classifies governmental fund balances as follows:

Nonspendable – includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes, inventories, prepaid items and long term receivables.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts restricted due to constitutional provisions or enabling legislation. This classification includes the retirement of long term debt, construction programs and other federal and state grants.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the District through formal action of the highest level of decision making authority. Committed fund balance is reported pursuant to resolution passed by the District's Board of Trustees. This classification includes campus activity funds, local special revenue funds and potential litigation, claims and judgments.

**TEAGUE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

F. FUND BALANCES AND NET ASSETS, continued

Assigned – includes fund balance amounts that are self-imposed by the District to be used for a particular purpose. Fund balance can be assigned by the District’s Board, or the Superintendent. This classification includes insurance deductibles, encumbrances, program start-up costs, projected budget deficit for subsequent years and other legal uses.

Unassigned – includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

When both restricted and unrestricted fund balances are available for use, it is the District’s policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts and the unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

TEAGUE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

<u>Capital Assets at the Beginning of the year</u>	<u>Historic Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Value at the Beginning of the Year</u>	<u>Change in Net Assets</u>
Non-depreciable assets				
Land	\$ 342,325	\$ -	\$ 342,325	
Total non-depreciable assets	342,325	-	342,325	
Depreciable assets				
Buildings	54,295,877	13,885,424	40,410,453	
Furniture and equipment	3,382,535	2,028,062	1,354,473	
Total depreciable assets	57,678,412	15,913,486	41,764,926	
Total capital assets	<u>\$ 58,020,757</u>	<u>\$ 15,913,486</u>	<u>\$ 42,107,251</u>	\$ 42,107,251
Deferred Charge for Refunding			\$ 783,217	\$ 783,217
<u>Long-term Liabilities at the Beginning of the year</u>			<u>Payable at the Beginning of the Year</u>	
Bonds payable			\$ 23,560,000	
Series 2005 premium			5,017	
Series 2008 premium			730,598	
Series 2015 premium			1,058,316	
Interest payable			357,625	
Issuance discounts			(9,199)	
Total long-term liabilities			<u>25,702,357</u>	<u>(25,702,357)</u>
Net adjustments to net assets				<u>\$ 17,188,111</u>

TEAGUE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Exhibits C-2 and C-4 provide reconciliation between the net changes in fund balance as shown on the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Changes in Net Position of Governmental Activities as reported on the government-wide Statement of Activities. One element of those reconciliations explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net position balance and the change in net position. The details of this adjustment are as follows:

	<u>Amount</u>	<u>Adjustments to Changes in Net Position</u>	<u>Adjustments to Net Position</u>
<u>Current Year Capital Outlay</u>			
Land	\$ -		
Buildings and Improvements	225,715		
Furniture and Equipment	<u>143,064</u>		
Total Capital Outlay	<u>368,779</u>	<u>\$ 368,779</u>	<u>\$ 368,779</u>
<u>Current Year Retirements</u>			
Furniture and Equipment	84,460		
Less accumulated depreciation	<u>59,122</u>		
Net Retirements	<u>25,338</u>	<u>(25,338)</u>	<u>(25,338)</u>
<u>Debt Related Principal Payments</u>			
Bond Principal	3,400,000	3,400,000	3,400,000
Premium and Discount Additions, Amortizations and Adjustments	(383,816)	(383,816)	(383,816)
Adjustments in Interest Payable	68,725	68,725	68,725
Additions to and Changes in Deferred Charge on Refunding	237,245	237,245	237,245
Total Debt Related Payments and Adjustments		<u>3,322,154</u>	<u>3,322,154</u>
Total		<u>\$ 3,665,595</u>	<u>3,665,595</u>

**TEAGUE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Another element of the reconciliation on Exhibits C-2 and C-4 is described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This adjustment is the result of several items. The details for this element are as follows:

	Amount	Adjustments to Changes in Net Assets	Adjustments to Net Assets
<u>Adjustments to Revenue and Deferred Revenue</u>			
Taxes Collected from Prior Year Levies	\$ 317,202	\$ (317,202)	\$ -
Uncollected taxes (assumed collectible) from Current Year Levy	49,880	49,880	49,880
Uncollected Taxes (assumed collectible) from Prior Year Levy	196,347	-	196,347
Adjustment to Prior Year Estimate of Collectible Taxes	224,346	224,346	-
Subtotal		(42,976)	246,227
<u>Adjustments to Expenses and Liabilities</u>			
Estimated Liability for Workers' Compensation Claims	68,832	-	(68,832)
Decrease in Estimated Claims from Prior Year	43,023	43,023	-
Total adjustments to net assets		<u>\$ 47</u>	<u>\$ 177,395</u>

**TEAGUE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

III. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments

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

At June 30, 2017, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$14,389,918 and the bank balance was \$14,463,924.

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

The District had the following investments as of June 30, 2017.

<u>Name</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Certificates of deposit	\$ 4,588,733	\$ 4,588,733
Lone Star	2,547,493	2,547,493
Tex Pool	6,458,070	6,458,070
	<u>\$ 13,594,296</u>	<u>\$ 13,594,296</u>

Local government investment pools operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Local government investment pools use amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in these pools is the same as the value of the shares in each pool.

**TEAGUE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

III. DETAILED NOTES ON ALL FUNDS, continued

A. DEPOSITS AND INVESTMENTS, continued

TexPool is organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The Texas Comptroller of Public Accounts is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company, which is authorized to operate TexPool. In addition, the TexPool Advisory Board advises on TexPool's Investment Policy. This Board is composed equally of participants in TexPool and other persons who do not have a business relationship with TexPool who are qualified to advise TexPool. TexPool is subject to annual review by an independent auditor consistent with the Public Funds Investment Act. KPMG Peat Marwick, 111 Congress Avenue, Suite 1100, Austin, Texas 78701 performs the annual audit. In addition, TexPool is subject to review by the State Auditor's Office and by the Internal Auditor of the Comptroller's Office.

Lone Star Investment Pool was organized in 1991 in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The Pool is administered by First Public, formerly known as Texas Association of School Boards Financial Services. Lone Star Investment Pool is governed by an 11-member board, all of whom are participants in the Pool. An independent, third-party investment consultant reports directly to the Board of Trustees. The independent consultant, RBC Dain Rauscher, Inc., Dallas, Texas, reviews the daily operations of the Pool, analyzes all investment transactions for compliance with the Investment Policy, monitors activities of the custodian bank, and compares the investment advisor's performance with benchmarks and a peer group of similarly managed funds. The Pool also employs an independent, third-party bank, The Bank of New York, headquartered in New York, New York, to perform custody and valuation services. The Lone Star Investment Pool is subject to annual review by an independent auditor consistent with the Public Funds Investment Act. Ernst & Young, 700 Lavaca St., Suite 1400, Austin, Texas 78701, performs the annual audit.

Policies Governing Deposits and Investments

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

Custodial Credit Risk – Deposits: This is the risk that in the event of bank failure, the District's deposits may not be returned to it. The District's policy regarding types of deposits allowed and collateral requirements is consistent with the Public Funds Investment Act (Government Code Chapter 2256). The District was not exposed to custodial credit risk since its deposits at year-end were covered by depository insurance or by pledged collateral held by the District's agent bank.

Custodial Credit Risk – Investments: This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments are subject to custodial credit risk only if they are evidenced by securities that exist in physical or book entry form. Thus positions in external investment pools are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form. The District's investments are in external investment pools.

**TEAGUE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

III. DETAILED NOTES ON ALL FUNDS, continued

A. DEPOSITS AND INVESTMENTS, continued

Other Credit Risk: There is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. To minimize credit risk, TexPool's investment policy allows the portfolio's investment manager to only invest in obligations of the U.S. Government, its agencies; repurchase agreements; and no-load AAAM money market mutual funds registered with the SEC. As of June 30, 2016, TexPool's investments credit quality rating was AAAM (Standard & Poor's). Lone Star Investment Pool only in investments authorized under the Public Funds Investment Act. As of June 30, 2016, Lone Star Investment Pools investment credit rating was AAAM (Standard & Poor's).

B. PROPERTY TAXES

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

C. DELINQUENT TAXES RECEIVABLE

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

D. INTERFUND BALANCES AND TRANSFERS

Interfund transfers for the year ended June 30, 2017 consisted of the following amounts:

	<u>Amount</u>	<u>Purpose</u>
Transfer to Special Revenue Food Service from General Fund	\$ 81,270	Supplement food service

**TEAGUE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

III. DETAILED NOTES ON ALL FUNDS, continued

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at June 30, 2017, were as follows:

	Property Taxes	Due From Other Governments	Total Receivables
Governmental Activities			
General Fund	\$ 1,124,774	\$ 1,794,701	\$ 2,919,475
Debt Service Fund	323,618	-	323,618
Non-major Governmental Funds	-	81,819	81,819
Total – Governmental Activities	<u>\$ 1,448,392</u>	<u>\$ 1,876,520</u>	<u>\$ 3,324,912</u>
Amounts not scheduled for collection during the subsequent	<u>\$ 268,603</u>	<u>\$ 933,563</u>	<u>\$ 1,202,166</u>

Payables at June 30, 2017, were as follows:

	Accounts Payable	Due To Other Governments	Salaries and Benefits	Total Payables
Governmental Activities				
General Fund	\$ 52,114	\$ 98,087	\$ 930,038	\$ 1,080,239
Debt Service Fund	-	-	-	-
Non-major Governmental Funds	-	-	71,590	71,590
Total – Governmental Activities	<u>\$ 52,114</u>	<u>\$ 98,087</u>	<u>\$ 1,001,628</u>	<u>\$ 1,151,829</u>

TEAGUE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

III. DETAILED NOTES ON ALL FUNDS, continued

F. CAPITAL ASSET ACTIVITY

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

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Non-depreciable Assets				
Land	\$ 342,325	\$ -	\$ -	\$ 342,325
Total Non-depreciable Assets	342,325	-	-	342,325
Depreciable Assets				
Buildings and Improvements	54,295,877	225,715	-	54,521,592
Furniture and Equipment	3,382,535	143,064	84,460	3,441,139
Total Depreciable Assets	57,678,412	368,779	84,460	57,962,731
Totals at Historic Cost	58,020,737	368,779	84,460	58,305,056
Less Accumulated Depreciation:				
Buildings and Improvements	13,885,424	1,679,153	-	15,564,577
Furniture and Equipment	2,028,062	203,698	59,122	2,172,638
Total Accumulated Depreciation	15,913,486	1,882,851	59,122	17,737,215
Governmental Activities Capital Assets, Net	\$ 42,107,251	\$ (1,514,072)	\$ (25,338)	\$ 40,567,841

Depreciation expense was charged to governmental functions as follows:

Instruction	11	\$ 1,023,995
Instructional Resources and Media Services	12	85,876
Curriculum Development	13	11,656
Instructional Leadership	21	30,221
School Leadership	23	67,522
Guidance, Counseling and Evaluation Services	31	23,566
Social Work Services	32	16,050
Health Services	33	5,588
Student (Pupil) Transportation	34	73,903
Food Services	35	49,851
Co-curricular/Extracurricular Activities	36	361,995
General Administration	41	35,194
Plant Maintenance and Operations	51	63,118
Security and Monitoring	52	7,750
Data Processing Services	53	8,556
Community Services	61	18,010
Total Depreciation Expense		\$ 1,882,851

**TEAGUE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

III. DETAILED NOTES ON ALL FUNDS, continued

G. BONDS PAYABLE

To take advantage of lower interest rates, on November 15, 2016 the District issued \$9,215,000 unlimited tax refunding bond Series 2016. The refunding is being undertaken to lower the District's debt service and will result in a present value savings to the District. The issue will retire and defease in substance, \$1,300,000 of the 2005 Series bond issue maturing in years 2018 through 2020, and \$7,995,000 of the 2008 Series bond issue maturing in 2019, 2020 and 2023. The Series 2016 bond issue is not callable. The Series 2016 bond issue is rated A+ and bears interest rates from two (2) percent to four (4) percent, and was issued at a premium of \$728,802.

The total debt service savings will be \$431,749. The net present value of the savings is \$420,825 and the net present value savings is 4.53%.

Final Refunding Cash Flows			
Date (6/30)	Refunded Debt Service	Series 2016 Debt Service	Debt Service Savings
2017	\$ 430,958	\$ 429,389	\$ 1,568
2018	940,558	730,900	209,658
2019	3,532,833	3,324,400	208,433
2020	3,279,110	3,276,300	2,810
2021	102,713	99,000	3,713
2022	102,713	99,000	3,713
2023	2,526,356	2,524,500	1,856
Totals	\$ 10,915,239	\$ 10,483,489	\$ 431,749

To take advantage of lower interest rates, on October 15, 2015, the District issued \$8,775,000 unlimited tax refunding bonds Series 2015. The bond issue is an advance refunding bond issue to retire and defease in substance \$8,855,000 of the 2008 Series bond issue maturing in years 2021 through 2023. These new bonds are not callable. The bonds are rated AAA and bear interest rates from 2 percent to 4 percent, and were issued at a premium of \$1,150,919.45.

The total debt service savings will be \$872,026. The net present value of the savings is \$779,388 and the net present value savings percent is 9.028%.

Summary of Cash Flows			
Date (6/30)	Refunded Debt Service	Series 2015 Debt Service	Debt Service Savings
2016	\$ 430,170	\$ 426,174	\$ 3,996
2017	430,170	426,700	3,470
2018	430,170	429,550	620
2019	430,170	427,350	2,820
2020	430,170	430,100	70
2021	3,935,295	3,650,850	284,445
2022	3,935,920	3,646,950	288,970
2023	1,510,710	1,223,075	287,635
Totals	\$ 11,532,775	\$ 10,660,749	\$ 872,026

**TEAGUE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

III. DETAILED NOTES ON ALL FUNDS, continued

G. BONDS PAYABLE, continued

<u>Savings Summary</u>	
Average Annual Savings (2021 – 2023):	\$ 287,017
PV of Debt Service Savings from Cash Flow:	\$ 798,256
Additional Proceeds:	\$ 1,132
Net PV of Debt Service Savings:	\$ 799,388

On January 15, 2008 the District issued \$38,400,000 Unlimited Tax School Building Bonds, Series 2008. Proceeds from the sale of the bonds were used to construct, renovate, acquire and equip school buildings in the District and pay cost of issuance. Interest on the bonds will accrue from January 15, 2008 and will be payable semiannually on February 15 and August 15 of each year commencing February 15, 2009 until maturity or from redemption. The Bonds mature in various amounts on February 15, 2009 through 2023. Interest rates vary from 3.25 to 5% payable semiannually. Bonds maturing on or after February 15, 2019 are subject to redemption at the option of the District at principal plus accrued interest. Premiums advanced with the bonds are amortized over the term of the new issue. The unamortized premium is a liability of the District and is recorded as long-term liability in the Statement of Net Position.

On June 9, 2005 the District issued \$4,530,000 Unlimited Tax Refunding Bonds, Series 2005. The proceeds were used to defease \$4,530,000 of the Series 2000 bonds. Interest rates vary from 3 to 4% and are payable semiannually on the current interest bonds. Premiums advanced with the bonds are amortized over the term of the new issue.

The unamortized premiums are liabilities of the District and are recorded as Long-Term Liabilities in the Statement of Net Position.

Long-term activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
Governmental Activities:					
General Obligation Bonds					
Series 2005	\$ 1,795,000	\$ -	\$ (1,795,000)	\$ -	\$ -
Series 2008	13,175,000	-	(10,510,000)	2,665,000	2,605,000
Series 2015	8,590,000	-	(105,000)	8,485,000	110,000
Series 2016	-	9,215,000	(205,000)	9,010,000	380,000
Total Bonds	23,560,000	9,215,000	(12,615,000)	20,160,000	3,095,000
Series 2005 Premium	5,017	-	(1,338)	3,679	
Series 2008 Premium	730,598	-	(114,602)	615,996	
Series 2015 Premium	1,058,316	-	(158,747)	899,569	
Series 2016 Premium	-	728,802	(72,880)	655,922	
Issue discounts	(9,199)	-	2,581	(6,618)	
	<u>\$ 25,344,732</u>	<u>\$ 9,943,802</u>	<u>\$ (12,959,986)</u>	<u>\$ 22,328,548</u>	<u>\$ 3,095,000</u>
Deferred Charge on Refunding	783,217	502,755	265,510	1,020,462	

**TEAGUE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

III. DETAILED NOTES ON ALL FUNDS, continued

G. BONDS PAYABLE, continued

Debt service requirements are as follows:

Year Ended June 30	Total Principal	Total Interest	Total
2018	\$ 3,095,000	\$ 774,681	\$ 3,869,681
2019	3,210,000	666,650	3,876,650
2020	3,230,000	539,850	3,769,850
2021	3,405,000	412,950	3,817,950
2022	3,540,000	276,750	3,816,750
2023	3,680,000	135,150	3,815,150
Total	<u>\$ 20,160,000</u>	<u>\$ 2,806,031</u>	<u>\$ 22,966,031</u>
Paid in 2017	\$ 3,320,000	\$ 789,574	\$ 4,109,574

H. DEFINED BENEFIT PENSION PLAN

Plan Description. Teague Independent School 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.

**TEAGUE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

III. DETAILED NOTES ON ALL FUNDS, continued

H. DEFINED BENEFIT PENSION PLAN, continued

Benefits Provided. TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered, in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description 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 83'd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature, General Appropriations Act (GAA) established contribution rates for fiscal years 2016 and 2017.

Contribution Rates

	<u>2016</u>	<u>2017</u>
Member	7.2%	7.2%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Teague ISD 2017 Employer Contributions	\$ 212,501	\$ 228,895
Teague ISD 2017 Member Contributions	\$ 642,371	\$ 655,364
Teague ISD 2017 NECE On-Behalf Contributions	\$ 512,077	\$ 620,090

**TEAGUE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

III. DETAILED NOTES ON ALL FUNDS, continued

H. DEFINED BENEFIT PENSION PLAN, continued

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

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

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

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

1. 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.
2. When a school district does not contribute to the Federal Old-age Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

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

Valuation Date	August 31, 2016
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.50%
Salary Increases Including Inflation	3.50% to 9.50%
Benefit Changes During the Year	None
Payroll Growth Rate	2.50%
Ad hoc Post-Employment Benefit Changes	None

The actuarial methods and assumptions are based primarily on a study of actual experience for the four year period ending August 31, 2014 and adopted on September 24, 2015.

TEAGUE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

III. DETAILED NOTES ON ALL FUNDS, continued

H. DEFINED BENEFIT PENSION PLAN, continued

Discount Rate. The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2016 are summarized below:

Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return*
Global Equity			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	.8%
Emerging Markets	9%	5.9%	.7%
Directional Hedge Funds	4%	3.2%	.1%
Private Equity	13%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11%	.7%	.1%
Absolute Return	0%	1.8%	.0%
Stable Value Hedge Funds	4%	3.0%	.1%
Cash	1%	-0.2%	.0%
Real Return			
Global Inflation Linked Bonds	3%	.9%	.0%
Real Assets	16%	5.1%	1.1%
Energy and Natural Resources	3%	6.6%	.2%
Commodities	0%	1.2%	.0%
Risk Parity			
Risk Parity	5%	6.7%	.3%
Inflation Expectations			2.2%
Alpha			1.0%
Total	100%		8.7%

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

**TEAGUE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

III. DETAILED NOTES ON ALL FUNDS, continued

H. DEFINED BENEFIT PENSION PLAN, continued

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 2016 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
Teague ISD's proportionate share of the net pension liability:	\$ 4,246,398	\$ 2,743,748	\$ 1,469,198

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2017, Teague Independent School District reported a liability of \$2,743,748 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Teague Independent School District. The amount recognized by Teague Independent School District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with Teague Independent School District were as follows:

District's Proportionate share of the collective net pension liability	\$ 2,743,748
State's proportionate share that is associated with the District	5,975,262
Total	<u>\$ 8,719,010</u>

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

At August 31, 2016 the employer's proportion of the collective net pension liability was .000072608001%, which was an increase of .000000842 % from its proportion measured as of August 31, 2015.

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

**TEAGUE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

III. DETAILED NOTES ON ALL FUNDS, continued

H. DEFINED BENEFIT PENSION PLAN, continued

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

For the year ended June 30, 2017, Teague Independent School District recognized pension expense of \$620,090 and revenue of \$620,090 for support provided by the State.

At June 30, 2017, Teague Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experience	\$ 43,021	\$ 81,927
Changes in actuarial assumptions	83,625	76,053
Difference between projected and actual investment earnings	232,335	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	795,699	175
Contributions paid to TRS subsequent to the measurement date [to be calculated by employer]	193,268	-
Total	<u>\$ 1,347,948</u>	<u>\$ 158,155</u>

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

<u>Year ended June 30:</u>	<u>Pension Expense Amount</u>
2018	\$ 179,149
2019	179,149
2020	327,344
2021	167,764
2022	119,795
2023	23,324
	<u>\$ 996,525</u>

**TEAGUE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

III. DETAILED NOTES ON ALL FUNDS, continued

I. RETIREE HEALTH PLAN

Plan Description

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

Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 2014 establish state, active employee, and public school contributions, respectively. The Contribution Rate for the State was 100% for 2015, 2016 and 2017. The contribution rate for the district was 0.55% for each of these three years. The contribution rate for active employees was 0.65% of the district payroll for each of the three years. 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. For staff members funded by federal programs, the federal programs are required to contribute 1.0%.

Contributions

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

	2017	2016	2015
District Covered Payroll	\$ 8,604,406	\$ 9,026,888	\$ 7,431,909
Required District Contributions	47,325	49,648	40,875
Actual District Contributions	47,324	49,648	40,714
Federal Contributions	3,973	3,758	2,935
State Contributions	86,045	90,269	74,319
Employee Contributions	55,929	58,675	48,307

**TEAGUE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

III. DETAILED NOTES ON ALL FUNDS, continued

I. RETIREE HEALTH PLAN, continued

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, 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 years ended June 30, 2017, 2016 and 2015, the subsidy payments received by the TRS-Care on behalf of the District were \$36,908, \$28,152 and \$26,474, respectively. The information for the year ended June 30, 2017 is an estimate provided by the Teacher Retirement System. These payments are recorded as equal revenues and expenditures in the governmental fund financial statements.

J. ACTIVE EMPLOYEE HEALTH CARE COVERAGE

The District participates in TRS-Active Care sponsored by the Teacher Retirement System of Texas and administered through Aetna and Caremark (pharmacy). TRS-Active Care provides health care coverage to employees (and their dependents) of participating public education entities. Optional life and long-term care insurance are also provided to active members and retirees. Authority for the plan can be found in the Texas Insurance Code, Title 8, Subtitle H, Chapter 1579 and in the Texas administrative Code, Title 34, Part 3, Chapter 41. The plan began operations on September 1, 2002. This is a premium-based plan. Payments are made on a monthly basis for all covered employees. During the year ended June 30, 2017, the District contributed \$275 per month per employee to TRS-Active Care.

The contract between Teague Independent School District and the licensed insurer is renewable annually and terms of coverage and premium cost are included in the contractual provisions.

K. WORKERS' COMPENSATION COVERAGE

The District participates in a partially self-funded workers' compensation pool administered by Claims Administrative Services, Inc. The District pays a contribution for the fund year to cover the servicing cost of program administration, claims handling, loss control and stop loss coverage. Provided the District remains in the pool, there are no additional fees for services. The District is responsible for an annual fixed cost of \$31,701 and payment of all claims up to a maximum of \$87,387 annually.

Changes in the balances of workers' compensation claims liabilities during the past year are as follows:

	Year Ended 6/30/17	Year Ended 6/30/16
Unpaid Claims, September 1,	\$ 111,855	\$ 74,741
Incurred Claims (including IBNR's)	(34,566)	83,409
Claim Payments	(8,457)	(46,295)
Unpaid Claims, June 30, 2017	<u>\$ 68,832</u>	<u>\$ 111,855</u>

**TEAGUE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

III. DETAILED NOTES ON ALL FUNDS, continued

L. DEFERRED INFLOWS OF RESOURCES

Deferred Inflows at year-end as reported on Exhibit C-1 of the Funds Statements consisted of the following:

	General Fund	Debt Service Fund	Total
Unavailable Revenue			
– Property Taxes	\$ 191,212	\$ 55,015	\$ 246,227

Adjustments required for government-wide Statement of Net Assets decrease deferred revenue by \$246,227.

M. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of June 30, 2017 are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from Other Governments.

Fund	State Entitlements	State/Federal Grants	Total
General	\$ 1,794,701	\$ -	\$ 1,794,701
Special Revenue	-	81,819	81,819
Total	<u>\$ 1,794,701</u>	<u>\$ 81,819</u>	<u>\$ 1,876,520</u>

**TEAGUE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

III. DETAILED NOTES ON ALL FUNDS, continued

N. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

During the current year, revenues from local and intermediate sources as reported on Exhibit C-3 of the Funds Statements consisted of the following:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
Property Taxes	\$ 7,416,506	\$ 3,678,729	\$ -	\$ 11,095,235
Penalties, Interest and Other Tax- related Income	108,480	34,819	-	143,299
Investment Income	101,376	10,478	142	111,996
Food Sales	-	-	115,496	115,496
Co-curricular Student Activities	49,404	-	120,529	169,933
Other	292,093	-	49	292,142
Total	<u>\$ 7,967,859</u>	<u>\$ 3,724,026</u>	<u>\$ 236,216</u>	<u>\$ 11,928,101</u>

Adjustments required for the government-wide Statement of Activities decreased these revenues by \$189,598.

TEAGUE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

III. DETAILED NOTES ON ALL FUNDS, continued

O. JOINT VENTURE-SHARED SERVICE ARRANGEMENTS

The District participates in shared service arrangements with several other school districts. The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Region XII, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the shared services arrangement. Presented below are the revenues and expenditures attributable to the District's participation from July 1, 2016 to June 30, 2017.

	ESEA Title II Part A	ESEA Title III Part A	ESEA Title I Part C
Revenues	\$ 38,646	\$ 6,838	\$ 10,194
Expenditures			
Payroll Costs	\$ -	\$ -	\$ -
Contracted Services	24,658	6,838	1,152
Supplies & Materials			8,433
Other Costs	13,988	-	609
Total Expenditures	\$ 38,646	\$ 6,838	\$ 10,194

The District participates in shared service arrangements with several other school districts. The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Willis, ISD, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the shared services arrangement. Presented below are the revenues and expenditures attributable to the District's participation from July 1, 2016 to June 30, 2017.

	ESEA A Title I Part C
Revenues	\$ 15,656
Expenditures	
Payroll Costs	\$ -
Contracted Services	15,656
Supplies & Materials	-
Other Costs	-
Total Expenditures	\$ 15,656

**TEAGUE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

III. DETAILED NOTES ON ALL FUNDS, continued

P. CONTRACTUAL INSTRUCTIONAL SERVICES BETWEEN SCHOOLS

The District has exercised Option 3 through the Texas Education Association in accordance with statutory provisions for the education of non-resident students by purchasing weighted average daily attendance ("WADA") credits. The District's expenses under these agreements were \$367,429 for the school year ended June 30, 2017.

REQUIRED SUPPLEMENTARY INFORMATION

TEAGUE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 6,787,191	\$ 7,000,506	\$ 7,967,859	\$ 967,353
5800	State Program Revenues	5,706,013	5,706,013	5,152,326	(553,687)
5900	Federal Program Revenues	5,000	5,000	63,734	58,734
5020	Total Revenues	12,498,204	12,711,519	13,183,919	472,400
EXPENDITURES:					
Current:					
0011	Instruction	7,243,743	7,269,313	6,648,499	620,814
0012	Instructional Resources and Media Services	194,484	193,263	164,017	29,246
0013	Curriculum and Instructional Staff Development	237,248	263,649	180,554	83,095
0021	Instructional Leadership	87,982	87,982	71,184	16,798
0023	School Leadership	918,643	924,293	921,277	3,016
0031	Guidance, Counseling and Evaluation Services	329,611	302,508	276,336	26,172
0033	Health Services	158,581	158,284	129,702	28,582
0034	Student (Pupil) Transportation	514,854	607,732	507,443	100,289
0036	Extracurricular Activities	1,020,877	1,019,377	912,220	107,157
0041	General Administration	887,643	785,853	700,935	84,918
0051	Facilities Maintenance and Operations	1,923,556	2,089,795	1,689,783	400,012
0052	Security and Monitoring Services	87,583	87,583	63,303	24,280
0053	Data Processing Services	441,005	412,005	345,671	66,334
0061	Community Services	500	2,000	1,239	761
Capital Outlay:					
0081	Facilities Acquisition and Construction	67,500	67,500	-	67,500
Intergovernmental:					
0091	Contracted Instructional Services Between Schools	307,525	367,513	367,429	84
0095	Payments to Juvenile Justice Alternative Ed. Prg.	2,500	2,500	503	1,997
0099	Other Intergovernmental Charges	375,000	371,000	341,122	29,878
6030	Total Expenditures	14,798,835	15,012,150	13,321,217	1,690,933
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,300,631)	(2,300,631)	(137,298)	2,163,333
OTHER FINANCING SOURCES (USES):					
7949	Other Resources	-	-	18,133	18,133
8911	Transfers Out (Use)	-	(269,335)	(81,270)	188,065
7080	Total Other Financing Sources (Uses)	-	(269,335)	(63,137)	206,198
1200	Net Change in Fund Balances	(2,300,631)	(2,569,966)	(200,435)	2,369,531
0100	Fund Balance - July (Beginning)	-	13,999,656	13,999,656	-
3000	Fund Balance - June 30 (Ending)	\$ (2,300,631)	\$ 11,429,690	\$ 13,799,221	\$ 2,369,531

TEAGUE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED JUNE 30, 2017

EXHIBIT G-6

	2017	2016	2015
District's Proportion of the Net Pension Liability (Asset)	0.000072608%	0.000071766%	0.000037787%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 2,743,748	\$ 2,536,833	\$ 1,009,342
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	5,975,262	6,111,322	5,190,455
Total	<u>\$ 8,719,010</u>	<u>\$ 8,648,155</u>	<u>\$ 6,199,797</u>
District's Covered-Employee Payroll	\$ 8,952,685	\$ 8,942,620	\$ 8,563,703
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	30.65%	28.37%	11.78%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.00%	78.43%	83.25%

Note: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2016 for Year 2017, August 31, 2015 for Year 2016 and August 31, 2014 for 2015.

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

TEAGUE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2017

EXHIBIT G-7

	2017	2016	2015
Contractually Required Contribution	\$ 228,895	\$ 220,058	\$ 180,413
Contribution in Relation to the Contractually Required Contribution	(228,895)	(220,058)	(180,413)
Contribution Deficiency (Excess)	\$ -0-	\$ -0-	\$ -0-
District's Covered-Employee Payroll	\$ 8,604,496	\$ 9,026,888	\$ 7,431,909
Contributions as a Percentage of Covered-Employee Payroll	2.66%	2.42%	2.42%

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

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

TEAGUE ISD
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017

I. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA

The Board adopts an "appropriated budget" for the General Fund, Debt Service Fund and the Food Service Fund (which is included in the Special Revenue Funds). The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1 and the other two reports are in Exhibits J-4 and J-5.

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

1. Prior to June 30 the District prepares a budget for the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
3. Prior to July 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. Significant additions were made for contracted instructional services between schools in compliance with Chapter 41.
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

Changes of benefit terms.

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

Changes in assumptions.

There were no changes in the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

COMBINING STATEMENTS

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

Data Control Codes		211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program
ASSETS					
1110	Cash and Cash Equivalents	\$ (13,597)	\$ (12,586)	\$ -	\$ 21,653
1120	Investments - Current	-	-	-	26,593
1240	Receivables from Other Governments	34,952	33,283	-	1,382
1000	Total Assets	<u>\$ 21,355</u>	<u>\$ 20,697</u>	<u>\$ -</u>	<u>\$ 49,628</u>
LIABILITIES					
2160	Accrued Wages Payable	\$ 21,355	\$ 20,697	\$ -	\$ 29,538
2000	Total Liabilities	<u>21,355</u>	<u>20,697</u>	<u>-</u>	<u>29,538</u>
FUND BALANCES					
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	-	20,090
Assigned Fund Balance:					
3590	Other Assigned Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,090</u>
4000	Total Liabilities and Fund Balances	<u>\$ 21,355</u>	<u>\$ 20,697</u>	<u>\$ -</u>	<u>\$ 49,628</u>

244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	289 Titil III Part A LEP	410 State Textbook Fund	429 Other State Special Revenue Funds	461 Campus Activity Funds	Total Nonmajor Governmental Funds
\$ -	\$ (12,202)	\$ -	\$ -	\$ -	\$ 66,289	\$ 49,557
-	-	-	-	-	-	26,593
-	12,202	-	-	-	-	81,819
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 66,289</u>	<u>\$ 157,969</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 71,590
-	-	-	-	-	-	71,590
-	-	-	-	-	-	20,090
-	-	-	-	-	66,289	66,289
-	-	-	-	-	66,289	86,379
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 66,289</u>	<u>\$ 157,969</u>

TEAGUE INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ 115,687
5800 State Program Revenues	-	-	-	3,655
5900 Federal Program Revenues	201,359	196,494	2,524	476,981
5020 Total Revenues	201,359	196,494	2,524	596,323
EXPENDITURES:				
Current:				
0011 Instruction	142,238	110,845	2,524	-
0013 Curriculum and Instructional Staff Development	19,699	-	-	-
0021 Instructional Leadership	11,062	-	-	-
0023 School Leadership	3,360	-	-	-
0031 Guidance, Counseling and Evaluation Services	25,000	85,649	-	-
0035 Food Services	-	-	-	676,892
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
6030 Total Expenditures	201,359	196,494	2,524	676,892
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	(80,569)
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	-	81,270
1200 Net Change in Fund Balance	-	-	-	701
0100 Fund Balance - July 1 (Beginning)	-	-	-	19,389
3000 Fund Balance - June 30 (Ending)	\$ -	\$ -	\$ -	\$ 20,090

244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	289 Titil III Part A LEP	410 State Textbook Fund	429 Other State Special Revenue Funds	461 Campus Activity Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 120,529	\$ 236,216
-	-	-	44,244	25,465	-	73,364
9,042	13,988	1,165	-	-	-	901,553
9,042	13,988	1,165	44,244	25,465	120,529	1,211,133
8,433	-	1,165	44,244	22,886	-	332,335
609	8,756	-	-	2,579	-	31,643
-	-	-	-	-	-	11,062
-	5,232	-	-	-	-	8,592
-	-	-	-	-	-	110,649
-	-	-	-	-	-	676,892
-	-	-	-	-	103,306	103,306
-	-	-	-	-	2,120	2,120
9,042	13,988	1,165	44,244	25,465	105,426	1,276,599
-	-	-	-	-	15,103	(65,466)
-	-	-	-	-	-	81,270
-	-	-	-	-	15,103	15,804
-	-	-	-	-	51,186	70,575
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 66,289	\$ 86,379

REQUIRED TEA SCHEDULES

TEAGUE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED JUNE 30, 2017

Last 10 Years	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2008 and prior years	Various	Various	\$ Various
2009	1.040000	0.200000	1,956,765,400
2010	1.040000	0.200000	2,108,365,050
2011	1.040000	0.259000	1,582,379,920
2012	1.040000	0.305000	1,339,041,020
2013	1.040000	0.320000	1,204,020,670
2014	1.040000	0.449900	925,835,630
2015	1.040000	0.481200	950,617,634
2016	1.040000	0.481200	933,612,588
2017 (School year under audit)	1.040000	0.510800	728,181,541
1000 TOTALS			

(10) Beginning Balance 7/1/2016	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 6/30/2017
\$ 349,396	\$ -	\$ 16,182	\$ 43	\$ (21,845)	\$ 311,326
57,317	-	2,342	455	(13)	54,507
73,233	-	2,532	495	(503)	69,703
73,578	-	5,800	1,562	(165)	66,051
103,118	-	19,583	5,745	(30)	77,760
157,892	-	18,601	5,660	(2,071)	131,560
150,565	-	21,080	9,192	(2,378)	117,915
179,650	-	29,186	13,267	(2,595)	134,602
377,376	-	112,175	53,302	(20,339)	191,560
-	11,098,298	7,194,281	3,591,245	(19,364)	293,408
<u>\$ 1,522,125</u>	<u>\$ 11,098,298</u>	<u>\$ 7,421,762</u>	<u>\$ 3,680,966</u>	<u>\$ (69,303)</u>	<u>\$ 1,448,392</u>

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

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 139,510	\$ 139,510	\$ 115,687	\$ (23,823)
5800	State Program Revenues	2,500	2,500	3,655	1,155
5900	Federal Program Revenues	470,000	487,127	476,981	(10,146)
5020	Total Revenues	612,010	629,137	596,323	(32,814)
EXPENDITURES:					
0035	Food Services	881,345	898,472	676,892	221,580
6030	Total Expenditures	881,345	898,472	676,892	221,580
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(269,335)	(269,335)	(80,569)	188,766
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	269,335	269,335	81,270	(188,065)
1200	Net Change in Fund Balances	-	-	701	701
0100	Fund Balance - July (Beginning)	-	19,389	19,389	-
3000	Fund Balance - June 30 (Ending)	\$ -	\$ 19,389	\$ 20,090	\$ 701

TEAGUE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2017

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 3,095,519	\$ 3,131,129	\$ 3,724,026	\$ 592,897
5800	State Program Revenues	-	-	49,305	49,305
5020	Total Revenues	3,095,519	3,131,129	3,773,331	642,202
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	3,115,000	3,320,000	3,320,000	-
0072	Interest on Long Term Debt	958,964	935,621	935,621	-
0073	Bond Issuance Cost and Fees	2,500	2,500	2,250	250
6030	Total Expenditures	4,076,464	4,258,121	4,257,871	250
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(980,945)	(1,126,992)	(484,540)	642,452
OTHER FINANCING SOURCES (USES):					
7911	Capital Related Debt Issued (Regular Bonds)	-	9,215,000	9,215,000	-
7916	Premium or Discount on Issuance of Bonds	-	728,802	728,802	-
8940	Payment to Bond Refunding Escrow Agent (Use)	-	(9,797,755)	(9,797,755)	-
7080	Total Other Financing Sources (Uses)	-	146,046	146,047	1
1200	Net Change in Fund Balances	(980,945)	(980,945)	(338,493)	642,452
0100	Fund Balance - July (Beginning)	1,530,659	1,530,660	1,530,659	(1)
3000	Fund Balance - June 30 (Ending)	\$ 549,714	\$ 549,715	\$ 1,192,166	\$ 642,451

FEDERAL AWARDS SECTION

WILLIAM A. COOMBES

CERTIFIED PUBLIC ACCOUNTANT 500 W 7th Street • Suite 900 • Fort Worth, Texas 76102 • (817) 632-2500

*Member
American Institute &
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Certified Public Accountants*

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

Board of Trustees
Teague Independent School District
420 North 10th Street
Teague, Texas 75860

I 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, the business-type activities, each major fund, and the aggregate remaining fund information of Teague Independent School District, as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 6, 2017.

Internal Control Over Financial Reporting

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

My 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 my audit I did not identify any deficiencies in internal control that I 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 Teague Independent School District's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my 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.

Yours very truly,

A handwritten signature in black ink, reading "William Coombes". The signature is fluid and cursive, with the first name "William" and last name "Coombes" clearly distinguishable.

WILLIAM A. COOMBES, CPA

Fort Worth, Texas

September 29, 2017

WILLIAM A. COOMBES

CERTIFIED PUBLIC ACCOUNTANT 500 W 7th Street • Suite 900 • Fort Worth, Texas 76102 • (817) 632-2500

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Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Independent Auditor's Report

Teague Independent School District
420 North 10th Street
Teague, Texas 75860

Report on Compliance for Each Major Federal Program

I have audited Teague Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Teague Independent School District's major federal programs for the year ended June 30, 2017. The Teague Independent School 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 federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

I believe that my audit provides a reasonable basis for my opinion. However, my audit does not provide a legal determination of Teague Independent School District's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of Teague Independent School District as of and for the year ended June 30, 2017, and have issued our report thereon dated October 6, 2017, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the 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 financial statements or to the 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 expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



WILLIAM A. COOMBES, CPA
Fort Worth, Texas
September 29, 2017

**TEAGUE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

Summary of the Auditor's Results:

- The type of report issued on the financial statements of the Teague Independent School District was an unmodified opinion.
- With respect to internal control over financial reporting we identified no material weaknesses and we reported no significant deficiencies.
- We noted no noncompliance material to the financial statements.
- With respect to internal control over major federal programs we identified no material weaknesses and we reported no significant deficiencies.
- The type of report we issued on compliance for major programs was an unmodified opinion.
- We disclosed (no) audit findings which the auditor is required to report in accordance with 2 CFR 200.516(a). These include:
 - Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.
 - Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program. The auditor's determination of whether a noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards is material for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the compliance supplement.
 - Known questioned costs that are greater than \$25,000 for a type of compliance requirement for a major program. Known questioned costs are those specifically identified by the auditor. In evaluating the effect of questioned costs on the opinion on compliance, the auditor considers the best estimate of total costs questioned (likely questioned costs), not just the questioned costs specifically identified (known questioned costs). The auditor must also report known questioned costs when likely questioned costs are greater than \$25,000 for a type of compliance requirement for a major program. In reporting questioned costs, the auditor must include information to provide proper perspective for judging the prevalence and consequences of the questioned costs.
 - Known questioned costs that are greater than \$25,000 for a Federal program which is not audited as a major program. Except for audit follow-up, the auditor is not required under this Part to perform audit procedures for such a Federal program; therefore, the auditor will normally not find questioned costs for a program that is not audited as a major program. However, if the auditor does become aware of questioned costs for a Federal program that is not audited as a major program (e.g. as part of audit follow-up or other audit procedures) and the known questioned costs are greater than \$25,000, then the auditor must report this as an audit finding.
 - The circumstances concerning why the auditor's report on compliance for each major program is other than an unmodified opinion, unless such circumstances are otherwise reported as audit findings in the schedule of findings and questioned costs for Federal awards.

**TEAGUE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

- Known or likely fraud affecting a Federal award, unless such fraud is otherwise reported as an audit finding in the schedule of findings and questioned costs for Federal awards. This paragraph does not require the auditor to report publicly information which could compromise investigative or legal proceedings or to make an additional reporting when the auditor confirms that the fraud was reported outside the auditor's reports under the direct reporting requirements of GAGAS.
- Instances where the results of audit follow-up procedures disclosed that the summary schedule of prior audit findings prepared by the auditee in accordance with § 200.511 Audit findings follow-up, paragraph (b) materially misrepresents the status of any prior audit finding.
- We identified the following major programs:

Special Education – Grants to States (IDEA, part B)	\$ 196,494
Special Education – Preschool Grants (IDEA Preschool)	\$ 2,524

- The dollar threshold used to distinguish between Type A and Type B programs was \$750,000
- The auditee does qualify as a low-risk auditee.

TEAGUE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	S010A150043	\$ 8,709
ESEA, Title I, Part A - Improving Basic Programs	84.010A	S010A160043	192,651
Total CFDA Number 84.010A			201,360
*IDEA - Part B, Formula	84.027A	H027A160008	196,494
*IDEA - Part B, Preschool	84.173A	H173A160004	2,524
Total Special Education Cluster (IDEA)			199,018
Career and Technical - Basic Grant	84.048A	V048A160043	9,042
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	S367A160041	13,988
Other Federally Funded Special Revenue Fund	84.365A	S365A160043	1,165
Total Passed Through State Department of Education			\$ 424,573
TOTAL U.S. DEPARTMENT OF EDUCATION			\$ 424,573
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through Texas Dept of Human Services</u>			
Medicaid Administrative Claiming Program - MAC	93.778		\$ 2,518
Total Passed Through Texas Dept of Human Services			\$ 2,518
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ 2,518
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553		\$ 126,617
*National School Lunch Program - Cash Assistance	10.555		303,237
*National School Lunch Prog. - Non-Cash Assistance	10.555		47,127
Total CFDA Number 10.555			350,364
Total Child Nutrition Cluster			476,981
Total Passed Through the State Department of Agriculture			\$ 476,981
TOTAL U.S. DEPARTMENT OF AGRICULTURE			\$ 476,981
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 904,072

*Clustered Programs

**TEAGUE INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

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

The modified accrual basis of accounting is used for the Governmental Fund types, the Expendable Trust Funds, and Agency 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 fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

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

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 extended 30 days beyond the federal project period ending date.

SCHOOL'S FIRST QUESTIONNAIRE

Teague Independent School District		Fiscal Year 2017
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds??	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	- 0 -
SF11	Net Pension Assets (1920) at fiscal year-end.	- 0 -
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$2,743,748
SF13	Pension Expense (6147) at fiscal year-end	\$ 25,1575