North Lamar
Independent School District

Annual Financial Statements

For the Year Ended
June 30, 2017

Malnory, McNeal & Company, PC

Certified Public Accountants

NORTH LAMAR INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2017

North Lamar Independent School District
Annual Financial Report
For The Year Ended June 30, 2017

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North Lamar Independent School District
Annual Financial Report
For The Year Ended June 30, 2017

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Introductory Section

CERTIFICATE OF BOARD

North Lamar Independent School District
Name of School District

Lamar
County

139-911
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) X approved ______ disapproved for the year ended June 30, 2017, at a meeting of the board of trustees of such school district on the 16th day of October, 2017.

Signature of Board Secretary

Signature of Board President

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

Financial Section

Malnory, McNeal & Company, PC
Certified Public Accountants

Mark W. Malnory, CPA
Johnna W. McNeal, CPA
Beverly Smith, CPA

Members of
American Institute of Certified Public Accountants
Texas Society of Certified Public Accountants
AICPA Governmental Audit Quality Center

Elizabeth Hamm, CPA
E. J. Musharbash, CPA
Les S. Malnory, CPA

Independent Auditor's Report

To the Board of Trustees
North Lamar Independent School District
3201 Lewis Lane
Paris, Texas 75460

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North Lamar Independent School District ("the 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 as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of North Lamar Independent School District as of June 30, 2017, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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1711 Clarksville Street Paris, Texas 75460 Telephone: 903-784-6700 Facsimile: 903-784-6934
www.malnorymcneal.com

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedule of the District's proportionate share of the net pension liability and schedule of District pension contributions identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the North Lamar Independent School District's basic financial statements. The introductory section, Schedule of Delinquent Taxes Receivable, and Budgetary Schedules required by Texas Education Agency are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is also not a required part of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is also not a required part of the basic financial statements.

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

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The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4 2017 on our consideration of North Lamar Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering North Lamar Independent School District's internal control over financial reporting and compliance.

Malnory, McNeal & Company PC

Certified Public Accountants

October 4, 2017
Paris, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

FINANCIAL HIGHLIGHTS

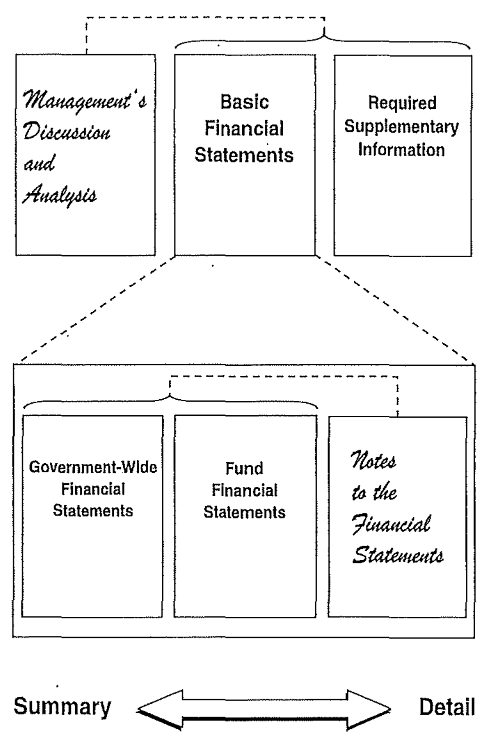
- The District's total combined net position was $31,512,816 at June 30, 2017.
- The total costs of the District's programs were $31,949,585 as shown on Exhibit C-2 of the financial statements. The total expenditures were $2,060,135 more than the 2015-2016 school year.
- The general fund reported a fund balance this year of $10,622,905, a decrease of $1,775,388 over the previous year's fund balance. Debt service ended the year with $10,903 fund balance, a decrease of $578,340.
- The District earned a 2015-2016 School First Rating of Superior.

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*, such as food service.
  - *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

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



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

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

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

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

Government-wide Statements

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

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

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, you need 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.

Table A-1

The District's Net Position

Governmental Activities

	2017	2016
Current and Other Assets	$15,306,902	$17,422,951
Capital and Non-Current	22,168,454	20,819,059
Total Assets	37,475,356	38,242,010
Deferred Outflow Related to Pensions	2,148,170	3,063,962
Current Liabilities	2,818,840	2,602,652
Long Term Liabilities	209,375	846,435
Net Pension Liability	4,741,147	4,804,309
Total Liabilities	7,769,362	8,253,396
Deferred inflow related to pension	341,348	810,988
Net Assets Invested in Capital Assets Net of Related Debt	22,065,254	20,028,073
Restricted	1,052,797	1,801,565
Unrestricted	8,394,765	10,411,951
Total Net Position	$31,512,816	$32,241,589

The excess of liabilities/deferred inflows of resources over assets/deferred outflows of resources reported on the government-wide Statement of Net Position of $31,512,816 at June 30, 2017 results from several factors. The most significant items include certain long-term liabilities that do not require current funding such as net pension liabilities of $4,741,147 as of June 30, 2017, and other unfunded long-term liabilities which includes workers' compensation claims and compensated absences.

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

The District has two kinds of funds:

- *Governmental funds*—Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Fiduciary funds*—The District is the trustee, or fiduciary, for certain funds. It is also responsible for other assets that – because of a trust arrangement – can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net 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 position. The District's *combined* net position was approximately $31,512,816 at June 30, 2017. (See Table A-1) The District net position was decreased by $1,442,320 from the year ending June 30, 2016.

Approximately $10,903 of the District's restricted net position represents proceeds from local taxes and is restricted for debt service. The $8,394,765 of unrestricted net position represents resources available to fund the programs of the District for next year.

Change in net position. The District's total revenues were $29,854,665 (see Table A-2). Forty-two percent of the district revenue was realized from local property taxes, while thirty-two percent came from state aid. Thirteen percent came from state and federal grants, while ten percent came from charges for services and three percent from other resources. The total cost of all programs and services was $30,510,255; fifty-eight percent of these costs are for instruction.

Governmental Activities

Property tax rates remained for the 2016-2017school year at 1.1025.

The district purchased 35 acres of land; high school renovation project; 4 buses; cameras for buses; bleacher repairs; 2 boilers for high school; numerous air conditioning units; rubber flooring for the gym; and relocation of 24 portable buildings.

Table A-2

Change in the District's Net Position

Governmental Activities

	2017	2016
Revenues		
Program Revenues		
Charges for Services	$ 2,861,295	$ 2,726,749
Operating Grants and Contributions	3,941,443	3,869,557
Capital Grand and Contributions	750	--
General Revenues		
Property Taxes	12,653,343	11,956,553
State Aid – Formula	9,465,847	10,429,746
Investment Earnings	84,279	61,245
Other	847,708	993,871
Total Revenues	29,854,665	30,037,721
Expenses		
Instruction and instructional related	17,660,807	18,227,021
Inst leadership/school administration	2,308,776	2,396,813
Guidance, social work, health, transportation	1,910,944	1,998,332
Food Services	1,273,920	1,325,983
Extracurricular activities	2,315,114	2,128,988
General Administration	938,082	808,223
Plant Maintenance and security	2,438,518	2,211,024

Data Processing	55,077	55,885
Debt Service	9,614	21,842
Payments to fiscal agent/member districts-shared	1,424,108	1,406,450
Intergovernmental charges	175,294	170,711
Total Expenses	30,510,255	30,751,272
Excess (Deficiency) Before Other Resources, Uses & Transfers	(655,590)	(713,551)
Special and Extraordinary Items:		
Extraordinary Inflows	85,366	--
Extraordinary Outflows	(158,548)	--
Decrease in Net Position	(728,772)	(713,551)
Beginning Net Position	32,241,588	32,955,140
Ending Net Position	$ 31,512,816	$ 32,241,589

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

- The cost of all *governmental* activities this year was $30,510,255.
- However, the amount that our taxpayers paid for these activities through property taxes was only $12,653,343. Those who directly benefited from some of the programs paid a portion of the cost of $2,861,295 while some cost was paid by grants and contributions restricted for specific operations of $3,942,193.

Table A-3
Net Cost of Selected District Functions

	Total Cost of Services		**Net Cost of Services**	
	2017	**2016**	**2017**	**2016**
Instruction	$17,045,680	$17,709,487	($12,990,129)	($13,693,153)
Food Service	1,273,920	1,325,983	(17,811)	(21,508)
Plant Maintenance & Operations	2,208,465	2,006,663	(2,120,711)	(1,942,435)
Cocurricular/Extracurricular	2,315,114	2,128,988	(2,186,227)	(2,015,266)

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled $29,586,090 an increase of 8% over the preceding year. General fund costs increased from 9.8% percent the previous year. Expenditures exceeded revenue by $2,717,944.

General Fund Budgetary Highlights

Over the course of the year, the District revised its general fund budget several times. The original budget for the general fund was $22,989,676 and it ended the year with a total budget of $25,469,251. Amendments were made to cover expenses for student performance incentive; land purchase; high school renovation project; buses; cameras for buses; bleacher repairs; boilers and A/C units; rubber flooring for gym; and relocation of 24 portables. Even through the budget was amended to $25,469,251 only $25,428,200 was spent.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2017, the District had invested $39,954,130 in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.) This amount represents a net increase (including additions and deductions) of $638,802 over last year.

Table A-4
District's Capital Assets
(In millions of dollars)

	Governmental Activities	
	2017	2016
Land	$ 2,259,376	$ 959,630
Buildings and improvements	30,697,056	30,176,413
Vehicles	4,993,624	4,630,508
Equipment	2,710,462	2,587,740
Infrastructure	1,552,998	1,552,988
Totals at historical cost	42,213,516	39,907,279
Total accumulated depreciation	20,045,052	19,088,220
Net capital assets	$ 20,045,052	$ 20,819,059

Long-Term Debt

At year-end the District had no bonds and notes outstanding as shown in Table A-5. More detailed information about the District's debt is presented in the Notes to the Financial Statements.

Table A-5
District's Long Term Debt
Governmental Activities

	2017	2016
Bonds payable	$ --	$ 710,000
Capital leases payable	103,200	69,761
Compensated absences	106,175	55,450
Unamortized premium	--	11,223
Net Pension Liability	4,741,147	4,804,309
Total bonds and notes payable	$4,950,522	$5,650,743

Pension. The adoption of Statement No. 68 resulted in the District's reporting of net pension liabilities and deferred inflows of resources and deferred outflows of resources for each of its qualified pension plans and the recognition of pension expense in accordance with the provisions of the Statement. The decrease in the District's net pension liability (NPL) to $4,741,147 at August 31, 2017 from $4,804,309 at August 31, 2016 was the result of a significant increase in net investment income in the TRS plan during 2014.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Appraised value used for the 2017-2018 budget preparation was increased due to growth. The general fund budget for the 2017-2018 school year decreased from the previous year's original budget by $394,279.

Taking the above factors into consideration, and the change in the tax laws, the district lowered the tax rate for the 2017-2018 school year to $1.04.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Business Office.

Basic Financial Statements

NORTH LAMAR INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2017

Data Control Codes		1 Governmental Activities
	ASSETS:	
1110	*Cash and Cash Equivalents*	$ 12,458,606
1225	*Property Taxes Receivable (Net)*	812,358
1240	*Due from Other Governments*	2,001,103
1250	*Accrued Interest*	11,099
1267	*Due from Fiduciary*	1,179
1300	*Inventories*	22,557
	Capital Assets:	
1510	*Land*	2,259,376
1520	*Buildings and Improvements, Net*	17,288,948
1530	*Furniture and Equipment, Net*	2,319,262
1590	*Infrastructure, Net*	300,868
1000	Total Assets	37,475,356
	DEFERRED OUTFLOWS OF RESOURCES:	
1705	*Deferred Outflow Related to Pensions*	2,148,170
1700	Total Deferred Outflows of Resources	2,148,170
	LIABILITIES:	
2110	*Accounts Payable*	312,880
2165	*Accrued Liabilities*	2,492,387
2300	*Unearned Revenue*	13,573
	Noncurrent Liabilities:	
2501	*Due Within One Year*	47,387
2502	*Due in More Than One Year*	161,988
2540	*Net Pension Liability*	4,741,147
2000	Total Liabilities	7,769,362
	DEFERRED INFLOWS OF RESOURCES:	
2605	*Deferred Inflow Related to Pensions*	341,348
2600	Total Deferred Inflows of Resources	341,348
	NET POSITION:	
3200	Net Investment in Capital Assets	22,065,254
	Restricted For:	
3820	State and Federal Programs	151,664
3850	Debt Service	10,903
3890	Other Purposes	890,230
3900	Unrestricted	8,394,765
3000	Total Net Position	$ 31,512,816

The accompanying notes are an integral part of this statement.

EXHIBIT B-1

NORTH LAMAR INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Data Control Codes	Functions/Programs	1 Expenses	3 Program Revenues Charges for Services	4 Program Revenues Operating Grants and Contributions	5 Program Revenues Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Governmental Activities
	Governmental Activities:					
11	*Instruction*	$ 17,045,680	$ 1,640,057	$ 2,415,494	$ --	$ (12,990,129)
12	*Instructional Resources and Media Services*	407,974	58	25,587	--	(382,329)
13	*Curriculum and Staff Development*	207,153	29	11,629	--	(195,495)
21	*Instructional Leadership*	987,620	377,873	223,538	--	(386,209)
23	*School Leadership*	1,321,156	191	78,942	--	(1,242,023)
31	*Guidance, Counseling, & Evaluation Services*	601,179	87	40,583	--	(560,509)
32	*Social Work Services*	61,862	62,423	6,350	--	6,911
33	*Health Services*	296,712	43	16,872	--	(279,797)
34	*Student Transportation*	951,191	86,259	43,657	--	(821,275)
35	*Food Service*	1,273,920	389,819	865,540	750	(17,811)
36	*Cocurricular/Extracurricular Activities*	2,315,114	81,187	47,700	--	(2,186,227)
41	*General Administration*	938,082	134	48,264	--	(889,684)
51	*Facilities Maintenance and Operations*	2,208,465	25,259	62,495	--	(2,120,711)
52	*Security and Monitoring Services*	230,053	25,565	2,241	--	(202,247)
53	*Data Processing Services*	55,077	8	3,673	--	(51,396)
72	*Interest on Long-term Debt*	9,214	--	28,003	--	18,789
73	*Bond Issuance Costs and Fees*	400	--	--	--	(400)
93	*Payments Related to Shared Services Arrangements*	1,424,108	172,303	20,875	--	(1,230,930)
99	*Other Intergovernmental Charges*	175,294	--	--	--	(175,294)
TG	Total Governmental Activities	30,510,255	2,861,295	3,941,443	750	(23,706,767)
TP	Total Primary Government	$ 30,510,255	$ 2,861,295	$ 3,941,443	$ 750	(23,706,767)

Data Control Codes		
	General Revenues:	
MT	*Property Taxes, Levied for General Purposes*	11,932,345
DT	*Property Taxes, Levied for Debt Service*	720,998
IE	*Investment Earnings*	84,279
GC	*Grants and Contributions Not Restricted to Specific Programs*	9,465,847
MI	*Miscellaneous*	847,708
	Special and Extraordinary Items:	
E1	*Extraordinary Item Inflow (Note P)*	85,366
E2	*Extraordinary Item Outflow (Note O)*	(158,548)
TR	Total General Revenues	22,977,995
CN	Change in Net Position	(728,772)
NB	Net Position - Beginning	32,241,588
NE	Net Position - Ending	$ 31,512,816

The accompanying notes are an integral part of this statement.

NORTH LAMAR INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017

Data Control Codes		10 General Fund	Other Governmental Funds	98 Total Governmental Funds
	ASSETS:			
1110	*Cash and Cash Equivalents*	$ 10,942,915	$ 1,515,692	$ 12,458,607
1225	*Taxes Receivable, Net*	758,747	53,611	812,358
1240	*Due from Other Governments*	1,882,081	119,022	2,001,103
1250	*Accrued Interest*	11,099	--	11,099
1260	*Due from Other Funds*	109,340	5	109,345
1300	*Inventories*	16,605	5,952	22,557
1000	Total Assets	13,720,787	1,694,282	15,415,069
	LIABILITIES:			
	Current Liabilities:			
2110	*Accounts Payable*	$ 308,404	$ 4,476	$ 312,880
2150	*Payroll Deductions & Withholdings*	4,206	--	4,206
2160	*Accrued Wages Payable*	1,838,124	397,758	2,235,882
2170	*Due to Other Funds*	40	108,126	108,166
2200	*Accrued Expenditures*	188,361	63,938	252,299
2300	*Unearned Revenue*	--	13,573	13,573
2000	Total Liabilities	2,339,135	587,871	2,927,006
	DEFERRED INFLOWS OF RESOURCES:			
	Deferred Revenue	758,747	53,611	812,358
2600	Total Deferred Inflows of Resources	758,747	53,611	812,358
	FUND BALANCES:			
	Nonspendable Fund Balances:			
3410	*Inventories*	16,605	5,952	22,557
	Restricted Fund Balances:			
3450	*Federal/State Funds Grant Restrictions*	--	145,712	145,712
3480	*Retirement of Long-Term Debt*	--	10,903	10,903
3490	*Other Restrictions of Fund Balance*	--	490,039	490,039
	Committed Fund Balances:			
3545	*Other Committed Fund Balance*	--	400,194	400,194
3600	Unassigned	10,606,300	--	10,606,300
3000	Total Fund Balances	10,622,905	1,052,800	11,675,705
4000	Total Liabilities, Deferred Inflow of Resources and Fund Balances	$ 13,720,787	$ 1,694,282	$ 15,415,069

The accompanying notes are an integral part of this statement.

NORTH LAMAR INDEPENDENT SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017

Total fund balances - governmental funds balance sheet	$	11,675,705
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not reported in the funds.		22,168,454
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.		812,357
Payables for capital leases which are not due in the current period are not reported in the funds.		(103,200)
Payables for compensated absences which are not due in the current period are not reported in the funds.		(106,175)
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.		(4,741,147)
Deferred Resource Inflows related to TRS pension plan are not reported in the funds.		(341,348)
Deferred Resource Outflows related to the pension plan are not reported in the funds.		2,148,170
Net position of governmental activities - Statement of Net Position	$	31,512,816

The accompanying notes are an integral part of this statement.

NORTH LAMAR INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2017

Data Control Codes		10 General Fund	Other Governmental Funds	98 Total Governmental Funds
	REVENUES:			
5700	*Local and Intermediate Sources*	$ 12,168,844	$ 4,250,134	$ 16,418,978
5800	*State Program Revenues*	10,541,412	263,650	10,805,062
5900	*Federal Program Revenues*	--	2,362,050	2,362,050
5020	Total Revenues	22,710,256	6,875,834	29,586,090
	EXPENDITURES:			
	Current:			
0011	*Instruction*	13,004,837	3,158,553	16,163,390
0012	*Instructional Resources and Media Services*	395,248	--	395,248
0013	*Curriculum and Staff Development*	199,239	4,200	203,439
0021	*Instructional Leadership*	443,073	514,532	957,605
0023	*School Leadership*	1,285,408	--	1,285,408
0031	*Guidance, Counseling, & Evaluation Services*	585,506	--	585,506
0032	*Social Work Services*	3,694	56,563	60,257
0033	*Health Services*	290,882	--	290,882
0034	*Student Transportation*	1,059,389	117,987	1,177,376
0035	*Food Service*	33,408	1,187,163	1,220,571
0036	*Cocurricular/Extracurricular Activities*	1,574,950	557,518	2,132,468
0041	*General Administration*	909,023	--	909,023
0051	*Facilities Maintenance and Operations*	2,218,847	22,059	2,240,906
0052	*Security and Monitoring Services*	208,053	22,000	230,053
0053	*Data Processing Services*	53,867	--	53,867
0071	*Principal on Long-term Debt*	44,070	710,000	754,070
0072	*Interest on Long-term Debt*	5,522	14,200	19,722
0073	*Bond Issuance Costs and Fees*	--	400	400
0081	*Capital Outlay*	1,669,992	--	1,669,992
0093	*Payments to Shared Service Arrangements*	1,267,898	156,210	1,424,108
0099	*Other Intergovernmental Charges*	175,294	--	175,294
6030	Total Expenditures	25,428,200	6,521,385	31,949,585
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	(2,717,944)	354,449	(2,363,495)
	Other Financing Sources and (Uses):			
7913	*Issuance of Capital Leases*	76,793	--	76,793
7915	*Transfers In*	935,972	6,745	942,717
8911	*Transfers Out*	(6,745)	(935,972)	(942,717)
7080	Total Other Financing Sources and (Uses)	1,006,020	(929,227)	76,793
	SPECIAL ITEM:			
8912	*Special Item (Use)*	--	(257)	(257)
	EXTRAORDINARY ITEM:			
7919	*Extraordinary Item (Resource)*	85,366	--	85,366
8913	*Extraordinary Item (Use)*	(148,830)	(9,718)	(158,548)
1200	Net Change in Fund Balances	(1,775,388)	(584,753)	(2,360,141)
0100	Fund Balances - Beginning	12,398,293	1,637,553	14,035,846
3000	Fund Balances - Ending	$ 10,622,905	$ 1,052,800	$ 11,675,705

The accompanying notes are an integral part of this statement.

EXHIBIT C-3

NORTH LAMAR INDEPENDENT SCHOOL DISTRICT

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

Net change in fund balances - total governmental funds	$	(2,360,141)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:		
Capital outlays are not reported as expenses in the SOA.		2,306,229
The depreciation of capital assets used in governmental activities is not reported in the funds.		(956,833)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.		27,905
Revenues in the SOA not providing current financial resources are not reported as revenues in the funds.		240,928
Expenses not requiring the use of current financial resources are not reported as expenditures in the funds.		(240,928)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.		710,000
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.		44,070
(Increase) decrease in accrued interest from beginning of period to end of period.		(716)
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.		(50,725)
The bond premiums are reported in the funds but not in the SOA.		11,224
Proceeds of leases do not provide revenue in the SOA, but are reported as current resources in the funds.		(76,793)
Implementing GASB 68 required certain expenditures to be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of August 31, 2016 caused the changed in the net position to increase.		354,903
Pension contributions made before the measurement date and during the previous fiscal year were also de-expanded recorded as a reduction in net pension liability.		(335,190)
The District's proportionate share of the TRS pension expense on the plan as a whole had to be recorded.		(402,705)
Change in net position of governmental activities - Statement of Activities	$	(728,772)

The accompanying notes are an integral part of this statement.

NORTH LAMAR INDEPENDENT SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017

Data Control Codes		Agency Fund Student Activity
	ASSETS:	
1110	*Cash and Cash Equivalents*	$ 80,111
1000	Total Assets	80,111
	LIABILITIES:	
	Current Liabilities:	
2170	*Due to Other Funds*	$ 1,179
2190	*Due to Student Groups*	78,932
2000	Total Liabilities	80,111
	NET POSITION:	
3000	Total Net Position	$ --

The accompanying notes are an integral part of this statement.

A. Summary of Significant Accounting Policies

The basic financial statements of North Lamar Independent School District (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") applicable to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide ("Resource Guide"). The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

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

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Financial Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

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

In addition, the District reports the following fund types:

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

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

Special Revenue Funds: These funds account for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most federal and some state financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.

Debt Service Fund: This is where the District sets aside resources to meet current and future debt service requirements on general long-term debt.

b. Measurement Focus, Basis of Accounting

Government-wide and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year-end to be available in the current period. 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. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

3. Financial Statement Amounts

a. 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 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

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

b. Inventories

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

c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of $5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Infrastructure	30
Buildings	50
Building Improvements	20
Vehicles	2-15
Office Equipment	3-15
Computer Equipment	3-15

d. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide Statement of Net Position and governmental funds balance sheet) 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 and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

e. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

f. Compensated Absences

On retirement or death of certain employees, the District pays any accrued sick leave in a lump case payment to such employee or his/her estate up to 30 cays at $50 per day.

g. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

h. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

i. Data Control Codes

Data Control Codes appear in the rows and above the columns of certain financial statements. The TEA requires the display of these codes in the financial statements filed with TEA in order to ensure accuracy in building a statewide database for policy development and funding plans.

j. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's Board of Trustees. Committed amounts cannot be used for any other purpose unless the Board of Trustees removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Board of Trustees. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board of Trustees or by an official or body to which the Board of Trustees delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

Fund Balance Policy The District will strive to maintain a yearly fund balance in the general operating fund in which the total fund balance is thirty-four percent of the total operating expendiutres and the Unassigned fund balance is thirty-four percent, which equals approximately four months of the total operating expenditures.

k. Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

I. Fund Balance Flow Assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

4. Pensions

The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS' 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.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

Violation	Action Taken
Fund 199 Function 51 was over budget by $167,333.	Noted

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

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

Fund Name	Deficit Amount	Remarks
None reported	Not applicable	Not applicable

C. Deposits and Investments

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

1. Cash Deposits:

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 $12,538,715 and the bank balance was $12,655,504. The District's cash deposits at June 30, 2017 and during the year ended June 30, 2017, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, 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, and (9) bid solicitation preferences for certificates of deposit.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

The District's investment at June 30, 2017 is shown below.

Investment or Investment Type	Maturity	Fair Value
None	N/A	$ --
Total Investments		$ --

3. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.

b. Custodial Credit Risk

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

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

At year end, the District was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

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

Investment Accounting Policy
The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

D. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 959,630	$ 1,299,746	$ --	$ 2,259,376
Construction in progress	--	--	--	--
Total capital assets not being depreciated	959,630	1,299,746	--	2,259,376
Capital assets being depreciated:				
Buildings and improvements	30,176,411	520,645	--	30,697,056
Equipment	2,587,740	122,722	--	2,710,462
Vehicles	4,630,508	363,116	--	4,993,624
Infrastructure	1,552,988	--	--	1,552,988
Total capital assets being depreciated	38,947,647	1,006,483	--	39,954,130
Less accumulated depreciation for:				
Buildings and improvements	(12,889,597)	(518,511)	--	(13,408,108)
Equipment	(1,628,683)	(180,652)	--	(1,809,335)
Vehicles	(3,362,394)	(213,095)	--	(3,575,489)
Infrastructure	(1,207,545)	(44,575)	--	(1,252,120)
Total accumulated depreciation	(19,088,219)	(956,833)	--	(20,045,052)
Total capital assets being depreciated, net	19,859,428	49,650	--	19,909,078
Governmental activities capital assets, net	$ 20,819,058	$ 1,349,396	$ --	$ 22,168,454

Depreciation was charged to functions as follows:

Instruction	$	425,166
Instructional Resources and Media Services		4,000
Student Transportation		200,425
Food Services		52,105
Extracurricular Activities		163,593
General Administration		9,964
Plant Maintenance and Operations		101,580
	$	956,833

E. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2017, consisted of the following:

Due To Fund	Due From Fund		Amount	Purpose
General Fund	Special Revenue Funds	$	108,161	Short-term loans
Debt Service Fund	General Fund		5	Other
General Fund	Agency Fund		1,179	Specify purpose here
	Other Balances		--	
	Total	$	109,345	

All amounts due are scheduled to be repaid within one year.

2. Transfers To and From Other Funds

Transfers to and from other funds at June 30, 2017, consisted of the following:

Transfers From	Transfers To		Amount	Reason
General Fund	Food Service	$	6,745	Reimburse expenditures
Debt Service Fund	General Fund		597,143	Residual transfer
Special Revenue Fund	General Fund		338,829	Reimburse expenditures
	Total	$	942,717	

F. Short-Term Debt Activity

The District accounts for short-term debts for maintenance purposes through the General Fund. The proceeds from loans are shown in the financial statements as Other Resources. The District had no short term loans.

G. Long-Term Obligations

The District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2017, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	$ 710,000	$ --	$ 710,000	$ --	$ --
Capital leases	69,761	76,838	43,399	103,200	47,387
Compensated absences *	55,450	75,775	25,050	106,175	--
Net Pension Liability *	4,804,309	335,474	398,635	4,741,147	--
Unamortized Premium	11,224	--	11,224	--	--
Total governmental activities	$ 5,650,744	$ 488,087	$ 1,188,308	$ 4,950,522	$ 47,387

* Other long-term liabilities
The funds typically used to liquidate other long-term liabilities in the past are as follows:

Liability	Activity Type	Fund
Compensated absences	Governmental	
Net Pension Liability *	Governmental	

Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of June 30, 2017, as follows:

Year Ending June 30:	Principal	Interest	Total
2018	$ 975	$ 197	$ 1,172
2019	1,010	65	1,075
Total Minimum Rentals	$ 1,985	$ 262	$ 2,247

The effective interest rate on capital leases is 12.705%.

Year Ending June 30:	Principal	Interest	Total
2018	$ 21,846	$ 518	$ 22,364
Total Minimum Rentals	21,846	$ 518	$ 22,364

The effective interest rate on capital leases is 4.35%.

Year Ending June 30:	Principal	Interest	Total
2018	$ 5,432	$ 733	$ 6,166
2019	5,710	456	6,166
2020	6,002	164	6,166
Total Minimum Rentals	$ 17,144	$ 1,353	$ 18,498

The effective interest rate on capital leases is 5.0%.

Year Ending June 30:	Principal	Interest	Total
2018	$ 8,237	$ 1,714	$ 9,951
2019	8,658	1,293	9,951
2020	9,101	850	9,951
2021	9,567	384	9,951
2022	2,468	21	2,489
Total Minimum Rentals	$ 38,031	$ 4,263	$ 42,294

The effective interest rate on capital leases is 5.0%.

Year Ending June 30:	Principal	Interest	Total
2018	$ 10,864	$ 836	$ 11,700
2019	11,346	353	11,699
2020	1,983	11	1,994
Total Minimum Rentals	$ 24,193	$ 1,200	$ 25,393

The effective interest rate on capital leases is 4.35%.

H. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2017, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

I. Pension Plan

1. Plan Description

The District participates in a cost-sharing multiple-employer defined benefit pension plan that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS' defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. The TRS 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.

2. Pension Plan Fiduciary Net Position

Detailed information about the TRS' 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 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.

3. Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes, including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs, can be granted by the Texas Legislature, as noted in the plan description in (1.) above.

4. 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 through 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

Contribution Rates

	2016	2017
Member	7.2%	7.7%
Non-Employer Contributing Entity (NECE - State)	6.8%	6.8%
Employers	6.8%	6.8%

District's 2017 Employer Contributions	$	417,533
District's 2017 Member Contributions	$	1,328,507
NECE 2016 On-Behalf Contributions to District	$	1,017,290

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

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

--- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.

--- During a new member's first 90 days of employment.

--- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.

--- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

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

--- When employing a retiree of the TRS the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

--- When a school district or charter school 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.

5. Actuarial Assumptions

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

Valuation Date	August 31, 2016
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8%
Long-term expected Investment Rate of Return	8%
Inflation	2.5%
Salary Increases including inflation	3.5% to 9.5%
Payroll Growth Rate	2.5%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

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

6. Discount Rate

The discount rate used to measure the total pension liability was 8%. 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:

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

7. 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%	Discount Rate 8%	1% Increase in Discount Rate 9%
District's proportionate share of the net pension liability	$ 7,337,698	$ 4,741,147	$ 2,538,746

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

At June 30, 2017, the District reported a liability of $4,741,147 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	$ 4,741,147
State's proportionate share of the net pension liability associated with the District	12,075,077
Total	$ 16,816,224

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 District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2015 through August 31, 2016.

At August 31, 2016 the employer's proportion of the collective net pension liability was .0125465% which was an increase (decrease) of -.0010447% from its proportion measured as of August 31, 2015.

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

Economic Assumptions

a. The inflation assumption was decreased from 3.00% to 2.50%

b. The ultimate merit assumption for long-service employees was decreased from 1.25% to 1.00%.

c. In accordance with the observed experience, there were small adjustments in the service-based promotional/longevity component of the salary scale.

d. The payroll growth assumption was lowered from 3.50% to 2.50%

Mortality Assumptions

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

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

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

Other Demographic Assumptions

h. Previously, it was assumed 10% of all members who had contributed in the past 5 years to be an active member. This was an implicit rehire assumption because teachers have historically had a high incidence of terminating employment for a time and then returning to the workforce at a later date. This methodology was modified to add a more explicit valuation of the rehire incidence in the termination liabilities, and therefore these 10% are no longer being counted as active members.

i. There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.

j. Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.

k. Small adjustments to the disability patterns were made for members consistent with experience and future expectations. Two separate patterns were created based on whether the member has 10 years of service or more.

l. For members that become disabled in the future, it is assumed 20% of them will choose a 100% joint and survivor annuity option.

Actuarial Methods and Policies

m. The method of using celled data in the valuation process was changed to now using individual data records to allo' better reporting of some items, such as actuarial gains and losses by sources.

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

For the year ended August 31, 2017, the District recognized pension expense of $1253105 and revenue of $1253105 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 74,340	$ 141,568
Changes in actuarial assumptions	144,502	131,418
Difference between projected and actual investment earnings	401,470	--
Changes in proportion and differences between the District's contributions and the proportionate share of contributions	1,172,955	68,362
Total as of August 31, 2016 measurement date	$ 1,793,267	$ 341,348
District contributions paid to TRS subsequent to the measurement date	354,903	
Total	$ 2,148,170	$ 341,348

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

Year Ended June 30		Pension Expense Amount
2018	$	264,599
2019	$	264,599
2020	$	520,677
2021	$	244,921
2022	$	160,873
Thereafter	$	(3,750)

J. Retiree Health Care Plans

1. TRS-Care

a. Plan Description

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

b. Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. The State of Texas contribution rate was 1% for fiscal years 2015 and 2014, and 0.5% for fiscal year 2013. The active public school employee contributions rates were 0.65% of public school payroll, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2017, 2016 and 2015. For the years ended June 30, 2017, 2016, and 2015, the State's contributions to TRS-Care were $174,353, $169,770, and $164,942, respectively, the active member contributions were $113,328, $110,350, and $107,214, respectively, and the District's contributions were $95,894, $93,373, and $90,719, respectively, which equaled the required contributions each year.

2. Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended June 30, 2017, 2016, and 2015, the subsidy payments received by TRS-Care on behalf of the District were $87,899, $70,207, and $71,030, respectively.

K. Employee Health Care Coverage

Texas House Bill 3343 created a statewide program for public school employee group health coverage beginning September 1, 2002. The Active Care Plan "the Plan" was authorized by Article 3.50-7 of the Texas Insurance Code and is administered by the Teacher Retirement System of Texas (TRS). Both the TRS and the Texas Education Agency (TEA) have roles in funding the program. The TRS Active Care Plan is a self-funding pool at TRS, but the participating District's are fully insured. The District contributed $325 per month per employee to the plan. Employees at their option, authorized payroll withholdings to pay contributions for dependents. All contributions were paid to the administrator of the Plan. The contract between the District and the Plan is renewable September 1, 2017, and terms of coverage and contribution costs are included in the contractual provisions. The Plan began September 1, 2002, and the annual financial statements have been filed with the Texas State Board of Insurance.

L. Commitments and Contingencies

1. Contingencies

The District participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

2. Litigation

No reportable litigation was pending against the District at June 30, 2017.

M. Shared Services Arrangements

Shared Services Arrangement - Fiscal Agent

The District is the fiscal agent for three Shared Services Arrangements ("SSA") which provides services to the member districts listed below.

Model #2
The fiscal agent receives the monies from local services and granting agencies and administers the program. The fiscal agent manages the shared services arrangement's financial matters, including budgeting, accounting, auditing and reporting. Certain management decisions may be made by an executive board or committee of participating members.

Expenditures related to each member district were as follows:

Member Districts	Special Education	Visually Impaired	IDEA-B Formula	IDEA-B Preschool
North Lamar	$ 1,138,647	$ 4,568	$ 448,138	$ 14,514
Chisum	471,491	--	147,799	2,849
Prairiland	471,922	--	185,385	2,503
Roxton	72,835	--	38,403	711
Total	$ 2,154,895	$ 4,568	$ 819,725	$ 20,577

Member Districts	Deaf Ed Coop
North Lamar ISD	$ 149,160
Prairiland ISD	5,660
Chisum ISD	3,982
Roxton ISD	3,982
Detroit ISD	16,877
Paris ISD	56,786
Clarksville ISD	16,877
Cooper ISD	3,982
Rivercrest ISD	3,982
Total	$ 306,288

Model #3
Member school districts agree to combine resources to provide a certain service. The fiscal agent manages the shared arrangement's financial matters, including the budgeting, accounting, auditing and reporting. Certain management decisions may be made by an executive board or committee of participating members.

Member Districts		AEP/DAEP Alternative School
North Lamar	$	186,410
Chisum		63,362
Prairiland		77,935
Roxton		12,768
Total	$	340,475

N. Subsequent Events
Management has evaluated subsequent events through October 11, 2017, the date the financials were available to be distributed. The following events happened subsequent to year end :

-- The Superintendent's contract was paid off September 30, 2017 for $240,625.
-- The District leased several portable buildings and paid for the setup costs for these buildings for an estimated cost of $450,000.

O. Extraordinary Item Outflow
The District was required to refund $158,548 in property taxes related to prior fiscal years' collections. This was the result of a property value dispute filed by a taxpayer.

P. Extraordinary Item Inflow
The District earned an additional $85,366 in State aid as a result of the lower tax value discussed in Note O.

Q. Accounting Standards Applicable to Subsequent Years
The Governmental Accounting Standards Board (GASB) has issued several new accounting standards. Each standards has a separate effective date. The new standards and related effective dates are listed below:

-Statement No. 75-Accounting and Financial Reporting for Postemployment Benefits Other than Pensions
effective for fiscal years beginning after June 15, 2017.

-Statement No. 81-Irrevocable Split-Interest Agreements
effective for reporting periods beginning after December 15, 2016

-Statement No. 83-Certain Asset Retirement Obligations
effective for reporting beginning after June 15, 2018

-Statement No. 84-Fiduciary Activities
effective for reporting periods beginning after December 15, 2018

-Statement No. 85-Omnibus 2017
effective for periods beginning after June 15, 2017

-Statement No. 86-Certain Debt Extinguishment Issues
effective for reporting periods beginning after June 15, 2017

-Statement No. 87-Leases
effective for reporting periods beginning after December 15, 2019

GASB Statements No. 75, 84, and 87 when effective are expected to affect the District. The effect has not been calculated. While early implementation is sometimes allowed, the District does not plan to early implement.

Required Supplementary Information

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

NORTH LAMAR INDEPENDENT SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2017

Data Control Codes		1 Budgeted Amounts Original	2 Final	3 Actual	Variance with Final Budget Positive (Negative)
	REVENUES:				
5700	*Local and Intermediate Sources*	$ 11,891,556	$ 12,353,233	$ 12,168,844	$ (184,389)
5800	*State Program Revenues*	10,773,120	10,773,120	10,541,412	(231,708)
5020	Total Revenues	22,664,676	23,126,353	22,710,256	(416,097)
	EXPENDITURES:				
	Current:				
	Instruction & Instructional Related Services:				
0011	*Instruction*	12,956,112	13,030,268	13,004,837	25,431
0012	*Instructional Resources and Media Services*	385,922	395,522	395,248	274
0013	*Curriculum and Staff Development*	188,442	199,442	199,239	203
	Total Instruction & Instr. Related Services	13,530,476	13,625,232	13,599,324	25,908
	Instructional and School Leadership:				
0021	*Instructional Leadership*	464,040	446,040	443,073	2,967
0023	*School Leadership*	1,293,917	1,286,012	1,285,408	604
	Total Instructional & School Leadership	1,757,957	1,732,052	1,728,481	3,571
	Support Services - Student (Pupil):				
0031	*Guidance, Counseling and Evaluation Services*	595,623	588,623	585,506	3,117
0032	*Social Work Services*	3,733	3,733	3,694	39
0033	*Health Services*	284,950	291,150	290,882	268
0034	*Student (Pupil) Transportation*	783,709	1,061,710	1,059,389	2,321
0035	*Food Services*	33,844	33,844	33,408	436
0036	*Cocurricular/Extracurricular Activities*	1,462,732	1,575,130	1,574,950	180
	Total Support Services - Student (Pupil)	3,164,591	3,554,190	3,547,829	6,361
	Administrative Support Services:				
0041	*General Administration*	886,132	911,438	909,023	2,415
	Total Administrative Support Services	886,132	911,438	909,023	2,415
	Support Services - Nonstudent Based:				
0051	*Plant Maintenance and Operations*	1,974,693	2,051,514	2,218,847	(167,333)
0052	*Security and Monitoring Services*	183,600	208,740	208,053	687
0053	*Data Processing Services*	53,327	54,027	53,867	160
	Total Support Services - Nonstudent Based	2,211,620	2,314,281	2,480,767	(166,486)
	Debt Service:				
0071	*Principal on Long-Term Debt*	--	44,070	44,070	--
0072	*Interest on Long-Term Debt*	--	5,522	5,522	--
	Total Debt Service	--	49,593	49,592	--
	Capital Outlay:				
0081	*Capital Outlay*	--	1,839,070	1,669,992	169,078
	Total Capital Outlay	--	1,839,070	1,669,992	169,078
	Intergovernmental Charges:				
0093	*Payments to Fiscal Agent/Member Dist.-SSA*	1,263,900	1,268,100	1,267,898	202
0099	*Other Intergovernmental Charges*	175,000	175,295	175,294	1
	Total Intergovernmental Charges	1,438,900	1,443,395	1,443,192	203
6030	Total Expenditures	22,989,676	25,469,251	25,428,200	41,051

NORTH LAMAR INDEPENDENT SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2017

Data Control Codes		1 Budgeted Amounts Original	2 Final	3 Actual	Variance with Final Budget Positive (Negative)
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	(325,000)	(2,342,898)	(2,717,944)	(375,046)
	Other Financing Sources (Uses):				
7913	*Issuance of Capital Leases*	--	77,000	76,793	(207)
7915	*Transfers In*	1,668,623	2,111,257	935,972	(1,175,285)
8911	*Transfers Out*	(1,343,623)	(1,453,589)	(6,745)	1,446,844
7080	Total Other Financing Sources and (Uses)	325,000	734,668	1,006,020	271,352
	EXTRAORDINARY ITEM:				
7919	*Extraordinary Item (Resource)*	--	85,366	85,366	--
8913	*Extraordinary Item (Use)*	--	(149,000)	(148,830)	(170)
1200	Net Change in Fund Balance	--	(1,671,864)	(1,775,388)	(103,524)
0100	Fund Balance - Beginning	--	12,398,293	12,398,293	--
3000	Fund Balance - Ending	$ --	$ 10,726,429	$ 10,622,905	$ (103,524)

NORTH LAMAR INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM
*LAST TEN FISCAL YEARS **

	Fiscal Year		
	2016	2015	2014
District's proportion of the net pension liability (asset)	0.01254650%	0.01359120%	0.00740720%
District's proportionate share of the net pension liability (asset)	$ 4,741,147	$ 4,804,308	$ 1,978,565
State's proportionate share of the net pension liability (asset) associated with the District	12,075,077	11,454,146	9,964,157
Total	$ 16,816,224	$ 16,258,454	$ 11,942,722
District's covered-employee payroll	$ 17,052,953	$ 16,521,694	$ 16,496,822
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	27.80%	29.08%	11.99%
Plan fiduciary net position as a percentage of the total pension liability	78.00%	78.43%	83.25%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

NORTH LAMAR INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM
*LAST TEN FISCAL YEARS **

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	$ 417,533	$ 397,286	$ 367,639	$ 183,693	$ 156,360	$ 129,522	$ 151,376	$ 151,621	$ 144,817	$ 140,983
Contributions in relation to the contractually required contribution	(417,533)	(397,286)	(367,639)	(183,693)	(156,360)	(129,522)	(151,376)	(151,621)	(144,817)	(140,983)
Contribution deficiency (excess)	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --
District's covered-employee payroll	$ 17,435,277	$ 16,976,951	$ 16,494,168	$ 16,449,051	$ 16,315,251	$ 16,189,625	$ 16,351,573	$ 16,378,067	$ 15,643,127	$ 15,228,931
Contributions as a percentage of covered-employee payroll	2.39%	2.34%	2.23%	1.12%	0.96%	0.80%	0.93%	0.93%	0.93%	0.93%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

Budget

The official budget was prepared for adoption for all Governmental Fund Types. The budget was prepared in accordance with accounting practices generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data.:

a. Prior to June 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.

b. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.

c. Prior to the beginning of the fiscal year, the budget is legally enacted through passage of a resolution by the Board.

Once a budget is approved, it can be amended at function and fund level only 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. Such amendments are made before the fact, are reflected in the official minutes of the Board and are not made after fiscal year end as required by law.

Each amendment 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.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at June 30, and encumbrances outstanding at that time are to be either cancelled or appropriately provided for in the subsequent year's budget. There were no end-of-year outstanding encumbrances that were provided for in the subsequent year's budget.

Excess of Expenditures Over Appropriations

The district expeditures exceeded appropriations in the following funds in the noted function:

Fund	Function
Fund 199	Function 51

Defined Benefit Pension Plan

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

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

Actuarial Assumptions
The total pension liability is determined by an actuarial valuation. The actuarial assumptions used to determine the total pension liability were on the results of an experience study for the four-year period ending August 31, 2016.

The active mortality rates were based on 90% of the RP-2014 Employee Mortality Tables for males and females, with full generational mortality using Scale BB., the post-retirement mortality rates for healthy lives were based on the 2015 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection using Scale BB.

Valuation Date	August 31, 2015
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Single Discount Rate	8%
Long-term Expected Rate of Return	8%
Municipal Bond Rate	N/A*
Inflation	2.5%
Salary Increases*	3.50% to 9.50%, including inflation
Ad hoc post-employment benefit changes	None

* If a municipal bond rate was to be used, the rate would be 3.79% as of August 2015 (i.e. the weekly rate closest to but not later than the Measurement Date). The source for the rate is the Federal Reserve Statistical Release H.15, citing the Bond Buyer Index of general obligation bonds with 20 years to maturity and an average AA credit rating.

Other Supplementary Information

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

NORTH LAMAR INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2017

	1	2	3
	Tax Rates		Assessed/Appraised
Year Ended June 30	Maintenance	Debt Service	Value For School Tax Purposes
2008 and Prior Years	$ Various	$ Various	$ Various
2009	1.04	.1181	807,244,700
2010	1.04	.1081	833,811,183
2011	1.04	.0965	883,951,542
2012	1.04	.0865	896,247,963
2013	1.04	.0815	918,749,740
2014	1.04	.0711	985,729,793
2015	1.04	.0675	1,089,091,958
2016	1.04	.0675	1,074,053,379
2017 (School Year Under Audit)	1.04	.0625	1,158,598,303
1000 Totals			
9000 - Portion of Row 1000 for Taxes Paid into Tax Increment Zone Under Chapter 311, Tax Code			

10 Beginning Balance 7/1/16	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 6/30/17
$ 161,642	$ --	$ 4,094	$ 549	$ (14,993)	$ 142,006
28,241	--	502	57	(1,102)	26,580
40,157	--	1,281	133	(1,328)	37,415
50,249	--	2,984	277	(1,221)	45,767
58,782	--	4,494	374	(8,439)	45,475
66,454	--	5,861	459	(7,971)	52,163
100,851	--	14,318	978	(7,926)	77,629
112,586	--	22,812	1,483	(6,654)	81,637
252,653	--	108,942	7,077	(15,052)	121,582
--	12,773,546	11,630,117	702,325	(168,738)	272,366
$ 871,615	$ 12,773,546	$ 11,795,405	$ 713,712	$ (233,424)	$ 902,620
$ --	$ --	$ --	$ --	$ --	$ --

NORTH LAMAR INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-2

NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2017

Data Control Codes		1 Budget	2 Actual	3 Variance Positive (Negative)
	REVENUES:			
5700	*Local and Intermediate Sources*	$ 502,500	$ 392,644	$ (109,856)
5800	*State Program Revenues*	--	5,932	5,932
5900	*Federal Program Revenues*	839,908	826,299	(13,609)
5020	Total Revenues	1,342,408	1,224,875	(117,533)
	EXPENDITURES:			
	Current:			
	Support Services - Student (Pupil):			
0035	*Food Services*	1,342,408	1,187,163	155,245
	Total Support Services - Student (Pupil)	1,342,408	1,187,163	155,245
6030	Total Expenditures	1,342,408	1,187,163	155,245
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	--	37,712	37,712
	Other Financing Sources (Uses):			
7915	*Transfers In*	--	6,745	6,745
7080	Total Other Financing Sources and (Uses)	--	6,745	6,745
1200	Net Change in Fund Balance	--	44,457	44,457
0100	Fund Balance - Beginning	106,894	106,894	--
3000	Fund Balance - Ending	$ 106,894	$ 151,351	$ 44,457

NORTH LAMAR INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-3

DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2017

Data Control Codes		1 Budget	2 Actual	3 Variance Positive (Negative)
	REVENUES:			
5700	*Local and Intermediate Sources*	$ 724,900	$ 725,118	$ 218
5800	*State Program Revenues*	9,718	28,003	18,285
5020	Total Revenues	734,618	753,121	18,503
	EXPENDITURES:			
	Debt Service:			
0071	*Principal on Long-Term Debt*	710,000	710,000	--
0072	*Interest on Long-Term Debt*	14,200	14,200	--
0073	*Bond Issuance Costs and Fees*	700	400	300
	Total Debt Service	724,900	724,600	300
6030	Total Expenditures	724,900	724,600	300
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	9,718	28,521	18,803
	Other Financing Sources (Uses):			
8911	*Transfers Out*	--	(597,143)	(597,143)
7080	Total Other Financing Sources and (Uses)	--	(597,143)	(597,143)
	EXTRAORDINARY ITEM:			
8913	*Extraordinary Item (Use)*	(9,718)	(9,718)	--
1200	Net Change in Fund Balance	--	(578,340)	(578,340)
0100	Fund Balance - Beginning	589,243	589,243	--
3000	Fund Balance - Ending	$ 589,243	$ 10,903	$ (578,340)

Malnory, McNeal & Company, PC

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Independent Auditor's Report on Internal Control over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance With *Government Auditing Standards*

Board of Trustees
North Lamar Independent School District
3201 Lewis Lane
Paris, Texas 75460

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North Lamar Independent School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise North Lamar Independent School District's basic financial statements, and have issued our report thereon dated October 4, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the North Lamar Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements,

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noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Malnory, McNeal & Company PC

Certified Public Accountants

October 4, 2017
Paris, Texas

Malnory, McNeal & Company, PC

Certified Public Accountants

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Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Trustees
North Lamar Independent School District
3201 Lewis Lane
Paris, Texas 75460

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited the North Lamar 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 the North Lamar Independent School District's major federal programs for the year ended June 30, 2017. North Lamar 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

Our responsibility is to express an opinion on compliance for each of North Lamar 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 we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the North Lamar Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the North Lamar 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.

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Report on Internal Control Over Compliance
Management of the North Lamar 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 the North Lamar 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 the North Lamar 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 considered 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.

Malnory, McNeal & Company PC

Certified Public Accountants

October 4, 2017
Paris, Texas

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

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued:	Unmodified			
Internal control over financial reporting:				
One or more material weaknesses identified?	____	Yes	X	No
One or more significant deficiencies identified that are not considered to be material weaknesses?	____	Yes	X	None Reported
Noncompliance material to financial statements noted?	____	Yes	X	No

2. Federal Awards

Internal control over major programs:				
One or more material weaknesses identified?	____	Yes	X	No
One or more significant deficiencies identified that are not considered to be material weaknesses?	____	Yes	X	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200?	____	Yes	X	No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.553	School Breakfast Program
10.555	National School Lunch Program
84.010	Title I Grants to Local Educational Agencies

Dollar threshold used to distinguish between type A and type B programs:	$750,000			
Auditee qualified as low-risk auditee?	____	Yes	X	No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

NORTH LAMAR INDEPENDENT SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

Finding/Recommendation	Current Status	Management's Explanation If Not Implemented
Finding 2016-1	Corrected	

Federal Program:
National School Lunch and Breadfast Program
CFDA #10.553 and 10.555 Child Nutrition Cluster

From the U.S. Department of Agriculture
Passed through Texas Education Agency

Specific Requirement:
Eligibility

The District is required to obtain applications from students not directly certified and to use those applications to determine eligibility based on household size and income. There were 369 applications received and tested, of those 13 were found with an exception that related to number of persons listed on the application being less than total number of persons claimed as being in the household. There was no indication of the age, status or income of the additional persons. Therefore, the information and household income used in determing eligibilty could not be verified or recalculated. And one exception related to the same person being listed on two different applications with two different addresses on the applications. The applications were also combined as one household even though there were two different addresses.

Effect:
14 households' qualification calculations were made using incomplete or inaccurate data.

Cause:
This non compliance is the result of a failure in internal controls and a lack of documentation of procedures followed during the eligibilty determination process.

NORTH LAMAR INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2017

NONE

NORTH LAMAR INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

(1) Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	(2) Federal CFDA Number	(2A) Pass-Through Entity Identifying Number	(3) Federal Expenditures
CHILD NUTRITION CLUSTER:			
U. S. Department of Agriculture			
Passed Through State Department of Education:			
School Breakfast Program	10.553	714015	$ 196,087
National School Lunch Program	10.555	713015	552,214
Total Passed Through State Department of Education			748,301
Total U. S. Department of Agriculture			748,301
Total Child Nutrition Cluster			748,301
FOOD DISTRIBUTION CLUSTER:			
U. S. Department of Agriculture			
Passed Through State Department of Education:			
Commodity Supplemental Food Program	10.565	139-911	77,248
Total U. S. Department of Agriculture			77,248
Total Food Distribution Cluster			77,248
MEDICAID CLUSTER:			
U. S. Department of Health and Human Services			
Passed Through State Department of Education:			
Medicaid Administrative Claiming Program - MAC	93.778	139-911	3,628
Total U. S. Department of Health and Human Services			3,628
Total Medicaid Cluster			3,628
SPECIAL EDUCATION (IDEA) CLUSTER:			
U. S. Department of Education			
Passed Through State Department of Education:			
SSA IDEA-B Formula	84.027	166600011399116600	9,880
SSA IDEA-B Deaf	84.027	166600011399116601	575
SSA IDEA-B Discretionary	84.027	166600111399116673	684
SSA IDEA-B Formula	84.027	17660001139916600	809,845
SSA IDEA-B Discretionary	84.027	17660011139116673	9,623
Total CFDA Number 84.027			830,607
SSA IDEA-B Preschool	84.173	166610011399116610	29
SSA IDEA-B Preschool Deaf	84.173	166610011399116611	83
SSA IDEA-B Preschool	84.173	176610011399116610	20,548
Total CFDA Number 84.173			20,660
Total Passed Through State Department of Education			851,267
Total U. S. Department of Education			851,267
Total Special Education (IDEA) Cluster			851,267
OTHER PROGRAMS:			
U. S. Department of Education			
Passed Through State Department of Education:			
ESEA Title I Part A - Improving Basic Programs	84.010a	16610101139911	13,120
ESEA Title I Part A - Improving Basic Programs	84.010a	17610101139911	451,641
Total CFDA Number 84.010a			$ 464,761

NORTH LAMAR INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

(1) Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	(2) Federal CFDA Number	(2A) Pass-Through Entity Identifying Number	(3) Federal Expenditures
Career and Technical - Basic Grant	84.048	17420006139911	$ 26,777
Title III Part A English Language Acquisition & Language Enhancement	84.365	17671001225950	3,751
ESEA Title II Part A - Teacher & Principal Training & Recruiting	84.367a	16694501139911	3,620
ESEA Title II Part A - Teacher & Principal Training & Recruiting	84.367a	17694501139911	96,453
Total CFDA Number 84.367a			100,073
Total Passed Through State Department of Education			595,362
Total U. S. Department of Education			595,362
U. S. Department of Agriculture			
Passed Through State Department of Education:			
	10.579	139-911	750
Total U. S. Department of Agriculture			750
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 2,276,556

The accompanying notes are an integral part of this schedule.

NORTH LAMAR INDEPENDENT SCHOOL DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Basis of Presentation

The accompanying schedule of expenditures of federal awards ("the Schedule") includes the federal grant activity of North Lamar Independent School District. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Therefore, some amounts may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Commodity Supplement (CFDA 10.565) received like-kind goods, and grant revenue received was reported on the schedule for the monetary value of these goods. The monetary value of these goods was $77,248 for the year ended June 30, 2017.

The District participates in numerous state and federal grant programs governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at June 30, 2017, may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingency.

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. These expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

North Lamar Independent School District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Reconciliation of Federal Awards

The following reconciles federal expenditures per the Schedule of Expenditures of Federal Awards (SEFA) to the federal revenue reported on Exhibit C-2:

Federal expenditures per SEFA	$	2,276,556
SHARS		85,494
Federal revenue per Exhibit C-2	$	2,362,050

NORTH LAMAR INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF JUNE 30, 2017

Data Control Codes			Responses
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?		No
SF4	Was there an unmodified opinion in the Annual Financial Report?		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 governmental 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	What was the total accumulated accretion on capital appreciation bonds (CABs) included in government-wide financial statements at fiscal year-end?	$	--
SF11	Net Pension Assets (object 1920) at fiscal year-end.	$	--
SF12	Net Pension Liabilities (object 2540) at fiscal year-end.	$	4,741,147
SF13	Pension Expense (object 6147) at fiscal year-end.	$	--