

**VIDOR INDEPENDENT
SCHOOL DISTRICT**

ANNUAL
FINANCIAL REPORT

FOR THE YEAR ENDED
AUGUST 31, 2016

TABLE OF CONTENTS

<u>Exhibit</u>	<u>Page</u>
CERTIFICATE OF BOARD	1
Independent Auditor's Report	2
Management's Discussion and Analysis	4
<u>Basic Financial Statements</u>	
Government Wide Statements:	
A-1 Statement of Net Position	11
B-1 Statement of Activities	12
Governmental Fund Financial Statements:	
C-1 Balance Sheet	13
C-2 Reconciliation for C-1	14
C-3 Statement of Revenues, Expenditures, and Changes in Fund Balance	15
C-4 Reconciliation for C-3	16
Proprietary Fund Financial Statements:	
D-1 Statement of Net Position	17
D-2 Statement of Revenues, Expenses, and Changes in Fund Net Position	18
D-3 Statement of Cash Flows	19
Fiduciary Fund Financial Statements:	
E-1 Statement of Fiduciary Net Position	20
E-2 Statement of Changes in Fiduciary Net Position	21
Notes to the Financial Statements	22
<u>Required Supplementary Information</u>	
G-1 Budgetary Comparison Schedule - General Fund	41
G-6 Schedule of the District's Proportionate Share of the Net Pension Liability	42
G-7 Schedule of District Contributions	43
Notes to Required Supplementary Information	44
<u>Required TEA Schedules</u>	
J-1 Schedule of Delinquent Taxes	45
J-4 Budgetary Comparison Schedule - Child Nutrition Fund	47
J-5 Budgetary Comparison Schedule - Debt Service Fund	48
<u>Reports on Compliance, Internal Control, and Federal Awards</u>	
Report on Internal Control Over Financial Reporting and Compliance Based on an audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	49
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	51
Schedule of Findings and Questioned Costs	53
Schedule of Status of Prior Findings	54
Corrective Action Plan	55
K-1 Schedule of Expenditures of Federal Awards	56
Notes to Schedule of Expenditures of Federal Awards	57
L-1 Schools First Questionnaire	58

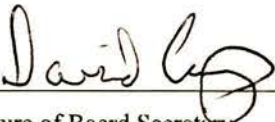
CERTIFICATE OF BOARD

Vidor Independent School District
Name of School District

Orange
County

181907
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 August 31, 2016 at a meeting of the Board of Trustees of such school district on the 19th of December, 2016.


Signature of Board Secretary


Signature of Board President

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

MITCHELL T. FONTENOTE

CERTIFIED PUBLIC ACCOUNTANT

December 13, 2016

Independent Auditor's Report

Vidor Independent School District
120 E. Bolivar
Vidor, Texas 77662

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 Vidor Independent School District as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise the Vidor Independent School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Vidor Independent School District as of August 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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PHONE (409) 722-6300 • FAX (409) 722-6301
MITCHELL@MITCHELLFONTENOTECPA.COM

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedules on pages 4-10 and 41, 47-48 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 Vidor Independent School District's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2016 on our consideration of the Vidor 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 Vidor Independent School District's internal control over financial reporting and compliance.

Mitchell T Fontenote CPA, Inc.

VIDOR INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2016

In this section of the Annual Financial Report, we, the managers of the Vidor Independent School District (the District), discuss and analyze the District's financial performance for the fiscal year ended August 31, 2016. We encourage readers to consider the information presented here in conjunction with the Independent Auditor's Report on page 2, and the District's Basic Financial Statements that begin on page 11.

FINANCIAL HIGHLIGHTS

- The District's total combined net position was \$43,049,742 at August 31, 2016.
- During the year, the District's expenses were \$5,294,313 less than the \$49,794,182 generated in taxes and other revenues for governmental activities.
- The general fund reported a fund balance this year of \$19,627,733. Of this amount, \$16,941,556 is for unrestricted use by the District.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The *Statement of Net Position* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District's tax base.

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

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

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objects. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. The fund financial statements provide detailed information about the District's most

VIDOR INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2016

significant funds, *not* the District as a whole.

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

The District has the following kinds of funds:

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

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

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

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

Proprietary Funds. Proprietary funds reported by the District are generally used to account for services for which the District charges its employees or internal units. The District maintains an Internal Service fund to accumulate and allocate costs internally among the District's various functions. The District used internal service funds to account for its self-insurance program for workers' compensation. The activities and balances of these funds have been included with governmental activities in the government-wide financial statements.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The District's fiduciary activities are reported in the Statements of Fiduciary Net Position.

Notes to the Financial Statements. The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-40 of this report.

VIDOR INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2016

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that further explains and supports the information in the financial statements. Required supplementary information can be found on pages 41-48 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the Net Position (Table I) and Changes in Net Position (Table II) of the District's governmental activities. The District's combined net position were \$43,044,742 at August 31, 2016. (See Table I)

Table I
Vidor Independent School District
Net Position

	August 31, 2016	August 31, 2015
Current and Other Assets	\$ 28,092,705	\$ 25,926,456
Capital Assets	35,363,410	36,168,442
Total Assets	63,456,115	62,094,898
Deferred Outflows of Resources	9,868,379	3,259,184
Total Deferred Outflows of Resources	9,868,379	3,259,184
Long-term Liabilities	25,128,874	23,623,729
Other Liabilities	2,946,439	2,809,261
Total Liabilities	28,075,313	26,432,990
Deferred Inflows of Resources	2,199,439	11,138,192
Total Deferred Inflows of Resources	2,199,439	11,138,192
Net Position:		
Net Investment in Capital Assets	16,639,775	16,153,606
Restricted for Federal and State Programs	1,056,838	1,128,676
Restricted for Debt Service	1,044,532	795,000
Restricted for Capital Projects	5,535	5,535
Restricted for other purposes	2,734,452	86,681
Unrestricted	21,568,610	19,613,402
Total Net Position	\$ 43,049,742	\$ 37,782,900

Approximately \$16.6 million of the District's net position represent investments in Net Investment in Capital Assets. The \$21.6 million of unrestricted net position represents resources available to fund the programs of the District next year.

Changes in Net Position. The District's total revenues were \$48.2 million. A portion, 24 percent, of the District's revenue comes from local property taxes, 56 percent comes from grants and contributions while only 3 percent relates to charges for services and the remaining 1 percent relates to investment earnings and other miscellaneous revenue. Total cost of all programs and services was \$49.8 million. Net position, of the District's governmental activities, for the current year, increased by \$5.3 million (see Table II on page 8 of this report).

VIDOR INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2016

Key elements of the governmental activities of the District are reflected in the following table.

Table II
Vidor Independent School District
Changes in Net Position

	<u>August 31, 2016</u>	<u>August 31, 2015</u>
Revenues:		
Program Revenues:		
Charges for Services	\$ 1,397,800	\$ 1,297,156
Operating Grants and Contributions	7,930,331	6,422,347
General Revenues:		
Maintenance and Operations Taxes	10,903,191	11,502,881
Debt Service Taxes	885,079	886,919
State Aid - Formula Grants	26,305,918	27,088,874
Grants and Contributions - Not Restricted to Specific Functions	1,531,350	271,459
Investment Earnings	54,488	10,773
Miscellaneous	786,025	705,522
Total Revenue	<u>49,794,182</u>	<u>48,185,931</u>
Instruction	24,497,505	23,799,016
Instructional Resources and Media Services	475,053	503,506
Curriculum/Instructional Development	1,390,127	1,019,992
Instructional Leadership	231,335	235,420
School Leadership	2,640,634	2,437,103
Guidance and Counseling Services	1,603,721	1,582,826
Health Services	464,432	422,187
Student (Pupil) Transportation	1,551,861	1,566,749
Food Services	2,679,671	2,727,381
Cocurricular/Extracurricular Activities	1,043,627	1,065,482
General Administration	1,714,223	1,917,704
Plant Maintenance and Operations	4,546,231	4,589,641
Security and Monitoring Services	563,458	616,286
Data Processing Services	309,156	268,366
Community Services	115,433	98,735
Debt Services - Interest on Long-Term Debt	670,978	688,211
Debt Services - Bond Issuance Cost & Fees	2,424	2,000
Total Expenses Governmental Activities	<u>44,499,869</u>	<u>43,540,605</u>
Increase (Decrease) in Net Position	<u>5,294,313</u>	<u>4,645,326</u>
Net Position - September 1 (Beginning)	37,782,900	36,332,472
Prior Period Adjustment	(27,471)	(3,194,898)
Net Position - August 31 (Ending)	<u>\$ 43,049,742</u>	<u>\$ 37,782,900</u>

VIDOR INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2016

GOVERNMENTAL ACTIVITIES

- Property tax rates were set at \$1.125 per \$100 valuation for M&O and \$.09152 for I&S.

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

- The cost of all governmental activities this year was \$46.5 million.
- The amount that our taxpayers paid for these activities through property taxes was \$11.9 million.
- Some of the cost, \$1.4 million, was paid by those who directly benefited from the programs or by grants and contributions in the amount of \$7.9 million.

Table III
Vidor Independent School District
Net Cost of Selected District Functions

	Total Cost of Services		Net Cost of Services	
	2016	2015	2016	2015
Instruction	\$ 24,497,505	\$ 23,799,016	\$ 20,129,527	\$ 20,343,840
General Administration	1,714,223	1,917,704	1,628,913	1,864,731
School Leadership	2,640,634	2,437,103	2,400,209	2,294,164
Facilities Maintenance & Operations	4,546,231	4,589,641	4,312,494	4,448,251
Extracurricular Activities	1,043,627	1,065,482	850,566	891,448
Food Services	2,679,671	2,727,381	(110,796)	23,971
Student (Pupil) Transportation	1,551,861	1,566,749	1,291,688	1,394,951

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented on page 13) reported a combined fund balance of \$21.8 million, which is an increase from last year.

Over the course of the year, the Board of Trustees revised the District's budget a number of times. These budget items fall into three categories. The first category includes amendments and supplemental appropriations that were provided shortly after the school year began. The second category involved moving funds from program areas that did not need or use all of the resources originally appropriated to them. The third category involved changes in state program revenues.

GENERAL FUND BUDGETARY HIGHLIGHTS

There were budget amendments for the 2015-2016 school year required to meet various needs throughout the District, approved by the Board of Trustees.

VIDOR INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2016

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

Capital Assets. At August 31, 2016 the District had \$35.2 million (net of depreciation) invested in a broad range of capital assets, including land, buildings, furniture and equipment used for instruction, transportation, athletics, administration, and maintenance. This amount represents a net decrease of \$945,033 (including additions and deductions) over last year.

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

	August 31, 2016	August 31, 2015
Land	\$ 1,623,709	\$ 1,563,619
Buildings and Improvements	64,460,938	64,367,493
Equipment	5,338,457	4,711,466
Vehicles	3,832,490	3,591,763
Construction in progress	140,000	-
Totals at Historical Cost	75,255,594	74,234,341
Less Accumulated Depreciation:		
Buildings and Improvements	(34,334,198)	(32,617,430)
Equipment	(2,426,349)	(2,307,552)
Vehicles	(3,271,638)	(3,140,917)
Total Accumulated Depreciation	(40,032,185)	(38,065,899)
Net Capital Assets	<u>\$ 35,223,409</u>	<u>\$ 36,168,442</u>

Long-Term Debt. At year-end, the District had \$16.7 million in general obligation debt at coupon interest rates ranging from 3.55% to 4.75% outstanding at year-end. The District's general obligation bonds carried the highest possible rating, according to national rating agencies.

Other obligations include accrued sick leave. More detailed information about the District's long-term liabilities is presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEW YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the fiscal-year 2016 budget and tax rate. One of those factors continues to be the economy. The District's student population has decreased slightly from 4883 students enrolled in 2014-2015 to 4868 students enrolled in 2015-2016.

These indicators were taken into account when adopting the General Fund Budget for 2016. Amounts available for appropriation in the General Fund Budget are \$40.6 million which is 5% less than the final amended 2015 budget of \$42.7 million. The district has continued with the upgrade of technology.

VIDOR INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2016

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances as well as demonstrate accountability for funds the District receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the District's Superintendent, 120 E. Bolivar, Vidor, Texas 77662.

BASIC FINANCIAL STATEMENTS

VIDOR INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2016

EXHIBIT A-1

Data Control Codes	Primary Government
	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 22,907,728
1120 Current Investments	972,373
1220 Property Taxes Receivable (Delinquent)	2,663,847
1230 Allowance for Uncollectible Taxes	(133,192)
1240 Due from Other Governments	1,444,592
1290 Other Receivables, net	21,082
1300 Inventories	216,226
1410 Prepayments	49
Capital Assets:	
1510 Land	1,623,709
1520 Buildings, Net	30,126,741
1530 Furniture and Equipment, Net	3,472,960
1580 Construction in Progress	140,000
1000 Total Assets	<u>63,456,114</u>
DEFERRED OUTFLOWS OF RESOURCES	
1705 Deferred Outflow Related to TRS	<u>9,868,379</u>
1700 Total Deferred Outflows of Resources	<u>9,868,379</u>
LIABILITIES	
2110 Accounts Payable	11,577
2140 Interest Payable	4,727
2150 Payroll Deductions & Withholdings	146,342
2160 Accrued Wages Payable	1,666,688
2180 Due to Other Governments	87,813
2190 Due to Student Groups	378,372
2200 Accrued Expenses	609,248
2300 Unearned Revenue	41,672
Noncurrent Liabilities	
2501 Due Within One Year	770,000
2502 Due in More Than One Year	15,954,162
2540 Net Pension Liability (District's Share)	8,404,712
2000 Total Liabilities	<u>28,075,313</u>
DEFERRED INFLOWS OF RESOURCES	
2602 Deferred Resource Inflow #2	1,574,073
2605 Deferred Inflow Related to TRS	625,366
2600 Total Deferred Inflows of Resources	<u>2,199,439</u>
NET POSITION	
3200 Net Investment in Capital Assets	16,639,775
3820 Restricted for Federal and State Programs	1,056,838
3850 Restricted for Debt Service	1,044,532
3860 Restricted for Capital Projects	5,535
3890 Restricted for Other Purposes	2,734,452
3900 Unrestricted	21,568,610
3000 Total Net Position	<u><u>\$ 43,049,742</u></u>

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

VIDOR INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6 Primary Gov. Governmental Activities
		3 Charges for Services	4 Operating Grants and Contributions	
	Expenses			Net (Expense) Revenue and Changes in Net Position
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 24,497,505	\$ 287,412	\$ 4,080,566	\$ (20,129,527)
12 Instructional Resources and Media Services	475,053	-	37,718	(437,335)
13 Curriculum and Staff Development	1,390,127	-	441,907	(948,220)
21 Instructional Leadership	231,335	-	37,373	(193,962)
23 School Leadership	2,640,634	-	240,425	(2,400,209)
31 Guidance, Counseling and Evaluation Services	1,603,721	-	489,338	(1,114,383)
33 Health Services	464,432	-	42,830	(421,602)
34 Student (Pupil) Transportation	1,551,861	-	260,173	(1,291,688)
35 Food Services	2,679,671	972,035	1,818,432	110,796
36 Extracurricular Activities	1,043,627	138,353	54,708	(850,566)
41 General Administration	1,714,223	-	85,310	(1,628,913)
51 Facilities Maintenance and Operations	4,546,231	-	233,737	(4,312,494)
52 Security and Monitoring Services	563,458	-	46,008	(517,450)
53 Data Processing Services	309,156	-	41,516	(267,640)
61 Community Services	115,433	-	20,290	(95,143)
72 Debt Service - Interest on Long Term Debt	670,978	-	-	(670,978)
73 Debt Service - Bond Issuance Cost and Fees	2,423	-	-	(2,423)
81 Capital Outlay	-	-	-	-
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 44,499,869	\$ 1,397,800	\$ 7,930,331	(35,171,738)
Data Control Codes	General Revenues:			
	Taxes:			
MT	Property Taxes, Levied for General Purposes			10,903,191
DT	Property Taxes, Levied for Debt Service			885,079
SF	State Aid - Formula Grants			26,305,918
GC	Grants and Contributions not Restricted			1,531,350
IE	Investment Earnings			54,488
MI	Miscellaneous Local and Intermediate Revenue			786,025
TR	Total General Revenues			40,466,051
CN	Change in Net Position			5,294,313
NB	Net Position - Beginning			37,782,900
PA	Prior Period Adjustment			(27,471)
NE	Net Position--Ending			\$ 43,049,742

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

VIDOR INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2016

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
ASSETS			
1110 Cash and Cash Equivalents	\$ 19,654,107	\$ 2,648,978	\$ 22,303,085
1220 Property Taxes - Delinquent	2,444,641	219,206	2,663,847
1230 Allowance for Uncollectible Taxes (Credit)	(122,232)	(10,960)	(133,192)
1240 Receivables from Other Governments	1,159,742	284,850	1,444,592
1260 Due from Other Funds	781,927	(40,520)	741,407
1290 Other Receivables	21,082	-	21,082
1300 Inventories	167,979	48,247	216,226
1410 Prepayments	49	-	49
1000 Total Assets	<u>\$ 24,107,295</u>	<u>\$ 3,149,801</u>	<u>\$ 27,257,096</u>
LIABILITIES			
2110 Accounts Payable	\$ 13,236	\$ (1,659)	\$ 11,577
2140 Interest Payable - Current	-	4,727	4,727
2150 Payroll Deductions and Withholdings Payable	142,853	3,489	146,342
2160 Accrued Wages Payable	1,545,388	121,300	1,666,688
2170 Due to Other Funds	585,594	155,813	741,407
2180 Due to Other Governments	-	87,813	87,813
2190 Due to Student Groups	-	378,372	378,372
2300 Unearned Revenues	3,705	37,967	41,672
2000 Total Liabilities	<u>2,290,776</u>	<u>787,822</u>	<u>3,078,598</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	2,188,786	196,999	2,385,785
2600 Total Deferred Inflows of Resources	<u>2,188,786</u>	<u>196,999</u>	<u>2,385,785</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3410 Inventories	167,979	48,275	216,254
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	1,056,838	1,056,838
3470 Capital Acquisition and Contractual Obligation	-	5,535	5,535
3480 Retirement of Long-Term Debt	-	730,000	730,000
Committed Fund Balance:			
3540 Self Insurance	2,500,000	-	2,500,000
Assigned Fund Balance:			
3590 Other Assigned Fund Balance	18,198	-	18,198
3600 Unassigned Fund Balance	16,941,556	324,332	17,265,888
3000 Total Fund Balances	<u>19,627,733</u>	<u>2,164,980</u>	<u>21,792,713</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 24,107,295</u>	<u>\$ 3,149,801</u>	<u>\$ 27,257,096</u>

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

VIDOR INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET POSITION
 AUGUST 31, 2016

Total Fund Balances - Governmental Funds	\$ 21,792,713
1 The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.	967,768
2 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$74,234,341 and the accumulated depreciation was (\$38,065,899). In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to decrease net position.	14,665,705
3 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2016 capital outlays and debt principal payments is to increase net position.	5,996,597
4 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of 8,404,712, a Deferred Resource Inflow related to TRS in the amount of \$625,366 and a Deferred Resource Outflow related to TRS in the amount of \$9,868,379. This amounted to a increase in Net Position in the amount of \$838,301.	838,301
5 The 2016 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(2,004,646)
6 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.	793,304
19 Net Position of Governmental Activities	\$ 43,049,742

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

VIDOR INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 11,610,252	\$ 1,904,526	\$ 13,514,778
5800 State Program Revenues	28,238,123	1,222,386	29,460,509
5900 Federal Program Revenues	1,024,989	4,153,213	5,178,202
5020 Total Revenues	40,873,364	7,280,125	48,153,489
EXPENDITURES:			
Current:			
0011 Instruction	22,508,703	2,139,742	24,648,445
0012 Instructional Resources and Media Services	460,137	-	460,137
0013 Curriculum and Instructional Staff Development	1,017,534	349,980	1,367,514
0021 Instructional Leadership	206,844	20,830	227,674
0023 School Leadership	2,583,516	-	2,583,516
0031 Guidance, Counseling and Evaluation Services	1,256,592	381,249	1,637,841
0033 Health Services	452,947	-	452,947
0034 Student (Pupil) Transportation	1,329,381	133,234	1,462,615
0035 Food Services	-	2,884,587	2,884,587
0036 Extracurricular Activities	1,049,435	-	1,049,435
0041 General Administration	1,416,154	-	1,416,154
0051 Facilities Maintenance and Operations	4,585,196	14,996	4,600,192
0052 Security and Monitoring Services	544,851	-	544,851
0053 Data Processing Services	281,095	25,006	306,101
0061 Community Services	101,497	9,674	111,171
Debt Service:			
0071 Principal on Long Term Debt	-	1,371,688	1,371,688
0072 Interest on Long Term Debt	-	540,959	540,959
0073 Bond Issuance Cost and Fees	-	2,423	2,423
Capital Outlay:			
0081 Facilities Acquisition and Construction	782,643	-	782,643
6030 Total Expenditures	38,576,525	7,874,368	46,450,893
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	2,296,839	(594,243)	1,702,596
OTHER FINANCING SOURCES (USES):			
7901 Refunding Bonds Issued	-	7,435,000	7,435,000
7916 Premium or Discount on Issuance of Bonds	-	631,093	631,093
8940 Payment to Bond Refunding Escrow Agent (Use)	-	(8,003,756)	(8,003,756)
7080 Total Other Financing Sources (Uses)	-	62,337	62,337
1200 Net Change in Fund Balances	2,296,839	(531,906)	1,764,933
0100 Fund Balance - September 1 (Beginning)	17,330,894	2,724,357	20,055,251
1300 Prior Period Adjustment(s)	-	(27,471)	(27,471)
3000 Fund Balance - August 31 (Ending)	\$ 19,627,733	\$ 2,164,980	\$ 21,792,713

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

VIDOR INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED AUGUST 31, 2016

Total Net Change in Fund Balances - Governmental Funds	\$ 1,764,933
The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase net position.	205,390
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2016 capital outlays and debt principal payments is to decrease net position.	5,996,597
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(2,004,646)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position.	(2,299,566)
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 8/31/2015 caused the change in the ending net position to increase in the amount of \$2,943,582. The District recorded their proportionate share of the pension expense during the measurement period as part of the net pension liability. The amounts expensed for FY2016 were \$4,537,911 for pension expense columns 6 - 12 from TRS data and the amounts de-expended for the net deferred resource inflow recognized by TRS in the measurement period were \$5,849,888. This caused a net decrease in the change in net position of \$1,311,977. The impact of all of these is to increase the change in net position by \$1,631,605.	1,631,605
Change in Net Position of Governmental Activities	\$ 5,294,313

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

VIDOR INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AUGUST 31, 2016

	Governmental Activities -
	Internal Service Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 604,643
Investments - Current	<u>972,373</u>
Total Assets	<u>1,577,016</u>
LIABILITIES	
Current Liabilities:	
Accrued Expenses	<u>609,248</u>
Total Liabilities	<u>609,248</u>
NET POSITION	
Unrestricted Net Position	<u>967,768</u>
Total Net Position	<u><u>\$ 967,768</u></u>

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

VIDOR INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2016

	Governmental Activities -
	Internal Service Fund
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 433,379
Total Operating Revenues	<u>433,379</u>
OPERATING EXPENSES:	
Professional and Contracted Services	<u>227,989</u>
Total Operating Expenses	<u>227,989</u>
Operating Income	205,390
Total Net Position - September 1 (Beginning)	<u>762,378</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 967,768</u></u>

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

VIDOR INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2016

	Governmental Activities -
	Internal Service Fund
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 433,379
Cash Payments for Insurance Claims	(227,989)
Net Cash Provided by Operating Activities	<u>205,390</u>
<u>Cash Flows from Investing Activities:</u>	
Purchase of Investment Securities	(369,312)
Net Decrease in Cash and Cash Equivalents	(163,922)
Cash and Cash Equivalents at Beginning of Year	<u>768,565</u>
Cash and Cash Equivalents at End of Year	<u>\$ 604,643</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>Provided By (Used For) Operating Activities:</u>	
Operating Income (Loss):	<u>\$ 205,390</u>

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

VIDOR INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2016

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 603,891	\$ 86,496
Due from Other Funds	8,500	-
Inventories	(64)	-
Total Assets	<u>612,327</u>	<u>\$ 86,496</u>
LIABILITIES		
Accounts Payable	5,587	\$ (4)
Payroll Deductions and Withholdings Payable	32	-
Due to Other Funds	10,042	283
Due to Student Groups	-	86,217
Total Liabilities	<u>15,661</u>	<u>\$ 86,496</u>
NET POSITION		
Unrestricted Net Position	<u>596,666</u>	
Total Net Position	<u>\$ 596,666</u>	

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

VIDOR INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2016

	Private Purpose Trust Funds
ADDITIONS:	
Local and Intermediate Sources	\$ 42,796
State Program Revenues	1,355
Total Additions	<u>44,151</u>
DEDUCTIONS:	
Payroll Costs	25,022
Supplies and Materials	200
Other Operating Costs	11,812
Transfers Out	7,000
Total Deductions	<u>44,034</u>
Change in Net Position	117
Total Net Position - September 1 (Beginning)	<u>596,549</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 596,666</u></u>

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Vidor Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in **GASB Statement No. 76**, and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

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

As of August 31, 2016, Vidor Independent School District retrospectively/prospectively applied Governmental Accounting Standards Board ("GASB") Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

A. REPORTING ENTITY

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Cont'd

Interfund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due froms on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Assets and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance and on the Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Assets. All interfund transactions between governmental funds and between governmental funds and internal service funds are eliminated on the government-wide statements. Interfund activities between governmental funds and enterprise funds remain on the government-wide statements and appear on the government-wide Statement of Net Position as internal balances and on the Statement of Activities as interfund transfers. Interfund activities between governmental funds and fiduciary funds remain as due to/due froms on the government-wide Statement of Activities.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

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

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

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

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Cont'd

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

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

Agency Funds utilize the accrual basis of accounting but do not have a measurement focus as they report only assets and liabilities.

D. FUND ACCOUNTING

The District reports the following major governmental funds:

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

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

Governmental Funds:

1. **Special Revenue Funds** – The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.
2. **Debt Service Funds** – The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.
3. **Capital Projects Funds** – The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.
4. **Permanent Funds** – The District accounts for donations for which the donor has stipulated that the principal may not be expended and where the income may only be used for purposes that support the District's programs. The District has no Permanent Funds.

Proprietary Funds:

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Cont'd

5. **Enterprise Funds** – The District's activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities are accounted for in an enterprise fund. The District has no non-major enterprise funds.

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

Self-insurance program - used for worker's compensation claims and payments

Fiduciary Funds:

7. **Private Purpose Trust Funds** – The District accounts for donations for which the donor has stipulated that both the principal and the income may be used for purposes that benefit parties outside the District. The District's Private Purpose Trust Fund is:

Scholarship fund - the District has private purpose trust funds to track scholarship funds for students.

8. **Pension (and Other Employee Benefit) Trust Funds** – These funds are used to account for local pension and other employee benefit funds that are provided by the District in lieu of or in addition to the Teacher Retirement System of Texas. The District has no Pension Trust Funds.

9. **Investment Trust Fund** - This fund is one in which the District holds assets in trust for other entities participating in an investment program managed by the district. The District has no Investment Trust Funds.

10. **Agency Funds** – The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency Fund is:

Student activities - the District uses agency funds to track funds used for student activities

E. OTHER ACCOUNTING POLICIES

1. For purposes of the statement of cash flows for proprietary funds, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.
2. The District reports inventories of supplies at weighted average cost including consumable maintenance, instructional, office, athletic, and transportation items. Supplies are recorded as expenditures when they are consumed. Inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded as inventory and unearned revenue when received. When requisitioned, inventory and unearned revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount.
3. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Cont'd

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

4. It is the District's policy to permit some employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the district. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.
5. Capital assets, which include land, buildings, furniture and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

<u>Assets</u>	<u>Years</u>
Buildings	30
Building Improvements	30
Infrastructure	20
Vehicles	8
Office Equipment	5
Computer Equipment	5

6. Since Internal Service Funds support the operations of governmental funds, they are consolidated with the governmental funds in the government-wide financial statements. The expenditures of governmental funds that create the revenues of internal service funds are eliminated to avoid "grossing up" the revenues and expenses of the District as a whole.
7. In the fund financial statements, governmental funds report fund balance as nonspendable if the amounts cannot be spent because they are either not in spendable form or are legally or contractually required to remain intact. Restrictions of fund balance are for amounts that are restricted to specific purposes by an external entity (creditors, grantors, governmental regulations) or the restriction is imposed by law through constitutional provision or enabling legislation. Commitments of fund balance represent amounts that can only be used for specific purposes pursuant to constraints imposed by the District's Board. Assignments of fund balance are amounts set aside by the District's Superintendent or his designee with the intent they be used for specific purposes.
8. When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Cont'd

9. In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District reports deferred outflows or resources related to TRS.
10. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognised as an inflow of resources (revenue) until that time. The District has one type of item which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Uncollected property taxes which are assumed collectible are reported in this category on the balance sheet for governmental funds. They are not reported in this category on the government wide statement of net position. The District reports deferred inflows of resources related to TRS and refunding of bonded debt.
11. The Data Control Codes refer to the account code structure prescribed by TEA in the *Financial Accountability System Resource Guide*. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a Statewide data base for policy development and funding plans.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund and the Food Service Fund. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1 in RSI and the other two reports are in Exhibit J4 and J5.

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

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

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents

District Policies and Legal and Contractual Provisions Governing Deposits

Custodial Credit Risk for Deposits State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the district complies with this law, it has no custodial credit risk for deposits.

Foreign Currency Risk The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit by (state an appropriate policy, such as, limiting all deposits denominated in a foreign currency to less than 5% of all deposits.)

As of August 31, 2016, the following are the District's cash and cash equivalents with respective maturities and credit rating:

Name	Carrying Amount	Fair Value	Percentage
LoneStar	\$ 17,632,003	\$ 17,632,003	99.33%
Texas Class	119,624	119,624	0.67%
Totals	<u>\$ 17,751,627</u>	<u>\$ 17,751,627</u>	<u>100.00%</u>

Investments

District Policies and Legal and Contractual Provisions Governing Investments

Compliance with the Public Funds Investment Act

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires a governmental entity to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS Cont'd

Statutes authorize the entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas and its agencies; (2) guaranteed or secured certificates of deposit issued by state and national banks domiciled in Texas; (3) obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality not less than an "A"; (4) No load money market funds with a weighted average maturity of 90 days or less; (5) fully collateralized repurchase agreements; (6) commercial paper having a stated maturity of 270 days or less from the date of issuance and is not rated less than A-1 or P-1 by two nationally recognized credit rating agencies OR one nationally recognized credit agency and is fully secured by an irrevocable letter of credit; (7) secured corporate bonds rated not lower than "AA-" or the equivalent; (8) public funds investment pools; and (9) guaranteed investment contracts for bond proceeds investment only, with a defined termination date and secured by U.S. Government direct or agency obligations approved by the Texas public Funds Investment Act in an amount equal to the bond proceeds. The Act also requires the entity to have independent auditors perform test procedures related to investment practices as provided by the Act. Vidor Independent School District is in substantial compliance with the requirements of the Act and with local policies.

Additional policies and contractual provisions governing investments for Vidor Independent School District are specified below:

Credit Risk To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the District limits investments in mutual bond funds to the top (or top 2 or 3) ratings issued by nationally recognized statistical rating organizations (NRSROs). As of August 31, 2016, the district's investments were rated AAA.

Custodial Credit Risk for Investments To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party the District requires counterparties to register the securities in the name of the district and hand them over to the District or its designated agent. This includes securities in securities lending transactions. All of the securities are in the District's name and held by the District or its agent.

Concentration of Credit Risk To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District limits investments to less than 5% of its total investments. The District further limits investments in a single issuer when they would cause investment risks to be significantly greater in the governmental and business-type activities, individual major funds, aggregate non-major funds and fiduciary fund types than they are in the primary government. Usually this limitation is 20%.

Interest Rate Risk To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires at least half of the investment portfolio to have maturities of less than one year on a weighted average maturity basis.

Foreign Currency Risk for Investments The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment by limiting all investments denominated in a foreign currency to less than 5% of all investments.

The District categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. the hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below. In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

As of August 31, 2016, Vidor Independent School District had no investments subject to the fair value.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS Cont'd

B. PROPERTY TAXES

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

C. DELINQUENT TAXES RECEIVABLE

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

D. INTERFUND BALANCES AND TRANSFERS

The composition of Interfund balances as of August 31, 2016, is as follows:

<u>Due to Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Description</u>
General Fund	Trust and Agency	\$ 585,907	Short-Term Loan
General Fund	Special Revenue Funds	155,500	
		<u>\$ 741,407</u>	

Interfund transfers are defined as "flow of assets without equivalent flows of assets in return and without requirement of repayment." The District did not have any interfund transfers for the year ended August 31, 2016.

VIDOR INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2016

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS Cont'd

E. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the year ended August 31, 2016, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$ 1,563,619	\$ 60,090	\$ -	\$ 1,623,709
	-	140,000		140,000
Total Capital Assets, Not Being	1,563,619	60,090	-	1,763,709
Capital Assets, Being Depreciated:				
Buildings & Improvements	64,367,493	93,445	-	64,460,938
Equipment	4,711,466	670,352	(43,360)	5,338,458
Vehicles	3,591,763	240,727	-	3,832,490
Total Capital Assets, Being	72,670,722	1,004,524	(43,360)	73,631,886
Less Accumulated Depreciation:				
Buildings & Improvements	(32,617,430)	(1,716,768)	-	(34,334,198)
Equipment	(2,307,552)	(157,157)	38,360	(2,426,349)
Vehicles	(3,140,917)	(130,721)	-	(3,271,638)
Total Accumulated Depreciation	(38,065,899)	(2,004,646)	38,360	(40,032,185)
Total Capital Assets, Being Depreciated,	34,604,823	(1,000,122)	(5,000)	33,599,701
Governmental Activities Capital Assets,	\$ 36,168,442	\$ (940,032)	\$ (5,000)	\$ 35,363,410

Depreciation was recorded as follows:

Function Description	Amount
Instruction	\$ 1,109,951
Instruction Resources and Media Services	18,008
Curriculum Development and Instructional Staff Development	48,954
Instruction Leadership	8,803
School Leadership	124,831
Guidance, Counseling and Evaluation Services	68,279
Health Services	21,668
Student (Pupil) Transportation	195,667
Food Services	118,826
Cocurricular/Extracurricular Activities	29,561
General Administration	95,834
Plant Maintenance and Operations	126,856
Security and Monitoring Services	23,094
Data Processing Services	8,812
Community Services	5,502
Totals	\$ 2,004,646

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS Cont'd

F. BONDS AND LONG-TERM NOTES PAYABLE

Bonded indebtedness of the District is reflected in the General Long-Term Debt Account Group. Current requirements for principal and interest expenditures are accounted for in the Debt Service Fund.

A summary of changes in general long-term debt for the year ended August 31, 2016 is as follows:

	Beginning Balances	Additions	Retirements/ Payments	Ending Balance	Due Within One Year
Governmental activities:					
Bonds Payable:					
General obligation bonds	\$17,103,415	\$ 7,435,000	\$ 9,298,415	\$15,240,000	\$ 770,000
Add: Premium on bonds	947,173	631,093	467,574	1,110,692	
Accretion on CAB	1,053,508	-	1,053,508	-	
Compensated Absences	798,870	-	425,400	373,470	
Total governmental activities	<u>\$19,902,966</u>	<u>\$ 8,066,093</u>	<u>\$11,244,897</u>	<u>\$16,724,162</u>	<u>\$ 770,000</u>

During the year ended August 31, 2016, the district issued refunding bonds in the amount of \$7,345,000 with coupon rates ranging from 2.00% to 4.00%. There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions at August 31, 2016.

Debt service requirements for bonds are as follows:

Year Ending August 31	Principal	Interest	Total
2017	770,000	519,650	1,289,650
2018	820,000	489,375	1,309,375
2019	850,000	454,400	1,304,400
2020	885,000	418,100	1,303,100
2021-2024	2,325,000	1,418,250	3,743,250
2025-2029	5,640,000	1,102,875	6,742,875
2030-2032	3,950,000	217,875	4,167,875
	<u>\$15,240,000</u>	<u>\$ 4,620,525</u>	<u>\$19,860,525</u>

G. DEFINED BENEFIT PENSION PLAN

Plan Description. Vidor Independent School District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). It is a defined benefit pension plan established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms. All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

VIDOR INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 AUGUST 31, 2016

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS Cont'd

Pension Plan Fiduciary Net Position. Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592. The information provided in the Notes to the Financial Statements in the 2015 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2015.

<u>Net Pension Liability</u>	<u>Total</u>
Total Pension Liability	\$163,887,375,172
Less: Plan Fiduciary Net Position	<u>(128,538,706,212)</u>
Net Pension Liability	<u>\$ 35,348,668,960</u>
Net Position as percentage of Total Pension Liability	78.43%

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 (A) above.

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

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

	<u>Contribution Rates</u>	
	<u>2015</u>	<u>2016</u>
Member	6.7%	7.2%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
District's 2015 Employer Contributions	\$ 704,035	
District's 2015 Member Contributions	\$ 1,981,753	
District's 2015 NECE On-Behalf Contributions	\$ 1,643,811	

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS Cont'd

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

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

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

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

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

Actuarial Assumptions. The total pension liability in the August 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2015
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
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 based primarily on a study of actual experience for the four year period ending August 31, 2014 and adopted on September 24, 2015.

Discount Rate. The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2015 are summarized below:

VIDOR INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2016

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS Cont'd

Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return*
Global Equity			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	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 Inflation Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy and Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk Parity			
Risk Parity	5%	6.7%	0.3%
Inflation Expectations			2.2%
Alpha			1.0%
Total	100%		8.7%

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

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2015 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
District's proportionate share of the net pension liability:	\$ 13,168,599	\$ 8,404,712	\$ 4,436,690

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2016, Vidor Independent School District reported a liability of \$8,404,712 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Vidor Independent School District. The amount recognized by Vidor Independent School District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with Vidor Independent School District were as follows:

District's Proportionate share of the collective net pension liability	\$ 8,404,712
State's proportionate share that is associated with the District	19,617,851
Total	\$ 28,022,563

The net pension liability was measured as of August 31, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2014 thru August 31, 2015.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS Cont'd

At August 31, 2015 the employer's proportion of the collective net pension liability was .000237766% which was an increase of 0.000139295% from its proportion measured as of August 31, 2014.

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

1. The inflation assumption was decreased from 3.00% to 2.50%.
2. The ultimate merit assumption for long-service employees was decreased from 1.25% to 1.00%.
3. In accordance with the observed experience, there were small adjustments in the service-based promotional/longevity component of the salary scale.
4. The payroll growth assumption was lowered from 3.50% to 2.50%.

Mortality Assumptions

5. 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.
6. 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.
7. 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

8. 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.
9. 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 the termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.
10. Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
11. 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.
12. 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

13. The method of using celled data in the valuation process was changed to now using individual data records to allow for better reporting of some items, such as actuarial gains and losses by source.

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

VIDOR INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2016

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS Cont'd

For the measurement period August 31, 2015, Vidor Independent School District recognized pension expense of \$2,795,228 and revenue of \$2,795,228 for support provided by the State in the Government Wide Statement of Activities.

At August 31, 2016, Vidor Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experience	\$47,857	\$323,001
Changes in actuarial assumptions	201,142	299,843
Difference between projected and actual investment earnings	1,216,980	0
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	2,250,361	2,522
Contributions paid to TRS subsequent to the measurement date [to be calculated by employer]	3,192,252	
Total	\$6,908,592	\$625,366

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

Year ended August 31:	Pension Expense Amount
2017	\$ 558,828
2018	558,828
2019	558,828
2020	843,132
2021	322,676
2022	248,682

H. HEALTH CARE COVERAGE - RETIREES AND ACTIVE EMPLOYEES

Retiree Health Care Coverage

Plan Description. Vidor Independent School District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit post-employment health care plan administered by the Teacher Retirement System of Texas. TRS-Care provides health care coverage for certain persons (and their dependents) who retire under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Texas Insurance Code 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 writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by phoning the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet Website, www.trstate.tx.us under the TRS Publications heading.

VIDOR INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2016

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS Cont'd

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. The Contribution Rate for the State was 1.00% for 2014, 2015 and 2016. The contribution rate for the district was 0.55% for each of these three years. The contribution rate for active employees was 0.65% of the district payroll for each of the three years. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For staff members funded by federal programs, the federal programs are required to contribution 1.0 %.

Contributions. Contributions made by the State on behalf of the District are recorded in the governmental funds financial statements as both revenue and expenditures. State contributions to TRS made on behalf of the District's employees as well as the District's required contributions and federal grant program contributions for the years ended August 31, 2016, and 2015 are as follows:

	2016	2015
Required District Contributions	\$ 160,289	\$ 155,848
Actual District Contributions	\$ 160,289	\$ 155,848
Federal Contributions	\$ 291,434	\$ 286,571
State Contributions	\$ 291,434	\$ 283,360
Employee Contributions	\$ 189,432	\$ 184,184

Medicare Part D. The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal year ended August 31, 2016, 2015, and 2014 the subsidy payments received by TRS-Care on-behalf of the District were \$115,379, \$120,449 and \$79,042 respectively. The information for the year ended August 31, 2016 is an estimate provided by the Teacher Retirement System. These payments are recorded as equal revenues and expenditures in the governmental funds financial statements of the District.

Active Employee Health Care Coverage

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

I. UNEARNED REVENUE

Unearned revenue at year end consisted of the following:

	General Fund	Special Revenue Fund	Debt Service Fund	Total
Unearned Revenue	\$ 3,705	\$ 37,967	\$ -	\$ 41,672
Total Unearned Revenue	\$ 3,705	\$ 37,967	\$ -	\$ 41,672

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS Cont'd

J. DUE FROM STATE AGENCIES

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2016, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from State Agencies.

Fund	State Entitlements	Federal Grants	Total
General Fund	\$ 1,159,742	\$ -	\$ 1,159,742
Special Revenue	-	284,850	284,850
Total	<u>\$ 1,159,742</u>	<u>\$ 284,850</u>	<u>\$ 1,444,592</u>

K. RISK MANAGEMENT

Property, Casualty and Liability Insurance

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of property; errors and omissions; and natural disasters for which the District carries commercial insurance. Settled claims have not exceeded insurance coverage in any of the previous three years. There has not been any significant reduction in insurance coverage from that of the previous year. The District retains the risk of the first \$10,000 in property insurance after which insurance is purchased.

Workman's Compensation

Effective September 1, 2000, the District contracted with the East Texas Educational Insurance Association for the administration of the workman's compensation program. Claims are paid through Claims Administration Services, Inc., the third party administrator.

The claims liability recorded in the general ledger includes an estimate for claims incurred but not recorded, based on the District's historical claims experience. The District is protected against unanticipated catastrophic loss by stop-loss coverage carried through Claims Administration Services, Inc., a commercial insurer licensed or eligible to do business in Texas in accordance with Texas Insurance Code. The District's maximum loss for 2015-2016 is \$434,529. Stop-loss coverage in effect was for annual individual claims exceeding \$500,000.

The following is a summary of the changes in the balances of claims liabilities work worker's compensation for the year ended August 31, 2016:

Liability for claims September 1	\$ 589,478
Current year claims and changes in estimates	(2,188)
Claim payments	<u>(152,761)</u>
Liability for claims August 31	<u>\$ 434,529</u>

L. LITIGATION

None.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS Cont'd

M. SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 13, 2016. There are no instances that would require disclosure.

N. PRIOR PERIOD ADJUSTMENT

A prior period adjustment in the amount of \$27,471 to correctly record funds left over from the state textbook fund as unearned revenue instead of fund balance.

O. FUND BALANCE

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the District classifies governmental fund balances as follows:

- Non-Spendable includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints. The District has \$167,979 classified as Non Spendable
- Restricted includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation. The District has \$1,792,373 classified as Restricted.
- Committed includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end. The district has \$2,500,000 classified as Committed.
- Assigned includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. The District has \$18,198 classified as Assigned.
- Unassigned includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds. The District has 17,265,888 classified as Unassigned.

The elected board of trustees, for the entity, has the authority to commit, assign, and restrict fund balances. In some instances a restriction is a result of meeting contractual or otherwise legal requirements, for example debt service requirements contained in the bond covenant.

REQUIRED SUPPLEMENTARY INFORMATION

VIDOR INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 12,130,062	\$ 11,730,062	\$ 11,610,252	\$ (119,810)
5800 State Program Revenues	27,209,957	27,209,957	28,238,123	1,028,166
5900 Federal Program Revenues	500,000	900,000	1,024,989	124,989
5020 Total Revenues	39,840,019	39,840,019	40,873,364	1,033,345
EXPENDITURES:				
Current:				
0011 Instruction	22,993,717	22,893,552	22,508,703	384,849
0012 Instructional Resources and Media Services	522,191	518,061	460,137	57,924
0013 Curriculum and Instructional Staff Development	979,600	1,020,165	1,017,534	2,631
0021 Instructional Leadership	235,026	235,227	206,844	28,383
0023 School Leadership	2,579,555	2,584,159	2,583,516	643
0031 Guidance, Counseling and Evaluation Services	1,351,838	1,349,939	1,256,592	93,347
0033 Health Services	455,680	456,680	452,947	3,733
0034 Student (Pupil) Transportation	1,656,227	1,656,227	1,329,381	326,846
0035 Food Services	669	669	-	669
0036 Extracurricular Activities	1,232,807	1,246,549	1,049,435	197,114
0041 General Administration	1,716,500	1,709,315	1,416,154	293,161
0051 Facilities Maintenance and Operations	5,038,926	5,034,049	4,585,196	448,853
0052 Security and Monitoring Services	642,023	642,898	544,851	98,047
0053 Data Processing Services	265,280	314,950	281,095	33,855
0061 Community Services	99,480	103,279	101,497	1,782
Capital Outlay:				
0081 Facilities Acquisition and Construction	50,000	883,822	782,643	101,179
6030 Total Expenditures	39,819,519	40,649,541	38,576,525	2,073,016
1200 Net Change in Fund Balances	20,500	(809,522)	2,296,839	3,106,361
0100 Fund Balance - September 1 (Beginning)	17,330,894	17,330,894	17,330,894	-
3000 Fund Balance - August 31 (Ending)	\$ 17,351,394	\$ 16,521,372	\$ 19,627,733	\$ 3,106,361

VIDOR INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT G-6

	2016	2015
District's Proportion of the Net Pension Liability (Asset)	0.000237766%	0.000139295%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 8,404,712	\$ 3,720,763
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	19,617,851	17,237,584
Total	<u>\$ 28,022,563</u>	<u>\$ 20,958,347</u>
District's Covered-Employee Payroll	\$ 29,143,429	\$ 29,698,595
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	29.00%	122.53%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.43%	83.25%

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

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

VIDOR INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2016

EXHIBIT G-7

	2016	2015
Contractually Required Contribution	\$ 3,198,413	\$ 2,959,787
Contribution in Relation to the Contractually Required Contribution	3,198,413	(2,959,787)
Contribution Deficiency (Excess)	\$ -0-	\$ -0-
District's Covered-Employee Payroll	\$ 29,143,429	\$ 29,364,750
Contributions as a Percentage of Covered-Employee Payroll	10.97%	10.08%

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31, 2014 for Fiscal Year 2015 and August 31, 2015 for Fiscal Year 2016.

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

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.

The following are changes to the actuarial assumptions or other inputs that affected the measurement of the total pension liability since the prior measurement period.

Economic Assumptions

1. The inflation assumption was decreased from 3.00% to 2.50%.
2. The ultimate merit assumption for long-service employees was decreased from 1.25% to 1.00%.
3. In accordance with the observed experience, there were small adjustments in the service-based promotional/longevity component of the salary scale.
4. The payroll growth assumption was lowered from 3.50% to 2.50%.

Mortality Assumptions

5. 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.
6. 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.
7. 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

8. 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.
9. 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 the termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.
10. Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
11. 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.
12. 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

13. The method of using celled data in the valuation process was changed to now using individual data records to allow for better reporting of some items, such as actuarial gains and losses by source.

T.E.A. REQUIRED SCHEDULES

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VIDOR INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2016

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2007 and prior years	Various	Various	\$ 1,085,462,690
2008	1.370000	0.120000	562,237,180
2009	1.040000	0.110000	616,639,918
2010	1.040000	0.110000	752,617,805
2011	1.120000	0.110000	815,473,348
2012	1.125000	0.107000	826,619,046
2013	1.125000	0.097360	873,543,106
2014	1.125000	0.098660	894,938,382
2015	1.125000	0.087730	1,026,647,831
2016 (School year under audit)	1.125000	0.091520	991,859,438
1000 TOTALS			

(10) Beginning Balance 9/1/2015		(20) Current Year's Total Levy		(31) Maintenance Collections		(32) Debt Service Collections		(40) Entire Year's Adjustments		(50) Ending Balance 8/31/2016	
\$	436,385	\$	-	\$	10,273	\$	1,026	\$	(33,482)	\$	391,604
	74,560		-		4,764		417		(4,376)		65,003
	98,359		-		5,594		592		(7,100)		85,073
	143,189		-		8,793		930		(10,274)		123,192
	219,833		-		16,921		1,662		(10,971)		190,279
	265,018		-		30,414		2,893		(10,028)		221,683
	285,984		-		27,646		2,392		(10,495)		245,451
	396,732		-		50,323		4,413		(9,319)		332,677
	556,070		-		121,177		9,450		(38,010)		387,433
	-		12,066,168		10,497,944		854,020		(92,752)		621,452
\$	2,476,130	\$	12,066,168	\$	10,773,849	\$	877,795	\$	(226,807)	\$	2,663,847

VIDOR INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 1,041,535	\$ 1,041,535	\$ 980,173	\$ (61,362)
5800 State Program Revenues	35,504	35,504	35,406	(98)
5900 Federal Program Revenues	1,852,976	1,852,976	1,747,367	(105,609)
5020 Total Revenues	2,930,015	2,930,015	2,762,946	(167,069)
EXPENDITURES:				
0035 Food Services	2,764,696	2,887,370	2,884,587	2,783
6030 Total Expenditures	2,764,696	2,887,370	2,884,587	2,783
1200 Net Change in Fund Balances	165,319	42,645	(121,641)	(164,286)
0100 Fund Balance - September 1 (Beginning)	-	1,167,544	1,167,542	(2)
3000 Fund Balance - August 31 (Ending)	\$ 165,319	\$ 1,210,190	\$ 1,045,901	\$ (164,289)

VIDOR INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes			Actual Amounts	Variance With	
	Budgeted Amounts		(GAAP BASIS)	Final Budget	
	Original	Final		Positive or (Negative)	
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 945,702	\$ 945,702	\$ 924,317	\$ (21,385)
5800	State Program Revenues	593,330	593,330	518,108	(75,222)
5020	Total Revenues	1,539,032	1,539,032	1,442,425	(96,607)
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	1,449,950	1,295,000	1,371,688	(76,688)
0072	Interest on Long Term Debt	-	646,950	540,959	105,991
0073	Bond Issuance Cost and Fees	-	8,000	2,423	5,577
6030	Total Expenditures	1,449,950	1,949,950	1,915,070	34,880
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	89,082	(410,918)	(472,645)	(61,727)
OTHER FINANCING SOURCES (USES):					
7901	Refunding Bonds Issued	-	-	7,435,000	7,435,000
7916	Premium or Discount on Issuance of Bonds	-	-	631,093	631,093
8940	Payment to Bond Refunding Escrow Agent (Use)	-	-	(8,003,756)	(8,003,756)
7080	Total Other Financing Sources (Uses)	-	-	62,337	62,337
1200	Net Change in Fund Balances	89,082	(410,918)	(410,308)	610
0100	Fund Balance - September 1 (Beginning)	1,454,840	1,454,840	1,454,840	-
3000	Fund Balance - August 31 (Ending)	\$ 1,543,922	\$ 1,043,922	\$ 1,044,532	\$ 610

REPORTS ON INTERNAL CONTROLS, COMPLIANCE AND FEDERAL AWARDS

MITCHELL T. FONTENOTE

CERTIFIED PUBLIC ACCOUNTANT

December 13, 2016

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*

Vidor Independent School District
120 E. Bolivar
Vidor, Texas 77662

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 Vidor Independent School District, as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise Vidor Independent School District's basic financial statements, and have issued our report thereon dated December 13, 2016.

Internal Control Over Financial Reporting

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

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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.

Mitchell T Fontenote CPA, Inc.

MITCHELL T. FONTENOTE

CERTIFIED PUBLIC ACCOUNTANT

December 13, 2016

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

Vidor Independent School District
120 E. Bolivar
Vidor, Texas 77662

Report on Compliance for Each Major Federal Program

We have audited Vidor 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 Vidor Independent School District's major federal programs for the year ended August 31, 2016. Vidor 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 Vidor 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 Vidor 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 Vidor Independent School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Vidor 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 August 31, 2016.

Report on Internal Control Over Compliance

Management of Vidor Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above.

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In planning and performing our audit of compliance, we considered Vidor 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 Vidor Independent School District's internal control over compliance.

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

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

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

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

We have audited the financial statements of Vidor Independent School District as of and for the year ended August 31, 2016, and have issued our report thereon dated December 13, 2016, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Mitchell T Fontenote CPA, Inc.

VIDOR INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE FISCAL YEAR ENDED AUGUST 31, 2016

A. Summary of Auditor's Results

1 Financial Statements

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes X No

Significant deficiencies identified 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:

Material weakness(es) identified?

_____ Yes X No

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 Uniform Guidance?

_____ Yes X None Reported

Identification of major programs:

CFDA Number(s)

10.553

10.555

Name of Federal Program or Cluster

National School Breakfast Program

National School Lunch Program

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

X Yes _____ No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

VIDOR INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2016

None.

VIDOR INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE FISCAL YEAR ENDED AUGUST 31, 2016

None.

VIDOR INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2016

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	16610101181907	\$ 735
ESEA, Title I, Part A - Improving Basic Programs	84.010A	16610101181907	851,595
ESEA, Title I, Part A - Improving Basic Programs	84.010A	16610101181907	58,655
Total CFDA Number 84.010A			910,985
*IDEA - Part B, Formula	84.027	166600011819076000	932,328
*IDEA - Part B, Formula	84.027	166600011819076000	572
*IDEA - Part B, Discretionary	84.027	16660006181907	143,796
Total CFDA Number 84.027			1,076,696
*IDEA - Part B, Preschool	84.173	166610011819076000	37,578
Total Special Education Cluster (IDEA)			1,114,274
Career and Technical - Basic Grant	84.048	16420006181907	51,749
Mathematics & Science Partnerships	84.336B	156944187110022	125,140
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	16694501181907	202,319
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	16694501181907	3,900
Total CFDA Number 84.367A			206,219
Total Passed Through State Department of Education			\$ 2,408,367
TOTAL U.S. DEPARTMENT OF EDUCATION			\$ 2,408,367
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553		\$ 415,005
*National School Lunch Program - Cash Assistance	10.555		1,147,557
*National School Lunch Prog. - Non-Cash Assistance	10.555		184,805
Total CFDA Number 10.555			1,332,362
Total Child Nutrition Cluster			1,747,367
Total Passed Through the State Department of Agriculture			\$ 1,747,367
TOTAL U.S. DEPARTMENT OF AGRICULTURE			\$ 1,747,367
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 4,155,734

*Clustered Programs

VIDOR INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2016

Basis of Presentation

The District accounts for all awards under federal programs in the General and Certain Special Revenue Funds in accordance with the Texas Education Agency's *Financial Accountability System Resource Guide*. These programs are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing resources) and decreases (i.e. expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for these funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the liability is incurred, if measurable, except for certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and accordingly, when such funds are received, they are recorded as deferred revenues until earned. Generally, unused balances are returned to the grantor at the close of specified project periods.

SCHOOLS FIRST QUESTIONNAIRE

Vidor Independent School District

Fiscal Year 2016

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	0
SF11	Net Pension Assets (1920) at fiscal year-end.	0
SF12	Net Pension Liabilities (2540) at fiscal year-end.	8,404,712
SF13	Pension Expense (6147) at fiscal year-end.	1,311,977