

IDALOU INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2016

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2016

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Idalou, Texas

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INTRODUCTORY SECTION

CERTIFICATE OF BOARD

Idalou Independent School District
Name of School District

Lubbock
County

152-910
Co.- Dist Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and ___ approved ___ disapproved (check one) for the year ended June 30, 2016 at a meeting of the Board of Trustees of such school district on the 27th day of September, 2016.

Signature of Board Secretary

Signature of Board President

If the Board of Trustees disapproved of the auditor's report, the reason(s) for disapproving it is (are):

(attach list as necessary):

FINANCIAL SECTION

Terry & King, CPAs, P.C.

4216 102nd
P.O. Box 93550
Lubbock, TX 79493-3550

Randel J. Terry, CPA
Ryan R. King, CPA

Telephone - (806) 698-8858 – Fax – (866) 288-6490

Independent Auditors' Report

Board of Trustees
Idalou Independent School District
P.O. Box 1338
Idalou, Texas 79329

Members of the Board of Trustees:

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 Idalou Independent School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Idalou Independent School District, as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Idalou Independent School District's basic financial statements. The accompanying other schedules listed in the table of contents as Other Supplementary Information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

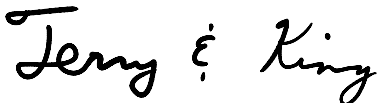
This information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Fund Balance and Cash Flow Calculation Worksheet-General Fund has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 6, 2016, on our consideration of the Idalou 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 the Idalou Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in black ink that reads "Terry & King". The signature is written in a cursive, flowing style.

Terry & King, CPAs, P.C.
Lubbock, Texas
September 6, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Idalou Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the year ended June 30, 2016. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total combined net position was \$8,531,648 at June 30, 2016.
- During the year, the District's expenses were \$163,537 more than the \$10,160,903 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs increased 7% or \$687,963.
- The general fund reported a fund balance this year of \$5,236,664.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

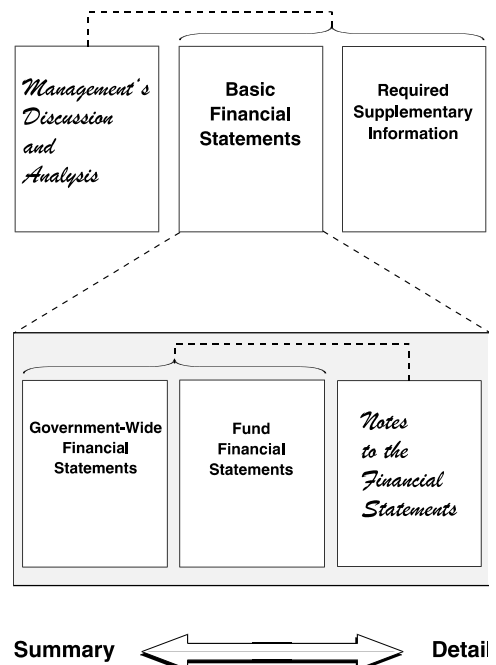


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of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

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

<i>Type of Statements</i>	Fund Statements		
	Government-wide	Governmental Funds	Fiduciary Funds
<i>Scope</i>	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the district that are not proprietary or fiduciary	Instances in which the district is the trustee or agent for someone else's resources
<i>Required financial statements</i>	<ul style="list-style-type: none"> ◆ Statement of net position ◆ Statement of activities 	<ul style="list-style-type: none"> ◆ Balance sheet ◆ Statement of revenues, expenditures & changes in fund balances 	<ul style="list-style-type: none"> ◆ Statement of fiduciary net position ◆ Statement of changes in fiduciary net position
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Statements

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

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

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

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

Fund Financial Statements

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

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

The District has the following kinds of funds:

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position. The District's combined net position was \$8,531,648 at June 30, 2016. (See Table A-1).

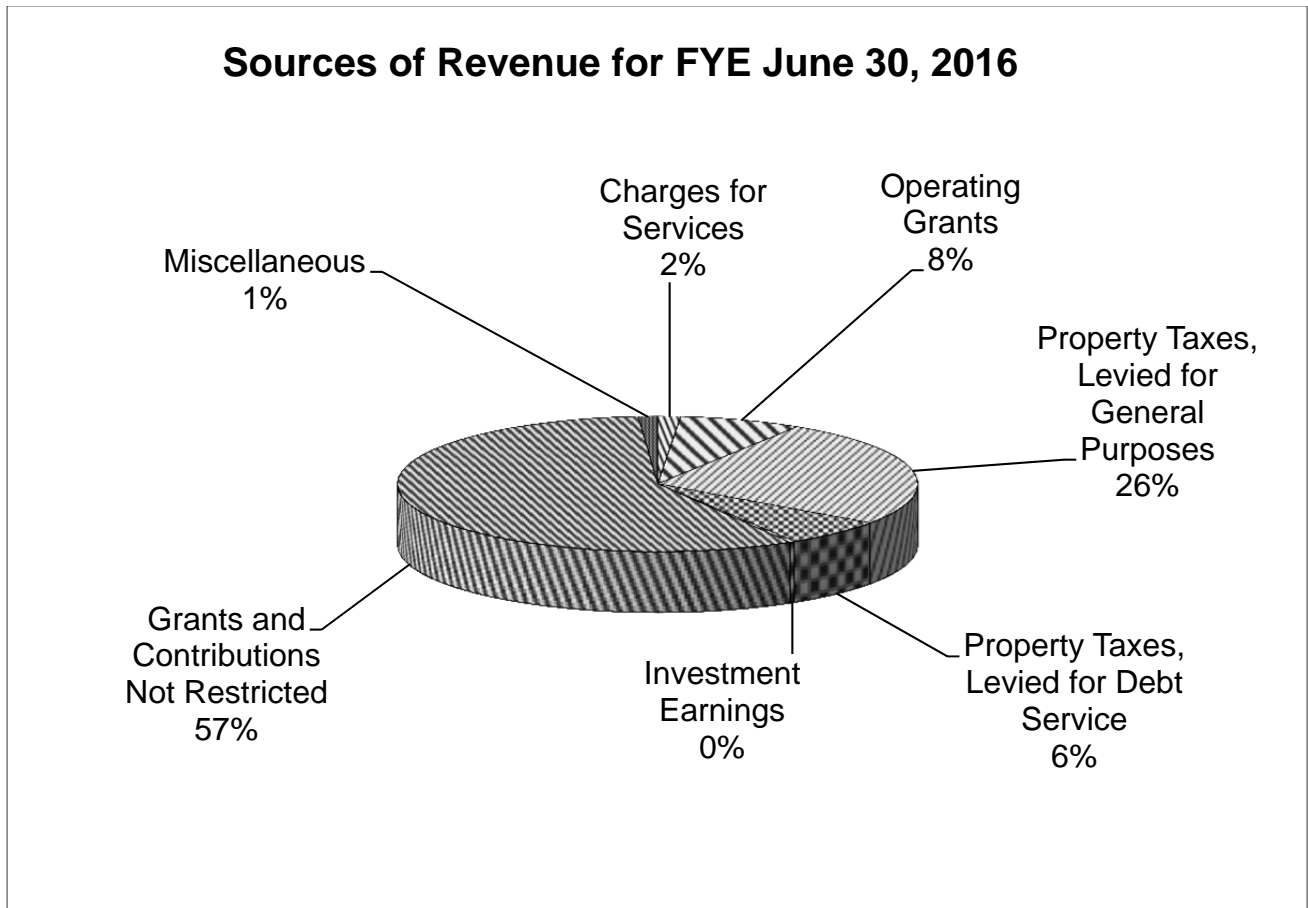
Table A-1
Idalou Independent School District's Net Position

	Governmental Activities		Percentage Change
	2016	2015	
Current assets:			
Cash and cash equivalents	4,616,992	4,596,604	0%
Due from other governments	1,590,777	1,593,063	0%
Taxes Receivable, net	63,844	43,758	46%
Prepaid Expenditures	-	-	0%
Total current assets:	6,271,613	6,233,425	1%
Noncurrent assets:			
Land	659,374	659,374	0%
Buildings & Improvements	21,997,183	21,953,769	0%
Less accumulated depreciation, buildings & improvements	(5,890,457)	(5,353,283)	10%
Vehicles	519,919	438,233	19%
Less accumulated depreciation, vehicles	(358,778)	(349,578)	3%
Furniture & Equipment	1,527,050	1,320,083	16%
Less accumulated depreciation, furniture & equipment	(1,143,125)	(961,768)	19%
Total noncurrent assets	17,311,166	17,706,830	-2%
Total Assets	23,582,779	23,940,255	-1%
Deferred Charge on Bond Defeasance	510,605	-	100%
Deferred Outflows - Pension	954,125	135,914	602%
Total Deferred Outflows	1,464,730	135,914	978%
Current liabilities:			
Accounts Payable	123,031	75,105	64%
Bond Interest Payable	183,825	204,581	-10%
Accrued Wages Payable	312,259	282,582	11%
Accrued Expenditures	13,500	14,757	-9%
Unearned Revenue	26,999	13,325	103%
Total current liabilities	659,614	590,350	12%
Long-term liabilities:			
Due within one year	390,000	375,000	4%
Due in more than one year	12,745,000	13,455,000	-5%
Premium on bond issuance	1,067,507	266,785	300%
Net Pension Liability	1,417,446	531,318	167%
Total long-term liabilities	15,619,953	14,628,103	7%
Total Liabilities	16,279,567	15,218,453	7%
Deferred Inflows - Pension	236,294	162,531	45%
Net Position:			
Net investment in capital assets	3,619,264	3,610,045	0%
Restricted - Federal and State Programs	94,755	102,547	-8%
Restricted - Debt Service	229,417	228,872	0%
Unrestricted	4,588,212	4,753,721	-3%
Total Net Position	8,531,648	8,695,185	-2%

The District's restricted net position represent amounts restricted for Food Service (\$94,755) and amounts restricted for debt service (\$229,417). The \$4,588,212 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 \$10,160,903. A significant portion, 32 percent, of the District's revenue comes from taxes. (See Figure A-3.) 65 percent comes from grants, while only 1 percent relates to charges for services.

The total cost of all programs and services was \$10,324,440; 55 percent of these costs are for instructional and instruction-related services.



Governmental Activities

- Property tax rates remained the same at \$1.46 per \$100. The general operating tax rate was \$1.17, and debt service tax rate was \$0.290. A decrease in values resulted in the current tax levy decreasing \$261,100. Taxes collected in the year ending June 30, 2016 were \$3,247,370 compared to \$3,497,079 in the year ending June 30, 2015.

Table A-2
Changes in Idalou Independent School District's Net Position

	Governmental Activities		Percentage Change
	<u>2016</u>	<u>2015</u>	
Program Revenues:			
Charges for Services	143,281	152,757	-6%
Operating Grants and Contributions	771,933	956,971	-19%
General Revenues:			
Property Taxes, Levied for General Purposes	2,621,625	2,825,562	-7%
Property Taxes, Levied for Debt Service	649,093	700,337	-7%
Grants and Contributions not restricted	5,817,435	5,372,943	8%
Investment Earnings	35,875	54,135	-34%
Other	121,661	118,822	2%
Total Revenues	10,160,903	10,181,527	0%
Instruction	5,676,488	5,194,468	9%
Instructional Resources and Media Services	116,545	153,665	-24%
Curriculum Development and Instructional Staff Development	17,237	6,383	170%
School Leadership	518,934	501,848	3%
Guidance, Counseling and Evaluation Services	219,632	211,431	4%
Health Services	71,226	66,867	7%
Student (Pupil) Transportation	175,024	112,926	55%
Food Services	312,274	313,168	0%
Curricular/Extracurricular Activities	620,714	606,117	2%
General Administration	548,536	496,916	10%
Plant Maintenance & Operation	1,119,577	1,081,791	3%
Security and Monitoring Services	73,979	13,465	449%
Data Processing	74,835	126,823	-41%
Interest on Long-Term Debt	368,352	531,743	-31%
Bond Issuance Costs and Fees	138,984	591	23417%
Payments to Shared Service Arrangements	240,492	178,374	35%
Payments to Juvenile Justice Alt. Education	-	6,072	-100%
Other Governmental Charges	31,611	33,829	-7%
Total Expenses	10,324,440	9,636,477	7%
Excess (Deficiency) Before Other Resources, Uses & Transfers	(163,537)	545,050	-130%
Other Resources (Uses)	-	-	0%
Transfers In (Out)	-	-	0%
Increase (Decrease) in Net Position	(163,537)	545,050	-130%
Net Position - Beginning	8,695,185	8,763,134	-1%
Change in GASB Standard	-	(612,999)	100%
Net Position - Ending	8,531,648	8,695,185	-2%

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

- The cost of all *governmental* activities this year was \$10,324,440.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$3,270,718.
- Some of the cost was paid by those who directly benefited from the programs \$143,281, and
- By grants and contributions \$6,589,368.

Table A-3
Net Cost of Selected District Functions

	Total Cost of Services		% Change	Net Cost of Services		% Change
	<u>2016</u>	<u>2015</u>		<u>2016</u>	<u>2015</u>	
Instruction	5,676,488	5,194,468	9%	5,234,282	4,835,657	8%
School administration	548,536	496,916	10%	527,112	474,316	11%
Plant Maintenance & Operations	1,119,577	1,081,791	3%	1,096,631	1,057,214	4%
School Leadership	518,934	501,848	3%	454,825	435,937	4%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$10,140,816 for the period ended June 30, 2016, a decrease of less than 1% from the preceding year. Local Revenues decreased \$297,860 (8%); state program revenues increased \$268,733 (4%); and federal program revenues decreased \$9,279 (3%).

General Fund expenditures increased \$509,645, or 6% from the preceding year.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget 2 times. Even with these budget revisions the District's expenditures were \$524,814 below final budget amounts. Resources available were \$72,949 less than the final budgeted amount.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2015, the District had invested \$24,371,459 in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.) This amount represents a net increase (including additions and deductions) of \$331,477 or 1 percent from last year.

Table A-4
District's Capital Assets

	Governmental Activities		Total Percentage Change
	<u>2016</u>	<u>2015</u>	<u>2016-2015</u>
Land	659,374	659,374	0%
Buildings and improvements	21,997,183	21,953,769	0%
Vehicles	519,919	438,233	19%
Furniture & Equipment	1,527,050	1,320,083	16%
Totals at historical cost	<u>24,703,526</u>	<u>24,371,459</u>	<u>1%</u>
Total accumulated depreciation	(7,392,359)	(6,664,629)	11%
Net capital assets	<u>17,311,167</u>	<u>17,706,830</u>	<u>(2%)</u>

More detailed information about the District's capital assets is presented in the notes to the financial statements.

Debt Administration

District's Long-Term Debt

	Governmental Activities	
	<u>2016</u>	<u>2015</u>
2010 Unlimited Tax School Building Bonds	\$ 4,960,000	\$ 13,830,000
2015 Unlimited Tax Refunding Bonds	8,175,000	
Premium on bond issuance	<u>1,067,507</u>	<u>266,785</u>
Total long-term debt	14,202,507	14,096,785
Less: Due within one year	<u>(390,000)</u>	<u>(375,000)</u>
Due in one year or more	<u>\$ 13,812,507</u>	<u>\$ 13,721,785</u>

At year-end the District had \$13,135,000 in long-term debt outstanding. More detailed information about the District's debt is presented in the Notes to the Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised value used for the 2017 budget preparation shows a slight increase.
- General operating fund spending per student should remain approximately the same.
- The District's 2017 student attendance is continuing to increase by 12 to 15 students per year.

These indicators were taken into account when adopting the general fund budget for 2017. The District does not plan an increase in program revenues and estimates only a slight increase in expenditures for staffing due to incremental salary increases.

If these estimates are realized, the District's budgetary general fund balance is expected to increase slightly by the close of 2017.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

STATEMENT OF NET POSITION
June 30, 2016

<u>Data Control Codes</u>		1	<u>Governmental Activities</u>
	ASSETS:		
1110	Cash and Cash Equivalents	\$	4,616,992
1225	Taxes Receivable, Net		63,844
1240	Due from Other Governments		1,590,777
	Capital Assets:		
1510	Land		659,374
1520	Buildings and Improvements, net		16,106,726
1530	Furniture and Equipment, net		<u>545,066</u>
1000	<u>Total Assets</u>	<u>\$</u>	<u>23,582,779</u>
	DEFERRED OUTFLOWS OF RESOURCES		
1705	Deferred Charge on Bond Defeasance	\$	510,605
1705	Deferred Outflows - Pension		<u>954,125</u>
	<u>Total Deferred Outflows of Resources</u>	<u>\$</u>	<u>1,464,730</u>
	LIABILITIES:		
	Current Liabilities:		
2110	Accounts Payable	\$	123,031
2140	Bond Interest Payable		183,825
2160	Accrued Wages Payable		312,259
2200	Accrued Expense		13,500
2300	Unearned Revenue		26,999
	Noncurrent Liabilities:		
2501	Due within one year		390,000
2502	Due in more than one year		12,745,000
2540	Net Pension Liability		1,417,446
2590	Premium on bond issuance		<u>1,067,507</u>
2000	<u>Total Liabilities</u>		<u>16,279,567</u>
	DEFERRED INFLOWS OF RESOURCES		
2605	Deferred Inflows - Pension		<u>236,294</u>
	<u>Total Deferred Inflows of Resources</u>		<u>236,294</u>
	NET POSITION:		
3200	Net investment in capital assets		3,619,264
	Restricted for:		
3820	Federal and State Programs		94,755
3850	Debt Service		229,417
3900	Unrestricted		<u>4,588,212</u>
3000	<u>TOTAL NET POSITION</u>	<u>\$</u>	<u>8,531,648</u>

The accompanying notes are an integral part of this statement.

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

Data		1	3	4	Net (Expense)
Control			Program Revenues		Revenue and
			Charges for	Grants and	Changes in
<u>Codes</u>	<u>Functions/Programs</u>	<u>Expenses</u>	<u>Services</u>	<u>Contributions</u>	<u>Net Position</u>
	Government Activities:				
11	Instruction and Instruction-Related Services	\$ 5,676,488	\$ 3,250	\$ 438,956	\$ (5,234,282)
12	Instructional Resources and Media Services	116,545	-	5,042	(111,503)
13	Curriculum Development and Instructional Staff Development	17,237	-	6,820	(10,417)
23	School Leadership	518,934	-	64,109	(454,825)
31	Guidance, Counseling, & Evaluation Services	219,632	-	17,220	(202,412)
33	Health Services	71,226	-	3,566	(67,660)
34	Student (Pupil) Transportation	175,024	-	-	(175,024)
35	Food Services	312,274	106,681	171,857	(33,736)
36	Extracurricular Activities	620,714	33,350	14,507	(572,857)
41	General Administration	548,536	-	21,424	(527,112)
51	Plant Maintenance and Operations	1,119,577	-	22,946	(1,096,631)
52	Security and Monitoring Services	73,979	-	3,538	(70,441)
53	Data Processing	74,835	-	1,948	(72,887)
72	Interest on Long-Term Debt	368,352	-	-	(368,352)
73	Bond Issuance Costs and Fees	138,984	-	-	(138,984)
93	Payments to Shared Service Arrangements	240,492	-	-	(240,492)
95	Payments to Juvenile Justice Alternative Education	-	-	-	-
99	Other Governmental Charges	31,611	-	-	(31,611)
TG	<u>Total Government Activities</u>	<u>10,324,440</u>	<u>143,281</u>	<u>771,933</u>	<u>(9,409,226)</u>
TP	Total Primary Government	<u>10,324,440</u>	<u>143,281</u>	<u>771,933</u>	<u>(9,409,226)</u>
	General Revenues:				
MT	Property Taxes, Levied for General Purposes				2,621,625
DT	Property Taxes, Levied for Debt Service				649,093
IE	Investment Earnings				35,875
GC	Grants and Contributions Not Restricted to Specific Programs				5,817,435
MI	Miscellaneous				121,661
TR	Total General Revenue				<u>9,245,689</u>
CN	Change in Net Position				(163,537)
NB	Net Position -- Beginning				<u>8,695,185</u>
NE	Net Position -- Ending				<u>\$ 8,531,648</u>

The accompanying notes are an integral part of this statement.

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2016

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds	
ASSETS:					
1110	Cash and Cash Equivalents	\$4,094,600	\$ 426,447	\$ 95,945	\$ 4,616,992
1225	Taxes Receivable, Net	51,163	12,681	-	63,844
1240	Due from Other Governments	1,582,009	1,113	7,655	1,590,777
1260	Due from Other Funds	7,106	-	-	7,106
1000	<u>TOTAL ASSETS</u>	<u>\$5,734,878</u>	<u>\$ 440,241</u>	<u>\$ 103,600</u>	<u>\$ 6,278,719</u>
LIABILITIES:					
Current Liabilities:					
2110	Accounts Payable	\$ 121,292	\$ -	\$ 1,739	\$ 123,031
2160	Accrued Wages Payable	312,259	-	-	312,259
2170	Due to Other Funds	-	-	7,106	7,106
2200	Accrued Expenditures	13,500	-	-	13,500
2300	Unearned Revenue	-	26,999	-	26,999
2000	<u>Total Liabilities</u>	<u>447,051</u>	<u>26,999</u>	<u>8,845</u>	<u>482,895</u>
DEFERRED INFLOWS OF RESOURCES:					
2600	Unavailable Revenue - Property Taxes	51,163	12,681	-	63,844
	<u>Total Deferred Inflows of Resources</u>	<u>51,163</u>	<u>12,681</u>	<u>-</u>	<u>63,844</u>
FUND BALANCES:					
Restricted Fund Balances:					
3450	Food Service	-	-	94,755	94,755
3480	Debt Service	-	400,561	-	400,561
Committed Fund Balances:					
3510	Construction	1,000,000	-	-	1,000,000
3530	Capital Expenditures for Equipment	800,000	-	-	800,000
3600	Unassigned	3,436,664	-	-	3,436,664
3000	<u>Total Fund Balance</u>	<u>5,236,664</u>	<u>400,561</u>	<u>94,755</u>	<u>5,731,980</u>
4000	<u>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>	<u>\$5,734,878</u>	<u>\$ 440,241</u>	<u>\$ 103,600</u>	<u>\$ 6,278,719</u>

The accompanying notes are an integral part of this statement.

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2016

Total Fund Balances -- Governmental Funds Balance Sheet	\$ 5,731,980
Amounts reported for governmental activities in the statement of net position (A-1) are different because:	
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	17,311,166
2 Other long-term assets are not available to pay for current-period expenditures and therefore are unearned in the funds.	63,844
3 Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	(13,318,825)
4 The amount of premium/discount on bonds is required to be recognized in the statement of net position.	(1,067,507)
5 The net charge related to the defeasance of bonds is reported as a deferred outflow of resources on the statement of net position.	510,605
6 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of \$1,417,446, a deferred resource inflow related to TRS in the amount of \$236,294, and a deferred resource outflow related to TRS in the amount of \$954,125. This resulted in a decrease in net position by \$699,615	<u>(699,615)</u>
Net Position of Governmental Activities -- Statement of Net Position	<u>\$ 8,531,648</u>

The accompanying notes are an integral part of this statement.

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES--
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016

Data Control Codes		10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES:					
5700	Local and Intermediate Sources	\$ 2,792,258	\$ 651,782	\$ 107,408	\$ 3,551,448
5800	State Program Revenues	5,948,431	248,301	83,401	6,280,133
5900	Federal Program Revenues	-	-	309,235	309,235
5020	<u>Total Revenues</u>	<u>8,740,689</u>	<u>900,083</u>	<u>500,044</u>	<u>10,140,816</u>
EXPENDITURES:					
Current:					
0011	Instruction and Instruction-Related Services	4,966,449	-	165,438	5,131,887
0012	Instructional Resources and Media Services	105,420	-	-	105,420
0013	Curriculum Development and Instructional Staff Development	10,417	-	6,820	17,237
0023	School Leadership	422,671	-	41,415	464,086
0031	Guidance, Counseling, & Evaluation Services	190,785	-	7,106	197,891
0033	Health Services	64,355	-	-	64,355
0034	Student (Pupil) Transportation	160,891	-	-	160,891
0035	Food Services	-	-	287,057	287,057
0036	Cocurricular/Extracurricular Activities	638,025	-	-	638,025
0041	General Administration	493,343	-	-	493,343
0051	Plant Maintenance and Operations	1,024,019	-	-	1,024,019
0052	Security and Monitoring Services	99,034	-	-	99,034
0053	Data Processing	74,031	-	-	74,031
0071	Principal on Long-Term Debt	-	520,000	-	520,000
0072	Interest on Long-Term Debt	-	412,975	-	412,975
0073	Bond Issuance Costs and Fees	-	108,948	-	108,948
0081	Facilities Acquisition and Construction	250,380	-	-	250,380
0093	Payments to Shared Service Arrangements	240,492	-	-	240,492
0095	Payments to Juvenile Justice Alternative Education	-	-	-	-
0099	Tax Appraisal & Collection	31,611	-	-	31,611
6030	<u>Total Expenditures</u>	<u>8,771,923</u>	<u>1,041,923</u>	<u>507,836</u>	<u>10,321,682</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(31,234)	(141,840)	(7,792)	(180,866)
Other Financing Sources and (Uses):					
7911	Refunding Bonds Issued	-	8,320,000	-	8,320,000
7916	Premium or Discount on Bond Issuance	-	957,981	-	957,981
8949	Payment to Bond Refunding Escrow Agent	-	(9,169,033)	-	(9,169,033)
	<u>Total Other Financing Sources and (Uses)</u>	<u>-</u>	<u>108,948</u>	<u>-</u>	<u>108,948</u>
1200	Net Change in Fund Balances	(31,234)	(32,892)	(7,792)	(71,918)
0100	Fund Balances -- Beginning	5,267,898	433,453	102,547	5,803,898
3000	<u>Fund Balances -- Ending</u>	<u>\$ 5,236,664</u>	<u>\$ 400,561</u>	<u>\$ 94,755</u>	<u>\$ 5,731,980</u>

The accompanying notes are an integral part of this statement.

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

Net Change in Fund Balances -- Total Governmental Funds	\$ (71,918)
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount of capital outlays during the current period.	356,912
The depreciation of capital assets is not reported in the funds. This is the amount of current depreciation on these assets.	(752,577)
Certain property tax revenues are unearned in the funds. These are the amounts that have not been collected and are therefore do not provide current financial resources. This is the amount that these accounts changed during the current period.	20,086
Repayment of debt principal is an expenditure in the governmental funds, but is a reduction of long-term debt in the statement of net position. This amount is the total debt principal repaid for bonded indebtedness.	520,000
Premiums received from the issuance of bonds is recorded in the governmental funds as an other source of current resources. For the statement of net position, these premiums are amortized and a portion recognized as revenue over the life of the bonds.	23,867
Charges related to early defeasance of long-term debt are recorded in the governmental funds as an expenditure of current resources. For the statement of net position, these charges are amortized and a portion recognized as expense over the life of the bonds.	(138,982)
Interest expense is reported when paid in the governmental funds. In the statement of net position, interest expense is accrued as of the balance sheet date. This is the amount accrued interest payable changed during the current period.	20,756
The implementation of GASB 68 required thata certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 8/31/15 caused the change in the ending net position to increase in the amount of \$107,711. Contributions made before the measurement date and during the 2014 FY were also expended in the 2015 FY and recoroded as an increase in net pension expense for the District. This caused a decrease in the change in net position totaling \$93,161. The Distric's proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$156,231. The net result is to decrease the change in net position by \$141,681.	<u>(141,681)</u>
Change in Net Position of Governmental Activities - Statement of Activities	<u>\$ (163,537)</u>

The accompanying notes are an integral part of this statement.

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2016

	<u>AGENCY FUNDS</u>
ASSETS:	
Cash and Cash Equivalents	<u>\$ 213,040</u>
 TOTAL ASSETS	 <u><u>\$ 213,040</u></u>
 LIABILITIES:	
Due to Student Groups	<u>\$ 213,040</u>
 TOTAL LIABILITIES	 <u><u>\$ 213,040</u></u>

The accompanying notes are an integral part of this statement.

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2016

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

The Board of School Trustees ("Board"), a seven member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental "reporting entity" as defined by GASB in its Statement No. 14, "The Financial Reporting Entity," as revised by GASB Statement No. 39, and there are no component units included within the reporting entity.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 2
Year Ended June 30, 2016

A. Summary of Significant Accounting Policies (Continued)

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

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

The District reports the following major governmental funds:

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

Debt Service Fund: This fund accounts for financial resources that are restricted, committed, or assigned to expenditures for principal and interest on long-term debt of governmental activities.

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 3
Year Ended June 30, 2016

A. Summary of Significant Accounting Policies (Continued)

In addition, the District reports the following fund types:

Special Revenue Funds: These funds are used to account for resources restricted to, or committed for, specific purposes by a grantor. Federal financial assistance generally is accounted for in a special revenue fund. Except for the food service fund, any unused balances are returned to the grantor at the close of specific project periods. The food service fund is the only required budgeted special revenue fund. For all other funds in this fund type, project accounting is employed to maintain integrity for the various sources of funds.

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

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

b. Measurement Focus, Basis of Accounting

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

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 4
Year Ended June 30, 2016

A. Summary of Significant Accounting Policies (Continued)

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

Grant funds are considered 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 sometimes require the District to refund all or part of the unused amount.

Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims, and judgments, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources.

c. Fund Balance Classification

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are to be used for future servicing of bonds and are restricted by State Statute.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed.

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 5
Year Ended June 30, 2016

A. Summary of Significant Accounting Policies (Continued)

Unassigned: This classification includes the residual fund balance for the General Fund.

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

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

d. 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.

3. Financial Statement Amounts

a. Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the District to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and State Treasurer's Investment Pool.

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 6
Year Ended June 30, 2016

A. Summary of Significant Accounting Policies (Continued)

Investments for the District are reported at fair value. The District categorizes its fair value measurements within 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. The State Treasurer's Investment Pools are operated in accordance with appropriate state laws and regulations. The reported values of the pools are the same as the fair value of the pool shares (Level 1 inputs).

b. Property Taxes

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

Allowances for uncollectible tax receivables are based upon historical experience in collecting property taxes. As of June 30, 2016, the amount deemed uncollectible by this estimate was \$140,460. 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.

c. Inventories and Prepaid Items

The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory in accordance with the Resource Guide. Certain payments to vendors reflect the cost applicable to future accounting periods and are recorded as prepaid items.

d. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the governmental activities column in the government-wide financial statements. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair market value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 7
Year Ended June 30, 2016

A. Summary of Significant Accounting Policies (Continued)

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings & Improvements	20-50
Vehicles	5-15
Furniture and Equipment	3-10
Computer Equipment	3

e. Receivable and Payable Balances

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

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

f. Interfund Activity

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

g. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. 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 premiums or discount.

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 8
Year Ended June 30, 2016

A. Summary of Significant Accounting Policies (Continued)

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.

h. Deferred Outflows/Inflows of Resources

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 currently has one item which qualifies for reporting in this category.

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 recognized as an inflow of resources (revenue) until that time. The District currently has one type of item which arises under the modified accrual basis of accounting and one type of item that qualifies under the accrual basis of accounting. Accordingly, unavailable ad valorem tax revenue is only reported in the governmental funds balance sheet; and deferred inflows related to pensions is only reported in the government-wide statement of net position. These amounts are deferred and recognized as an inflow of resources in the period when the amounts become available.

i. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 9
Year Ended June 30, 2016

A. Summary of Significant Accounting Policies (Continued)

j. Data Control Codes

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

B. Stewardship, Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

<u>Violation</u>	<u>Action Taken</u>
None Reported	Not Applicable

2. Budgetary Information

Formal budgetary accounting is employed for all required Governmental Fund Types, as outlined in TEA's Financial Accounting and Reporting module, and is presented on the modified accrual basis of accounting consistent with generally accepted accounting principles. The budget is prepared and controlled at the function level within each organization to which responsibility for controlling operations is assigned.

The official school budget is prepared for adoption for required Governmental Fund Types prior to June 20 of the preceding fiscal year for the subsequent fiscal year beginning July 1. The budget is formally adopted by the Board of Trustees at a public meeting held at least ten days after public notice has been given.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, the Debt Service Fund, and the Child Nutrition Fund. The remaining special revenue funds adopt project-length budgets that do not correspond to the District's fiscal year. Each annual budget is presented on the modified accrual basis of accounting that is consistent with generally accepted accounting principles.

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 10
Year Ended June 30, 2016

C. Deposits and Investments

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

Cash Deposits

At June 30, 2016, the carrying amount of the District's deposits (cash, certificates of deposit, and interest bearing savings accounts included in temporary investments) was \$4,707,000 and the bank balance was \$4,852,532. The District's cash deposits at June 30, 2016 and during the period then ended, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

Investments

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principle and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

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

State statutes and Board policy authorize the District to invest in 1) obligations of the U.S. or its agencies and instrumentalities; 2) obligations of state, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent; 3) guaranteed or secured certificates of deposit issued by state or national banks domiciled in Texas; 4) obligations of the state of Texas or its agencies; 5) other obligations guaranteed by the U.S. or the state of Texas or their agencies and instrumentalities; 6) fully collateralized repurchase agreements; and 7) public funds investment pools. Temporary investments are reported at cost, which approximates market,

IDALOU INDEPENDENT SCHOOL DISTRICT
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Year Ended June 30, 2016

C. Deposits and Investments (Continued)

and are secured, when necessary, by the FDIC or obligations of items 1-4 above at 102% of the investment's market value.

The District's investments at June 30, 2016 included certificates of deposit amounting to \$249,995 and investment pools in the amount of \$4,855.

<u>Investment Pool</u>	<u>Account Name</u>	<u>Fund Rating (Standard & Poor's)</u>	<u>Maturity</u>	<u>Amount</u>
Lone Star –COPF Local Government	General Fund	AAAf	Wtd Avg Maturity 55 days	\$ 3,613
Investment Cooperative	Interest & Sinking	AAAm	Wtd Avg Maturity 38 days	<u>1,242</u>
				<u>\$ 4,855</u>

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of now lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The District's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

Analysis of Specific Deposit and Investment Risks

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

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Year Ended June 30, 2016

C. Deposits and Investments (Continued)

a. Credit Risk

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

b. Custodial Credit Risk

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

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

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

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Year Ended June 30, 2016

C. Deposits and Investments (Continued)

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

D. Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

<u>Government Activities</u>	<u>Balance</u> <u>07/01/15</u>	<u>Additions</u>	<u>Deletions/</u> <u>Reclassifications</u>	<u>Balance</u> <u>06/30/16</u>
Land	\$ 659,374	\$ -	\$ -	\$ 659,374
Buildings & Improvements	21,953,769	43,413	-	21,997,182
Vehicles	438,233	106,531	(24,846)	519,918
Furniture & Equipment	<u>1,320,083</u>	<u>206,967</u>	<u>-</u>	<u>1,527,050</u>
Total Capital Assets	24,371,459	356,911	(24,846)	24,703,524
 <u>Less Accumulated</u>				
<u>Depreciation:</u>				
Buildings & Improvements	5,353,282	537,175	-	5,890,457
Vehicles	349,578	34,046	(24,846)	358,778
Furniture & Equipment	<u>961,768</u>	<u>181,355</u>	<u>-</u>	<u>1,143,123</u>
Total Accum. Depreciation	<u>6,664,628</u>	<u>752,576</u>	<u>(24,846)</u>	<u>7,392,358</u>
 Net Capital Assets	 <u>\$17,706,831</u>	 <u>\$ (395,665)</u>	 <u>\$ -</u>	 <u>\$17,311,166</u>

Depreciation was charges to functions as follows:

11-Instruction	\$ 450,817
12-Instructional Resources & Media Services	9,261
23-School Leadership	40,768
31-Guidance, Counseling & Evaluation Services	17,384
33-Health Services	5,653
34-Student (Pupil) Transportation	14,134
35-Food Service	25,217
36-Cocurricular/Extracurricular Activities	56,048
41-General Administration	43,338
51-Plant Maintenance & Operations	<u>89,956</u>
	<u>\$ 752,576</u>

IDALOU INDEPENDENT SCHOOL DISTRICT
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Year Ended June 30, 2016

E. Interfund Balances and Activities

These interfund receivables and payables were recorded to eliminate cash flow deficits of special revenue funds. All amounts due are scheduled to be repaid within one year.

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
<u>General Fund:</u>		
Special Revenue Funds	\$ 7,106	\$ -
<u>Special Revenue Funds:</u>		
General Fund	-	7,106

F. Short-Term Debt Activity

The District accounts for short-term debts for maintenance purposes through the General Fund. The proceeds from loans are shown in the financial statements as Other Resources.

G. Long-Term Obligations

Long-term obligations include debt and other long-term liabilities. During each year while bonds are outstanding, the District is required to levy and collect sufficient ad valorem taxes to provide for the payment of principal and interest as it becomes due. The District complied with all significant limitations and restrictions contained in the bond indentures.

1. Changes in long-term obligations for the year ended June 30, 2016, are as follows:

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decrease</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General obligation bonds	\$ 13,830,000	\$ 8,320,000	\$ 9,015,000	\$ 13,135,000	\$ 390,000
Premium on Bonds	266,785	957,981	157,260	1,067,506	-
Total governmental activities	<u>\$ 14,096,785</u>	<u>\$ 9,277,981</u>	<u>\$ 9,172,260</u>	<u>\$ 14,202,506</u>	<u>\$ 390,000</u>

<u>General Obligation Bonds – Descriptions</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Amount Of Original Issue</u>	<u>Amount Outstanding 6/30/2016</u>
Unlimited Tax School Building Bonds-Series 2010	2.00% to 4.170%	2-15-2038	\$ 15,305,000	\$ 4,960,000
Unlimited Tax Refunding Bonds-Series 2015	2.00% to 4.000%	2-15-2033	\$ 8,320,000	\$ 8,175,000

IDALOU INDEPENDENT SCHOOL DISTRICT
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Year Ended June 30, 2016

G. Long-Term Obligations (continued)

2. Debt service requirements on general obligation bonds at June 30, 2016, are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 390,000	\$ 490,200	\$ 880,200
2018	405,000	478,500	883,500
2019	435,000	462,300	897,300
2020	440,000	453,600	893,600
2021	445,000	444,800	889,800
2022-2026	2,465,000	1,999,700	4,464,700
2027-2031	3,005,000	1,480,200	4,485,200
2032-2036	3,785,000	823,000	4,608,000
2037-2038	<u>1,765,000</u>	<u>106,600</u>	<u>1,871,600</u>
	<u>\$ 13,135,000</u>	<u>\$ 6,738,900</u>	<u>\$ 19,873,900</u>

3. Advance Refunding of Debt

GASB Statement No. 7, "Advance Refundings Resulting in Defeasance of Debt", provides that refunded debt and assets placed in escrow for the payment of related debt service be excluded from the financial statements.

As a result of the advance refunding of principal maturities from the Unlimited Tax School Building Bonds Series 2010 (\$8,495,000) by the issuance of Unlimited Tax Refunding Bonds Series 2015 (\$8,320,000), the District decreased its total debt service requirements by \$607,775, which resulted in a net economic gain (difference between the present value of the debt service payments on the old and new debt) of \$487,566.

H. Defined Benefit Pension Plan

1. Plan Description

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

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

IDALOU INDEPENDENT SCHOOL DISTRICT
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Year Ended June 30, 2016

H. Pension Plan (continued)

2. 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.

3. Benefits Provided

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

4. Contributions

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

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Year Ended June 30, 2016

H. Pension Plan (continued)

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%
2015 Employer Contributions	\$ 118,734	
2015 Member Contributions	\$ 343,755	
2015 NECE On-behalf Contributions	\$ 309,836	

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

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

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

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Year Ended June 30, 2016

H. Pension Plan (continued)

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

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

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

5. Actuarial Assumptions

The total pension liability in the August 31, 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 primarily based on a study of actual experience for the four year period ending August 31, 2014 and adopted on September 24, 2015.

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

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Year Ended June 30, 2016

H. Pension Plan (continued)

6. 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:

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Year Ended June 30, 2016

H. Pension Plan (continued)

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Stable Value Hedge Funds	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	<u>100%</u>		<u>8.7%</u>

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

7. Discount Rate Sensitivity Analysis

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

	<u>1% Decrease in Discount Rate (7.0%)</u>	<u>Discount Rate (8.0%)</u>	<u>1% Increase in Discount Rate (9.0%)</u>
District's proportionate Share of the net pension liability:	\$ 2,220,871	\$ 1,417,446	\$ 748,243

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NOTES TO THE FINANCIAL STATEMENTS, Page 21
Year Ended June 30, 2016

H. Pension Plan (continued)

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

At August 31, 2015, the District reported a liability of \$1,417,446 for its proportionate share of the TRS’s net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District’s Proportionate share of the collective net pension liability	\$ 1,417,446
State’s proportionate share that is associated with the District	<u>\$ 3,697,703</u>
Total	<u>\$ 5,115,149</u>

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.

At August 31, 2014 the employer’s proportion of the collective net pension liability was 0.0040099% which was an increase of 0.0020208% 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.

IDALOU INDEPENDENT SCHOOL DISTRICT
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Year Ended June 30, 2016

H. Pension Plan (continued)

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 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 in benefit terms that affected measurement of the total pension liability during the measurement period.

For the year ended August 31, 2015, the District recognized pension expense of \$526,863 and revenue of \$526,863 for support provided by the State.

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 23
Year Ended June 30, 2016

H. Pension Plan (continued)

At August 31, 2015, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual		
Economic experience	\$ 6,834	\$ 54,474
Changes in actuarial assumptions	\$ 28,722	\$ 50,568
Difference between projected and actual		
Investment earnings	\$ 349,085	\$ 121,794
Changes in proportion and difference between		
The employer's contributions and the		
Proportionate share of contributions	<u>\$ 461,773</u>	<u>\$ 9,458</u>
Total	<u>\$ 846,414</u>	<u>\$ 236,294</u>

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

<u>Year ended June 30:</u>	<u>Pension Expense Amount</u>
2017	\$ 112,697
2018	112,697
2019	112,697
2020	153,297
2021	65,594
Thereafter	53,138

At June 30, 2016, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Total net amounts per August 31, 2015		
measurement date	\$ 846,414	\$ 236,294
Contributions paid to TRS subsequent to the		
measurement date	<u>\$ 107,711</u>	<u>\$ -</u>
Total	<u>\$ 954,125</u>	<u>\$ 236,294</u>

IDALOU INDEPENDENT SCHOOL DISTRICT
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Year Ended June 30, 2016

I. School District Retiree Health Plan

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

Funding Policy - Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. Contribution rates and amounts are shown in the table below for fiscal years 2016-2014.

Contribution Rates and Contribution Amounts						
<u>Year</u>	<u>Active Member</u>		<u>State</u>		<u>School District</u>	
	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>
2016	0.65%	\$ 34,903	1.0%	\$ 53,698	0.55%	\$ 29,534
2015	0.65%	\$ 33,092	1.0%	\$ 50,912	0.55%	\$ 28,002
2014	0.65%	\$ 31,906	1.0%	\$ 49,086	0.55%	\$ 26,997

J. Health Care Coverage

The District sponsors a fully insured health insurance plan to provide health care benefits to staff members and their dependents. The District paid premiums of \$225 per month for staff members participating in the plan. Staff members, at their option, authorized payroll deductions to pay premiums for their dependents. All premiums were paid to a licensed insurer.

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 25
Year Ended June 30, 2016

K. Medicare Part D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug expenditures for eligible TRS-Care participants. The District's portion of subsidy reimbursements received by TRS for the years ended June 30, 2016, 2015, and 2014 were \$17,320, \$22,881, and \$14,313, respectively.

L. Property/Casualty Insurance

During the year ended June 30, 2016, Idalou ISD participated in the TASB Risk Management Fund's (the Fund's) Property, Auto, and Liability Programs.

The Funds were created and are operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Funds purchase stop-loss coverage for protection against catastrophic and larger than anticipated claims for the Property, Auto, and Liability Programs. The terms and limits of the stop-loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended June 30, 2016, the Funds anticipate that Idalou ISD has no additional liability beyond the contractual obligations for payment of contributions.

The Funds engage the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2015, are available at the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin, TX.

M. Unemployment Compensation Pool

During the year ended June 30, 2016, Idalou ISD provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 26
Year Ended June 30, 2016

M. Unemployment Compensation Pool (continued)

The Fund meets its quarterly obligations to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for the Unemployment Compensation pool.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2015 are available at the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin, Texas.

N. Workers' Compensation Pool

During the year ended June 30, 2016, Idalou ISD met its statutory workers' compensation obligations through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Workers' Compensation Program is authorized by Chapter 504, Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members' injured employees.

The Fund and its members are protected against higher than expected claims costs through the purchase of stop loss coverage for any claim in excess of the Fund's self-insured retention of \$1.5 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2015, the Fund carries a discounted reserve of \$56,905,750 for future development on reported claims and claims that have been incurred but not yet reported. For the year-ended August 31, 2015, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2015 are available at the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin, Texas.

O. Litigation

No reportable litigation was pending or in progress against the District at June 30, 2016.

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 27
Year Ended June 30, 2016

P. Commitments and Contingencies

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

Q. Accumulated Unpaid Sick Leave Benefits

Vacations are to be taken within the same year they are earned, and any unused days at the end of the year are forfeited. Therefore, no liability for vacation leave has been accrued in the accompanying financial statements. Employees of the District are entitled to sick leave based on category/class of employment. Sick leave is allowed to be accumulated but does not vest. Therefore, a liability for unused sick leave has not been recorded in the accompanying financial statements.

R. Shared Services Arrangements

Shared Services Arrangement – Membership

The District participates in a shared services arrangement for special education services with the following school districts:

Member Districts

Lorenzo Independent School District
Crosbyton Independent School District
Lockney Independent School District
Ralls Independent School District
Petersburg Independent School District

The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

REQUIRED SUPPLEMENTARY INFORMATION

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2016

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
	REVENUES:				
5700	Local and Intermediate Sources	\$ 2,849,764	\$ 2,849,764	\$ 2,792,258	\$ (57,506)
5800	State Program Revenues	5,963,874	5,963,874	5,948,431	(15,443)
5900	Federal Program Revenues	-	-	-	-
5020	Total Revenues	<u>8,813,638</u>	<u>8,813,638</u>	<u>8,740,689</u>	<u>(72,949)</u>
	EXPENDITURES:				
	Current:				
	Instruction & Instructional Related Services:				
0011	Instruction	5,145,939	5,145,939	4,966,449	179,490
0012	Instructional Resources and Media Services	118,912	118,912	105,420	13,492
0013	Curriculum Dev. & Instructional Staff Dev.	17,600	17,600	10,417	7,183
	Total Instruction & Instr. Related Services	<u>5,282,451</u>	<u>5,282,451</u>	<u>5,082,286</u>	<u>200,165</u>
	Instructional and School Leadership:				
0023	School Leadership	437,678	437,678	422,671	15,007
	Total Instr. & School Leadership	<u>437,678</u>	<u>437,678</u>	<u>422,671</u>	<u>15,007</u>
	Support Services-Student (Pupil):				
0031	Guidance, Counseling & Evaluation Services	207,712	207,712	190,785	16,927
0033	Health Services	66,063	66,063	64,355	1,708
0034	Student (Pupil) Transportation	181,000	181,000	160,891	20,109
0036	Curricular/Extracurricular Activities	700,938	700,938	638,025	62,913
	Total Support Services - Student (Pupil)	<u>1,155,713</u>	<u>1,155,713</u>	<u>1,054,056</u>	<u>101,657</u>
	Administrative Support Services:				
0041	General Administration	518,205	518,205	493,343	24,862
	Total Administrative Support Services	<u>518,205</u>	<u>518,205</u>	<u>493,343</u>	<u>24,862</u>
	Support Services-Nonstudent Based				
0051	Plant Maintenance and Operations	1,139,420	1,139,420	1,024,019	115,401
0052	Security and Monitoring Services	112,360	112,360	99,034	13,326
0053	Data Processing	87,910	87,910	74,031	13,879
0081	Facilities Acquisition and Constructions	261,000	261,000	250,380	10,620
	Total Support Services-Nonstudent Based	<u>1,600,690</u>	<u>1,600,690</u>	<u>1,447,464</u>	<u>153,226</u>
	Intergovernmental Charges				
0093	Payments to Fiscal Agent/Member Dist.-SSA	255,000	255,000	240,492	14,508
0095	Payments to Juvenile Justice Alternative Education Programs	10,000	10,000	-	10,000
0099	Tax Appraisal & Collection	37,000	37,000	31,611	5,389
	Total Intergovernmental Charges	<u>302,000</u>	<u>302,000</u>	<u>272,103</u>	<u>29,897</u>
6030	Total Expenditures	<u>9,296,737</u>	<u>9,296,737</u>	<u>8,771,923</u>	<u>524,814</u>
1200	Net Change in Fund Balance	(483,099)	(483,099)	(31,234)	451,865
0100	Fund Balance - Beginning	5,267,898	5,267,898	5,267,898	-
3000	Fund Balance - Ending	<u>\$ 4,784,799</u>	<u>\$ 4,784,799</u>	<u>\$ 5,236,664</u>	<u>\$ 451,865</u>

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM
For the Year Ended June 30, 2016

	<u>2016</u>	<u>2015</u>
District's Proportion of the Net Pension Liability (Asset)	0.0040099%	0.0019891%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 1,417,446	\$ 531,317
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	<u>\$ 3,697,703</u>	<u>\$ 3,037,116</u>
Total	<u>\$ 5,115,149</u>	<u>\$ 3,568,433</u>
District's Covered Employee Payroll	\$ 5,130,722	\$ 4,928,163
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Employee Payroll	27.63%	10.78%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	78.43%	83.25%

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

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

SCHEDULE OF THE DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM
For the Year Ended June 30, 2016

	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 127,066	\$ 104,176
Contribution in Relation to the Contractually Required Contribution	<u>\$ (127,066)</u>	<u>\$ (104,176)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
District's Covered Employee Payroll	\$ 5,369,841	\$ 5,091,203
Contributions as a percentage of Covered Employee Payroll	2.37%	2.05%

Note: GASB 68, Paragraph 81.2.b requires that the data in this schedule be presented as of the District's current fiscal year as opposed to the time period covered by the measurement date of September 1, 2014-August 31, 2015.

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

OTHER SUPPLEMENTARY INFORMATION

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

SCHEDULE OF DELINQUENT TAXES RECEIVABLE
For the Year Ended June 30, 2016

Last Ten Years Ended June 30	1		2		3	10	20	31	32	40	50
	Tax Rates		Assessed/Appraised Value for School Tax Purposes	Beginning Balance 07/01/15	Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustments	Ending Balance 06/30/16		
	Maintenance	Debt Service									
2007 and Prior Years	Various	Various	Various	--	\$ 53,445	\$ -	\$ 13	\$ -	\$ (2,329)	\$ 51,103	
2008	1.31670	0.11000	1.42670	183,348,379	5,885	-	-	-	-	5,885	
2009	1.17000	0.09500	1.26500	198,705,556	7,055	-	240	-	-	6,815	
2010	1.17000	0.00000	1.17000	202,228,376	7,583	-	751	-	(192)	6,640	
2011	1.17000	0.00000	1.17000	210,451,340	10,718	-	486	-	(638)	9,594	
2012	1.17000	0.28500	1.45500	214,995,670	11,972	-	908	-	(556)	10,508	
2013	1.17000	0.28500	1.45500	214,995,670	14,668	-	2,326	567	(645)	11,130	
2014	1.17000	0.28500	1.45500	226,158,493	18,493	-	4,274	1,041	(648)	12,530	
2015	1.17000	0.29000	1.46000	243,501,986	64,974	-	27,757	6,880	(7,775)	22,562	
2016-School Year Under Audit	1.17000	0.29000	1.46000	225,618,425	-	3,294,029	2,566,088	636,039	(24,366)	67,536	
1000 TOTALS					\$ 194,793	\$ 3,294,029	\$ 2,602,843	\$ 644,527	\$ (37,149)	\$ 204,303	

Columns 10 + 20 - 30 - 30a + 40 Equals Column 50

Columns 30 and 30a - These are the total collections net of adjustments described in Column 40, according to each year of tax levy, and do NOT include penalties and interest.

Column 3 - Assessed/Appraised Value for School Tax Purposes: This is the net appraised value, after deductions of all exemptions, tax freeze amounts and reductions provided by law and those granted by the district, based on maintenance requirements.

Column 40 - Entire Year's Adjustments: Total adjustments include corrections for errors in taxes assessed, taxes lost due to tax freeze and discounts allowed for early payment of taxes.

Column 20 - Current Year's Levy: This amount is calculated by multiplying tax rate(s) times the applicable Assessed/Appraised Value(s) in Column 3.

Column 50 - Ending Balance 6/30/16

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET
GENERAL FUND AS OF JUNE 30, 2016

Data Control Code	Explanation	Amount
1	Total General Fund Balance 6/30/16 (Exhibit C-1 object 3000 for the General Fund Only)	\$ 5,236,664
2	Total General Fund Non-spendable Fund Balance (from Exhibit C-1 - total of object 341X-644X for the General Fund Only)	-
3	Total General Fund Restricted Fund Balance (from Exhibit C-1 -- total of object 345X-349X for the General Fund only)	-
4	Total General Fund Committed Fund Balance (from Exhibit C-1 -- total of object 351X-654X for the General Fund only)	1,800,000
5	Total General Fund Assigned Fund Balance (from Exhibit C-1 -- total of object 355X-359X for the General Fund only)	-
6	Estimated amount needed to cover fall cash flow deficits in General Fund (net of borrowed funds and funds representing unearned revenues)	2,319,941
7	Estimate of two month's average cash disbursements during the fiscal year.	1,546,627
8	Estimate of delayed payments from state sources (58XX)	-
9	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount.	-
10	Estimate of delayed payments from federal sources (59XX)	-
11	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	-
12	Optimum Fund Balance and Cash Flow (2 + 3+ 4 + 5 + 6 + 7 + 8 + 9)	\$ 5,666,568
13	Excess/(Deficit) Undesignated Unreserved General Fund Fund Balance (1 - 10)	\$ (429,904)

If item 11 is a positive number

Explanation of need for and/or projected use of net positive Undesignated Unreserved General Fund Fund Balance:

(UNAUDITED)

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

EXHIBIT J-3

NATIONAL SCHOOL BREAKFAST/LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2016

Data Control Codes		<u>Budget</u>	<u>Actual</u>	Variance with Budget Positive (Negative)
	REVENUES:			
5700	Local and Intermediate Sources	\$ 153,800	\$ 107,407	\$ (46,393)
5800	State Program Revenues	1,900	1,818	(82)
5900	Federal Program Revenues	180,000	170,039	(9,961)
5020	Total Revenues	<u>335,700</u>	<u>279,264</u>	<u>(56,436)</u>
	EXPENDITURES:			
	Current:			
	Support Services-Student (Pupil):			
0035	Food Services	<u>335,700</u>	<u>287,056</u>	<u>48,644</u>
	Total Support Services - Student (Pupil)	<u>335,700</u>	<u>287,056</u>	<u>48,644</u>
6030	Total Expenditures	<u>335,700</u>	<u>287,056</u>	<u>48,644</u>
	Other Financing Sources (Uses):			
7915	Operating Transfers In	<u>-</u>	<u>-</u>	<u>-</u>
	Total Other Financing Sources and (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
1200	Net Change in Fund Balance	-	(7,792)	(7,792)
0100	Fund Balance - Beginning	<u>102,547</u>	<u>102,547</u>	<u>-</u>
3000	Fund Balance - Ending	<u>\$ 102,547</u>	<u>\$ 94,755</u>	<u>\$ (7,792)</u>

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

EXHIBIT J-4

DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2016

Data Control Codes		<u>Budget</u>	<u>Actual</u>	Variance with Budget Positive (Negative)
	REVENUES:			
5700	Local and Intermediate Sources	\$ 653,725	\$ 651,782	\$ (1,943)
5800	State Program Revenues	245,300	248,301	3,001
5020	Total Revenues	<u>899,025</u>	<u>900,083</u>	<u>1,058</u>
	EXPENDITURES:			
	Debt Service:			
0071	Principal on Long-Term Debt	520,000	520,000	-
0072	Interest on Long-Term Debt	415,025	412,975	2,050
0073	Bond Issuance Costs and Fees	108,948	108,948	-
	Total Debt Service	<u>1,043,973</u>	<u>1,041,923</u>	<u>2,050</u>
6030	Total Expenditures	<u>1,043,973</u>	<u>1,041,923</u>	<u>2,050</u>
	Other Financing Sources (Uses):			
7901	Refunding Bonds Issued	8,320,000	8,320,000	-
7916	Premium or Discount on Bond Issuance	957,981	957,981	-
8949	Payment to Bond Refunding Escrow Agent	<u>(9,169,033)</u>	<u>(9,169,033)</u>	<u>-</u>
	Total Other Financing Sources and (Uses)	<u>108,948</u>	<u>108,948</u>	<u>-</u>
1200	Net Change in Fund Balance	(36,000)	(32,892)	3,108
0100	Fund Balance - Beginning	<u>433,453</u>	<u>433,453</u>	<u>-</u>
3000	Fund Balance - Ending	<u>\$ 397,453</u>	<u>\$ 400,561</u>	<u>\$ 3,108</u>

Terry & King, CPAs, P.C.

4216 102nd
P.O. Box 93550
Lubbock, TX 79493-3550

Randel J. Terry, CPA
Ryan R. King, CPA

Telephone - (806) 698-8858 – Fax – (866) 288-6490

Independent Auditors' Report

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

Board of Trustees
Idalou Independent School District
P.O. Box 1338
Idalou, Texas 79329

Members of the Board of Trustees:

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Idalou Independent School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Idalou Independent School District's basic financial statements, and have issued our report thereon dated September 6, 2016.

Internal Control over Financial Reporting

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



Independent Auditors' Report
Page 2

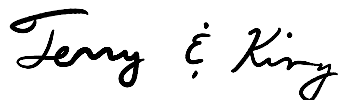
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Idalou 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*.

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.

Respectfully submitted,

A handwritten signature in black ink that reads "Terry & King". The signature is written in a cursive, flowing style.

Terry & King, CPAs, P.C.
Lubbock, Texas
September 6, 2016

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2016

A. Summary of Auditors' Results

1. Financial Statements

Type of auditor's report issued: Unqualified

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

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

SUMMARY OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2016

<u>Findings/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation if Not Implemented</u>
Not Applicable - None		

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

CORRECTIVE ACTION PLAN
For the Year Ended June 30, 2016

Not Applicable – None Required

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

SCHOOLS FIRST QUESTIONNAIRE
For the Year Ended June 30, 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.	N/A
SF11	Net Pension Assets (1920) at fiscal year-end.	\$ -
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$ 1,417,446
SF13	Pension Expense (6147) at fiscal year-end.	\$ 795,610