

**INGRAM INDEPENDENT SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT FOR THE  
YEAR ENDED**

**AUGUST 31, 2016**

INGRAM INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED AUGUST 31, 2016

TABLE OF CONTENTS

<u>Exhibit</u>	<u>Page</u>
CERTIFICATE OF BOARD	1
Independent Auditors' Report	2
Management's Discussion and Analysis	5
<b><u>Basic Financial Statements</u></b>	
Government Wide Statements:	
A-1 Statement of Net Assets	11
B-1 Statement of Activities	12
Governmental Fund Financial Statements:	
C-1 Balance Sheet	13
C-2 Reconciliation for C-1	15
C-3 Statement of Revenues, Expenditures, and Changes in Fund Balance	16
C-4 Reconciliation for C-3	18
Proprietary Fund Financial Statements	
D-1 Statement of Net Position - Proprietary Fund	19
D-2 Statement of Revenues, Expenditures and Changes in Fund Net Net Position - Proprietary Fund	20
D-3 Statement of Cash Flows - Proprietary Fund	21
Fiduciary Fund Financial Statements:	
E-1 Statement of Fiduciary Net Assets	22
Notes to the Financial Statements	23
<b><u>Required Supplementary Information</u></b>	
G-1 Budgetary Comparison Statement - General Fund	41
G-2 Schedule of the District's Proportionate Share of the Net Pension Liability	42
G-3 Schedule of District Contributions	43
<b><u>Combining and Other Schedules</u></b>	
Non-major Governmental Funds:	
H-1 Combining Balance Sheet	44
H-2 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	47
<b><u>Required TEA Schedules</u></b>	
J-1 Schedule of Delinquent Taxes	50
J-2 Budgetary Comparison Schedule - Child Nutrition Fund	52
J-3 Budgetary Comparison Schedule - Debt Service Fund	53
<b><u>Reports on Compliance, Internal Control, and Federal Awards</u></b>	
Report on Internal Control Over Financial Reporting and Compliance Based on an audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	54
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	56
Schedule of Findings and Questioned Costs	59
Schedule of Status of Prior Findings and Corrective Action Plan	60

K-1 Schedule of Expenditures of Federal Awards  
Notes to Schedule of Expenditures of Federal Awards

61  
62

CERTIFICATE OF BOARD

Ingram Independent School District  
Name of School District

Kerr  
County

133-904  
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) \_\_\_\_\_ approved \_\_\_\_\_ disapproved for the year ended August 31, 2016 at a meeting of the Board of Trustees of such school district on the 18th day of January, 2017.

\_\_\_\_\_  
Signature of Board Secretary

\_\_\_\_\_  
Signature of Board President

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

# **KLEIN, KRAUS & COMPANY, LLC**

*Certified Public Accountants*

1302 NORTH LLANO

P.O. BOX 2211

FREDERICKSBURG, TEXAS 78624-2211

(830) 997-5592

email: [kkcpa@austin.rr.com](mailto:kkcpa@austin.rr.com)

FAX: (830) 990-2692

## **Unmodified Opinions on Basic Financial Statements Accompanied by Required Supplementary Information and Other Information—State or Local Governmental Entity**

### **Independent Auditor's Report**

Ingram Independent School District  
510 College Street  
Ingram, Texas 78025

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Ingram Independent School District as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise the Ingram Independent School District's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

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

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

policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

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

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis and budgetary comparison information on pages 5–10, 41, 52 and 53 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 Ingram Independent School District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the other information, such as the introductory and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Management's Discussion and Analysis is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Management's Discussion and Analysis is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Management's Discussion and Analysis 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 November 15, 2016 on our consideration of the Ingram 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 Ingram Independent School District's internal control over financial reporting and compliance.

*Klein, Kraus and Company, LLC*

Klein, Kraus and Company, LLC

Fredericksburg, Texas

November 15, 2016

INGRAM INDEPENDENT SCHOOL DISTRICT  
 MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
 FOR THE YEAR ENDED AUGUST 31, 2016

This section of Ingram Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended August 31, 2016. Please read it in conjunction with the District's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

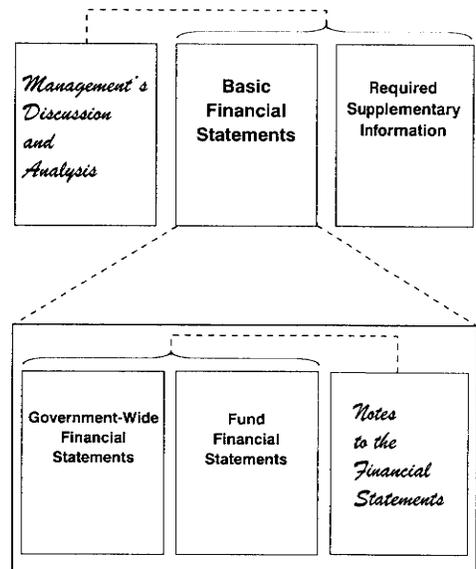
- The District's total combined net assets were \$6,219,522 at August 31, 2016.
- During the year, the District's expenses were \$301,738 more than the \$12,067,552 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs increased by \$601,566 and revenues increased by \$547,223.
- The general fund reported a fund balance this year of \$1,378,434.

**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.

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



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

**Government-wide Statements**

The government-wide statements beginning on page 11 report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net

assets includes all of the government's assets and liabilities. All of the current 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 assets and how they have changed. Net assets—the difference between the District's assets and liabilities—is one way to measure the District's financial health or *position*.

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

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

### **Fund Financial Statements**

The fund financial statements beginning on page 13 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 assets and a statement of changes in fiduciary net assets. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets. The District's combined net assets were \$6,219,522 at August 31, 2016 (See Table A-1).

Table A-1

### Ingram ISD's Net Assets (in thousands)

	Governmental Activities	
	2016	2015
<b>Current Assets:</b>		
Cash and cash equivalents	2,909	7,719
Property taxes and receivables	265	304
Allowance for Uncollectible	(40)	(46)
Due from other governments	1,250	1,545
Inventories	18	13
Land	739	739
Building, furniture and equipment	18,414	14,137
Other Assets	3	3
<b>Total Current Assets:</b>	<b>23,558</b>	<b>24,414</b>
<b>Deferred Outflows of Resources:</b>		
Deferred Outflow Related to TRS	1,253	291
Deferred Charge for Refunding	23	24
<b>Liabilities:</b>		
Accounts payable	101	270
Accrued Liabilities	307	190
Due to Other Governments	-	-
Net Pension Liability	2,137	886
Deferred Revenue	-	273
<b>Noncurrent Liabilities:</b>		
Due Within One Year	641	619
Due in More Than One Year	15,270	15,960
<b>Total Liabilities</b>	<b>18,455</b>	<b>18,198</b>
Deferred Inflows Related to TRS	159	271
<b>Net Assets:</b>		
Invested in capital assets, Net of Related Debt	3,265	(1,124)
<b>Restricted For:</b>		
Debt Service	351	342
Federal & State Programs	4	53
Capital Projects	2,088	6,964
Other Purposes	-	54
Unrestricted	511	(29)
<b>Total Net Assets</b>	<b>6,219</b>	<b>6,260</b>

**Changes in net assets.** The District's total revenues were \$12,067,552. Forty-nine percent of the District's revenue comes from local property taxes and other intermediate sources. Thirty-five percent comes from state aid – formula grants, while thirteen percent of the revenues comes from federal sources.

The total cost of all programs and services was \$12,369,290; forty-eight percent of these costs were for instructional and student services.

**Governmental Activities**

- Property tax rate for FY 2015/2016 was \$1.04 for general operating purposes and .22 cents for bonded indebtedness to be retired in the year 2016.

**Table A-2**  
**Changes in Ingram ISD's Net Assets**  
*(In thousands)*

	<b>Governmental Activities</b>	
	<u>2016</u>	<u>2015</u>
<b>Revenues:</b>		
Program Revenues:		
Capital grants and contributions	4,251	3,476
Operating Grants and Contributions	1,602	1,599
Charges for services	293	298
General Revenues		
Property Taxes	5,828	5,855
Investment Earnings	26	19
Other	68	273
<b>Total Revenues</b>	<b>12,068</b>	<b>11,520</b>
Instruction	5,960	5,330
Instructional Resources and Media Services	60	125
Curriculum Dev. And Instructional Staff Dev.	243	160
Instructional Leadership	189	168
School Leadership	670	745
Guidance, Counseling and Evaluation Services	337	265
Health Services	89	83
Student (Pupil) Transportation	380	306
Food Services	711	650
Curricular/Extracurricular Activities	605	567
General Administration	599	560
Plant Maintenance & Operations	1,644	1,541
Security and Monitoring Services	12	17
Data Processing Services	305	284
Interest on Long-term Debt	457	572
Bond Issuance Costs and Fees	3	322
Other Intergovernmental Charges	105	72
<b>Total Expenses</b>	<b>12,369</b>	<b>11,767</b>
Increase (Decrease) in Net Assets	(301)	(247)
Beginning Net Assets	6,260	7,510
Prior Period Adjustments	261	(1,003)
<b>Ending Net Assets</b>	<b>6,220</b>	<b>6,260</b>

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 \$12,369,290.
- The amount that our taxpayers paid for these activities through property taxes was \$5,828,283.

**Table A-3  
Net Cost of Selected District Functions**

	<b>Total Cost of Services</b>	
	<u><b>2016</b></u>	<u><b>2015</b></u>
Instruction	5,960,512	5,329,475
School Administration	598,635	559,977
Plant Maintenance and Operations	1,643,788	1,540,810
Debt Service	459,633	894,753

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

Revenues from governmental fund types totaled \$12,067,552 or 4.8 percent more than the preceding year. The District saw an increase in state revenues.

**General Fund Budgetary Highlights**

Over the course of the year, the District did revise its budget several times.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of the August 31, 2016 fiscal year, the District had invested \$33,604,281 in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.) This amount is a \$5,129,139 increase from the prior year.

**Table A-4  
District's Capital Assets**

	<b>Governmental Activities</b>	
	<u><b>2016</b></u>	<u><b>2015</b></u>
Land	739,049	739,049
Buildings and improvements	27,297,953	23,856,202
Furniture & equipment	2,539,155	2,525,433
Work in progress	3,028,124	1,354,458
Totals at historical cost	<u>33,604,281</u>	<u>28,475,142</u>
Total accumulated depreciation	(14,450,843)	(13,598,909)
Net capital assets	<u>19,153,438</u>	<u>14,876,233</u>

**Long Term Debt**

At year-end the District had \$14,625,000 in bonds outstanding. More detailed information about the District's debt is presented in the notes to the financial statements. The District's general obligation bond rating continues to be in good standing. The District presently carries an "AAA" rating on bonds secured through the Permanent School Fund Insurance.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

- For the 2017 budget the District has budgeted \$9,678,000 in revenues and \$9,703,000 in expenditures.

### **Major 2016 purchases:**

- Building Improvements

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to 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, 510 College Street, Ingram, Texas 78025.

---

# **BASIC FINANCIAL STATEMENTS**

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

EXHIBIT A-1

Data Control Codes	Primary Government
	Governmental Activities
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 2,908,519
1220 Property Taxes Receivable (Delinquent)	265,372
1230 Allowance for Uncollectible Taxes	(39,805)
1240 Due from Other Governments	1,249,559
1290 Other Receivables, net	2,457
1300 Inventories	18,400
Capital Assets:	
1510 Land	739,049
1520 Buildings, Net	15,264,520
1530 Furniture and Equipment, Net	121,745
1580 Construction in Progress	3,028,124
1000 Total Assets	23,557,940
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
1701 Deferred Charge for Refunding	22,667
1705 Deferred Outflow Related to TRS	1,252,899
1700 Total Deferred Outflows of Resources	1,275,566
<b>LIABILITIES</b>	
2110 Accounts Payable	100,422
2120 Short Term Debt Payable	3,531
2140 Interest Payable	11,466
2150 Payroll Deductions & Withholdings	1,554
2160 Accrued Wages Payable	283,420
2200 Accrued Expenses	7,050
Noncurrent Liabilities	
2501 Due Within One Year	640,514
2502 Due in More Than One Year	15,270,181
2540 Net Pension Liability (District's Share)	2,136,862
2000 Total Liabilities	18,455,000
<b>DEFERRED INFLOWS OF RESOURCES</b>	
2605 Deferred Inflow Related to TRS	158,984
2600 Total Deferred Inflows of Resources	158,984
<b>NET POSITION</b>	
3200 Net Investment in Capital Assets	3,265,410
3820 Restricted for Federal and State Programs	3,602
3850 Restricted for Debt Service	351,489
3860 Restricted for Capital Projects	2,087,718
3900 Unrestricted	511,303
3000 Total Net Position	\$ 6,219,522

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

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

EXHIBIT B-1

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Expenses	3 Charges for Services	4 Operating Grants and Contributions
<b>Primary Government:</b>				
<b>GOVERNMENTAL ACTIVITIES:</b>				
11 Instruction	\$ 5,960,512	\$ 114,119	\$ 799,315	\$ (5,047,078)
12 Instructional Resources and Media Services	60,156	-	1,666	(58,490)
13 Curriculum and Staff Development	243,015	-	52,746	(190,269)
21 Instructional Leadership	188,866	-	12,662	(176,204)
23 School Leadership	670,109	-	32,271	(637,838)
31 Guidance, Counseling and Evaluation Services	336,941	-	94,655	(242,286)
33 Health Services	89,498	-	4,325	(85,173)
34 Student (Pupil) Transportation	379,879	-	19,909	(359,970)
35 Food Services	710,881	133,051	487,411	(90,419)
36 Extracurricular Activities	604,999	27,070	15,129	(562,800)
41 General Administration	598,635	-	22,227	(576,408)
51 Facilities Maintenance and Operations	1,643,788	18,618	47,310	(1,577,860)
52 Security and Monitoring Services	12,083	-	234	(11,849)
53 Data Processing Services	305,470	-	12,218	(293,252)
72 Debt Service - Interest on Long Term Debt	456,840	-	-	(456,840)
73 Debt Service - Bond Issuance Cost and Fees	2,793	-	-	(2,793)
99 Other Intergovernmental Charges	104,825	-	-	(104,825)
<b>[TP] TOTAL PRIMARY GOVERNMENT:</b>	<b>\$ 12,369,290</b>	<b>\$ 292,858</b>	<b>\$ 1,602,078</b>	<b>(10,474,354)</b>
Data Control Codes				
	<b>General Revenues:</b>			
	<b>Taxes:</b>			
MT	Property Taxes, Levied for General Purposes			4,810,869
DT	Property Taxes, Levied for Debt Service			1,017,414
GC	Grants and Contributions not Restricted			4,250,637
IE	Investment Earnings			26,442
MI	Miscellaneous Local and Intermediate Revenue			67,254
TR	<b>Total General Revenues</b>			<b>10,172,616</b>
CN	Change in Net Position			(301,738)
NB	Net Position - Beginning			6,259,692
PA	Prior Period Adjustment			261,568
NE	Net Position--Ending			<b>\$ 6,219,522</b>

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

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

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ 458,359	\$ 330,377	\$ 2,109,860
1220 Property Taxes - Delinquent	229,683	35,689	-
1230 Allowance for Uncollectible Taxes (Credit)	(34,452)	(5,353)	-
1240 Receivables from Other Governments	1,189,617	-	-
1260 Due from Other Funds	59,972	21,112	-
1290 Other Receivables	-	-	2,403
1300 Inventories	198	-	-
1000 Total Assets	<u>\$ 1,903,377</u>	<u>\$ 381,825</u>	<u>\$ 2,112,263</u>
<b>LIABILITIES</b>			
2110 Accounts Payable	\$ 67,772	\$ -	\$ 24,545
2120 Short Term Debt Payable - Current	3,531	-	-
2140 Interest Payable - Current	681	-	-
2150 Payroll Deductions and Withholdings Payable	1,554	-	-
2160 Accrued Wages Payable	230,697	-	-
2170 Due to Other Funds	21,112	-	-
2200 Accrued Expenditures	4,366	-	-
2300 Unearned Revenues	195,230	30,336	-
2000 Total Liabilities	<u>524,943</u>	<u>30,336</u>	<u>24,545</u>
<b>FUND BALANCES</b>			
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3480 Retirement of Long-Term Debt	-	351,489	-
3490 Other Restricted Fund Balance	-	-	-
Committed Fund Balance:			
3510 Construction	-	-	2,087,718
Assigned Fund Balance:			
3590 Other Assigned Fund Balance	53,783	-	-
3600 Unassigned Fund Balance	1,324,651	-	-
3000 Total Fund Balances	<u>1,378,434</u>	<u>351,489</u>	<u>2,087,718</u>
4000 Total Liabilities and Fund Balances	<u>\$ 1,903,377</u>	<u>\$ 381,825</u>	<u>\$ 2,112,263</u>

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

Other Funds	Total Governmental Funds
\$ 9,923	\$ 2,908,519
-	265,372
-	(39,805)
59,942	1,249,559
-	81,084
54	2,457
18,202	18,400
<u>\$ 88,121</u>	<u>\$ 4,485,586</u>
\$ 5,830	\$ 98,147
-	3,531
-	681
-	1,554
44,206	274,903
22,090	43,202
2,476	6,842
-	225,566
<u>74,602</u>	<u>654,426</u>
3,602	3,602
-	351,489
289	289
-	2,087,718
-	53,783
9,628	1,334,279
<u>13,519</u>	<u>3,831,160</u>
<u>\$ 88,121</u>	<u>\$ 4,485,586</u>

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

EXHIBIT C-2

<b>Total Fund Balances - Governmental Funds</b>	\$	3,831,160
1 The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.		1,599
2 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$27,473,677 and the accumulated depreciation was (\$12,673,272). In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to decrease net position.		(1,754,594)
3 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2016 capital outlays and debt principal payments is to increase net position.		5,796,163
4 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of (\$2,136,862), a Deferred Resource Inflow related to TRS in the amount of (\$158,984) and a Deferred Resource Outflow related to TRS in the amount of \$1,252,889. This amounted to a decrease net position.		(1,042,947)
5 The 2016 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(826,587)
6 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.		214,728
<b>19 Net Position of Governmental Activities</b>	<b>\$</b>	<b>6,219,522</b>

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

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

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 5,056,815	\$ 1,029,583	\$ 16,072
5800 State Program Revenues	4,578,319	42,214	-
5900 Federal Program Revenues	72,740	-	-
5020 Total Revenues	<u>9,707,874</u>	<u>1,071,797</u>	<u>16,072</u>
EXPENDITURES:			
Current:			
0011 Instruction	4,891,578	-	-
0012 Instructional Resources and Media Services	55,565	-	-
0013 Curriculum and Instructional Staff Development	174,163	-	-
0021 Instructional Leadership	166,521	-	-
0023 School Leadership	611,637	-	-
0031 Guidance, Counseling and Evaluation Services	223,340	-	-
0033 Health Services	81,872	-	-
0034 Student (Pupil) Transportation	333,743	-	-
0035 Food Services	-	-	-
0036 Extracurricular Activities	540,319	-	-
0041 General Administration	549,318	-	-
0051 Facilities Maintenance and Operations	1,724,299	-	-
0052 Security and Monitoring Services	11,175	-	-
0053 Data Processing Services	294,285	-	-
Debt Service:			
0071 Principal on Long Term Debt	53,805	565,000	-
0072 Interest on Long Term Debt	11,247	495,225	-
0073 Bond Issuance Cost and Fees	-	1,600	-
Capital Outlay:			
0081 Facilities Acquisition and Construction	-	-	4,892,008
Intergovernmental:			
0099 Other Intergovernmental Charges	104,825	-	-
6030 Total Expenditures	<u>9,827,692</u>	<u>1,061,825</u>	<u>4,892,008</u>
1200 Net Change in Fund Balances	(119,818)	9,972	(4,875,936)
0100 Fund Balance - September 1 (Beginning)	<u>1,498,252</u>	<u>341,517</u>	<u>6,963,654</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 1,378,434</u>	<u>\$ 351,489</u>	<u>\$ 2,087,718</u>

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

Other Funds	Total Governmental Funds
\$ 145,499	\$ 6,247,969
58,815	4,679,348
1,084,881	1,157,621
1,289,195	12,084,938
541,857	5,433,435
-	55,565
46,589	220,752
5,486	172,007
-	611,637
82,306	305,646
-	81,872
-	333,743
649,847	649,847
8,204	548,523
-	549,318
-	1,724,299
-	11,175
-	294,285
-	618,805
-	506,472
-	1,600
-	4,892,008
-	104,825
1,334,289	17,115,814
(45,094)	(5,030,876)
58,613	8,862,036
\$ 13,519	\$ 3,831,160

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

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	(5,030,876)
The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to decrease net position.		(30,375)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2016 capital outlays and debt principal payments is to increase net position.		5,796,383
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.		(826,587)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position.		(33,132)
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. The District recorded their proportionate share of the pension expense during the FY2015 measurement period as part of the net pension liability. The amounts expensed were (\$438,994) for pension expense from TRS data and the amounts de-expended for the net deferred resource inflows and outflows recognized by TRS in the measurement period were \$55,717. Contributions of \$206,126 made during the 2016 FY were de-expended and recorded as a reduction in the net pension liability for the district. The impact of all of these is to decrease the change in net position.		(177,151)
 <b>Change in Net Position of Governmental Activities</b>	 \$	 <u><u>(301,738)</u></u>

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

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

EXHIBIT D-1

	Governmental Activities -
	Internal Service Fund
<b>ASSETS</b>	
Noncurrent Assets:	
Capital Assets:	
Buildings and Improvements	\$ 137,639
Depreciation on Buildings	(123,876)
Furniture and Equipment	863,826
Depreciation on Furniture and Equipment	(827,108)
Total Noncurrent Assets	50,481
Total Assets	50,481
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	2,276
Accrued Wages Payable	8,517
Due to Other Funds	37,881
Accrued Expenses	208
Total Liabilities	48,882
<b>NET POSITION</b>	
Net Investment in Capital Assets	50,481
Unrestricted Net Position	(48,882)
Total Net Position	\$ 1,599

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

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

	Governmental Activities -
	Internal Service Fund
<b>OPERATING REVENUES:</b>	
Local and Intermediate Sources	\$ 457,298
State Program Revenues	21,152
Total Operating Revenues	478,450
<b>OPERATING EXPENSES:</b>	
Payroll Costs	376,402
Professional and Contracted Services	23,984
Supplies and Materials	74,698
Other Operating Costs	8,393
Depreciation Expense	25,348
Total Operating Expenses	508,825
Operating Income (Loss)	(30,375)
Total Net Position - September 1 (Beginning)	31,974
 Total Net Position - August 31 (Ending)	 \$ 1,599

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

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

	Governmental Activities -
	Internal Service Fund
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 478,450
Cash Payments to Employees for Services	(371,067)
Cash Payments for Suppliers	(72,474)
Cash Payments for Other Operating Expenses	(32,377)
Net Cash Provided by Operating Activities	<u>2,532</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>	
Increase(decrease) in Short-term Loans	<u>(35,082)</u>
Net Decrease in Cash and Cash Equivalents	(32,550)
Cash and Cash Equivalents at Beginning of Year	<u>32,550</u>
Cash and Cash Equivalents at End of Year	<u>\$ -</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating Income (Loss):	\$ (30,375)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	25,348
Effect of Increases and Decreases in Current Assets and Liabilities:	
Increase (decrease) in Accounts Payable	2,224
Increase (decrease) in Accrued Wages Payable	5,335
Net Cash Provided by Operating Activities	<u>\$ 2,532</u>

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

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

EXHIBIT E-1

---

	Agency Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 107,713
Total Assets	<u>\$ 107,713</u>
LIABILITIES	
Due to Student Groups	\$ 107,713
Total Liabilities	<u>\$ 107,713</u>

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

INGRAM INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2016

I. Summary of Significant Accounting Policies

Ingram Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in *Statement on Auditing Standards No. 69* of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

A. Reporting Entity

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

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

D. Fund Accounting

The District reports the following major governmental funds:

1. **The General Fund** - The general fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
2. **The Debt Service Fund** - The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in the debt service fund.
3. **The Capital Projects Fund** - The District accounts for proceeds from long-term financing and revenues and expenditures to authorized construction and other capital asset acquisitions in the capital projects fund.

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

Governmental Funds:

1. **Special Revenue Funds** - The District accounts for resources restricted to, or designated for specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund and sometimes unused balances must be returned to the grantor at the close of specified project periods.

Fiduciary Funds:

2. **Agency Funds** - The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency Fund is the student activity fund.

Proprietary Fund:

3. **Internal Service Fund** - Revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis are accounted for in an internal service fund. The District has one internal service fund.

E. Other Accounting Policies

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

the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

4. The District's policy for vacation does not allow for vacation time to be accumulated. All vacation must be used yearly or it is lost. Individuals may accumulate and carry over sick leave up to 90 days. Upon leaving the employment of the district for any reason, any remaining sick leave up to 90 days is paid out at the teacher's substitute rate of pay.
5. Capital assets, which include land, buildings, furniture and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

<u>Assets</u>	<u>Years</u>
Buildings	30
Building Improvements	30
Vehicles	10
Buses	10
Office Equipment	5-7
Computer Equipment	5

6. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.
7. When the District incurs an expense, for which it may use either restricted or unrestricted assets, it uses the restricted assets first unless unrestricted assets will have to be returned because they were not used.
8. The Data Control Codes refer to the account code structure prescribed by TEA in the *Financial Accountability System Resource Guide*. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a Statewide data base for policy development and funding plans.

9. Beginning with fiscal year 2011, Ingram Independent School District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". This Statement provides more clearly defined fund balance categories to make the nature and intent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

**Nonspendable fund balance** - amounts that are not in spendable form or are required to be maintained intact.

**Restricted fund balance** - Amounts that can be spent only for specific purposes because of local, state or federal laws, or externally imposed conditions by grantors or creditors.

**Committed fund balance** - amounts constrained to specific purposes by the District itself, using its highest level of decision making authority (i.e. the Board of Trustees). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level of action to remove or change the constraint. The District establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. A fund balance commitment is further indicated in the budget document as a commitment of the fund.

**Assigned fund balance** - amounts the District intends to use for a specific purpose. Intent can be expressed by the District or by an official or body to which the Board of Trustees delegates the authority. The Board has delegated authority to the Superintendent to establish fund balance assignments.

**Unassigned fund balance** - amounts that are available for any purpose. Positive amounts are reported on the general fund.

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

## II. Stewardship, Compliance and Accountability

### A. Budgetary Data

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund and the Food Service Fund (which is included in the Special Revenue Funds). The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds.

The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1 and the other two reports are in Exhibit J-2 and J-3.

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

1. Prior to August 20<sup>th</sup> the District prepares a budget for the next succeeding fiscal year beginning September 1st. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days public notice of the meeting must be given.

3. Prior to September 1st, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year, however, none of these were significant changes.
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end. A reconciliation of fund balances for both appropriated budget and non-appropriated budget special revenue funds is as follows:

<u>August 31, 2016 Fund Balance</u>	
Appropriated Budget Funds -	
Food Service Special Revenue Fund	\$ 3,602
Non-appropriated Budget Funds	<u>289</u>
All Special Revenue Funds	<u><u>\$ 3,891</u></u>

III. Detailed Notes on all Funds and Account Groups

A. Deposits and Investments

The funds of the District must be deposited and invested under the terms of a contract, contents of which are set out in the **Depository Contract Law**. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. At August 31, 2016, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$550,839 and the bank balance was \$801,183. The District's cash deposits at August 31, 2016 and during the year ended August 31, 2016 were covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit:

- a. Depository: Security State Bank & Trust
- b. The market value of securities pledged as of the date of the highest combined balance on deposit was \$4,757,853.
- c. The highest combined balances of cash, savings, and time deposit accounts amounted to \$4,673,947 and occurred during the month of February 2016.
- d. Total amount of FDIC coverage at the time of the highest combined balance was \$877,096.

Investments

The District is required by the Public Funds Investment Act, Chapter 2256, Texas Government Code (PFIA), to adopt and implement an investment policy. That policy must address the following areas: safety of principal and

liquidity, portfolio diversification, allowable investments, acceptable risk levels, expected rates of return, maximum allowable stated maturity of portfolio investments, maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, investments staff quality and capabilities, and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in obligations of the U.S. Treasury, certain U.S. agencies and the State of Texas, certificates of deposit, certain municipal securities, and money market guaranteed investment contracts. The PFIA also requires the District to have independent auditors perform test procedures related to investment practices as provided by the PFIA. The District is in substantial compliance with the requirements of the PFIA and with local policies.

The investment pools used by the District are organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. The investment pools are public funds investment pools created to provide a safe environment for the placement of local government funds in authorized short-term investments. 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 person who do not have a business relationship with the pool and are qualified to advise the pool.
2. maintain a continuous rating of no 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 portfolios, 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.

The District's investments in investment pools, which are exempt from regulation by the SEC, have as one of their objectives the maintenance of a stable net asset value of \$1.00. The book value of the position in the pools is the same as the number of the shares in each pool; the market value of a share should approximately equal the book value of a share.

*Credit Risk:*

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

*Concentration of Credit Risk:*

The District places no limit on the amount the District may invest in any one issuer, rather investments are governed by the objectives of preservation and safety of principal, liquidity, and yield.

*Interest Rate Risk:*

Generally, interest rate risk recognizes that changes in interest rates could adversely affect the value of investments. The District does not purchase any investments with maturities greater than one year from the time of purchase. The Board may specifically authorize a longer maturity for a given investment within the legal limits of five (5) years. The District uses its investments in the investment pools to mitigate interest rate risk.

The District's temporary investments at August 31, 2016, shown below present the book carrying value and the market value as well as the investment rating and minimum rating required by the Act.

Name	Carrying Amount	Market Value	Investment Category	Minimum Legal Rating
Lone Star Investment Pool	\$ 2,137,652	\$ 2,137,652	AAA	AAA
TEXPOOL	220,028	220,028	AAA	AAA
TOTAL	<u>\$ 2,357,680</u>	<u>\$ 2,357,680</u>		

B. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all

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

C. Delinquent Taxes Receivable

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

D. Interfund Receivables and Payables

The District had interfund receivables or payables at August 31, 2016 as follows:

	<u>Due From</u>	<u>Due To</u>
<u>General Operating Fund</u>		
Special Revenue	\$ 22,091	\$ -
Debt Service	-	21,112
Internal Service	37,881	-
<u>Debt Service</u>		
General Operating Fund	21,112	-
<u>Internal Service</u>		
General Operating	-	37,881
<u>Special Revenue Fund</u>		
General Operating Fund	-	22,091
Total	\$ <u>81,084</u>	\$ <u>81,084</u>

E. Capital Asset Activity

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

	<u>Primary Government</u>			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
Land	\$ 739,049	\$ -	\$ -	\$ 739,049
Buildings & Improvements	23,856,202	3,441,751	-	27,297,953
Furniture & Equipment	2,525,433	13,722	-	2,539,155
Construction in Progress	1,354,458	2,622,275	(948,609)	3,028,124
Totals at Historic Cost	\$ <u>28,475,142</u>	\$ <u>6,077,748</u>	\$ <u>(948,609)</u>	\$ <u>33,604,281</u>
Less Accumulated				
Depreciation For:				
Buildings & Improvements	11,233,647	(799,786)	-	12,033,433
Furniture & Equipment	2,365,262	(52,149)	-	2,417,411
Total Accumulated Depreciation	\$ <u>13,598,909</u>	\$ <u>(851,935)</u>	\$ <u>-</u>	\$ <u>14,450,844</u>
Governmental Activities				
Capital Assets, Net	\$ <u>14,876,233</u>	\$ <u>5,225,813</u>	\$ <u>(948,609)</u>	\$ <u>19,153,439</u>

Depreciation expense was charged to

Governmental functions as follows:

Instruction	\$ 421,378
Instructional Resources	4,309
Curriculum	17,120
Instructional Leadership	13,340
School Leadership	47,434
Guidance, Counseling & Evaluation Services	23,704
Health Services	6,349
Student (Pupil) Transportation	25,348
Food Services	50,398
Co-curricular/Extracurricular Activities	42,540
General Administration	42,601
Security and Monitoring	867
Plant Maintenance and Operations	133,724
Data Processing	22,823
Total Depreciation Expense	<u>\$ 851,935</u>

F. Bonds Payable

Current requirements for principal and interest expenditures are accounted for in the Debt Service Fund.

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

Description	Interest Rate Payable	Amounts Original Issue	Interest Current Year	Principal Amounts Outstanding 9/1/15	Issued	Retired	Principal Amounts Outstanding 8/31/16
2014 Building Bonds	2.00%-4.00%	9,325,000	349,000	9,055,000	-	65,000	8,990,000
2014 QSCB	0%	1,000,000	-	930,000	-	70,000	860,000
2015 Bldg. & Refunding	2.00%-4.00%	5,205,000	146,225	5,205,000	-	430,000	4,775,000
TOTAL			<u>\$ 495,225</u>	<u>\$ 15,190,000</u>	<u>\$ -</u>	<u>\$ 565,000</u>	<u>\$ 14,625,000</u>

Debt service requirements are as follows:

Year Ended August 31	General Obligations		Capital Appreciation Bonds	Total Requirements
	Principal	Interest		
2017	590,000	485,325	-	1,075,325
2018	600,000	474,925	-	1,074,925
2019	620,000	464,325	-	1,084,325
2020	625,000	452,325	-	1,077,325
2021	640,000	440,225	-	1,080,225
2022-2026	3,155,000	1,958,500	-	5,113,500
2027-2031	3,570,000	1,392,000	-	4,962,000
2032-2036	4,080,000	635,600	-	4,715,600
2037	745,000	29,800	-	774,800
TOTAL	<u>\$ 14,625,000</u>	<u>\$ 6,333,025</u>	<u>\$ -</u>	<u>\$ 20,958,025</u>

There are a number of limitations and restrictions contained in the general obligation bond indentures. Management has indicated that the District is in compliance with all significant limitations and restrictions at August 31, 2016.

Debt service requirements for notes and leases are as follows:

Year Ended August	Principal	Interest	Total Requirements
2017	55,514	8,050	63,564
2018	57,194	6,370	63,564
2019	58,929	4,635	63,564
2020	60,709	2,855	63,564
2021	56,861	1,005	57,866
TOTAL	\$ 289,207	\$ 22,915	\$ 312,122

The District had one outstanding loan at August 31, 2016. The District entered into a note in FY 2011 for building improvements through the Loan Star program. This note is for \$542,128 payable in quarterly installments of \$15,890.99 which includes interest calculated at 3% per annum. This note will be paid off in August 2021.

#### Loans

The District accounts for short term debt through the appropriate funds. Short-term debts include notes made in accordance with the provisions of the Texas Education Code Section 45.108. The proceeds from loans (except those issued and liquidated during the school fiscal year) are shown in the financial statements as Other Resources, and principal payments are shown as Other Uses.

#### Commitments Under Non-Capital Leases

The District had several non-capital operating leases for photocopiers as of August 31, 2016.

#### Commitments Under Capital Leases

There were no capital leases at the end of fiscal year 2016.

#### G. Accumulated Unpaid Vacation and Sick Leave Benefits

The District's policy for vacation does not allow for vacation time to be accumulated. All vacation must be used annually or it is lost. Individuals may accumulate and carry over sick leave up to 90 days. Upon leaving the employment of the district for any reason, any remaining sick leave up to 90 days is paid out at the teacher's substitute rate of pay.

#### H. Defined Benefit Pension Plan

**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 16, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

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

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

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

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83<sup>rd</sup> Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 83<sup>rd</sup> Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature, GAA established the employer contribution rates for fiscal years 2016 and 2017.

<u>Contribution Rates</u>	<u>2015</u>	<u>2016</u>
Member (Employees)	6.7%	7.2%
Non-Employer Contributing Entity (State of Texas)	6.8%	6.8%
Employer (District)	6.8%	6.8%
<u>Employer # 1824 Contributions</u>		
Member (Employees)	\$ 439,179	\$ 498,389
Non-Employer Contributing Entity (State of Texas)	\$ 451,112	\$ 381,331
Employer (District)	\$ 179,310	\$ 206,126

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.

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution

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

1. On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
2. During a new member's first 90 days of employment.
3. When any part or all of an employee's salary is paid by federal funding sources or a privately sponsored source.
4. When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

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

1. When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
2. When a school district 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.

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

Valuation Date	August 31, 2015
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.5%
Salary Increases including inflation	3.5% to 9.5%
Payroll Growth Rate	2.5%
Benefit changes during the year	None
Ad hoc post-employment benefit changes	None

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

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

**Teacher Retirement System of Texas**  
**Asset Allocation and Long-Term Expected Real Rate of Return**  
**As of August 31, 2015**

	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns*
<b>Global Equity</b>			
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%
<b>Stable Value</b>			
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%
<b>Real Return</b>			
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%
<b>Risk Parity</b>			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha	<u>0%</u>		<u>1.0%</u>
<b>Total</b>	<b>100%</b>		<b>8.7%</b>

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

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

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
District's proportionate share of the net pension liability:	\$ 3,348,060	\$ 2,136,862	\$ 1,128,009

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.** At August 31, 2016, the District reported a liability of \$2,136,862 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	\$ 2,136,862
State's proportionate share that is associated with the District	<u>4,231,887</u>
<b>Total</b>	<u><b>\$ 6,368,749</b></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 through August 31, 2015.

At August 31, 2015 the employer's proportion of the collective net pension liability was .000060451% which is an increase of .000027294% from its proportion measured as of August 31, 2014.

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

*Economic Assumptions*

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

*Mortality Assumptions*

5. The post-retirement mortality tables for non-disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
6. The post-retirement mortality tables for disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
7. The pre-retirement mortality tables for active employees were updated to use 90% of the recently published RP-2014 mortality table for active employees. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.

*Other Demographic Assumptions*

8. Previously, it was assumed 10% of all members who had contributed in the past 5 years to be an active member. This was an implicit rehire assumption because teachers have historically had a high incidence of terminating employment for a time and then returning to the workforce at a later date. This methodology was modified to add a more explicit valuation of the rehire incidence in the termination liabilities, and therefore these 10% are no longer being counted as active members.
9. There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of the termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.
10. Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
11. Small adjustments to the disability patterns were made for members consistent with experience and future expectations. Two separate patterns were created based on whether the member has 10 years of service or more.
12. For members that become disabled in the future, it is assumed 20% of them will choose a 100% joint and survivor annuity option.

*Actuarial Methods and Policies*

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

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

For the year ended period August 31, 2016, the District recognized pension expense of \$360,003 and revenue of \$360,003 for support provided by the State.

At August 31, 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>
Differences between expected and actual economic experience	\$ 11,391	\$ 82,122
Changes in actuarial assumptions	47,878	76,234
Difference between projected and actual investment earnings	323,239	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	623,725	628
Contributions paid to TRS subsequent to the measurement date	206,126	-
Total	<u>\$ 1,212,359</u>	<u>\$ 158,984</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 August 31,</u>	<u>Pension Expense Amount</u>
2017	\$ 154,612
2018	154,612
2019	154,612
2020	222,286
2021	90,011
Thereafter	71,117
Total	<u>\$ 847,250</u>

I. Health Care Coverage

The District utilizes TRS-ActiveCare, the statewide health coverage program for public education employees established by the 77th Texas Legislature in 2002. Of the more than one thousand school districts/entities eligible to participate in TRS-ActiveCare, over 90 percent do so. The District employees are eligible to participate in one of three PPO plan options administered by Aetna and WellSystems and Caremark.

TRS-ActiveCare is a self-funded program, not an insured plan. Rates and benefits are not determined by the vendors administering the program, but are established by the TRS Trustees based on the claims experience of the plan.

During the year the District contributed \$341.00 per month toward the plan premiums for each enrolled employee.

J. Changes in Long-Term Liabilities

Long-term activity for the year ended August 31, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
Bonds :					
2014 Building Bonds	9,055,000	-	65,000	8,990,000	65,000
2014 QSCB	930,000	-	70,000	860,000	90,000
2015 Building & Refunding Bonds	5,205,000	-	430,000	4,775,000	430,000
Accreted Interest on Premium	-	-	-	-	-

Capital Appreciation Bonds	-	-	-	-	-
Total Bonds	\$ 15,190,000	\$ -	\$ 565,000	\$ 14,625,000	\$ 585,000
Other Liabilities:					
Note Payable – Loan Star	343,056	-	53,849	289,207	55,514
Total Notes Payable	\$ 343,056	\$ -	\$ 53,849	\$ 289,207	\$ 55,514
Total Liabilities	\$ 15,533,056	\$ -	\$ 618,849	\$ 14,914,207	\$ 640,514
Other:					
Accounting Loss Recognition On Deferred Charges on Refunding & Amortization of Loss	\$ (23,860)	\$ -	\$ (1,193)	\$ (22,667)	\$ -
Amortization of Bond Premium	\$ 1,045,856	-	49,368	996,488	-
Total Other	\$ 1,021,996	\$ -	\$ 48,175	\$ 973,821	\$ -
Total Governmental Activities Long-Term Liabilities	\$ 16,555,052	\$ -	\$ 667,024	\$ 15,888,028	\$ 640,514

K. Deferred Revenue

Deferred revenue at year-end consisted of the following:

	General Fund	Debt Service Fund	Special Revenue Fund	Total
Property Taxes	\$ 195,230	\$ 30,336	\$ -	\$ 225,566
Total Deferred Revenues	\$ 195,230	\$ 30,336	\$ -	\$ 225,566

L. Due from State Agencies

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

Fund	Local Government	State Entitlements	Federal Grants	Total
General	\$ 48,901	\$ 1,140,716	\$ -	\$ 1,189,617
Special Revenue	-	5,600	54,342	59,942
Total	\$ 48,901	\$ 1,146,316	\$ 54,342	\$ 1,249,559

M. Revenue from Local and Intermediate Sources

During the current year, revenues from local and intermediate sources consisted of the following:

	General Fund	Special Revenue Fund	Debt Service Fund	Transportation	Capital Projects	Total
Property Taxes	\$ 4,844,155	\$ -	\$ 1,017,543	\$ -	\$ -	\$ 5,861,698
Penalties & Interest	57,641	-	9,330	-	-	66,971

Tuition and Fees	113,740	12,500	-	-	-	126,240
Investment Income	7,660	-	2,710	-	16,072	26,442
Food Sales	-	120,428	-	-	-	120,428
Co-curricular Activities	14,161	12,571	-	-	-	26,732
Other	19,458	-	-	457,298	-	476,756
Total	\$ 5,056,815	\$ 145,499	\$ 1,029,583	\$ 457,298	\$ 16,072	\$ 6,705,267

N. Litigation

At August 31, 2016, Ingram Independent School District was not involved in any reportable litigation.

O. Contingencies

The District participates in numerous state and Federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collect ability of any related receivable at August 31, 2016 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 combined financial statements for such contingencies.

P. Workers' Compensation Pool

During the year ended August 31, 2016, Ingram 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 Inter-local Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Workers Compensation Program is authorized by Chapter 504, Texas Labor Code. All districts participating in the Fund execute Inter-local Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members and their injured employees.

As a self-funded member of the TASB Risk Management Fund, Ingram ISD is solely responsible for all claim cost, both reported and unreported. The Fund provides administrative services to its self-funded members including claims administration and customer service.

The member is protected against higher than expected claims costs through the purchase of stop loss coverage.

The Fund engages the services of an independent auditor to conduct an independent financial audit after the close of each plan year on August 31. The audit is approved by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2016, are available at the TASB offices and have been filed with the Texas State Board of Insurance in Austin.

Q. Budget Variances

The District had negative budget variances in its General Operating Fund, Child Nutrition Fund and Debt Service Fund but overall budget variances remained positive.

R. Subsequent Events

As of the audit date there were no reportable subsequent events.

S. Medicare Benefits

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 drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. Payments made on behalf of Ingram Independent School District for fiscal years 2016, 2015 and 2014 were \$27,496, \$27,666 and \$16,806.

**REQUIRED SUPPLEMENTARY  
INFORMATION**

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

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 5,018,000	\$ 5,043,000	\$ 5,056,815	\$ 13,815
5800	State Program Revenues	4,167,000	4,690,000	4,578,319	(111,681)
5900	Federal Program Revenues	135,000	135,000	72,740	(62,260)
5020	Total Revenues	9,320,000	9,868,000	9,707,874	(160,126)
EXPENDITURES:					
Current:					
0011	Instruction	4,661,023	4,991,623	4,891,578	100,045
0012	Instructional Resources and Media Services	55,889	55,889	55,565	324
0013	Curriculum and Instructional Staff Development	228,001	184,501	174,163	10,338
0021	Instructional Leadership	182,202	170,202	166,521	3,681
0023	School Leadership	668,881	621,781	611,637	10,144
0031	Guidance, Counseling and Evaluation Services	228,863	225,863	223,340	2,523
0033	Health Services	81,361	86,361	81,872	4,489
0034	Student (Pupil) Transportation	320,000	365,000	333,743	31,257
0036	Extracurricular Activities	541,352	543,352	540,319	3,033
0041	General Administration	601,028	581,028	549,318	31,710
0051	Facilities Maintenance and Operations	1,372,566	1,753,866	1,724,299	29,567
0052	Security and Monitoring Services	10,250	13,250	11,175	2,075
0053	Data Processing Services	280,020	298,720	294,285	4,435
Debt Service:					
0071	Principal on Long Term Debt	50,760	53,810	53,805	5
0072	Interest on Long Term Debt	12,804	11,754	11,247	507
Intergovernmental:					
0099	Other Intergovernmental Charges	75,000	76,000	104,825	(28,825)
6030	Total Expenditures	9,370,000	10,033,000	9,827,692	205,308
1200	Net Change in Fund Balances	(50,000)	(165,000)	(119,818)	45,182
0100	Fund Balance - September 1 (Beginning)	1,498,252	1,498,252	1,498,252	-
3000	Fund Balance - August 31 (Ending)	\$ 1,448,252	\$ 1,333,252	\$ 1,378,434	\$ 45,182

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

EXHIBIT G-2

	<u>2016</u>	<u>2015</u>
District's Proportion of the Net Pension Liability (Asset)	0.000060451%	0.000033157%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 2,136,862	\$ 885,670
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	4,231,887	3,515,765
Total	<u>\$ 6,368,749</u>	<u>\$ 4,401,435</u>
District's Covered-Employee Payroll	\$ 6,554,897	\$ 6,080,312
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	32.60%	14.57%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.43%	83.25%

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

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

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

EXHIBIT G-3

	2016	2015
Contractually Required Contribution	\$ 206,126	\$ 179,309
Contribution in Relation to the Contractually Required Contribution	206,126	179,309
Contribution Deficiency (Excess)	\$ -0-	\$ -0-
District's Covered-Employee Payroll	\$ 6,922,072	\$ 6,554,897
Contributions as a Percentage of Covered-Employee Payroll	2.98%	2.74%

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

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

**COMBINING AND OTHER STATEMENTS**

INGRAM INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2016

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ -	\$ -	\$ -
1240 Receivables from Other Governments	17,348	13,898	-
1290 Other Receivables	-	-	-
1300 Inventories	-	-	-
1000 Total Assets	<u>\$ 17,348</u>	<u>\$ 13,898</u>	<u>\$ -</u>
<b>LIABILITIES</b>			
2110 Accounts Payable	\$ -	\$ 1,575	\$ -
2160 Accrued Wages Payable	13,139	9,164	-
2170 Due to Other Funds	2,936	2,270	-
2200 Accrued Expenditures	1,273	889	-
2000 Total Liabilities	<u>17,348</u>	<u>13,898</u>	<u>-</u>
<b>FUND BALANCES</b>			
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3490 Other Restricted Fund Balance	-	-	-
3600 Unassigned Fund Balance	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ 17,348</u>	<u>\$ 13,898</u>	<u>\$ -</u>

240 National Breakfast and Lunch Program	255 ESEA II,A Training and Recruiting	270 ESEA VI, Pt B Rural & Low Income	289 Other Federal Special Revenue Funds	385 Visually Impaired SSVI	397 Advanced Placement Incentives	410 State Textbook Fund	429 Literacy Achievement Academies
\$ 6	\$ -	\$ -	\$ -	\$ -	\$ 289	\$ -	\$ -
17,798	5,298	-	-	-	-	-	5,600
54	-	-	-	-	-	-	-
18,202	-	-	-	-	-	-	-
<u>\$ 36,060</u>	<u>\$ 5,298</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 289</u>	<u>\$ -</u>	<u>\$ 5,600</u>
\$ 4,255	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
16,303	-	-	-	-	-	-	5,600
11,586	5,298	-	-	-	-	-	-
314	-	-	-	-	-	-	-
<u>32,458</u>	<u>5,298</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,600</u>
3,602	-	-	-	-	-	-	-
-	-	-	-	-	289	-	-
-	-	-	-	-	-	-	-
<u>3,602</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>289</u>	<u>-</u>	<u>-</u>
<u>\$ 36,060</u>	<u>\$ 5,298</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 289</u>	<u>\$ -</u>	<u>\$ 5,600</u>

INGRAM INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2016

EXHIBIT H-1

Data Control Codes	461 Campus Activity Funds	Total Nonmajor Governmental Funds
<b>ASSETS</b>		
1110	Cash and Cash Equivalents	\$ 9,628
1240	Receivables from Other Governments	\$ 59,942
1290	Other Receivables	54
1300	Inventories	18,202
1000	<b>Total Assets</b>	<b>\$ 9,628</b>
<b>LIABILITIES</b>		
2110	Accounts Payable	\$ 5,830
2160	Accrued Wages Payable	44,206
2170	Due to Other Funds	22,090
2200	Accrued Expenditures	2,476
2000	<b>Total Liabilities</b>	<b>74,602</b>
<b>FUND BALANCES</b>		
Restricted Fund Balance:		
3450	Federal or State Funds Grant Restriction	3,602
3490	Other Restricted Fund Balance	289
3600	Unassigned Fund Balance	9,628
3000	<b>Total Fund Balances</b>	<b>13,519</b>
4000	<b>Total Liabilities and Fund Balances</b>	<b>\$ 9,628</b>

INGRAM INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
<b>REVENUES:</b>			
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-
5900 Federal Program Revenues	294,928	241,671	5,633
5020 Total Revenues	<u>294,928</u>	<u>241,671</u>	<u>5,633</u>
<b>EXPENDITURES:</b>			
Current:			
0011 Instruction	226,338	219,152	5,633
0013 Curriculum and Instructional Staff Development	1,156	2,161	-
0021 Instructional Leadership	-	5,486	-
0031 Guidance, Counseling and Evaluation Services	67,434	14,872	-
0035 Food Services	-	-	-
0036 Extracurricular Activities	-	-	-
6030 Total Expenditures	<u>294,928</u>	<u>241,671</u>	<u>5,633</u>
1200 Net Change in Fund Balance	-	-	-
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

240 National Breakfast and Lunch Program	255 ESEA II,A Training and Recruiting	270 ESEA VI, Pt B Rural & Low Income	289 Other Federal Special Revenue Funds	385 Visually Impaired SSVI	397 Advanced Placement Incentives	410 State Textbook Fund	429 Literacy Achievement Academies
\$ 132,928	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
22,930	-	-	-	1,515	-	28,770	5,600
444,528	78,008	19,000	1,113	-	-	-	-
600,386	78,008	19,000	1,113	1,515	-	28,770	5,600
-	40,336	19,000	1,113	1,515	-	28,770	-
-	37,672	-	-	-	-	-	5,600
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
649,847	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
649,847	78,008	19,000	1,113	1,515	-	28,770	5,600
(49,461)	-	-	-	-	-	-	-
53,063	-	-	-	-	289	-	-
\$ 3,602	\$ -	\$ -	\$ -	\$ -	\$ 289	\$ -	\$ -

INGRAM INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	461 Campus Activity Funds	Total Nonmajor Governmental Funds
REVENUES:		
5700 Total Local and Intermediate Sources	\$ 12,571	\$ 145,499
5800 State Program Revenues	-	58,815
5900 Federal Program Revenues	-	1,084,881
5020 Total Revenues	<u>12,571</u>	<u>1,289,195</u>
EXPENDITURES:		
Current:		
0011 Instruction	-	541,857
0013 Curriculum and Instructional Staff Development	-	46,589
0021 Instructional Leadership	-	5,486
0031 Guidance, Counseling and Evaluation Services	-	82,306
0035 Food Services	-	649,847
0036 Extracurricular Activities	8,204	8,204
6030 Total Expenditures	<u>8,204</u>	<u>1,334,289</u>
1200 Net Change in Fund Balance	4,367	(45,094)
0100 Fund Balance - September 1 (Beginning)	<u>5,261</u>	<u>58,613</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 9,628</u>	<u>\$ 13,519</u>

## **T.E.A. REQUIRED SCHEDULES**

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

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2007 and prior years	Various	Various	\$ 325,922,132
2008	1.040000	0.078600	365,404,613
2009	1.040000	0.078600	393,173,252
2010	1.040000	0.078600	424,084,212
2011	1.040000	0.078600	432,823,172
2012	1.040000	0.078600	439,798,945
2013	1.040000	0.078600	451,184,785
2014	1.040000	0.078600	461,578,938
2015	1.040000	0.230000	459,229,790
2016 (School year under audit)	1.040000	0.220000	462,560,169
1000 TOTALS			

(10) Beginning Balance 9/1/2015	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2016
\$ 22,867	\$ -	\$ 828	\$ 45	\$ (7,894)	\$ 14,100
3,258	-	178	13	(118)	2,949
7,137	-	795	60	(1,562)	4,720
7,288	-	1,126	85	(112)	5,965
15,079	-	2,111	160	(4,016)	8,792
22,494	-	5,495	415	(3,719)	12,865
41,923	-	21,191	1,593	3,921	23,060
58,225	-	28,186	2,118	8,863	36,784
126,080	-	63,208	13,947	10,404	59,329
-	5,828,952	4,721,036	998,825	(12,428)	96,663
<u>\$ 304,351</u>	<u>\$ 5,828,952</u>	<u>\$ 4,844,154</u>	<u>\$ 1,017,261</u>	<u>\$ (6,661)</u>	<u>\$ 265,227</u>

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

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 190,000	\$ 190,000	\$ 132,928	\$ (57,072)
5800	State Program Revenues	25,000	25,000	22,930	(2,070)
5900	Federal Program Revenues	425,000	426,500	444,528	18,028
5020	Total Revenues	640,000	641,500	600,386	(41,114)
EXPENDITURES:					
0035	Food Services	640,000	641,500	649,847	(8,347)
6030	Total Expenditures	640,000	641,500	649,847	(8,347)
1200	Net Change in Fund Balances	-	-	(49,461)	(49,461)
0100	Fund Balance - September 1 (Beginning)	53,063	53,063	53,063	-
3000	Fund Balance - August 31 (Ending)	\$ 53,063	\$ 53,063	\$ 3,602	\$ (49,461)

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

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 1,061,725	\$ 1,015,000	\$ 1,029,583	\$ 14,583
5800	State Program Revenues	-	46,725	42,214	(4,511)
5020	Total Revenues	1,061,725	1,061,725	1,071,797	10,072
<b>EXPENDITURES:</b>					
Debt Service:					
0071	Principal on Long Term Debt	565,000	565,000	565,000	-
0072	Interest on Long Term Debt	495,225	495,225	495,225	-
0073	Bond Issuance Cost and Fees	1,500	1,500	1,600	(100)
6030	Total Expenditures	1,061,725	1,061,725	1,061,825	(100)
1200	Net Change in Fund Balances	-	-	9,972	9,972
0100	Fund Balance - September 1 (Beginning)	341,517	341,517	341,517	-
3000	Fund Balance - August 31 (Ending)	\$ 341,517	\$ 341,517	\$ 351,489	\$ 9,972

**REPORTS ON  
INTERNAL CONTROLS, COMPLIANCE  
AND  
FEDERAL AWARDS**

# **KLEIN, KRAUS & COMPANY, LLC**

*Certified Public Accountants*

1302 NORTH LLANO

P.O. BOX 2211

FREDERICKSBURG, TEXAS 78624-2211

(830) 997-5592

email: [kkcpa@austin.rr.com](mailto:kkcpa@austin.rr.com)

FAX: (830) 990-2692

## **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 (for a Governmental Entity)***

### Independent Auditor's Report

Ingram Independent School District  
510 College Street  
Ingram, Texas 78025

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Ingram Independent School District, as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise Ingram Independent School District's basic financial statements, and have issued our report thereon dated November 15, 2016.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Ingram 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 Ingram Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Ingram Independent School District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Ingram 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 two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. These two findings are disclosed in the Statement of Findings and Questioned Costs as items 2016-001 and 2016-002.

### **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.

*Klein, Kraus and Company, LLC*

Klein, Kraus and Company, LLC  
Fredericksburg, Texas 78624

November 15, 2016

# **KLEIN, KRAUS & COMPANY, LLC**

*Certified Public Accountants*

1302 NORTH LLANO

P.O. BOX 2211

FREDERICKSBURG, TEXAS 78624-2211

(830) 997-5592

Email: [kkcpa@austin.rr.com](mailto:kkcpa@austin.rr.com)

FAX: (830) 990-2692

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

### **Independent Auditor's Report**

Board of Trustees

Ingram Independent School District  
510 College Street  
Ingram, Texas 78025

Members of the Board:

#### **Report on Compliance for Each Major Federal Program**

We have audited Ingram Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Ingram Independent School District's major federal programs for the year ended August 31, 2016. Ingram Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Ingram Independent School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of

compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Ingram Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### ***Opinion on Each Major Federal Program***

In our opinion, Ingram Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2016.

### ***Other Matters***

The results of our auditing procedures disclosed two instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2016-001 and 2016-002

### **Report on Internal Control Over Compliance**

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

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

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

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

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

We have audited the financial statements of Ingram Independent School District as of and for the year ended August 31, 2016, and have issued our report thereon dated November 15, 2016, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*Klein, Kraus and Company, LLC*

Klein, Kraus and Company, LLC

Fredericksburg, Texas 78624

November 15, 2016

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

**I. Summary of the Auditor's Results:**

- a. Type of report issued on the financial statements of the Ingram Independent School District was an unmodified opinion.
- b. The audit did not disclose any noncompliance which would have been material to the financial statements of the Ingram Independent School District.
- c. Type of report issued on compliance for major programs was: an unmodified opinion.
- d. The major programs tested were:  
  
*Child Nutrition Program*  
*ESEA, Title I, Part A - Improving Basic Programs*
- e. The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- f. The Ingram Independent School District qualified as a low risk auditee.

**II. Findings Relating to the Financial Statements Which Are Required to be Reported in Accordance with *Generally Accepted Government Auditing Standards*.**

- None -

**III. Findings and Questioned Costs for Federal Awards**

Current Year

**2016-001**

Criteria: USDA Food and Nutrition Service (FNS) requirements.  
Effect: Denial letters were not dated when sent by the School Food Authority.  
Cause: Failure to have a standard operating procedure for mailing letters of denial.  
Recommendation: The District should include in its SOP a requirement to include date of mailing.  
Corrective Action: The District added the requirement to add mailing date on letters of denial.

**2016-002**

Criteria: U. S. Department of Education Guidelines for IDEA, Part B - Formula.  
Effect: Standards for Maintenance of Effort (MOE) were not met.  
Cause: Failure to monitor required standards on a consistent and timely basis.  
Recommendation: Monitor expenditures on a regular and consistent basis to assure that requirements are met.  
Corrective Action: The District will monitor expenditures on a monthly basis to be sure that current requirements are met.

Prior Year

- NONE -

INGRAM INDEPENDENT SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS/CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED AUGUST 31, 2016

STATEMENT OF CORRECTIVE ACTION -  
CURRENT YEAR DISCLOSURES

**2016-001** - Finding 1 - on April 18, 2016 the District added to its Checklist for Processing Lunch Applications a requirement to be sure that the letter date is included on the denial letter.

In correspondence dated April 20, 2016 from Texas Department of Agriculture the District's Corrective Action Document was approved and the administrative review was closed satisfactorily.

**2016-002** - the District is preparing to reimburse funds for the program on which Maintenance of Effort was not met and will monitor programs more closely in the future.

STATEMENT OF CORRECTIVE ACTION -  
PRIOR YEAR DISCLOSURES

- NONE -

Contact person is Bill Orr, Business Manager.

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

EXHIBIT K-1

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	16610101133904	\$ 265,592
ESEA, Title I, Part A - Improving Basic Programs	84.010A	17610101133904	29,336
Total CFDA Number 84.010A			294,928
*IDEA - Part B, Formula	84.027	166600011339046600	231,352
*IDEA - Part B, Formula	84.027	176600011339046600	10,320
Total CFDA Number 84.027			241,672
*IDEA - Part B, Preschool	84.173	166610011339046610	5,633
Total Special Education Cluster (IDEA)			247,305
ESEA, Title VI, Part B - Rural & Low Income Prog.	84.358B	16696001133904	19,000
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	16694501133904	78,008
Summer School Program for LEP Students in K thru 1	84.369A	69551502	1,113
Total Passed Through State Department of Education			\$ 640,354
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<b>\$ 640,354</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553		\$ 93,021
*National School Lunch Program - Cash Assistance	10.555		313,363
*National School Lunch Prog. - Non-Cash Assistance	10.555		36,644
Total CFDA Number 10.555			350,007
Total Child Nutrition Cluster			443,028
Total Passed Through the State Department of Agriculture			\$ 443,028
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<b>\$ 443,028</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 1,083,382</b>

\*Clustered Programs

INGRAM INDEPENDENT SCHOOL DISTRICT  
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS  
YEAR ENDED AUGUST 31, 2016

- For all Federal programs, the District uses the fund types specified in Texas Education Agency's *Financial Accountability System Resource Guide*. Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund.
- The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types and Expendable Trust Funds are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in a Special Revenue Fund which is a Governmental Fund type.

With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The modified accrual basis of accounting is used for the Governmental Fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain uncompensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

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

- The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Statement - Provisional 6/97.
- CFDA number 10.550 pertains to food commodities distributed by USDA under the following categorical programs (as applicable): the National School Lunch Program (CFDA 10.555), the Child and Adult Care Food Program (CFDA 10.558), the Summer Food Service Program (CFDA 10.559), the Commodity Supplemental Food Program (CFDA 10.565), and the Food Distribution Program on Indian Reservations (CFDA 10.567). USDA deleted this number from the CFDA on May 6, 2008. The audit covering Ingram Independent School District fiscal year beginning September 1 2014, and future audits, will therefore identify commodity assistance by the CFDA numbers of the programs under which USDA donated the commodities.