

**TAYLOR INDEPENDENT  
SCHOOL DISTRICT**

**Annual Financial Report  
for the Fiscal Year Ended  
August 31, 2016**



# TAYLOR INDEPENDENT SCHOOL DISTRICT

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**TAYLOR INDEPENDENT SCHOOL DISTRICT**  
**Annual Financial Report**  
**Year Ended August 31, 2016**  
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**CERTIFICATE OF BOARD**

Taylor Independent School District      Williamson      246911  
Name of School District      County      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 fiscal year ended August 31, 2016 at a meeting of the Board of Trustees of such school district on the \_\_\_ day of \_\_\_\_\_, 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.)

## **FINANCIAL SECTION**



MAXWELL LOCKE & RITTER LLP

*Accountants and Consultants*

*An Affiliate of CPAmerica International*

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Round Rock, TX 78664

## **INDEPENDENT AUDITORS' REPORT**

The Board of Trustees of  
Taylor Independent School District:

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

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

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

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

### **Auditors' 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.

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

*"A Registered Investment Advisor"  
This firm is not a CPA firm*

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

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

## **Opinions**

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

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the District's proportionate share of the net pension liability, and the schedule of District contributions on pages 5 through 12, 46, and 47, respectively, 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 District's basic financial statements. The combining and individual fund statements, other schedules, and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Maxwell Locke + Ritter LLP*

Austin, Texas  
January 9, 2017

# TAYLOR INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

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

## FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by approximately \$9.5 million. Of this amount, unrestricted net position is approximately a negative \$1.1 million.
- As of the close of the fiscal year, the District's governmental funds reported combined ending fund balances of approximately \$28.8 million. Approximately 14% of this amount, \$4.0 million, is available for spending at the government's discretion (unassigned fund balance).

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three parts: 1.) government-wide financial statements, 2.) fund financial statements, and 3.) notes to the basic financial statements. This report also contains required supplementary information and other financial information in addition to the basic financial statements themselves.

**Government-wide financial statements** - The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to that of a private sector business.

The Statement of Net Position presents information on all of the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between reported as net position. Over time, increases or decreases in net position may serve as a useful indicator as to whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods such as uncollected property tax and earned but unused sick leave.

The government-wide financial statements distinguish functions of the District that are principally supported by taxes, intergovernmental revenues, and user fees and charges (governmental activities). The governmental activities of the District include the education of District students and the programs necessary to support such education.

**Fund Financial Statements** - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements.

By doing so readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The District maintains numerous governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund and the Capital Projects Fund as they are considered to be major funds. Data from the other funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The District adopts an annual appropriated budget for the General Fund. A budgetary comparison statement has been provided for this fund to demonstrate compliance with this budget. Supplementary budgetary comparison schedules have also been prepared for the Food Service and Debt Service Funds and are included in the Combining and Individual Fund Statements section of this report.

**Fiduciary Funds** - The District is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that - because of a trust arrangement - can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

**Notes to Basic Financial Statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other Information** - The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the basic financial statements. Certain information required by the Texas Education Agency and the federal government regarding tax collection and grant expenditures is also presented along with supplementary information related to the District's contributions to a cost-sharing pension plan with the Teacher Retirement System of Texas.

### **Government-wide Financial Analysis**

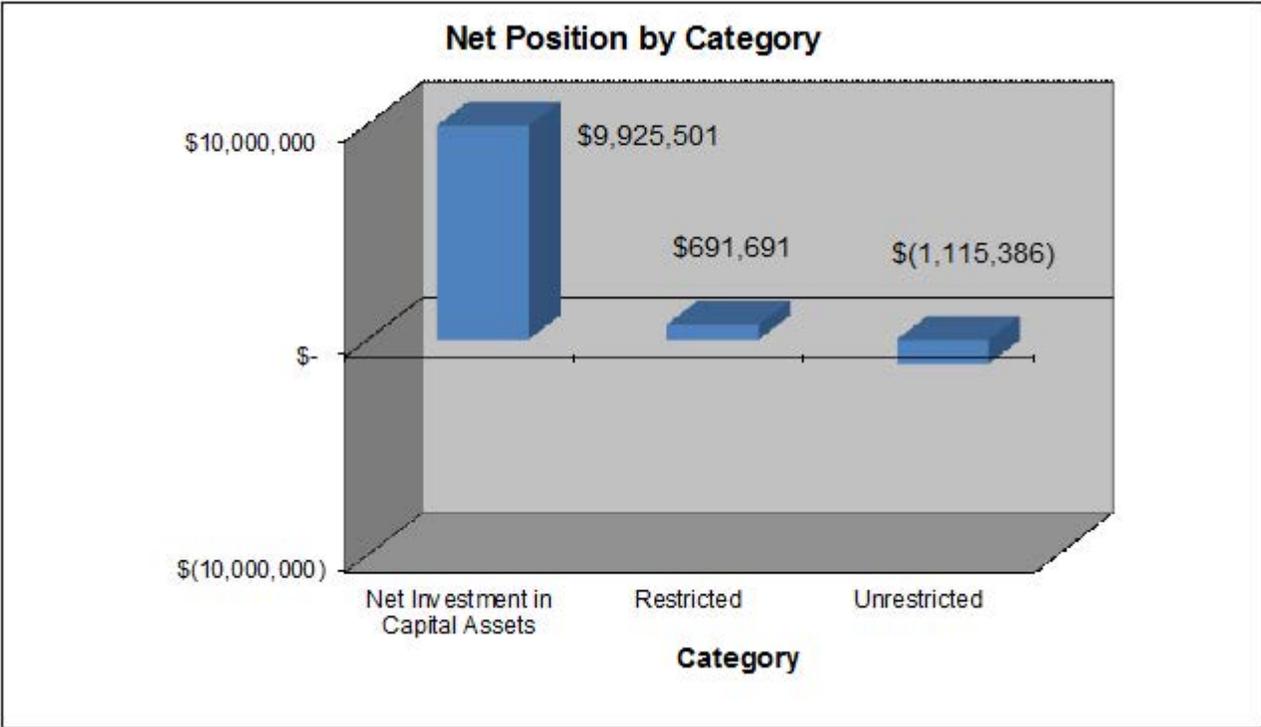
Net position may serve over time as a useful indicator of the District's financial position. For the year ended August 31, 2016, net position was \$9,501,806, an increase of \$1,110,728 as compared to net position for the year ended August 31, 2015.

Net position for the year ended August 31, 2016 as compared to the year ended August 31, 2015 can be presented as follows:

**Taylor Independent School District's  
Net Position**

	Governmental Activities as of	
	August 31, 2016	August 31, 2015
Current assets:		
Cash and temporary investments	\$ 30,399,723	\$ 6,942,414
Restricted cash	93,116	-
Property taxes, net	241,755	234,235
Due from other governments	433,033	1,828,512
Due from other funds	628	-
Other receivables and inventories	169,661	200,087
Total current assets	31,337,916	9,205,248
Capital assets, net of accumulated depreciation	63,676,110	64,310,938
Total assets	\$ 95,014,026	\$ 73,516,186
Deferred outflows of resources	\$ 6,557,038	\$ 894,843
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,710,179	\$ 1,605,481
Due to other governments and student groups	53,388	42,454
Due to other funds	-	11,222
Unearned revenue	518,158	267,197
Bond interest payable	475,604	101,467
Bonds payable	1,770,000	1,725,000
Capital lease and notes payable	525,400	654,366
Accumulated unpaid vacation and benefits	11,133	5,431
Total current liabilities	5,063,862	4,412,618
Long-term liabilities:		
Bonds and accretion payable	76,734,103	53,682,481
Capital lease and notes payable	2,464,822	2,633,680
Accumulated unpaid vacation and benefits	125,507	120,299
Net pension liability	7,150,223	3,959,615
Total liabilities	\$ 91,538,517	\$ 64,808,693
Deferred inflows of resources	\$ 530,741	\$ 1,211,258
Net position:		
Net investment in capital assets	\$ 9,925,501	\$ 9,399,969
Restricted	691,691	563,740
Unrestricted	(1,115,386)	(1,572,631)
Total net position	\$ 9,501,806	\$ 8,391,078

The District has unrestricted net position of (\$1,115,386) as of August 31, 2016. For the fiscal year ending August 31, 2016, restricted net position increased by \$127,951 and unrestricted net position increased by \$457,245. Overall cash and investments increased from the previous fiscal year.



Net position may be restricted for a variety of uses by the District. These restrictions are imposed by bond covenants, debt agreements, or grant agreements. Restricted net position is available for use in the designated areas only. Unrestricted net position may be used by the District to meet ongoing operating obligations as determined by the Board of Trustees (the "Board").

## Governmental Activities

Governmental activities increased the District's net position by \$1,110,728 during the year ended August 31, 2016. Key elements of this increase are as follows:

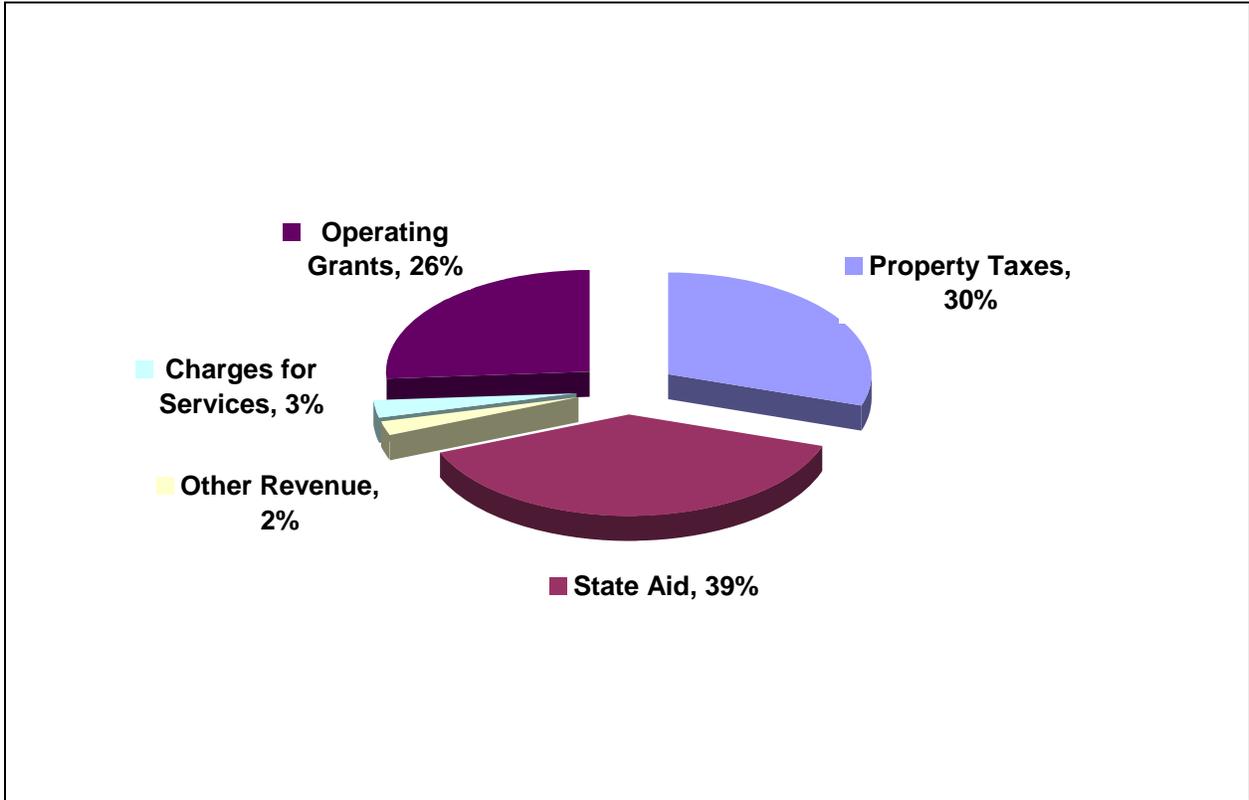
### Taylor Independent School District's Changes in Net Position

	Governmental Activities for the year ended	
	August 31, 2016	August 31, 2015
Revenues:		
Program revenues:		
Charges for services	\$ 1,103,880	\$ 1,582,482
Operating grants and contributions	11,044,330	8,931,544
General revenues:		
Property taxes	12,742,287	12,359,895
State aid - formula grants	16,595,166	16,583,421
Investment earnings	117,994	40,791
Miscellaneous	487,001	865,563
Total revenues	42,090,658	40,363,696
Expenses:		
Instructional	21,609,038	19,077,449
Instructional leadership	2,785,038	3,790,418
Student support services	2,860,523	2,658,555
Food services	1,721,465	1,756,810
Extracurricular activities	1,245,711	1,092,017
General administration	1,160,601	1,097,119
Support services	4,610,429	4,276,517
Community services	555,083	550,452
Debt service	2,776,953	2,435,884
Facilities acquisition and construction	15,400	17,162
Payments to other districts/agencies	1,649,689	2,825,756
Total expenses	40,979,930	39,578,139
Change in net position	1,110,728	785,557
Net position beginning	8,391,078	12,091,777
Prior period adjustment	-	(4,486,256)
Net position ending	\$ 9,501,806	\$ 8,391,078

The District's enrollment is approximately 67% economically disadvantaged which qualifies the District for more funding from state and federal sources. The District actively pursues this avenue to acquire much needed funding for the District.

Overall property taxes account for 30% of the District's revenue sources while state funding represents 39%. Operating grants account for 26% of revenue sources.

### Revenues by Type



### Governmental Funds

The focus of the District's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$28,814,436. Of this amount \$4,015,764 constitutes unassigned fund balance available for use in the General Fund activities at the District's discretion. The remainder of the fund balance is nonspendable, restricted, or assigned to indicate that it is not available for new spending because it is in nonspendable form or it will be used for bond projects, debt service and other obligations of the District.

The Texas Education Agency recommends that districts keep a fund balance that is between 12% to 20% of annual General Fund operating expenditures. As a measure of the General Fund's liquidity, unassigned fund balance represents 14% of the total General Fund expenditures.

The District sets maintenance and debt tax rates in August of each year. For the 2015-16 fiscal year the District adopted a maintenance and operations tax rate of \$1.17 per \$100 in valuation and a debt service rate of \$0.28.

## Budgetary Highlights

The District's Board of Trustees approved five major budget amendments during the 2015-16 fiscal year. The District appropriated \$153,504 for the purchase of the Temple College at Taylor building that is the site of the Temple College campus. This purchase allows the District to ensure that our Legacy Early College High School program remains viable in Taylor. The Board of Trustees also approved \$357,342 for the purchase of four school buses. This expenditure was offset with an Estimated Revenue budget amendment. The District also appropriated \$30,000 for the purchase of a cargo van and \$98,000 for the purchase of kitchen equipment for our Food Service Department. The District also refunded \$33,345,000 in bonds. A budget amendment was made to account for all transactions associated with this refunding.

## Capital Assets and Debt Administration:

### Capital Assets

The District's investment in capital assets for its governmental activities as of August 31, 2016 amounts to \$63,676,110 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, construction in progress, and furniture and equipment.

**Taylor Independent School District  
Capital Assets  
(Net of accumulated depreciation)**

Land	\$ 1,437,326
Buildings and improvements	59,413,947
Construction in progress	924,319
Furniture and equipment	<u>1,900,518</u>
Total	<u>\$ 63,676,110</u>

Additional information on the District's capital assets can be found in Note 7 of this report.

### Long-term Debt

At the end of the current fiscal year the District had total bonded debt outstanding of \$74,476,132. The bonded debt constitutes a direct obligation of the District from a continuing, direct ad valorem tax levied against all taxable property of the District without legal limit as to rate or amount. The bonds are also guaranteed by the corpus of the Permanent School fund of the State of Texas. Both Standard & Poor's Rating Services and Moody's Investors Services have provided bond ratings of AAA and Aaa, respectively, to the District's outstanding debt obligations.

Additional information on the District's long-term debt can be found in Note 9 of this report.

## **Economic Factors and Next Year's Budgets and Rates**

The District's elected and appointed officials considered population growth and available resources from State revenues and tax revenues when setting the fiscal year 2017 budget and tax rate. The student population stayed relatively flat last year, but the District expects a 1-2% increase in 2016-17. Assessed property values increased by approximately 7% over last year. The District adopted a \$36,333,074 budget (General Fund, Debt Service Fund and Food Service Fund) for fiscal year 2017. The budget will be funded through a \$1.57 overall tax rate consisting of a \$1.17 M&O tax rate and \$0.40 I&S tax rate, State Per Capita and Foundation revenues, and other local revenues. The total tax rate adopted is \$0.12 higher than the previous year due to the issuance of \$21,000,000 in bonds approved by the voters in the district in November 2015. The 2017 fiscal year budget is approximately 1.12% more than the 2016 fiscal year amended budget. If the District does not incur any unforeseen expenditures or reductions in revenues, it should accomplish the task of educating the students in the District with the available resources and not use any significant amount of its General fund balance.

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

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Business Office at Taylor Independent School District, 3101 North Main Street, Suite 104, Taylor, Texas 76574.

## **BASIC FINANCIAL STATEMENTS**

**TAYLOR INDEPENDENT SCHOOL DISTRICT**  
**Statement of Net Position**  
**August 31, 2016**

	<b>Governmental Activities</b>
<b>ASSETS:</b>	
Cash and temporary investments	\$ 30,399,723
Restricted cash	93,116
Receivables:	
Property taxes - delinquent	302,194
Allowance for uncollectible taxes	(60,439)
Due from other governments	433,033
Due from fiduciary funds	628
Other receivables	70,130
Inventories	99,531
Capital assets (net of accumulated depreciation):	
Land	1,437,326
Buildings and improvements	59,413,947
Construction in progress	924,319
Furniture and equipment	1,900,518
	\$ 95,014,026
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>	
Deferred charges on bond refundings	\$ 3,603,271
Pension contributions after measurement date	601,649
Deferred outflows related to pension liability	2,352,118
	\$ 6,557,038
<b>LIABILITIES:</b>	
Current liabilities:	
Accounts payable	\$ 466,808
Payroll deductions and withholdings payable	30,759
Accrued wages payable	1,212,612
Due to other governments	243
Due to student groups	53,145
Unearned revenue	518,158
Bond interest payable	475,604
Bonds payable	1,770,000
Notes payable	175,000
Capital lease payable	350,400
Accumulated unpaid vacation and benefits	11,133
Noncurrent liabilities:	
Bonds payable	72,706,132
Notes payable	2,241,542
Accretion payable	4,027,971
Capital lease payable	223,280
Accumulated unpaid vacation and benefits	125,507
Net pension liability	7,150,223
	91,538,517
<b>DEFERRED INFLOWS OF RESOURCES-</b>	
Deferred inflows related to pension liability	530,741
<b>NET POSITION:</b>	
Net investment in capital assets	9,925,501
Restricted for:	
Food service	598,575
Capital outlay	93,116
Unrestricted	(1,115,386)
	\$ 9,501,806

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

**TAYLOR INDEPENDENT SCHOOL DISTRICT**  
**Statement of Activities**  
**Year Ended August 31, 2016**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Changes in</u>
			<u>Contributions</u>	<u>Net Position</u>
				<u>Governmental</u>
				<u>Activities</u>
<b>Governmental activities:</b>				
Instruction	\$ 20,197,359	551,377	5,974,518	(13,671,464)
Instructional resources and media services	306,807	-	21,142	(285,665)
Curriculum and staff development	1,104,872	834	813,119	(290,919)
Instructional leadership	545,632	-	257,905	(287,727)
School leadership	2,239,406	60,843	189,655	(1,988,908)
Guidance, counseling, and evaluation services	1,398,133	4,830	497,709	(895,594)
Social work services	100,000	-	100,000	-
Health services	316,977	-	24,712	(292,265)
Student transportation	1,045,413	-	63,673	(981,740)
Food services	1,721,465	275,217	1,458,549	12,301
Extracurricular activities	1,245,711	175,264	55,065	(1,015,382)
General administration	1,160,601	35,196	70,211	(1,055,194)
Facilities maintenance and operations	3,920,810	319	645,308	(3,275,183)
Security and monitoring services	81,741	-	-	(81,741)
Data processing services	607,878	-	29,811	(578,067)
Community services	555,083	-	132,350	(422,733)
Debt service	2,766,953	-	710,603	(2,056,350)
Facilities acquisition and construction	15,400	-	-	(15,400)
Payments related to shared services arrangements	1,387,172	-	-	(1,387,172)
Payments to juvenile justice alternative education programs	172,193	-	-	(172,193)
Other intergovernmental charges	90,324	-	-	(90,324)
<b>Total governmental activities</b>	<b>\$ 40,979,930</b>	<b>1,103,880</b>	<b>11,044,330</b>	<b>(28,831,720)</b>
<b>General revenues:</b>				
Property taxes levied for general purposes				\$ 10,280,822
Property taxes levied for debt service				2,461,465
State aid-formula grants				16,595,166
Investment earnings				117,994
Miscellaneous				487,001
<b>Total general revenues</b>				<b>29,942,448</b>
<b>Change in net position</b>				<b>1,110,728</b>
<b>Net position - beginning</b>				<b>8,391,078</b>
<b>Net position - ending</b>				<b>\$ 9,501,806</b>

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

**TAYLOR INDEPENDENT SCHOOL DISTRICT**  
**Balance Sheet**  
**Governmental Funds**  
**August 31, 2016**

	General	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and temporary investments	\$ 9,190,844	20,317,852	891,027	30,399,723
Restricted cash	93,116	-	-	93,116
Receivables:				
Property taxes - delinquent	242,814	-	59,380	302,194
Allowance for uncollectible taxes	(48,563)	-	(11,876)	(60,439)
Due from other governments	2,163	-	430,870	433,033
Due from other funds	127,238	-	78,235	205,473
Other receivables	70,095	-	35	70,130
Inventories	99,531	-	-	99,531
Total assets	<u>\$ 9,777,238</u>	<u>20,317,852</u>	<u>1,447,671</u>	<u>31,542,761</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 137,728	195,100	133,980	466,808
Payroll deductions and withholdings payable	30,759	-	-	30,759
Accrued wages payable	967,039	-	245,573	1,212,612
Due to other funds	67,957	10,278	126,610	204,845
Due to other governments	243	-	-	243
Due to student groups	-	-	53,145	53,145
Unearned revenue	361,566	-	156,592	518,158
Total liabilities	<u>1,565,292</u>	<u>205,378</u>	<u>715,900</u>	<u>2,486,570</u>
Deferred inflows of resources -				
Deferred revenue - property taxes	194,251	-	47,504	241,755
Fund balances:				
Nonspendable-				
Inventories	99,531	-	-	99,531
Restricted for:				
Construction	-	20,112,474	-	20,112,474
Food service	-	-	598,575	598,575
Capital outlay	93,116	-	-	93,116
Assigned to:				
Self insurance	233,244	-	-	233,244
Debt service	576,040	-	-	576,040
Construction	3,000,000	-	-	3,000,000
Other state programs	-	-	85,692	85,692
Unassigned	4,015,764	-	-	4,015,764
Total fund balances	<u>8,017,695</u>	<u>20,112,474</u>	<u>684,267</u>	<u>28,814,436</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 9,777,238</u>	<u>20,317,852</u>	<u>1,447,671</u>	
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				\$ 63,676,110
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.				241,755
The following liabilities and deferred inflows and outflows of resources are not due and payable in the current period and, therefore, are not reported in the funds:				
Bonds payable, including premiums				(75,318,142)
Less: Issuance discount				842,010
Less: Deferred charges on bond refundings				3,603,271
Notes payable				(2,416,542)
Accretion of interest payable				(4,027,971)
Bond interest payable				(475,604)
Capital lease payable				(573,680)
Accumulated unpaid vacation and benefits				(136,640)
Net pension liability				(7,150,223)
Pension contributions after measurement date				601,649
Deferred outflows related to pension liability				2,352,118
Deferred inflows related to pension liability				(530,741)
Net position of governmental activities				<u>\$ 9,501,806</u>

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

**TAYLOR INDEPENDENT SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended August 31, 2016**

	General	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>				
Local and intermediate sources	\$ 11,208,085	52,193	3,183,364	14,443,642
State program revenues	17,952,691	-	2,831,294	20,783,985
Federal program revenues	1,349,247	-	4,944,682	6,293,929
Total revenues	<u>30,510,023</u>	<u>52,193</u>	<u>10,959,340</u>	<u>41,521,556</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction	14,468,997	-	3,974,919	18,443,916
Instructional resources and media services	277,557	-	27	277,584
Curriculum and staff development	283,265	-	792,028	1,075,293
Instructional leadership	278,718	-	238,553	517,271
School leadership	2,004,413	-	9,020	2,013,433
Guidance, counseling, and evaluation services	870,371	-	441,367	1,311,738
Social work services	-	-	100,000	100,000
Health services	285,340	-	-	285,340
Student transportation	1,144,489	-	-	1,144,489
Food services	279	-	1,719,965	1,720,244
Extracurricular activities	1,036,538	-	120,191	1,156,729
General administration	1,054,870	-	-	1,054,870
Facilities maintenance and operations	3,407,436	-	181,159	3,588,595
Security and monitoring services	76,759	-	-	76,759
Data processing services	554,245	-	-	554,245
Community services	408,871	-	105,338	514,209
Debt service	501,673	239,150	3,870,687	4,611,510
Facilities acquisition and construction	153,504	939,719	-	1,093,223
Intergovernmental:				
Payments related to shared services arrangements	1,387,172	-	-	1,387,172
Payments to juvenile justice alternative education programs	172,193	-	-	172,193
Other intergovernmental charges	90,324	-	-	90,324
Total expenditures	<u>28,457,014</u>	<u>1,178,869</u>	<u>11,553,254</u>	<u>41,189,137</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,053,009</u>	<u>(1,126,676)</u>	<u>(593,914)</u>	<u>332,419</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Issuance of refunding bonds	-	-	33,345,778	33,345,778
Issuance of bonds	-	18,519,222	-	18,519,222
Premium on sale of bonds	-	2,750,861	3,903,248	6,654,109
Discount on sale of bonds	-	(30,933)	(15,562)	(46,495)
Payment to refunding bond escrow agent	-	-	(37,414,935)	(37,414,935)
Transfers in	38,210	-	817,857	856,067
Transfers out	(817,857)	-	(38,210)	(856,067)
Proceeds from note payable	356,542	-	-	356,542
Proceeds from sale of property	23,137	-	-	23,137
Total other financing sources (uses)	<u>(399,968)</u>	<u>21,239,150</u>	<u>598,176</u>	<u>21,437,358</u>
Net change in fund balances	1,653,041	20,112,474	4,262	21,769,777
Fund balances - beginning	6,364,654	-	680,005	7,044,659
Fund balances - ending	<u>\$ 8,017,695</u>	<u>20,112,474</u>	<u>684,267</u>	<u>28,814,436</u>

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

**TAYLOR INDEPENDENT SCHOOL DISTRICT**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**Year Ended August 31, 2016**

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Net change in fund balances-total governmental funds	\$ 21,769,777
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures.	
However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Capital outlay, exclusive of non-capitalized items	1,597,414
Depreciation expense	(2,171,851)
Disposal of capital assets	(60,391)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in deferred tax revenue	7,520
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.	
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Bond proceeds, including premiums and discounts	(58,472,614)
Proceeds from note payable	(356,542)
Repayment of bond principal and contractual obligations	1,900,000
Payments to refunded bond escrow agent	37,414,935
Repayment of capital lease principal	479,366
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Change in accretion payable	(243,413)
Change in bond interest payable	(374,137)
Amortization of bond premiums	302,578
Amortization of bond issuance discounts	(63,173)
Amortization of deferred charges on refundings	(156,664)
Change in accumulated unpaid vacation and benefits	(10,910)
Pension contributions made after the measurement date	601,649
Adjustment for ending deferred inflows and outflows related to net pension liability	(1,052,816)
Change in net position of governmental activities	\$ 1,110,728

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

**TAYLOR INDEPENDENT SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**General Fund**  
**Year Ended August 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Local and intermediate sources	\$ 10,984,029	11,092,953	11,208,085	115,132
State program revenues	17,820,220	17,938,080	17,952,691	14,611
Federal program revenues	1,149,000	1,355,799	1,349,247	(6,552)
Total revenues	<u>29,953,249</u>	<u>30,386,832</u>	<u>30,510,023</u>	<u>123,191</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction	15,030,180	15,125,495	14,468,997	656,498
Instructional resources and media services	288,392	289,942	277,557	12,385
Curriculum and staff development	376,318	333,087	283,265	49,822
Instructional leadership	390,769	317,769	278,718	39,051
School leadership	2,016,725	2,051,278	2,004,413	46,865
Guidance, counseling, and evaluation services	889,452	894,097	870,371	23,726
Health services	288,702	293,702	285,340	8,362
Student transportation	1,010,407	1,302,749	1,144,489	158,260
Food services	650	650	279	371
Extracurricular activities	1,087,501	1,086,737	1,036,538	50,199
General administration	983,062	1,078,062	1,054,870	23,192
Facilities maintenance and operations	3,588,300	3,588,300	3,407,436	180,864
Security and monitoring services	92,305	92,305	76,759	15,546
Data processing services	513,253	587,253	554,245	33,008
Community services	424,263	427,263	408,871	18,392
Debt service	504,669	504,669	501,673	2,996
Facilities acquisition and construction	-	153,504	153,504	-
Intergovernmental:				
Payments related to shared services arrangements	1,387,172	1,387,172	1,387,172	-
Payments to juvenile justice alternative education programs	172,193	172,193	172,193	-
Other intergovernmental charges	97,418	97,418	90,324	7,094
Total expenditures	<u>29,141,731</u>	<u>29,783,645</u>	<u>28,457,014</u>	<u>1,326,631</u>
Excess of revenues over expenditures	<u>811,518</u>	<u>603,187</u>	<u>2,053,009</u>	<u>1,449,822</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	38,210	38,210
Transfers out	(210,433)	(760,433)	(817,857)	(57,424)
Proceeds from note payable	-	356,542	356,542	-
Proceeds from sale of property	2,000	23,500	23,137	(363)
Total other financing uses, net	<u>(208,433)</u>	<u>(380,391)</u>	<u>(399,968)</u>	<u>(19,577)</u>
Net change in fund balance	603,085	222,796	1,653,041	1,430,245
Fund balance - beginning	6,364,654	6,364,654	6,364,654	-
Fund balance - ending	<u>\$ 6,967,739</u>	<u>6,587,450</u>	<u>8,017,695</u>	<u>1,430,245</u>

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

**TAYLOR INDEPENDENT SCHOOL DISTRICT**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**August 31, 2016**

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	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
<b>ASSETS-</b>		
Cash and temporary investments	\$ 3,008,716	\$ 251,807
Total assets	<u>\$ 3,008,716</u>	<u>\$ 251,807</u>
<b>LIABILITIES:</b>		
Due to student groups	\$ -	\$ 251,179
Due to other funds	<u>-</u>	<u>628</u>
Total liabilities	<u>\$ -</u>	<u>\$ 251,807</u>
<b>NET POSITION-</b>		
Held in trust for private purposes	<u>\$ 3,008,716</u>	

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

**TAYLOR INDEPENDENT SCHOOL DISTRICT**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**Year Ended August 31, 2016**

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	<u>Private Purpose Trust Funds</u>
<b>ADDITIONS-</b>	
Contributions	\$ 216,686
Total additions	<u>216,686</u>
<b>DEDUCTIONS-</b>	
Other operating costs	<u>78,365</u>
Total deductions	<u>78,365</u>
Change in net position	138,321
Net position - beginning of year	<u>2,870,395</u>
Net position - end of year	<u><u>\$ 3,008,716</u></u>

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

# TAYLOR INDEPENDENT SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED AUGUST 31, 2016

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **The Financial Reporting Entity**

This report includes those activities, organizations and functions which are related to the Taylor Independent School District (the "District") and which are controlled by or dependent upon the District's governing body, the Board of School Trustees (the "Board"). The Board, a seven member group, is the level of government which has governance responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the District. Since the District receives funding from local, state and federal government sources, it must comply with the requirements of the entities providing those funds. However, the District is not included in any other governmental "reporting entity" as defined by Statement No. 14 of the Governmental Accounting Standards Board ("GASB"), since Board members are elected by the public and have decision making authority. In addition, there are no component units included within the reporting entity.

The accounting policies of the District comply with the rules prescribed by the Texas Education Agency's ("TEA") Financial Accountability System Resource Guide. These accounting policies conform to generally accepted accounting principles applicable to state and local governments.

#### **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities, which are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

## **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of 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. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Major revenue sources considered susceptible to accrual include state and federal program revenues and interest income. No accrual for property taxes collected within sixty days of year end has been made as such amounts are deemed immaterial; delinquent property taxes at year end are reported as deferred inflows of resources.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

The District reports the following major governmental funds:

The General Fund includes financial resources used for general operations. It is a budgeted fund, and any unassigned fund balances are considered resources available for current operations.

The Capital Projects Fund includes the proceeds from the sale of bonds and other revenues to be used for authorized construction and other capital asset acquisitions.

Additionally, the District reports the following fund types:

The Debt Service Fund includes debt service taxes and other revenues collected to retire bond principal and to pay interest due. It is a budgeted fund.

Special Revenue Funds are governmental funds which include resources restricted, committed, or assigned for specific purposes by a grantor or the Board. Federally financed programs where unused balances are returned to the grantor at the close of specified project periods are accounted for in these funds. The District uses project accounting to maintain integrity for the various sources of funds.

Private Purpose Trust Funds are fiduciary trust funds and are used to account for the principal and income that benefit individuals in the form of scholarships.

Agency Funds are unbudgeted funds and are used to account for activities of student groups and other types of activities requiring clearing accounts. These funds have no equity, assets are equal to liabilities, and they do not include revenues and expenditures for general operations of the District.

### **Budgetary Information**

Budgets are prepared annually for the General Fund, Debt Service Fund, and Food Service Fund (special revenue fund) on the modified accrual basis, which is consistent with generally accepted accounting principles. A formal budget is prepared by August 20<sup>th</sup> and is adopted by the Board at a public meeting after ten days public notice of the meeting has been given. The legal level of control for budgeted expenditures is the function level within the budgeted funds. Amendments to the budget are required prior to expending amounts greater than the budgeted amounts at the function level. Budgets are controlled at the departmental or campus level, the same level at which responsibility for operations is assigned. The budgets were amended by the Board as needed throughout the year.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either canceled or provided for in the subsequent year's budget. There were no material outstanding encumbrances at August 31, 2016, that were provided for in the subsequent year's budget.

### **Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity**

Cash and Cash Equivalents - The District considers all liquid investments (including external investment pools and certificates of deposit) with original maturities of 90 days or less to be cash equivalents.

Restricted cash - Restricted cash consists of proceeds from a note payable restricted for future capital outlay.

Investments - Temporary investments throughout the year consisted of investments in external investment pools and certificates of deposit. The District is entitled to invest any and all of its funds in certificates of deposit, direct debt securities of the United States of America or the State of Texas, certain Federal agency securities and other types of municipal bonds, fully collateralized repurchase agreements, commercial paper and local government investment pools. The District's investment policies and types of investments are governed by Section 2256 of the Texas Government Code ("Public Funds Investment Act"). The District's management believes that it complied with the requirements of the Public Funds Investment Act and the District's investment policy. The District accrues interest on temporary investments based on the terms and effective interest rates of the specific investments.

Capital Assets - Capital assets, which include land, construction in progress, buildings and improvements, and furniture and equipment, are reported in the governmental activities column in the government-wide financial statements. The District has no infrastructure assets. Capital assets are defined by the District as assets with an initial, individual cost of \$5,000. Such assets are recorded at historical cost if purchased or estimated acquisition value at the date of donation if donated. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized. Capital assets (other than land and construction in progress) are depreciated and amortized using the straight line method over the following estimated useful lives: buildings and improvements - 50 years, furniture and equipment - 5 to 10 years.

Inventories - Inventories in the General Fund consist of expendable supplies held for consumption. Inventories are charged to expenditures when consumed. Supply inventory is recorded at cost using the FIFO method.

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

Accumulated Sick Leave Liability - The State of Texas (the "State") has created a minimum sick leave program consisting of five days of sick leave per year with no limit on accumulation and transferability among districts for every person regularly employed in Texas public schools. Each district's local board is required to establish a sick leave plan. Local school districts may provide additional sick leave beyond the State minimum. The District's policy is not to provide reimbursement upon termination of employment with the District. Accordingly, no liability for accrued compensated absences has been established by the District.

Accumulated Unpaid Benefits - The District provides employees with compensation benefits for absences for sick leave and personal matters. The costs of these benefits are recognized by the District when paid. There are limitations on carryover and accumulation of benefits, and the liability for accrued but unpaid benefits is included in the statement of net position.

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

Fund Equity - The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. See Note 10 for additional information on those fund balance classifications.

Deferred Outflows and Inflows of Resources - The District complies with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which provides guidance for reporting the financial statement elements of deferred outflows of resources, which represent the consumption of the District's net position that is applicable to a future reporting period, and deferred inflows of resources, which represent the District's acquisition of net position applicable to a future reporting period.

The District complies with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. See Note 8 and Note 12 for additional information on deferred inflows and outflows of resources.

Fair Value Measurements - The District adopted GASB Statement No. 72, *Fair Value Measurement and Application*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

- Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access.
- Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.
- Level 3 are unobservable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value:

- Market approach - uses prices generated by market transactions involving identical or comparable assets or liabilities.
- Cost approach - uses the amount that currently would be required to replace the service capacity of an asset (replacement cost).
- Income approach - uses valuation techniques to convert future amounts to present amounts based on current market expectations.

Implementation of GASB Statement No. 72 did not have a significant impact on the District's financial statements for the year ended August 31, 2016.

## Recently Issued Accounting Pronouncements

In June 2015, the GASB issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for fiscal years beginning after June 15, 2017. The objective of GASB Statement No. 75 is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. GASB Statement No. 75 establishes standards for measuring and recognizing liabilities, deferred outflows of resources and deferred inflows of resources, and expense/expenditures. GASB Statement No. 75 also identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. In addition, GASB Statement No. 75 addresses the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit other postemployment benefits plan and for employers whose employees are provided with defined contribution other postemployment benefits. Management is evaluating the effects that the full implementation of GASB Statement No. 75 will have on its financial statements for the year ended August 31, 2018.

## 2. CASH AND TEMPORARY INVESTMENTS

The Public Funds Investment Act authorizes the District to invest in funds under a written investment policy, which is approved annually by the Board. The primary objectives of the District's investment strategy, in order of priority, are preservation and safety of principal, liquidity and yield.

The District is authorized to invest in the following investment instruments provided that they meet the guidelines established in the investment policy:

- Obligations of, or guaranteed by, governmental entities
- Certificates of deposit and share certificates
- Fully collateralized repurchase agreements
- Banker's acceptance
- Commercial paper
- Money market funds and no-load mutual funds
- Public funds investment pools

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the School Depository Act. The depository bank deposits for safekeeping and trust with the District's agent approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. Therefore, the District is not exposed to custodial credit risk.

Under the depository contract, the District, at its own discretion, may invest funds in time deposits and certificates of deposit provided by the depository bank at interest rates approximating United States Treasury Bill rates.

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 \$12,772,646 and the bank balance was \$13,242,201.

The District’s deposits with financial institutions at August 31, 2016 and during the year ended August 31, 2016 were entirely covered by FDIC insurance or by pledged collateral held by the District’s agent bank in the District’s name. The deposits were collateralized in accordance with Texas law and the Texas Education Agency maintains copies of all safekeeping receipts in the name of the District.

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

- a) Name of depository bank: Citizens National Bank
- b) Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$21,135,907.
- c) Largest cash, savings and time deposit combined account balance amounted to \$19,033,593 and occurred during the month of February 2016.
- d) Total amount of FDIC coverage at the time of highest combined balance was \$250,000.

Investments held at August 31, 2016 consisted of the following:

Type	Fair Value	Weighted Average Maturity (Days)	Standard & Poor’s Rating
Local Governmental Investment Pools:			
MBIA	\$ 305,952	1	AAAm
Lone Star	20,674,764	1	AAA
Total	<u>\$ 20,980,716</u>		

The District had investments in two external local government investment pools at August 31, 2016: MBIA Texas CLASS (“MBIA”) and Lone Star Investment Pool (“Lone Star”). Although Lone Star is not registered with the SEC as an investment company, it operates in a manner consistent with the SEC’s Rule 2a7-of the Investment Company Act of 1940. MBIA is registered with the SEC. These investments are stated at amortized cost in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

MBIA is administered by MBIA-Municipal Investors Service Corporation (“MISC”) and Wells Fargo Bank Texas. MISC is a subsidiary of MBIA Asset Management Group, one of the nation’s largest providers of administrative and portfolio management services for local government investment pools. MBIA is supervised by a board of trustees who are elected by participants. The responsibility of the board includes the ability to influence operations, designation of management and accountability for fiscal matters. In addition, MBIA has an advisory board which provides input and feedback on the operations and direction of the program. Standard and Poor’s reviews the pool on a weekly basis to ensure the pool’s compliance with its rating requirements. MBIA’s investment policy stipulates that it must invest in accordance with the Public Funds Investment Act.

Lone Star is governed by an eleven member board of trustees, in which all of the members are also participants in Lone Star. The board meets quarterly to review operations, adopt or make changes to the investment policy, review financial activity and approve contractor agreements. Lone Star also has an advisory board consisting of participants and nonparticipants. RBC Dain Rauscher, Inc. is an independent consultant for Lone Star that reviews daily operations, analyzes all investment transactions for compliance with the Public Funds Investment Act, and performs monitoring activities. The Bank of New York provides custody and valuation services for Lone Star. American Beacon Advisors and Standish Mellon provide other investment management services. Lone Star’s investment policy stipulates that it must invest in accordance with the Public Funds Investment Act.

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized agencies are designed to give an indication of credit risk. At August 31, 2016, investments were included in local government investment pools with ratings in compliance with the District’s investment policy.

Custodial Credit Risk - Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution’s trust department or agent but not in the District’s name. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the District, and are held by either the counterparty or the counterparty’s trust department or agent not in the District’s name. At August 31, 2016, the District was not exposed to custodial credit risk.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investments in a single issuer. Information regarding investments in any one issuer that represents five percent or more of the District’s total investments must be disclosed under GASB Statement No. 40, excluding investments issued or explicitly guaranteed by the U.S. Government. At August 31, 2016, the District had no concentration of credit risk related to a single issuer.

Interest Rate Risk - As a means of minimizing risk of loss due to interest rate fluctuations, the investment policy requires that maturities for internally created pool fund groups will not exceed the dollar weighted average maturity of 180 days. Maturities of any other individual investment owned by the District should not exceed one year from the time of purchase. The Board may specifically authorize a longer maturity for a given investment, within legal limits. The District considers the holdings in the local government investment pools to have a one day weighted average maturity due to the fact that the share position can usually be redeemed each day at the discretion of the shareholders, unless there has been a significant change in value. At August 31, 2016, investments were included in local government investment pools which have a weighted average maturity of one day.

### **3. APPRAISAL DISTRICT**

The Texas Legislature in 1979 adopted a comprehensive Property Tax Code (the “Code”) which established a county-wide appraisal district and an appraisal review board in each county in the State. The Williamson Central Appraisal District (the “Appraisal District”) is responsible for the recording and appraisal of all property in the District. Under the Code, the District’s Board sets the tax rates on property and the Appraisal District’s tax department provides tax collection services. The Appraisal District is required under the Code to assess property at 100% of its appraised value. Further, real property must be reappraised at least every four years. Under certain circumstances, taxpayers and taxing units, including the District, may challenge orders of the Appraisal Review Board through various appeals and, if necessary, legal action.

Property taxes are levied as of October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, and penalties and interest that are ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period, including those property taxes expected to be collected during a 60 day period after the end of the District’s fiscal year. The assessed value at January 1, 2015, upon which the October 2015 levy was based, was \$909,232,902. The District levied taxes based on a combined tax rate of \$1.45 per \$100 of assessed valuation for local maintenance (general governmental services) and debt service.

In May 1993, the Texas Legislature passed Senate Bill 7. Senate Bill 7 significantly changed certain aspects of the school finance system relative to accountability, teacher appraisal, career ladder, funding allotments, district local share, distribution of Foundation School Funds, tax limitations and rollback tax provisions. Funding equalization for school districts is a major component of the bill. Districts with wealth per student in excess of \$319,500 are required to take action to bring their wealth down to the equalized State level. Each year, the TEA notifies school districts in which property wealth per Weighted Average Daily Attendance (“WADA”) meets or exceeds \$319,500. However, the final determination of whether a school district will be required to make recapture payments is based on the district’s tax effort and the extent to which the district’s wealth per WADA exceeds the first equalized wealth level of \$514,000. The District was not above the equalized wealth level for the 2015-2016 fiscal year.

#### 4. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully fund certain activities. The District also receives entitlements from the State through the School Foundation and Per Capita Programs. These amounts are reported in the basic financial statements as Due from Other Governments and are summarized below as of August 31, 2016.

	General Fund	Nonmajor Governmental Funds	Total
Federal and state grants	\$ -	430,870	430,870
Other	2,163	-	2,163
Total	<u>\$ 2,163</u>	<u>430,870</u>	<u>433,033</u>

#### 5. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds.” The composition of interfund balances as of August 31, 2016 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Funds	\$ 126,610
General Fund	Fiduciary Fund	628
Nonmajor Governmental Funds	General	67,957
Nonmajor Governmental Funds	Capital Projects Fund	10,278
Total		<u>\$ 205,473</u>

During the year, the General Fund transferred \$817,857 to the Debt Service Fund to assist with future principal and interest payments. In addition, a Special Revenue Fund shared service arrangement was cancelled during the year, and the remaining funds of \$38,210 were transferred to the General Fund.

#### 6. UNEARNED REVENUE

At August 31, 2016, unearned revenue in governmental funds consisted of the following:

	General Fund	Nonmajor Governmental Funds	Total
State entitlements	\$ 352,721	125,413	478,134
Federal and state grants	-	31,179	31,179
Other	8,845	-	8,845
Total	<u>\$ 361,566</u>	<u>156,592</u>	<u>518,158</u>

## 7. CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 1,437,326	-	-	1,437,326
Construction in progress	-	924,319	-	924,319
Total capital assets, not being depreciated	<u>1,437,326</u>	<u>924,319</u>	<u>-</u>	<u>2,361,645</u>
Capital assets, being depreciated:				
Buildings and improvements	83,528,161	153,504	(87,676)	83,593,989
Furniture and equipment	6,386,616	519,591	-	6,906,207
Total capital assets, being depreciated	<u>89,914,777</u>	<u>673,095</u>	<u>(87,676)</u>	<u>90,500,196</u>
Less accumulated depreciation for:				
Buildings and improvements	(22,545,094)	(1,662,233)	27,285	(24,180,042)
Furniture and equipment	(4,496,071)	(509,618)	-	(5,005,689)
Total accumulated depreciation	<u>(27,041,165)</u>	<u>(2,171,851)</u>	<u>27,285</u>	<u>(29,185,731)</u>
Total capital assets, being depreciated, net	<u>62,873,612</u>	<u>(1,498,756)</u>	<u>(60,391)</u>	<u>61,314,465</u>
Governmental activities capital assets, net	<u>\$ 64,310,938</u>	<u>(574,437)</u>	<u>(60,391)</u>	<u>63,676,110</u>

Depreciation and amortization expense was charged to functions/programs of the District as follows:

**Governmental activities:**

Instruction	\$ 1,152,761
Instructional resources and media services	18,014
Curriculum and staff development	18,384
Instructional leadership	18,089
School leadership	130,088
Guidance, counseling, and evaluation services	56,488
Health services	18,519
Student transportation	130,551
Food services	135,061
Extracurricular activities	73,153
General administration	68,462
Facilities maintenance and operations	282,954
Security and monitoring services	4,982
Data processing services	37,809
Community services	26,536
Total depreciation and amortization expense - governmental activities	<u>\$ 2,171,851</u>

**8. DEFERRED CHARGES ON BOND REFUNDINGS**

The following is a summary of changes in deferred charges on bond refundings for the year ended August 31, 2016:

	Beginning Balance	Additions	Retirements	Ending Balance
Deferred charges on bond refundings	\$ -	3,759,935	(156,664)	3,603,271

**9. LONG-TERM DEBT**

The following is a summary of changes in long-term debt for the year ended August 31, 2016:

	Beginning Balance	Additions	Retirements	Ending Balance
General obligation bonds	\$ 52,139,943	51,865,000	(35,380,000)	68,624,943
Accretion payable	3,784,558	243,413	-	4,027,971
Premium on bonds	341,668	6,654,109	(302,578)	6,693,199
Issuance discount on bonds	(858,688)	(46,495)	63,173	(842,010)
Capital lease payable	1,053,046	-	(479,366)	573,680
Notes payable	2,235,000	356,542	(175,000)	2,416,542
Accumulated unpaid benefits	125,730	33,550	(22,640)	136,640
Total	<u>\$ 58,821,257</u>	<u>59,106,119</u>	<u>(36,296,411)</u>	<u>81,630,965</u>

Bonded debt consists of the following at August 31, 2016:

General obligation bonds:

<u>Series</u>	<u>Date of Issue</u>	<u>Amounts of Original Issue</u>	<u>Matures Through</u>	<u>Interest Rate</u>	<u>Outstanding at 8-31-16</u>	<u>Due Within One Year</u>
2009	5-19-09	\$ 37,999,943	2029	2.00 - 5.25%	\$ 2,534,943	\$ 295,000
2009 Refunding	5-19-09	8,805,000	2021	1.30 - 3.75%	4,645,000	860,000
2010	12-22-10	5,000,000	2029	2.00 - 3.70%	3,875,000	240,000
2013 Refunding	11-19-13	6,525,000	2025	2.00 - 3.00%	5,705,000	375,000
2016	3-22-16	18,520,000	2041	3.00 - 5.00%	18,520,000	-
2016 Refunding	6-22-16	<u>33,345,000</u>	2039	2.94 - 5.00%	<u>33,345,000</u>	-
Total		<u>\$ 110,194,943</u>			<u>\$ 68,624,943</u>	<u>\$ 1,770,000</u>

For the general obligation bonds, the District has pledged as collateral the proceeds of a continuing, direct annual tax levied against taxable property within the District without limitation as to rate. The Texas Education Code generally prohibits issuance of additional ad valorem tax bonds if the tax rate needed to pay aggregate principal and interest amounts of the District's tax bond indebtedness exceeds \$0.50 per \$100 of assessed valuation of taxable property within the District. The District's debt service rate for the current year is \$0.28.

On March 22, 2016, the District issued \$18,520,000 in Unlimited Tax School Building Bonds, Series 2016, for the acquisition, construction, renovation and equipment of school facilities in the District. The net proceeds of \$21,010,278 (after payment of \$229,650 in underwriting fees, insurance, and other issuance costs) were used for the following: \$21,000,000 was invested by the District to fund future construction and \$10,278 was deposited in the Debt Service Fund for future bond issuance costs.

On June 22, 2016, the District issued \$33,345,000 of Unlimited Tax Refunding Bonds, Series 2016, to advance refund \$33,655,000 of previously issued District bonds in order to lower its overall debt service requirements. The net proceeds of \$37,416,957 (after payment of \$405,890 in underwriting fees, insurance, and other issuance costs) were used for the following: \$37,414,935 was deposited with an escrow agent to provide the debt service payment on the portion of bonds advance refunded and \$2,022 was deposited in the Debt Service Fund for future bond issuance costs. As a result, \$33,655,000 of bond principal is considered defeased and the liability for these bonds was removed from the basic financial statements. The reacquisition price exceeded the net carrying amount of the old debt by \$3,759,935. This amount is recorded as a deferred outflow of resources and amortized over the remaining life of the refunded debt which is shorter than the life of the new debt issued. The advance refunding reduced debt service payments by \$5,161,188 and resulted in an economic gain of \$3,664,249.

In December 2012, the District issued \$2,575,000 in Maintenance Tax Notes, Series 2012, to renovate the District's old high school in order to accommodate a 4th and 5th grade intermediate elementary campus, the District's central administration and technology departments, and the East Williamson County Co-op headquarters. The note bears interest at interest rates ranging from 0.48% to 2.3% over the life of the note, with principal and interest payments due annually through February 2027.

In August 2016, the District financed the purchase of school buses through a note payable with a finance company. The note bears interest at 2.84% over the life of the note, with principal and interest payments of \$77,872 due annually on September 15th beginning on September 15, 2017 through September 15, 2021.

The annual principal installments for each of the outstanding issues vary each year. As of August 31, 2016, the debt service requirements of bonded indebtedness and the notes payable to maturity are as follows:

Year Ended August 31,	Principal	Interest	Total
2017	\$ 1,945,000	3,064,234	5,009,234
2018	2,400,961	2,667,376	5,068,337
2019	2,489,625	2,582,765	5,072,390
2020	2,571,601	2,495,802	5,067,403
2021	2,663,633	2,403,682	5,067,315
2022 - 2026	12,791,096	12,403,325	25,194,421
2027 - 2031	9,599,569	14,669,546	24,269,115
2032 - 2036	18,095,000	5,978,350	24,073,350
2037 - 2041	18,485,000	2,048,250	20,533,250
Total	<u>\$ 71,041,485</u>	<u>48,313,330</u>	<u>119,354,815</u>

The outstanding 2009 Series Bonds includes both Serial Bonds and Capital Appreciation Bonds. The interest shown above, with respect to the Capital Appreciation Bonds, includes the interest to be paid on bonds maturing in the respective years and does not include accrued interest on bonds not maturing in those years.

The District defeased outstanding general obligation bonds through the Series 2016 Refunding Bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all the future debt service payments on the old bonds. Accordingly, the trust account assets and defeased bonds are not included in the District's financial statements. At August 31, 2016 outstanding bonds of \$33,655,000 are considered defeased.

As of August 31, 2016, there were no general obligation bonds authorized by voters of the District, but unissued.

The District financed the purchase of school buses through a capital lease agreement with a finance company. The purchase price of the school buses was \$557,123 which equates to the original capital lease principal amount. At August 31, 2016, these assets had accumulated amortization of \$278,562 and a net book value of \$278,562. Under the terms of the capital lease agreement, principal and interest payments of \$92,668 are due annually on August 5th beginning on August 5, 2012 through August 5, 2018. The effective interest rate on the lease is 3.96%.

The District financed the purchase of computer equipment through a capital lease agreement with the vendor. The purchase price of the computer equipment was \$933,952 which equates to the original capital lease principal amount. At August 31, 2016, these assets had accumulated amortization of \$295,751 and a net book value of \$638,201. Under the terms of the capital lease agreement, principal and interest payments are due annually on October 15th through 2017. The effective interest rate on the lease is 2.59%.

Lease payment requirements are as follows:

Year Ended August 31,	Principal	Interest	Total
2017	\$ 350,400	17,268	367,668
2018	223,280	7,007	230,287
Total	<u>\$ 573,680</u>	<u>24,275</u>	<u>597,955</u>

Upon retirement or death of certain employees, the District pays any accrued sick leave in a lump cash payment to such employees or their estate. The current portion of the accumulated unpaid benefits totaled \$11,133 as of August 31, 2016.

## 10. FUND BALANCES

The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Those fund balance classifications are described below.

Nonspendable - Amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact.

Restricted - Amounts that can be spent only for specific purposes because of constraints imposed by external providers, or imposed by constitutional provisions or enabling legislation.

Committed - Amounts that can only be used for specific purposes pursuant to approval by formal action by the Board.

Assigned - For the General Fund, amounts that are appropriated by the Board or Board designee that are to be used for specific purposes. For all other governmental funds, any remaining positive amounts not previously classified as nonspendable, restricted or committed.

Unassigned - Amounts that are available for any purpose; these amounts can be reported only in the District's General Fund.

The detail of the fund balances is included in the Governmental Funds Balance Sheet on page 15.

Fund balance of the District may be committed for a specific purpose by formal action of the Board, the District's highest level of decision-making authority. Commitments may be established, modified, or rescinded only through a resolution approved by the Board. The Board has delegated the authority to assign fund balance for a specific purpose to the Superintendent or his or her designee.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

## 11. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

For the year ended August 31, 2016, revenues from local and intermediate sources in governmental funds consisted of the following:

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
Property taxes	\$ 10,186,777	-	2,439,019	12,625,796
Food service	-	-	275,217	275,217
Investment income	62,222	52,193	3,579	117,994
Penalties, interest, and other tax related income	87,460	-	21,509	108,969
Tuition and fees from patrons	314,366	-	-	314,366
Shared service arrangements	-	-	304,155	304,155
Co-curricular student activities	54,755	-	120,191	174,946
Other	502,505	-	19,694	522,199
Total	<u>\$ 11,208,085</u>	<u>52,193</u>	<u>3,183,364</u>	<u>14,443,642</u>

## 12. DEFINED BENEFIT PENSION PLANS

### 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 TRS. TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

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

### **Pension Plan Fiduciary Net Position**

Detailed information about TRS'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, in which the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the plan description above.

### **Contributions**

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

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

	2015	2016
Contribution Rates:		
Member	6.7%	7.2%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
2015 District Contributions		\$ 576,227
2015 Member Contributions		\$ 1,382,828
2015 NECE On-behalf Contributions		\$ 1,073,138

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 GAA.

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

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

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

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

## 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
Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.5%
Salary Increases including inflation	3.50% to 9.50%
Payroll Growth Rate	2.50%
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 8.0%. 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 TRS' target asset allocation as of August 31, 2015 are summarized below:

	<u>Target Allocation</u>	<u>Long-Term Expected Geometric Real Rate of Return</u>	<u>Expected Contribution to Long-Term Portfolio Return*</u>
Global Equity			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Hedge Funds (Stable Value)	4%	3.0%	0.1%
Cash	1%	(0.2%)	0.0%
Real Return			
Global Inflation-Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy and Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk Parity			
Risk Parity	<u>5%</u>	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			<u>1.0%</u>
Total	<u>100%</u>		<u>8.7%</u>

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

### Discount Rate Sensitivity Analysis

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

	<u>1% Decrease in Discount Rate (7.0%)</u>	<u>Discount Rate (8.0%)</u>	<u>1% Increase in Discount Rate (9.0%)</u>
District's proportionate share of the net pension liability	\$ 11,203,052	\$ 7,150,223	\$ 3,774,469

## **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred In-flows of Resources Related to Pensions**

At August 31, 2016, the District reported a liability of \$7,150,223 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	\$ 7,150,223
State's proportionate share that is associated with the District	<u>12,807,228</u>
Total	<u>\$ 19,957,451</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 0.02023% which was an increase of 0.00541% 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*

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

### *Mortality Assumptions*

- The post-retirement mortality tables for non-disabled retirees and 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.
- 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*

- 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.
- 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.
- Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
- 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.
- 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 August 31, 2016, the District recognized pension expense of \$1,052,816 and revenue of \$1,824,824 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	\$ 50,929	\$ 274,789
Changes in actuarial assumptions	214,054	255,089
Difference between projected and actual investment earnings	853,276	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	1,233,859	863
Contributions paid to TRS subsequent to the measurement date	<u>601,649</u>	<u>-</u>
Total	<u>\$ 2,953,767</u>	<u>\$ 530,741</u>

The \$601,649 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended August 31, 2017. 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>Pension Expense Amount</u>
Year ended August 31:	
2017	\$ 310,397
2018	310,397
2019	310,397
2020	612,953
2021	169,547
Thereafter	107,686

### 13. ON-BEHALF PAYMENTS

The District recognizes as revenues and expenditures retiree drug subsidy reimbursements under the provisions of Medicare Part D made by the federal government to TRS on behalf of the District. For the year ended August 31, 2016, reimbursements of \$83,083 were received by TRS and allocated to the District.

## 14. RISK MANAGEMENT

The District's risk management program includes coverages through third party insurance providers for property, automobile liability, school professional liability, crime, workers' compensation and other miscellaneous bonds. During the year ended August 31, 2016, there were no significant reductions in insurance coverage from coverage in the prior year. Losses in excess of the various deductible levels are covered through traditional indemnity coverage for buildings and contents, and vehicle liability with various insurance firms. Settled claims have not exceeded insurance limits for the past three years.

The District participates in a public entity risk pool for its workers compensation insurance with transfer of risk, whereas member districts pool risks and funds and share in the costs of losses. The plan year of the public entity risk pool begins September 1 and ends August 31 of each year. During the year ended August 31, 2016, the District was responsible for paying the cost of each of its claim occurrences up to a per-occurrence limit of \$69,404. For costs exceeding this limit, the member districts shared responsibility for paying the claims not covered by excess insurance. The District's maximum financial exposure for the year ended August 31, 2016 was \$116,736. Excess insurance is provided by a commercial carrier. The policy provides for specific stop-loss attachment at \$250,000 per occurrence and additional aggregate stop-loss attachment of 125% of pool funds. At August 31, 2016, the General Fund has assigned fund balance of \$233,244 to pay for any open claims. Incurred but not reported claims were minimal at August 31, 2016.

## 15. SHARED SERVICES ARRANGEMENTS

The District is the fiscal agent for a Shared Services Arrangement ("SSA") which provides speech therapists for special education to the member districts listed below. All services are provided by the fiscal agent and the member districts provide the funds to the fiscal agent. The District has accounted for the fiscal agent's activities of the SSA in a special revenue fund, Shared Services Arrangements - Special Education. Contributions from the SSA are summarized below:

Taylor ISD	\$ 1,265,509
Coupland ISD	24,072
Bartlett ISD	144,433
Granger ISD	127,239
Thrall ISD	209,772
Total	<u>\$ 1,771,025</u>

## 16. COMMITMENTS AND CONTINGENCIES

The District participates in a number of federal financial assistance programs. Although the District's grant programs have been audited in accordance with the provisions of the Uniform Guidance through August 31, 2016, these programs are subject to financial and compliance audits. The amounts, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

**17. SCHOOL DISTRICT RETIREE HEALTH PLAN**

Plan Description - The District contributes to the Texas Public School Retired Employees Group Insurance Program (“TRS-Care”), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by TRS. TRS-Care provides health care coverage for certain persons (and their dependents) who retired under TRS. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.02 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS Web site at [www.trs.state.tx.us](http://www.trs.state.tx.us) under the TRS Publications heading, by calling the TRS Communications Department at 1-800-223-8778, or by writing to the Communications Department of the System at 1000 Red River Street, Austin, Texas 78701.

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

Contribution Rates:

Year	Active Member		State		School District	
	Rate	Amount	Rate	Amount	Rate	Amount
2016	.65%	\$ 134,181	1.0%	\$ 206,432	.55%	\$ 113,538
2015	.65%	134,155	1.0%	206,392	.55%	113,516
2014	.65%	129,839	1.0%	199,753	.55%	109,864

**REQUIRED SUPPLEMENTARY  
INFORMATION**

**TAYLOR INDEPENDENT SCHOOL DISTRICT**  
**Schedule of the District's Proportionate Share of the Net Pension Liability**  
**Teacher Retirement System of Texas**  
**8/31/2016\*\***

	<u>2015*</u>	<u>2014*</u>	<u>2013*</u>
District's proportion of the net pension liability	0.02023%	0.01482%	0.01478%
District's proportionate share of the net pension liability	\$ 7,150,223	\$ 3,959,615	\$ 4,843,893
State's proportionate share of the net pension liability associated with the District	<u>12,807,228</u>	<u>10,560,409</u>	<u>12,963,345</u>
Total	<u>\$ 19,957,451</u>	<u>\$ 14,520,024</u>	<u>\$ 17,807,238</u>
District's covered-employee payroll (for Measurement Year)	\$ 20,639,198	\$ 20,083,893	\$ 18,722,140
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	34.64%	19.72%	25.87%
Plan fiduciary net position as a percentage of the total pension liability	78.43%	83.25%	78.17%
Plan's net pension liability as a percentage of covered employee payroll	91.94%	72.90%	93.10%

\* The amounts presented for each Plan year are as of August 31, plan information was unavailable prior to 2013.

\*\* Schedule should provide ten years of Plan information, but data was unavailable prior to 2013.

**TAYLOR INDEPENDENT SCHOOL DISTRICT**  
**Schedule of District Contributions**  
**Teacher Retirement System of Texas**  
**Last 10 Fiscal Years\***

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contributions	\$ 601,649	\$ 576,227	\$ 375,825	\$ 319,310	\$ 299,850
Contributions in relation to the contractual required contributions	<u>(601,649)</u>	<u>(576,227)</u>	<u>(375,825)</u>	<u>(319,310)</u>	<u>(299,850)</u>
Contribution deficiency (excess)	<u>\$ -</u>				
District's covered employee payroll	\$ 20,643,228	\$ 20,639,198	\$ 20,083,893	\$ 18,722,140	\$ 17,978,464
Contributions as a percentage of covered payroll	2.91%	2.79%	1.87%	1.71%	1.67%
	<u>2011</u>				
Contractually required contributions	\$ 349,694				
Contributions in relation to the contractual required contributions	<u>(349,694)</u>				
Contribution deficiency (excess)	<u>\$ -</u>				
District's covered employee payroll	\$ 18,943,508				
Contributions as a percentage of covered payroll	1.85%				

\*Note: No information was available for fiscal years prior to August 31, 2011.

# TAYLOR INDEPENDENT SCHOOL DISTRICT

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED AUGUST 31, 2016

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### 1. CHANGE IN ASSUMPTIONS

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

- The inflation assumption was decreased from 3.00% to 2.50%.
- The ultimate merit assumption for long-service employees was decreased from 1.25% to 1.00%.
- There were small adjustments in the service-based promotion/longevity component of the salary scale.
- The payroll growth assumption was lowered from 3.50% to 2.50%.
- The post-retirement mortality tables for non-disabled retirees and disabled retirees were updated to reflect recent TRS member experience.
- The pre-retirement mortality tables for active employees were updated to use 90% of the recently published RP-2014 mortality table for active employees.
- Previously it was assumed 10% of all members who had contributed in the past 5 years to be an active member. 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.
- 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.
- Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
- Small adjustments to the disability patterns were made for members consistent with experience and future expectations.
- For members that become disabled in the future, it is assumed 20% of them will choose a 100% joint and survivor annuity option.
- 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.

**COMBINING AND INDIVIDUAL  
FUND STATEMENTS**

**TAYLOR INDEPENDENT SCHOOL DISTRICT**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**August 31, 2016**

	<b>Special Revenue Funds</b>	<b>Debt Service Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>ASSETS:</b>			
Cash and temporary investments	\$ 843,511	47,516	891,027
Receivables:			
Property taxes - delinquent	-	59,380	59,380
Allowance for uncollectible taxes	-	(11,876)	(11,876)
Due from other governments	430,870	-	430,870
Due from other funds	338	77,897	78,235
Other receivables	35	-	35
Total assets	<u>\$ 1,274,754</u>	<u>172,917</u>	<u>1,447,671</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:</b>			
Liabilities:			
Accounts payable	\$ 133,980	-	133,980
Accrued wages payable	245,573	-	245,573
Due to other funds	126,610	-	126,610
Due to student groups	53,145	-	53,145
Unearned revenue	31,179	125,413	156,592
Total liabilities	<u>590,487</u>	<u>125,413</u>	<u>715,900</u>
Deferred inflows of resources-			
Deferred revenue - property taxes	-	47,504	47,504
Fund balances:			
Restricted	598,575	-	598,575
Assigned	85,692	-	85,692
Total fund balances	<u>684,267</u>	<u>-</u>	<u>684,267</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,274,754</u>	<u>172,917</u>	<u>1,447,671</u>

**TAYLOR INDEPENDENT SCHOOL DISTRICT**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**Year Ended August 31, 2016**

	<b>Special Revenue Funds</b>	<b>Debt Service Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>REVENUES:</b>			
Local and intermediate sources	\$ 720,597	2,462,767	3,183,364
State program revenues	2,120,691	710,603	2,831,294
Federal program revenues	4,944,682	-	4,944,682
Total revenues	<u>7,785,970</u>	<u>3,173,370</u>	<u>10,959,340</u>
<b>EXPENDITURES:</b>			
Current:			
Instruction	3,974,919	-	3,974,919
Instructional resources and media services	27	-	27
Curriculum and staff development	792,028	-	792,028
Instructional leadership	238,553	-	238,553
School leadership	9,020	-	9,020
Guidance, counseling and evaluation services	441,367	-	441,367
Social work services	100,000	-	100,000
Food services	1,719,965	-	1,719,965
Extracurricular activities	120,191	-	120,191
Facilities maintenance and operations	181,159	-	181,159
Community services	105,338	-	105,338
Debt service	-	3,870,687	3,870,687
Total expenditures	<u>7,682,567</u>	<u>3,870,687</u>	<u>11,553,254</u>
Excess (deficiency) of revenues over (under) expenditures	<u>103,403</u>	<u>(697,317)</u>	<u>(593,914)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Issuance of refunding bonds	-	33,345,778	33,345,778
Premium on sale of bonds	-	3,903,248	3,903,248
Discount on sale of bonds	-	(15,562)	(15,562)
Payment to refunding bond escrow agent	-	(37,414,935)	(37,414,935)
Transfers in	-	817,857	817,857
Transfers out	(38,210)	-	(38,210)
Total other financing sources (uses)	<u>(38,210)</u>	<u>636,386</u>	<u>598,176</u>
Net change in fund balances	65,193	(60,931)	4,262
Fund balances - beginning	<u>619,074</u>	<u>60,931</u>	<u>680,005</u>
Fund balances - ending	<u>\$ 684,267</u>	<u>-</u>	<u>684,267</u>

**TAYLOR INDEPENDENT SCHOOL DISTRICT**  
**Combining Balance Sheet**  
**Nonmajor Special Revenue Funds**  
**August 31, 2016**

	Title I Grants to Local Educational Agencies	Migrant Education_ State Grant Program	National School Breakfast and Lunch Program	Summer Food Service Program for Children	Career and Technical Education - Basic Grants to States	Improving Teacher Quality State Grants	English Language Acquisition State Grants
<b>Assets:</b>							
Cash and temporary investments	\$ 15,773	-	564,241	40,317	-	2,303	-
Receivables:							
Due from other governments	83,025	8,825	57,910	-	-	14,443	21,506
Due from other funds	-	-	-	-	-	-	-
Other receivables	-	35	-	-	-	-	-
Total assets	<u>\$ 98,798</u>	<u>8,860</u>	<u>622,151</u>	<u>40,317</u>	<u>-</u>	<u>16,746</u>	<u>21,506</u>
<b>Liabilities and fund balances:</b>							
Accounts payable	\$ 58,827	-	60,664	-	-	393	-
Accrued wages payable	39,971	6,045	3,229	-	-	16,353	7,437
Due to other funds	-	2,815	-	-	-	-	14,069
Due to student groups	-	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-	-
Total liabilities	<u>98,798</u>	<u>8,860</u>	<u>63,893</u>	<u>-</u>	<u>-</u>	<u>16,746</u>	<u>21,506</u>
<b>Fund balances:</b>							
Restricted	-	-	558,258	40,317	-	-	-
Assigned	-	-	-	-	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>558,258</u>	<u>40,317</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 98,798</u>	<u>8,860</u>	<u>622,151</u>	<u>40,317</u>	<u>-</u>	<u>16,746</u>	<u>21,506</u>

(continued)

**TAYLOR INDEPENDENT SCHOOL DISTRICT**  
**Combining Balance Sheet**  
**Nonmajor Special Revenue Funds (continued)**  
**August 31, 2016**

	<u>Summer School LEP</u>	<u>Striving Readers Comprehensive Literacy Program</u>	<u>SSA Special Education Grants to States</u>	<u>SSA Special Education Preschool Grants</u>	<u>Parallel Pathways to Success</u>	<u>Pregnancy Education and Parenting</u>	<u>Advanced Placement Incentives</u>
<b>Assets:</b>							
Cash and temporary investments	\$ -	-	-	2,280	4,560	-	197
Receivables:							
Due from other governments	-	139,160	99,549	-	-	-	-
Due from other funds	-	-	-	-	-	338	-
Other receivables	-	-	-	-	-	-	-
Total assets	<u>\$ -</u>	<u>139,160</u>	<u>99,549</u>	<u>2,280</u>	<u>4,560</u>	<u>338</u>	<u>197</u>
<b>Liabilities and fund balances:</b>							
Accounts payable	\$ -	2,420	5,914	1,261	-	-	-
Accrued wages payable	-	32,857	87,792	1,019	4,560	-	-
Due to other funds	-	103,883	5,843	-	-	-	-
Due to student groups	-	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-	197
Total liabilities	<u>-</u>	<u>139,160</u>	<u>99,549</u>	<u>2,280</u>	<u>4,560</u>	<u>-</u>	<u>197</u>
<b>Fund balances:</b>							
Restricted	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	338	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>338</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>139,160</u>	<u>99,549</u>	<u>2,280</u>	<u>4,560</u>	<u>338</u>	<u>197</u>

(continued)

**TAYLOR INDEPENDENT SCHOOL DISTRICT**  
**Combining Balance Sheet**  
**Nonmajor Special Revenue Funds (continued)**  
**August 31, 2016**

	<b>Instructional Materials Allotment</b>	<b>APIB Campus Awards</b>	<b>Early College High School Demonstration Site Grant</b>	<b>SSA Special Education</b>	<b>SSA Local Funded TSTC Co-Op</b>	<b>SSA Local Funded Legacy HS</b>	<b>Campus Activity Fund</b>	<b>Total Special Revenue Funds</b>
<b>Assets:</b>								
Cash and temporary investments	\$ 4,467	-	28,000	102,301	23,810	-	55,262	843,511
Receivables:								
Due from other governments	-	3,364	-	3,088	-	-	-	430,870
Due from other funds	-	-	-	-	-	-	-	338
Other receivables	-	-	-	-	-	-	-	35
Total assets	<u>\$ 4,467</u>	<u>3,364</u>	<u>28,000</u>	<u>105,389</u>	<u>23,810</u>	<u>-</u>	<u>55,262</u>	<u>1,274,754</u>
<b>Liabilities and fund balances:</b>								
Accounts payable	\$ 1,485	-	-	899	-	-	2,117	133,980
Accrued wages payable	-	3,364	-	36,040	6,906	-	-	245,573
Due to other funds	-	-	-	-	-	-	-	126,610
Due to student groups	-	-	-	-	-	-	53,145	53,145
Unearned revenue	2,982	-	28,000	-	-	-	-	31,179
Total liabilities	<u>4,467</u>	<u>3,364</u>	<u>28,000</u>	<u>36,939</u>	<u>6,906</u>	<u>-</u>	<u>55,262</u>	<u>590,487</u>
<b>Fund balances:</b>								
Restricted	-	-	-	-	-	-	-	598,575
Assigned	-	-	-	68,450	16,904	-	-	85,692
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>68,450</u>	<u>16,904</u>	<u>-</u>	<u>-</u>	<u>684,267</u>
Total liabilities and fund balances	<u>\$ 4,467</u>	<u>3,364</u>	<u>28,000</u>	<u>105,389</u>	<u>23,810</u>	<u>-</u>	<u>55,262</u>	<u>1,274,754</u>

**TAYLOR INDEPENDENT SCHOOL DISTRICT**  
**Combining Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Nonmajor Special Revenue Funds**  
**Year Ended August 31, 2016**

	Title I Grants to Local Educational Agencies	Migrant Education_ State Grant Program	National School Breakfast and Lunch Program	Summer Food Service Program for Children	Career and Technical Education - Basic Grants to States	Improving Teacher Quality State Grants	English Language Acquisition State Grants
<b>Revenues:</b>							
Local and intermediate sources	\$ -	-	296,251	-	-	-	-
State program revenues	-	-	9,182	-	-	-	-
Federal program revenues	636,788	66,894	1,497,249	-	37,053	197,793	47,569
Total revenues	636,788	66,894	1,802,682	-	37,053	197,793	47,569
<b>Expenditures:</b>							
Current:							
Instruction	379,403	65,501	-	-	36,053	153,942	32,163
Instructional resources and media services	-	-	-	-	-	-	-
Curriculum and staff development	51,136	1,332	-	-	1,000	43,851	15,336
Instructional leadership	1,042	-	-	-	-	-	-
School leadership	-	-	-	-	-	-	-
Guidance, counseling and evaluation services	-	-	-	-	-	-	-
Social work services	100,000	-	-	-	-	-	-
Food services	-	-	1,719,965	-	-	-	-
Extracurricular activities	-	-	-	-	-	-	-
Facilities maintenance and operations	-	-	47,882	-	-	-	-
Community services	105,207	61	-	-	-	-	70
Total expenditures	636,788	66,894	1,767,847	-	37,053	197,793	47,569
Excess of revenues over expenditures	-	-	34,835	-	-	-	-
<b>OTHER FINANCING USES-</b>							
Transfers out	-	-	-	-	-	-	-
Net change in fund balance	-	-	34,835	-	-	-	-
Fund balances - beginning	-	-	523,423	40,317	-	-	-
Fund balances - ending	\$ -	-	558,258	40,317	-	-	-

(continued)

**TAYLOR INDEPENDENT SCHOOL DISTRICT**  
**Combining Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Nonmajor Special Revenue Funds (continued)**  
**Year Ended August 31, 2016**

	Summer School LEP	Striving Readers Comprehensive Literacy Program	SSA Special Education Grants to States	SSA Special Education Preschool Grants	Parallel Pathways to Success	Pregnancy Education and Parenting	Advanced Placement Incentives
<b>Revenues:</b>							
Local and intermediate sources	\$ -	-	-	-	-	-	-
State program revenues	-	-	-	-	-	-	1,603
Federal program revenues	7,772	1,380,893	1,028,874	43,797	-	-	-
Total revenues	7,772	1,380,893	1,028,874	43,797	-	-	1,603
<b>Expenditures:</b>							
Current:							
Instruction	7,772	614,962	765,494	41,097	-	-	-
Instructional resources and media services	-	-	-	-	-	-	-
Curriculum and staff development	-	669,556	6,741	667	-	-	1,603
Instructional leadership	-	87,355	-	-	-	-	-
School leadership	-	9,020	-	-	-	-	-
Guidance, counseling and evaluation services	-	-	256,639	2,033	-	-	-
Social work services	-	-	-	-	-	-	-
Food services	-	-	-	-	-	-	-
Extracurricular activities	-	-	-	-	-	-	-
Facilities maintenance and operations	-	-	-	-	-	-	-
Community services	-	-	-	-	-	-	-
Total expenditures	7,772	1,380,893	1,028,874	43,797	-	-	1,603
Excess of revenues over expenditures	-	-	-	-	-	-	-
<b>OTHER FINANCING USES-</b>							
Transfers out	-	-	-	-	-	-	-
Net change in fund balance	-	-	-	-	-	-	-
Fund balances - beginning	-	-	-	-	-	338	-
Fund balances - ending	\$ -	-	-	-	-	338	-

(continued)

**TAYLOR INDEPENDENT SCHOOL DISTRICT**  
**Combining Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Nonmajor Special Revenue Funds (continued)**  
**Year Ended August 31, 2016**

	Instructional Materials Allotment	APIB Campus Awards	Early College High School Demonstration Site Grant	SSA Special Education	SSA Local Funded TSTC Co-Op	SSA Local Funded Legacy HS	Campus Activity Fund	Total Special Revenue Funds
<b>Revenues:</b>								
Local and intermediate sources	\$ -	-	-	-	304,155	-	120,191	720,597
State program revenues	335,490	3,391	-	1,771,025	-	-	-	2,120,691
Federal program revenues	-	-	-	-	-	-	-	4,944,682
Total revenues	335,490	3,391	-	1,771,025	304,155	-	120,191	7,785,970
<b>Expenditures:</b>								
Current:								
Instruction	335,490	3,364	-	1,239,306	300,372	-	-	3,974,919
Instructional resources and media services	-	27	-	-	-	-	-	27
Curriculum and staff development	-	-	-	806	-	-	-	792,028
Instructional leadership	-	-	-	150,156	-	-	-	238,553
School leadership	-	-	-	-	-	-	-	9,020
Guidance, counseling and evaluation services	-	-	-	182,695	-	-	-	441,367
Social work services	-	-	-	-	-	-	-	100,000
Food services	-	-	-	-	-	-	-	1,719,965
Extracurricular activities	-	-	-	-	-	-	120,191	120,191
Facilities maintenance and operations	-	-	-	133,277	-	-	-	181,159
Community services	-	-	-	-	-	-	-	105,338
Total expenditures	335,490	3,391	-	1,706,240	300,372	-	120,191	7,682,567
Excess of revenues over expenditures	-	-	-	64,785	3,783	-	-	103,403
<b>OTHER FINANCING USES-</b>								
Transfers out	-	-	-	-	-	(38,210)	-	(38,210)
Net change in fund balance	-	-	-	64,785	3,783	(38,210)	-	65,193
Fund balances - beginning	-	-	-	3,665	13,121	38,210	-	619,074
Fund balances - ending	\$ -	-	-	68,450	16,904	-	-	684,267

**TAYLOR INDEPENDENT SCHOOL DISTRICT**  
**Combining Statement of Fiduciary Net Position**  
**Private Purpose Trust Funds**  
**August 31, 2016**

---

	<b>Non-Expendable Trust Fund</b>	<b>Expendable Trust Fund</b>	<b>TOTALS</b>
<b>ASSETS-</b>			
Cash and temporary investments	\$ 2,176,818	831,898	3,008,716
Total assets	\$ 2,176,818	831,898	3,008,716
<b>NET POSITION-</b>			
Held in trust for private purposes	\$ 2,176,818	831,898	3,008,716

**TAYLOR INDEPENDENT SCHOOL DISTRICT**  
**Combining Statement of Changes in Fiduciary Net Position**  
**Private Purpose Trust Funds**  
**Year Ended August 31, 2016**

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	<u>Non-Expendable Trust Fund</u>	<u>Expendable Trust Fund</u>	<u>TOTALS</u>
<b>ADDITIONS-</b>			
Contributions	\$ 147,972	68,714	216,686
Total additions	<u>147,972</u>	<u>68,714</u>	<u>216,686</u>
<b>DEDUCTIONS-</b>			
Other operating costs	46,976	31,389	78,365
Total deductions	<u>46,976</u>	<u>31,389</u>	<u>78,365</u>
Change in net position	100,996	37,325	138,321
Net position - beginning of year	<u>2,075,822</u>	<u>794,573</u>	<u>2,870,395</u>
Net position - end of year	<u>\$ 2,176,818</u>	<u>831,898</u>	<u>3,008,716</u>

**TAYLOR INDEPENDENT SCHOOL DISTRICT**  
**Nonmajor Governmental Fund - Debt Service Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**Year Ended August 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Local and intermediate sources	\$ 2,451,657	2,451,657	2,462,767	11,110
State program revenues	759,488	759,488	710,603	(48,885)
Total revenues	<u>3,211,145</u>	<u>3,211,145</u>	<u>3,173,370</u>	<u>(37,775)</u>
<b>EXPENDITURES-</b>				
Debt service	4,070,533	4,252,782	3,870,687	382,095
Total expenditures	<u>4,070,533</u>	<u>4,252,782</u>	<u>3,870,687</u>	<u>382,095</u>
Deficiency of revenues under expenditures	(859,388)	(1,041,637)	(697,317)	344,320
<b>OTHER FINANCING SOURCES (USES):</b>				
Issuance of refunding bonds	-	33,345,000	33,345,778	778
Premium on sale of bonds	-	3,903,248	3,903,248	-
Discount on sale of bonds	-	(15,562)	(15,562)	-
Payment to refunding bond escrow agent	-	(37,414,935)	(37,414,935)	-
Transfers in	210,433	760,433	817,857	57,424
Total other financing sources, net	<u>210,433</u>	<u>578,184</u>	<u>636,386</u>	<u>58,202</u>
Net change in fund balance	(648,955)	(463,453)	(60,931)	402,522
Fund balance - beginning	60,931	60,931	60,931	-
Fund balance - ending	<u>\$ (588,024)</u>	<u>(402,522)</u>	<u>-</u>	<u>402,522</u>

**TAYLOR INDEPENDENT SCHOOL DISTRICT**  
**Nonmajor Special Revenue Fund - Food Service**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**Year Ended August 31, 2016**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES:</b>				
Local and intermediate sources	\$ 356,269	341,269	296,251	(45,018)
State program revenues	9,382	9,382	9,182	(200)
Federal program revenues	1,464,862	1,479,862	1,497,249	17,387
Total revenues	<u>1,830,513</u>	<u>1,830,513</u>	<u>1,802,682</u>	<u>(27,831)</u>
<b>EXPENDITURES-</b>				
Current:				
Food services	1,763,133	1,843,133	1,719,965	123,168
Facilities maintenance and operations	-	48,000	47,882	118
Total expenditures	<u>1,763,133</u>	<u>1,891,133</u>	<u>1,767,847</u>	<u>123,286</u>
Excess (deficiency) of revenues over (under) expenditures	67,380	(60,620)	34,835	95,455
Fund balance - beginning	<u>523,423</u>	<u>523,423</u>	<u>523,423</u>	<u>-</u>
Fund balance - ending	<u>\$ 590,803</u>	<u>462,803</u>	<u>558,258</u>	<u>95,455</u>

## **OTHER SCHEDULES**

**TAYLOR INDEPENDENT SCHOOL DISTRICT**  
**Schedule of Delinquent Taxes Receivable**  
**Year Ended August 31, 2016**

<b>Years Ended</b>	<b>Tax Rates</b>		<b>Assessed/ Appraised Value for School Tax Purposes</b>	<b>Beginning Balance 8/31/2015</b>	<b>Current Year's Total Levy</b>	<b>Maintenance Total Collections</b>	<b>Debt Service Total Collections</b>	<b>Entire Year's Adjustment</b>	<b>Ending Balance 8/31/2016</b>
	<b>Maintenance</b>	<b>Debt Service</b>							
2007 & Prior	Various	Various	Various	31,094	-	1,192	137	(904)	28,861
2008	1.04	0.16	756,752,497	4,745	-	355	55	-	4,335
2009	1.04	0.16	795,151,526	5,914	-	440	68	-	5,406
2010	1.04	0.45	812,805,823	14,058	-	712	308	(153)	12,885
2011	1.04	0.43	802,297,119	15,563	-	766	317	-	14,480
2012	1.04	0.41	809,861,018	22,485	-	7,042	2,776	178	12,845
2013	1.17	0.28	816,828,227	28,072	-	5,124	1,226	(165)	21,557
2014	1.17	0.28	820,317,733	36,011	-	10,593	2,535	814	23,697
2015	1.17	0.28	880,144,970	134,852	-	73,266	17,534	(6,452)	37,600
2016	1.17	0.28	909,232,902	-	12,625,434	10,087,287	2,414,063	16,444	140,528
Totals				\$ 292,794	12,625,434	10,186,777	2,439,019	9,762	302,194

**TAYLOR INDEPENDENT SCHOOL DISTRICT**  
**Exhibit L-1 - Required Responses to Selected**  
**School First Indicators**  
**As of August 31, 2016**

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Date Control Codes	Description	Responses
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year-end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	\$ 4,027,971
SF11	Net Pension Assets (1920) at fiscal year-end.	\$ -
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$ 7,150,223
SF13	Pension Expense (6147) at fiscal year-end.	\$ 1,052,816

**FEDERAL AWARDS SECTION**



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**INDEPENDENT AUDITORS' 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**

The Board of Trustees of  
Taylor Independent School District:

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 the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Taylor Independent School District (the "District"), as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 9, 2017.

**Internal Control Over Financial Reporting**

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

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

*Maxwell Locke + Ritter LLP*

Austin, Texas  
January 9, 2017



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## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

The Board of Trustees of  
Taylor Independent School District:

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

We have audited Taylor Independent School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal program for the year ended August 31, 2016. The District's major federal program is identified in the summary of auditors' 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for the District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

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

### **Opinion on the Major Federal Program**

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

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

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

*Maxwell Locke + Ritter LLP*

Austin, Texas  
January 9, 2017

**TAYLOR INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended August 31, 2016**

Project Number	Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Expenditures
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
<b><u>Passed Through Texas Education Agency:</u></b>			
15610101246911	Title I Grants to Local Educational Agencies	84.010A	\$ 527
16610101246911	Title I Grants to Local Educational Agencies	84.010A	555,900
17610101246911	Title I Grants to Local Educational Agencies	84.010A	80,361
	Total CFDA 84.010A		636,788
16615001246911	Migrant Education_State Grant Program	84.011A	61,815
17615001246911	Migrant Education_State Grant Program	84.011A	5,079
	Total CFDA 84.011A		66,894
16420006246911	Career and Technical Education - Basic Grants to States	84.048A	37,053
16694501246911	Improving Teacher Quality State Grants	84.367A	187,765
17694501246911	Improving Teacher Quality State Grants	84.367A	10,028
	Total CFDA 84.367A		197,793
15671001246911	English Language Acquisition State Grants	84.365A	2,929
16671001246911	English Language Acquisition State Grants	84.365A	41,988
17671001246911	English Language Acquisition State Grants	84.365A	2,652
	Total CFDA 84.365A		47,569
<b><u>Special Education Cluster:</u></b>			
156600012469116000	SSA - Special Education_Grants to States	84.027A	1,751
166600012469116000	SSA - Special Education_Grants to States	84.027A	74,355
176600012469116000	SSA - Special Education_Grants to States	84.027A	952,768
	Total CFDA 84.027A		1,028,874
166610012469116610	SSA - Special Education_Preschool Grants	84.173A	43,797
	<b>Total Special Education Cluster</b>		1,072,671
166460037110027	Striving Readers	84.371C	803,150
176460037110028	Striving Readers	84.371C	577,743
	Total CFDA 84.371C		1,380,893
69551602	Grants for State Assessments and Related Activities	84.369A	7,772
	<b>TOTAL DEPARTMENT OF EDUCATION</b>		3,447,433
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
<b><u>Child Nutrition Cluster:</u></b>			
<b><u>Passed Through Texas Education Agency:</u></b>			
71301501	National School Lunch Program	10.555	109,975
71301601	National School Lunch Program	10.555	780,340
<b><u>Passed Through the Texas Department of Human Services-</u></b>			
71301601	Non-Cash Assistance - Food Distribution Program	10.555	112,430
	Total CFDA 10.555		1,002,745
<b><u>Passed Through Texas Education Agency:</u></b>			
71401501	School Breakfast Program	10.553	49,798
71401601	School Breakfast Program	10.553	369,526
	Total CFDA 10.553		419,324
	<b>Total Child Nutrition Cluster</b>		1,422,069
<b><u>Passed Through Texas Department of Agriculture-</u></b>			
	Child and Adult Care Food Program	10.558	75,180
	<b>TOTAL DEPARTMENT OF AGRICULTURE</b>		1,497,249
	<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		\$ 4,944,682

The accompanying notes are an integral part of this schedule.

# TAYLOR INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED AUGUST 31, 2016

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### 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Taylor Independent School District (the "District") under programs of the federal government for the year ended August 31, 2016. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, change in net position, or cash flows of the District.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of Accounting**

The expenditures reported on the Schedule are reported using the modified accrual basis of accounting, with the exception of the National School Lunch Program, the School Breakfast Program, the Child and Adult Care Food Program, and the Food Distribution Program. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become available and measurable, and expenditures in the accounting period in which the fund liability is incurred, if measurable. Expenditures in the National School Lunch Program, the School Breakfast Program, the Child and Adult Care Food Program, and the Food Distribution Program are not specifically attributable to this revenue source and are shown on the Schedule in an amount equal to revenue for balancing purposes only. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited to reimbursement.

The District has elected to not use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

#### **Relationship to Basic Financial Statements**

Expenditures of federal awards are reported in the District's basic financial statements in the Special Revenue Funds.

**Relationship to Federal Financial Reports**

Amounts reported in the Schedule agree with the amounts reported in the related federal financial reports in all significant respects.

**Valuation of Non-cash Programs**

The District values revenues and expenditures for the Food Distribution Program based on the value of commodities received.

# TAYLOR INDEPENDENT SCHOOL DISTRICT

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED AUGUST 31, 2016

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### SECTION I - SUMMARY OF AUDITORS' RESULTS

#### FINANCIAL STATEMENTS

Type of auditors' report issued on whether the financial statements were prepared in accordance with GAAP: unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

#### FEDERAL AWARDS

Internal control over major federal program:

- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified?  yes  none reported

Type of auditors' report issued on compliance for major federal program-

Striving Readers unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?  yes  no

Identification of major federal program:

CFDA Number	Name of Federal Program or Cluster
84.371C	Striving Readers

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?  yes  no

# TAYLOR INDEPENDENT SCHOOL DISTRICT

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED AUGUST 31, 2016

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### SECTION II - FINANCIAL STATEMENT FINDINGS

No findings required to be reported in accordance with *Government Auditing Standards* for the years ended August 31, 2016 and 2015.

### SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings or questioned costs required to be reported in accordance with 2 CFR 200.516(a) for the year ended August 31, 2016. There was one finding required to be reported in accordance with section 510(a) of OMB Circular A-133 for the year ended August 31, 2015.

#### **Finding Relating to Noncompliance with Cost Principles Reported in Accordance with section 510(a) of OMB Circular A-133:**

2015-001

Federal Program:	Special Education Cluster - CFDA #84.027A and #84.173A; Federal Award Numbers - 156600012469116000 and 156610012469116000; Passed through the State Department of Education.
Criteria:	OMB Circular A-87 requires that employees who work solely on a single cost objective must furnish a semi-annual certification that they have been engaged solely in activities supported by the applicable source.
Condition/Context:	Payroll expenditures for District employees who worked solely on Special Education activities were reclassified out of the federal program and into locally funded programs during the year. The related payroll withholding expenditures were not reclassified. In addition, multiple substitute teachers who were substituting for these employees were charged to the federal program. Semi-annual certifications were not completed for these employees.
Questioned Costs:	None
Effect:	Noncompliance with time and effort documentation requirements of OMB Circular A-87 and OMB Circular A-133 Compliance Supplement if semi-annual certifications are not completed. The District recorded payroll expenditures of \$12,355.

Cause: Payroll withholding expenditures for employees who worked solely on the Special Education Cluster but were reclassified to be paid out of local funding were not supported by semi-annual certifications. Substitute teachers for these employees throughout the year were not supported by time and effort documentation.

Recommendations: District management should ensure that policies and procedures are in place and functioning so that all payroll expenditures charged to the federal program are properly supported by time and effort documentation.

Current Status: Semi-annual certifications were collected for all employees who worked solely on a single federal program during the current year which included the Special Education Cluster.