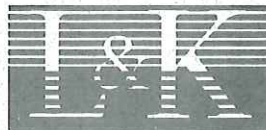


MATHIS INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2016



Lovvorn & Kieschnick
CERTIFIED PUBLIC ACCOUNTANTS

LOVVORN & KIESCHNICK, LLP

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MATHIS INDEPENDENT SCHOOL DISTRICT

DIRECTORY OF OFFICIALS

AUGUST 31, 2016

BOARD OF TRUSTEES

ANGIE TREJO	PRESIDENT
RICK CORTEZ, JR.	VICE-PRESIDENT
MELINDA BARAJAS	SECRETARY
MARY GARZA	MEMBER
SAMMUEL SARATE	MEMBER
MOISES ALFARO	MEMBER
VACANT	MEMBER

OTHER OFFICIALS

BENNY P. HERNANDEZ	SUPERINTENDENT
CHRIS CASAREZ	DIRECTOR OF FACILITIES PLANNING & DEVELOPMENT SERVICES
GAIL SHEPLER	FINANCE OFFICER
ROD BLOUNT	ATHLETIC DIRECTOR
VERONICA GARZA	DIRECTOR OF SPECIAL EDUCATION CO-OP

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Mathis Independent School District
Annual Financial Report
For The Year Ended August 31, 2016

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Mathis Independent School District
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Introductory Section

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CERTIFICATE OF BOARD

Mathis Independent School District
Name of School District

San Patricio
County

205-904
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) _____approved _____disapproved for the year ended August 31, 2016, at a meeting of the board of trustees of such school district on the ____ day of _____, _____.

Signature of Board Secretary

Signature of Board President

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

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Financial Section

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Lovvorn & Kieschnick, LLP
418 Peoples Street, Ste. 308
Corpus Christi, TX 78401

Independent Auditor's Report

To the Board of Trustees
Mathis Independent School District
P. O. Box 1177
Mathis, Texas 78368

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mathis 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.

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mathis Independent School District's basic financial statements. The introductory section is presented for purposes of additional analysis and is not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, Subpart F -- Audit Requirements (Uniform Guidance) and is also not a required part of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is also not a required part of the basic financial statements.

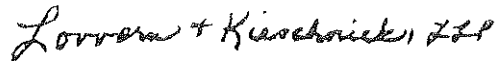
The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2016 on our consideration of Mathis Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mathis Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in cursive script that reads "Lovvorn & Kieschnick, LLP".

Lovvorn & Kieschnick, LLP

Corpus Christi, TX
December 5, 2016

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Management's Discussion and Analysis

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**MATHIS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2016
UNAUDITED**

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

FINANCIAL HIGHLIGHTS

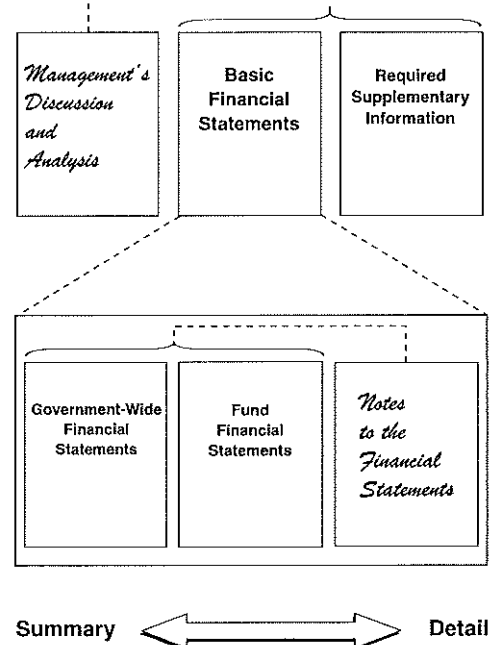
- The District's total combined net position was \$23,516,964 as of August 31, 2016.
- During the year, the District's expenses were \$605,529 less than the \$23,366,629 generated in taxes and other revenues for governmental activities.
- The general fund reported a fund balance this year of \$9,663,430.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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



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

Government-wide Statements

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

The two government-wide statements report the District's net position and how it has changed. Net position—the difference between the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources—is one way to measure the District's financial health or *position*.

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

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

Fund Financial Statements

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

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

The District has the following kinds of funds:

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

Net position may serve time as a useful indicator of the District's financial position. The District's combined net position was \$23,516,964 as of August 31, 2016. (See Table A-1.)

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

	Governmental Activities		Total Percentage Change 2016-2015
	2016	2015	
Assets:			
Cash and Cash Equivalents	8,545,955	7,643,289	11.8%
Investments	1,103,296	1,100,386	0.3%
Property Taxes Receivable (Net)	1,279,447	1,136,355	12.6%
Due from Other Governments	1,545,512	1,429,942	8.1%
Other Receivables (Net)	9,885	9,290	6.4%
Other Assets	49,394	56,282	-12.2%
Capital Assets:			
Land	715,385	715,385	0.0%
Buildings, Furniture, and Equipment, (Net)	29,485,356	30,683,323	-3.9%
Total Assets	<u>42,734,230</u>	<u>42,774,252</u>	-0.1%
Deferred Outflows of Resources:			
Deferred Charge for Refunding	253,871	87,790	189.2%
Deferred Outflow Related to Pensions	1,989,012	459,230	333.1%
Total Deferred Outflows of Resources	<u>2,242,883</u>	<u>547,020</u>	310.0%
Liabilities:			
Accounts Payable	87,512	306,382	-71.4%
Interest Payable	28,543	31,890	-10.5%
Accrued Expenses	418,038	384,501	8.7%
Due to Other Governments	15,187	-	0.0%
Unearned Revenue	26,561	278,495	-90.5%
Non-current Liabilities:			
Due Within One Year	1,027,138	692,164	48.4%
Due in More than One Year	15,513,230	16,143,054	-3.9%
Net Pension Liability	3,622,602	1,970,552	83.8%
Total Liabilities	<u>20,738,811</u>	<u>19,807,038</u>	4.7%
Deferred Inflows of Resources:			
Deferred Inflow Related to Pensions	721,337	602,798	19.7%
Total Deferred Inflows of Resources	<u>721,337</u>	<u>602,798</u>	19.7%
Net Position:			
Net Investment in Capital Assets	14,234,481	15,203,045	-6.4%
Restricted for:			
State & Federal Programs	465,508	448,608	3.8%
Debt Service	831,084	605,589	37.2%
Unrestricted	7,985,891	6,654,194	20.0%
Total Net Position	<u>23,516,964</u>	<u>22,911,436</u>	2.6%

The District continues to be fiscally conservative and has unrestricted net position of \$7,985,891. The unrestricted net position of the District has increased by \$1,331,697 during the current fiscal year.

Changes in Net Position

The District's total revenues were \$23,366,629. A portion, 22.8%, of the District's revenue comes from local taxes, approximately 45.9% comes from state aid, 28.5% from operating grants, 2% from charges for services, and 0.8% other.

The total cost of all programs and services was \$22,761,100.

Governmental Activities

Property tax rates were \$1.403: M&O \$1.17 and I&S \$.233.

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

	Governmental Activities		Total Percentage Change 2016-2015
	2016	2015	
Program Revenues:			
Charges for Services	453,839	464,632	-2.3%
Operating Grants and Contributions	6,648,697	5,876,521	13.1%
General Revenues:			
Property Taxes	5,324,506	5,266,914	1.1%
State Aid	10,725,620	10,394,939	3.2%
Other Local Revenues	213,967	344,211	-37.8%
Total Revenues	23,366,629	22,347,217	4.6%
Expenses:			
Instruction	11,674,087	11,368,757	2.7%
Instructional Resources and Media Services	380,608	375,950	1.2%
Curriculum and Staff Development	474,161	609,575	-22.2%
Instructional Leadership	128	2,091	-93.9%
School Leadership	1,098,880	900,287	22.1%
Guidance, Counseling and Evaluation Services	420,127	438,458	-4.2%
Social Work Services	146,329	118,857	23.1%
Health Services	156,000	146,455	6.5%
Student Transportation	611,382	570,089	7.2%
Food Services	1,427,110	1,393,538	2.4%
Extracurricular Activities	894,807	896,743	-0.2%
General Administration	1,212,651	1,327,172	-8.6%
Plant Maintenance & Operations	2,562,689	2,562,599	0.0%
Security & Monitoring Services	117,987	99,880	18.1%
Data Processing Services	263,258	217,618	21.0%
Community Services	67,084	73,960	-9.3%
Interest on Long-term Debt	570,909	701,290	-18.6%
Bond Issuance Costs and Fees	155,485	2,298	6666.1%
Capital Outlay	403,647	-	0.0%
Payments Related to SSA	38,255	38,303	-0.1%
Other Intergovernmental Charges	85,515	78,778	8.6%
Total Expenses	22,761,099	21,922,698	3.8%
Change in Net Position	605,530	424,519	42.6%

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

- The cost of all governmental activities this year was \$22,761,100. (See Table A-2.)
- However, the amount that our taxpayers paid for these activities through property taxes was \$5,324,506.
- Grants and contributions \$6,648,697.

Table A-3
Net Cost of Selected Mathis Independent School District Functions

	Total Cost of Services			Net Cost of Services		
	2016	2015	% Change	2016	2015	% Change
Instruction	11,674,088	11,368,757	2.7%	7,964,159	8,273,848	-3.7%
General Administration	1,212,651	1,327,172	-8.6%	1,000,114	1,131,858	-11.6%
Plant Maintenance & Operations	2,562,689	2,562,599	0.0%	2,369,061	2,388,864	-0.8%
Food Services	1,427,110	1,393,538	2.4%	144,898	109,011	32.9%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$22,890,833.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget as necessary to cover unforeseen expenses. Staffing is budgeted for full employment throughout the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2016, the District had assets of \$48,723,415 in a broad range of capital assets, including land, construction in progress, equipment, buildings, and vehicles. (See Table A-4.)

Table A-4
Mathis Independent School District's Capital Assets
(in millions of dollars)

	Governmental Activities		Total Percentage Change 2016-2015
	2016	2015	
Land	0.72	0.72	0.0%
Buildings and Improvements	44.62	44.62	0.0%
Vehicles	2.06	1.96	5.1%
Equipment	1.33	1.37	-2.9%
Total Assets at Historical Cost	48.73	48.67	0.1%
Total Accumulated Depreciation	(18.53)	(17.27)	7.3%
Net Capital Assets	30.20	31.40	-3.8%

Long-Term Debt

At year-end the District had \$20,162,970 in debt for bonds, capital leases outstanding and net pension liability as shown in Table A-5. More detailed information about the District's debt is presented in the notes to the financial statements.

Bond Ratings

The District's unlimited-tax school building bonds presently carry "BBB+" from Standard and Poors underlying rating (SPUR) with outlook as Stable.

Table A-5
Mathis Independent School District's Long-Term Debt

	Governmental Activities		Total Percentage Change 2015-2014
	2016	2017	
Bonds and Notes Payable	16,420,317	16,657,801	-1.4%
Capital Leases	120,051	177,417	-32.3%
Total Bonds and Capital Leases Debt	16,540,368	16,835,218	-1.8%
Net Pension Liability	3,622,602	1,970,552	83.8%
Total Long-Term Debt	20,162,970	18,805,770	7.2%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The District's 2015-2016 total enrollment was 1,692, and the District's refined average daily attendance in 2015-2016 was 1,545. This is a .50% increase in enrollment. However, the attendance rate has remained steady; therefore, the District will receive less state funding due to state funding cuts but not related to enrollment and attendance factors.
- The Appraisal values used for the 2017 budget are expected to remain level with the 2016 budget year. The District tax rate for M & O remained the same, \$1.17.
- Grant opportunities and the increase in property value will help the District close the financial gap in budgeting to allow for a balanced budget due to continual reductions in Federal Funding.
- The District is aggressively seeking grant opportunism.
- The District is exploring options to build or renovate the high school campus.
- Mathis ISD High School has been established as a designated high school. The District will continue to allocate High School Allotments fund in conjunction with local funding to ensure dual enrollment for all high school students who enroll.
- Mathis ISD will conduct facility reviews to establish a working list of infrastructure repairs needed.
- Mathis ISD remains prudent in its spending while ensuring the students receive a quality education.

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, Mathis ISD, 602 E. San Patricio, (PO Box 1179) Mathis, TX 78368.

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Basic Financial Statements

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

1

Data Control Codes		Governmental Activities
ASSETS:		
1110	Cash and Cash Equivalents	\$ 8,545,955
1120	Current Investments	1,103,296
1225	Property Taxes Receivable (Net)	1,279,447
1240	Due from Other Governments	1,545,512
1290	Other Receivables (Net)	9,885
Capital Assets:		
1510	Land	715,385
1520	Buildings and Improvements, Net	28,560,730
1530	Furniture and Equipment, Net	924,626
1990	Other Assets	49,394
1000	Total Assets	<u>42,734,230</u>
DEFERRED OUTFLOWS OF RESOURCES:		
1701	Deferred Charge for Refunding	253,871
1705	Deferred Outflow Related to Pensions	1,989,012
1700	Total Deferred Outflows of Resources	<u>2,242,883</u>
LIABILITIES:		
2110	Accounts Payable	87,512
2140	Interest Payable	28,543
2165	Accrued Liabilities	418,038
2180	Due to Other Governments	15,187
2300	Unearned Revenue	26,561
Noncurrent Liabilities:		
2501	Due Within One Year	1,027,138
2502	Due in More Than One Year	15,513,230
2540	Net Pension Liability	3,622,602
2000	Total Liabilities	<u>20,738,811</u>
DEFERRED INFLOWS OF RESOURCES:		
2605	Deferred Inflow Related to Pensions	721,337
2600	Total Deferred Inflows of Resources	<u>721,337</u>
NET POSITION:		
3200	Net Investment in Capital Assets	14,234,481
Restricted For:		
3820	State and Federal Programs	465,508
3850	Debt Service	831,084
3900	Unrestricted	7,985,891
3000	Total Net Position	<u>\$ 23,516,964</u>

The accompanying notes are an integral part of this statement.

MATHIS INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	Functions/Programs	1	3	4	Net (Expense) Revenue and Changes in Net Position
		Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Governmental Activities
	Governmental Activities:				
11	Instruction	\$ 11,674,088	\$ 24,331	\$ 3,685,597	\$ (7,964,160)
12	Instructional Resources and Media Services	380,608	--	55,234	(325,374)
13	Curriculum and Staff Development	474,161	62,885	175,640	(235,636)
21	Instructional Leadership	128	--	--	(128)
23	School Leadership	1,098,880	7,467	39,947	(1,051,466)
31	Guidance, Counseling, & Evaluation Services	420,127	--	25,371	(394,756)
32	Social Work Services	146,329	24	109,112	(37,193)
33	Health Services	156,000	--	5,651	(150,349)
34	Student Transportation	611,382	--	17,288	(594,094)
35	Food Service	1,427,110	117,135	1,165,077	(144,898)
36	Cocurricular/Extracurricular Activities	894,807	79,785	9,399	(805,623)
41	General Administration	1,212,651	158,383	54,154	(1,000,114)
51	Facilities Maintenance and Operations	2,562,689	3,829	189,799	(2,369,061)
52	Security and Monitoring Services	117,987	--	4,476	(113,511)
53	Data Processing Services	263,258	--	9,567	(253,691)
61	Community Services	67,084	--	677,760	610,676
72	Interest on Long-term Debt	570,909	--	407,617	(163,292)
73	Bond Issuance Costs and Fees	155,485	--	--	(155,485)
81	Capital Outlay	403,647	--	15,553	(388,094)
93	Payments Related to Shared Services Arrangements	38,255	--	1,455	(36,800)
99	Other Intergovernmental Charges	85,515	--	--	(85,515)
TG	Total Governmental Activities	<u>22,761,100</u>	<u>453,839</u>	<u>6,648,697</u>	<u>(15,658,564)</u>
TP	Total Primary Government	<u>\$ 22,761,100</u>	<u>\$ 453,839</u>	<u>\$ 6,648,697</u>	<u>(15,658,564)</u>
	General Revenues:				
MT	Property Taxes, Levied for General Purposes				4,455,464
DT	Property Taxes, Levied for Debt Service				869,042
IE	Investment Earnings				38,260
GC	Grants and Contributions Not Restricted to Specific Programs				10,725,620
MI	Miscellaneous				175,707
TR	Total General Revenues				<u>16,264,093</u>
CN	Change in Net Position				605,529
NB	Net Position - Beginning				<u>22,911,435</u>
NE	Net Position - Ending				<u>\$ 23,516,964</u>

The accompanying notes are an integral part of this statement.

MATHIS INDEPENDENT SCHOOL DISTRICT**BALANCE SHEET - GOVERNMENTAL FUNDS**

AUGUST 31, 2016

Data Control Codes	10 General Fund	50 Debt Service	Other Governmental Funds	98 Total Governmental Funds
ASSETS:				
1110 Cash and Cash Equivalents	\$ 7,606,106	\$ 619,376	\$ 320,473	\$ 8,545,955
1120 Current Investments	1,015,312	24,865	63,119	1,103,296
1225 Taxes Receivable, Net	1,092,604	186,843	--	1,279,447
1240 Due from Other Governments	1,413,345	--	132,167	1,545,512
1290 Other Receivables	9,885	--	--	9,885
1000 Total Assets	<u>11,137,252</u>	<u>831,084</u>	<u>515,759</u>	<u>12,484,095</u>
LIABILITIES:				
Current Liabilities:				
2110 Accounts Payable	\$ --	\$ --	\$ 87,512	\$ 87,512
2160 Accrued Wages Payable	368,467	--	49,571	418,038
2180 Due to Other Governments	12,751	--	2,436	15,187
2300 Unearned Revenue	--	--	26,561	26,561
2000 Total Liabilities	<u>381,218</u>	<u>--</u>	<u>166,080</u>	<u>547,298</u>
DEFERRED INFLOWS OF RESOURCES:				
2601 Deferred Revenue - Property Taxes	1,092,604	186,843	--	1,279,447
2600 Total Deferred Inflows of Resources	<u>1,092,604</u>	<u>186,843</u>	<u>--</u>	<u>1,279,447</u>
FUND BALANCES:				
Restricted Fund Balances:				
3450 Federal/State Funds Grant Restrictions	437,045	--	28,463	465,508
3470 Capital Acquisitions & Contractual Obligations	--	--	320,237	320,237
3480 Retirement of Long-Term Debt	--	644,241	--	644,241
Committed Fund Balances:				
3510 Construction	550,000	--	--	550,000
3545 Other Committed Fund Balance	650,000	--	979	650,979
3600 Unassigned	8,026,385	--	--	8,026,385
3000 Total Fund Balances	<u>9,663,430</u>	<u>644,241</u>	<u>349,679</u>	<u>10,657,350</u>
Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 11,137,252</u>	<u>\$ 831,084</u>	<u>\$ 515,759</u>	<u>\$ 12,484,095</u>

The accompanying notes are an integral part of this statement.

MATHIS INDEPENDENT SCHOOL DISTRICT

*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AUGUST 31, 2016*

Total fund balances - governmental funds balance sheet \$ 10,657,350

Amounts reported for governmental activities in the Statement of Net Position
are different because:

Capital assets used in governmental activities are not reported in the funds.	30,200,741
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	1,279,447
Payables for bond principal which are not due in the current period are not reported in the funds.	(13,435,000)
Payables for capital leases which are not due in the current period are not reported in the funds.	(120,052)
Payables for bond interest which are not due in the current period are not reported in the funds.	(28,543)
Payables for notes which are not due in the current period are not reported in the funds.	(2,091,170)
Premiums on issuance of bonds to be amortized over life of debt.	(894,147)
Long-term note receivables unavailable to pay for current period expenditures are deferred in the funds.	49,394
Deferred charge for refunding is expended in the funds, but is amortized in the statement of net position.	253,871
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(3,622,602)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(721,337)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	1,989,012

Net position of governmental activities - Statement of Net Position \$ 23,516,964

The accompanying notes are an integral part of this statement.

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

Data Control Codes	10 General Fund	50 Debt Service	Other Governmental Funds	98 Total Governmental Funds
REVENUES:				
5700 <i>Local and Intermediate Sources</i>	\$ 4,758,807	\$ 847,700	\$ 249,601	\$ 5,856,108
5800 <i>State Program Revenues</i>	11,413,432	407,617	109,077	11,930,126
5900 <i>Federal Program Revenues</i>	1,787,388	--	3,317,211	5,104,599
5020 <i>Total Revenues</i>	<u>17,959,627</u>	<u>1,255,317</u>	<u>3,675,889</u>	<u>22,890,833</u>
EXPENDITURES:				
Current:				
0011 <i>Instruction</i>	7,531,545	--	3,078,518	10,610,063
0012 <i>Instructional Resources and Media Services</i>	320,693	--	43,428	364,121
0013 <i>Curriculum and Staff Development</i>	166,855	--	231,975	398,830
0023 <i>School Leadership</i>	1,038,680	--	1,359	1,040,039
0031 <i>Guidance, Counseling, & Evaluation Services</i>	372,494	--	11,039	383,533
0032 <i>Social Work Services</i>	4,169	--	108,701	112,870
0033 <i>Health Services</i>	147,242	--	--	147,242
0034 <i>Student Transportation</i>	600,745	--	--	600,745
0035 <i>Food Service</i>	1,224,859	--	26,220	1,251,079
0036 <i>Cocurricular/Extracurricular Activities</i>	846,766	--	--	846,766
0041 <i>General Administration</i>	948,801	--	176,212	1,125,013
0051 <i>Facilities Maintenance and Operations</i>	2,417,529	--	3,826	2,421,355
0052 <i>Security and Monitoring Services</i>	116,904	--	--	116,904
0053 <i>Data Processing Services</i>	248,832	--	--	248,832
0061 <i>Community Services</i>	61,531	--	--	61,531
0071 <i>Principal on Long-term Debt</i>	192,706	574,999	--	767,705
0072 <i>Interest on Long-term Debt</i>	82,310	742,915	--	825,225
0073 <i>Bond Issuance Costs and Fees</i>	806	154,679	--	155,485
0081 <i>Capital Outlay</i>	403,647	--	--	403,647
0093 <i>Payments to Shared Service Arrangements</i>	38,255	--	--	38,255
0099 <i>Other Intergovernmental Charges</i>	85,515	--	--	85,515
6030 <i>Total Expenditures</i>	<u>16,850,884</u>	<u>1,472,593</u>	<u>3,681,278</u>	<u>22,004,755</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>				
1100 <i>Expenditures</i>	<u>1,108,743</u>	<u>(217,276)</u>	<u>(5,389)</u>	<u>886,078</u>
Other Financing Sources and (Uses):				
7911 <i>Capital-Related Debt Issued (Regular Bonds)</i>	--	5,185,000	--	5,185,000
7914 <i>Issuance of Non-Current Debt</i>	405,177	--	--	405,177
7916 <i>Premium on Issuance of Bonds</i>	--	616,326	--	616,326
8949 <i>Payment to Escrow Agent</i>	--	(5,648,760)	--	(5,648,760)
7080 <i>Total Other Financing Sources and (Uses)</i>	<u>405,177</u>	<u>152,566</u>	<u>--</u>	<u>557,743</u>
1200 <i>Net Change in Fund Balances</i>	<u>1,513,920</u>	<u>(64,710)</u>	<u>(5,389)</u>	<u>1,443,821</u>
0100 <i>Fund Balances - Beginning</i>	8,149,510	708,951	355,068	9,213,529
3000 <i>Fund Balances - Ending</i>	<u>\$ 9,663,430</u>	<u>\$ 644,241</u>	<u>\$ 349,679</u>	<u>\$ 10,657,350</u>

The accompanying notes are an integral part of this statement.

MATHIS INDEPENDENT SCHOOL DISTRICT

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

Net change in fund balances - total governmental funds	\$ 1,443,821
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	203,603
The depreciation of capital assets used in governmental activities is not reported in the funds.	(1,401,569)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	143,092
Expenses not requiring the use of current financial resources are not reported as expenditures in the funds.	(415)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	574,999
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	57,366
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	135,340
The accretion of interest on capital appreciation bonds is not reported in the funds.	232,664
(Increase) decrease in accrued interest from beginning of period to end of period.	3,347
Proceeds of long-term loans do not provide revenue in the SOA, but are reported as current resources in the funds.	(405,177)
Payments to an escrow agent on refunding bonds are not reported as an other financing use in the SOA.	5,648,760
Amortization of bond premium and deferred amount is an expense in the SOA but not in the funds.	18,720
Proceeds of notes do not provide revenue in the SOA, but are reported as current resources in the funds.	(6,888)
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	(5,185,000)
Proceeds of bond premiums do not provide revenue in the SOA, but are reported as current resources in the funds.	(616,326)
The District's share of the unrecognized deferred inflows and outflows for the pension plan was amortized.	(240,808)
Change in net position of governmental activities - Statement of Activities	\$ <u>605,529</u>

The accompanying notes are an integral part of this statement.

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

FIDELITY INVESTMENTS
 AUGUST 31, 2016

Data Control Codes		Private-purpose Trust Fund	Agency Fund
		Private-Purpose Trust Fund	Student Activity
ASSETS:			
1110	Cash and Cash Equivalents	\$ --	\$ 117,016
1800	Restricted Assets	17,016	--
1000	Total Assets	<u>17,016</u>	<u>117,016</u>
LIABILITIES:			
Current Liabilities:			
2190	Due to Student Groups	\$ --	\$ 117,016
2000	Total Liabilities	<u>--</u>	<u>117,016</u>
NET POSITION:			
3800	Held in Trust	17,016	--
3000	Total Net Position	<u>\$ 17,016</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

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

	Private- Purpose Trusts
Additions:	
Investment Income	\$ 28
Contributions	--
Total Additions	<u>28</u>
Deductions:	
Scholarship Awards	--
Total Deductions	<u>--</u>
Change in Net Position	28
Net Position-Beginning of the Year	16,988
Net Position-End of the Year	<u>\$ 17,016</u>

The accompanying notes are an integral part of this statement.

MATHIS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2016

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

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

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

The District reports the following major governmental funds:

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

Debt Service Fund: This fund is used to account for general long-term debt principal and interest for debt for debt issues and other long-term debts for which a tax has been dedicated.

In addition, the District reports the following fund types:

Private-Purpose Trust Funds: These funds are used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments not reported in other fiduciary fund types.

MATHIS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2016

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

b. Measurement Focus, Basis of Accounting

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

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

3. Financial Statement Amounts

a. Property Taxes

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

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

b. Inventories and Prepaid Items

Inventories of supplies on the balance sheet are stated at weighted average cost, while inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Inventory items are recorded as expenditures when they are consumed. Supplies are used for almost all functions of activity, while food commodities are used only in the food service program. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded as inventory and deferred revenue when received. When requisitioned, inventory and deferred revenue are

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

relieved, expenditures are charged, and revenue is recognized for an equal amount. Inventories also include plant maintenance and operation supplies as well as instructional supplies.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

c. Capital Assets

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

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

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

d. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide Statement of Net Position and governmental funds balance sheet) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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

e. Receivable and Payable Balances

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

Except for delinquent taxes, there are no significant receivables which are not scheduled for collection within one year of year end.

f. Interfund Activity

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

MATHIS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2016

g. Use of Estimates

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

h. Data Control Codes

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

i. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

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

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

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

4. Pensions

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

At August 31, 2016 the District reported the following:

Net Pension Asset	\$	--
Net Pension Liability	\$	3,622,602

MATHIS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2016

5. New Accounting Standards Adopted

In fiscal year 2016, the District adopted three new statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

-- Statement No. 72, *Fair Value Measurement and Application*

-- Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Government*

- a. Statement No. 72 requires state and local governments to measure investments at fair value using a consistent definition and valuation techniques; also defines what assets and liabilities governments should measure at fair value and expands fair value disclosures in financial disclosure notes. While the Statement generally requires restatement of prior period balances in the year of implementation, the nature of the District's investments was such that their carrying amount was not affected.
- b. The GAAP hierarchy prioritizes guidance governments follow when preparing U.S. GAAP financial statements. Statement No. 76 reduces authoritative GAAP hierarchy from four categories to two and lists the order of priority for pronouncements to which a government should look for guidance.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

Violation

In the Debt Service Fund, certain functional expenditures and other uses exceeded the appropriated amounts.

Action Taken

In the future, transactions for refunding bonds will be budgeted.

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

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

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

C. Deposits and Investments

The Public Funds Investment Act (Texas Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The district is in substantial compliance with the requirements of the Act and with local policies.

MATHIS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2016

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

1. Cash Deposits:

At 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 \$8,679,987 and the bank balance was \$9,245,882. The District's cash deposits 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.

2. Investments:

As of August 31, 2016 the District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (In Years)		
		Less than 1	1 to 2	2 to 3
Investment Pools:				
Investment in TexPool	\$ 1,103,296	\$ 1,103,296	\$ --	\$ --
Total Fair Value	<u>\$ 1,103,296</u>	<u>\$ 1,103,296</u>	<u>\$ --</u>	<u>\$ --</u>

Interest Rate Risk - In accordance with state law and District policy, the District does not purchase any investments with maturities greater than 10 years.

Credit Risk - In accordance with state law and the District's investment policy investments in mutual funds, and investment pools must be rated at least AAA, commercial paper must be rated at least A-1 or P-1, and investments in obligations from other states, municipalities, counties, etc. must be rated at least A. The District's investments in investment pools were rated AAA.

Concentration of Credit Risk - The District does not place a limit on the amount the District may invest in any one issuer. The District does not have a concentration of credit risk.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a custodial credit risk.

The local government investment pool such as TexPool is not evidenced by securities in physical form. They are managed conservatively to provide safe, efficient and liquid investments to Texas governmental entities. The pool seeks to maintain a \$1 value per share as required by the Texas Public Investment Act.

Federated Investors manages the assets, provides participant services, and arranges for all custody and other functions in support of TexPool operations under a contract with the State Comptroller of Public Accounts. The state comptroller maintains oversight responsibility for TexPool, including the ability to influence operations, designation of management and accountability for fiscal matters. Although TexPool 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. GASB 31 allows 2a7-like pools to use amortized cost (which excludes unrealized gains and losses) rather than market value to report net assets to compute share price. The fair value of the District's position in TexPool is the same as the value of TexPool shares.

MATHIS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2016

D. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 715,385	\$ --	\$ --	\$ 715,385
Construction in progress	--	--	--	--
Total capital assets not being depreciated	<u>715,385</u>	<u>--</u>	<u>--</u>	<u>715,385</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	44,618,076	--	--	44,618,076
Equipment	1,372,286	52,312	89,300	1,335,298
Vehicles	1,959,928	151,291	56,563	2,054,656
Total capital assets being depreciated	<u>47,950,290</u>	<u>203,603</u>	<u>145,863</u>	<u>48,008,030</u>
Less accumulated depreciation for:				
Buildings and improvements	(14,965,469)	(1,091,880)	--	(16,057,349)
Equipment	(992,145)	(147,979)	(89,300)	(1,050,824)
Vehicles	(1,309,369)	(161,711)	(56,563)	(1,414,517)
Total accumulated depreciation	<u>(17,266,983)</u>	<u>(1,401,570)</u>	<u>(145,863)</u>	<u>(18,522,690)</u>
Total capital assets being depreciated, net	<u>30,683,307</u>	<u>(1,197,967)</u>	<u>--</u>	<u>29,485,340</u>
Governmental activities capital assets, net	<u>\$ 31,398,692</u>	<u>\$ (1,197,967)</u>	<u>\$ --</u>	<u>\$ 30,200,725</u>

Depreciation was charged to functions as follows:

Instruction	\$ 689,469
Instructional Resources and Media Services	22,016
Curriculum and Staff Development	39,211
Instructional Leadership	128
School Leadership	60,314
Guidance, Counseling, & Evaluation Services	31,298
Social Work Services	7,958
Health Services	8,189
Student Transportation	161,711
Food Services	79,218
Extracurricular Activities	50,794
General Administration	77,537
Plant Maintenance and Operations	153,469
Data Processing Services	14,635
Community Services	5,623
	<u>\$ 1,401,570</u>

E. Interfund Balances and Activities

1. Due To and From Other Funds

There were no balances due to and due from other funds at August 31, 2016.

2. Transfers To and From Other Funds

There were no transfers to and from other funds at August 31, 2016.

MATHIS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2016

F. Long-Term Obligations

1. Long-Term Obligation Activity

Refunding Bonds

On July 1, 2016, the District issued \$5,185,000 Unlimited Tax Refunding Bonds, Series 2016 in part as \$2,660,000 serial bonds and part as \$2,525,000 term bonds with interest rates varying from 2.00% to 4.00%. The District issued the bonds to advance refund \$5,330,000 of outstanding series 2007 Unlimited Tax School Building and refunding bonds with interest rates from 4.05% to 5.00%. The District used the net proceeds to purchase U.S. government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portions of the 2007 series bonds. As a result, that portion of the 2007 series bonds are considered defeased, and the District has removed the liability from its accounts. The advance refunding reduced total debt service payments over the next 21 years by approximately \$910,165. This results in an economic gain (difference between the present values of the debt service payments of old and new debt) of \$749,569. The average interest rates of the bonds refunded is 4.525%. The net proceeds from the refunding were \$5,496,194 after payment of \$152,565 in issuance costs and underwriting fees.

Loan STAR Revolving Loan

On August 31, 2016, the District entered into a loan agreement with the Texas Comptroller of Public Accounts, through its State Energy Conservation Office. The amount of the loan is \$405,592. The purpose of the loan is to upgrade HVAC systems of the District. The loan is secured by the District's allocation of state foundation revenues and is payable over a period of 8 years. Payment will be made quarterly on February 28, May 28, August 28, and November 28 with the first payment due February 28, 2017 and the final payment due November 28, 2024. The interest rate on the loan is 0.25%.

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2016, are as follows:

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding 9/1/15	Issued	Retired	Amounts Outstanding 8/31/16	Amounts Due Within One Year
Unlimited Tax School Building and Refunding Bonds, Series 2007	4.00% to 5.00%	9,584,999	8,404,999	--	5,664,999	2,740,000	595,000
Unlimited Tax School Building and Refunding Bonds, Series 2010	2.00% to 4.50%	8,145,000	5,750,000	--	145,000	5,605,000	145,000
Unlimited Tax Refunding Bonds Series 2016	2.00% to 4.00%	5,185,000	--	5,185,000	95,000	5,090,000	--
Sub-Total - Bonds			14,154,999	5,185,000	5,904,999	13,435,000	740,000
Maintenance Tax Notes Series 2008	4.95%	1,465,000	905,000	--	95,000	810,000	100,000

MATHIS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2016

Maintenance

Tax Notes

Series 2012	3.50%	1,030,000	915,918	--	40,340	875,578	41,752
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Loan STAR

Revolving Loan

Series 2016	0.25%	405,592	--	405,592	--	405,592	37,681
Sub-Total - Bonds & Notes			<u>15,975,917</u>	<u>5,590,592</u>	<u>6,040,339</u>	<u>15,526,170</u>	<u>919,433</u>

Accretion on

Refundings

232,664	17,337	250,001	--	--
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Bond Premiums

on Refunding

Total Bonds & Notes	<u>16,657,801</u>	<u>6,224,255</u>	<u>6,461,739</u>	<u>16,420,317</u>	<u>968,017</u>
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Other Liabilities:

Capital Leases	177,417	--	57,366	120,051	59,121
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Net Pension Liability	1,970,552	1,955,504	303,454	3,622,602	--
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Total Governmental Activities	<u>\$ 18,805,770</u>	<u>\$ 8,179,759</u>	<u>\$ 6,822,559</u>	<u>\$ 20,162,970</u>	<u>\$ 1,027,138</u>
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2. Debt Service Requirements

Governmental Activity Debt service requirements on long-term debt at August 31, 2016, are as follows:

Year Ending August 31,	General Obligation Bonds			Maintenance Tax Notes and Revolving Loan		
	Principal	Interest	Total	Principal	Interest	Total
2017	740,000	522,346	1,262,346	179,433	71,477	250,910
2018	795,000	489,696	1,284,696	198,564	65,201	263,765
2019	820,000	463,956	1,283,956	205,203	58,366	263,569
2020	845,000	437,322	1,282,322	211,894	51,229	263,123
2021	865,000	407,328	1,272,328	218,641	43,790	262,431
2022-2026	2,080,000	1,728,276	3,808,276	691,664	116,350	808,014
2027-2031	2,520,000	1,289,672	3,809,672	315,822	46,163	361,985
2032-2036	3,065,000	741,050	3,806,050	69,949	2,447	72,396
2037-2040	1,705,000	151,600	1,856,600	--	--	--
Totals	<u>\$ 13,435,000</u>	<u>\$ 6,231,246</u>	<u>\$ 19,666,246</u>	<u>\$ 2,091,170</u>	<u>\$ 455,023</u>	<u>\$ 2,546,193</u>

General Obligation Bonds are paid by the Debt Service Fund. Maintenance Tax Notes and Capital Leases are paid by the General Fund.

Defeased Bonds Outstanding -

The District had \$5,330,000 defeased bonds outstanding as of August 31, 2016.

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions

Mathis Independent School District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Events Notices to the State Information Depository of Texas (SID), which is the Municipal Advisory Council. This information is required under SEC rule 15c2-12 to enable investors to analyze the financial condition and operations of Mathis Independent School District.

MATHIS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2016

3. Capital Leases

During 2014, the District entered into a lease purchase agreement for the acquisition of three school buses at a cost of \$294,522. Beginning in 2014, the annual lease payment is \$62,795, payable in five equal annual installments at 3.06%.

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments from the General Fund as of August 31, 2016 as follows:

Year Ending August 31:	
2017	62,795
2018	62,795
Total Minimum Rentals	125,590
Less amount representing interest	(5,539)
Present value of future minimum lease payments	<u>\$ 120,051</u>

The effective interest rate on the capital lease is 3.06%

G. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2016, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

Unemployment Compensation

During the year ended August 31, 2016, Mathis ISD provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All districts participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. The Fund meets its obligations to the Texas Workforce Commission. Expenses are accrued each month until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for Unemployment Compensation pool members.

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

H. Pension Plan

1. Plan Description

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

MATHIS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2016

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

2. Pension Plan Fiduciary Net Position

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

3. Benefits Provided

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

4. Contributions

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

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

<u>Contribution Rates</u>		
	<u>2015</u>	<u>2016</u>
Member	6.7%	7.2%
Non-Employer Contributing Entity (NECE - State)	6.8%	6.8%
Employers	6.8%	6.8%
District's 2016 Employer Contributions	\$ 308,709	
District's 2016 Member Contributions	\$ 745,240	
NECE 2015 On-Behalf Contributions to District	\$ 514,944	

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

MATHIS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2016

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

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

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

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

5. Actuarial Assumptions

The total pension liability in the August 31, 2015 actuarial evaluation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2015
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8%
Long-term expected Investment Rate of Return	8%
Inflation	2.5%
Salary Increases including inflation	3.5% to 9.5%
Payroll Growth Rate	2.5%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

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

MATHIS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2016

6. Discount Rate

The discount rate used to measure the total pension liability was 8%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2015 are summarized below:

Teacher Retirement System of Texas Asset Allocation and Long-Term Expected Real Rate of Return As of August 31, 2015			
	Target Allocation	Long-term Expected Geometric Real Rate of Return	Expected Contribution to Long-term Portfolio Returns *
Global Equity			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Hedge Funds (Stable Value)	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
Real Return			
Global Inflat. Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy & Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk Parity			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
Total	100%		8.7%
* The expected contribution to returns incorporates the volatility drag resulting from the conversion between arithmetic and geometric mean returns.			

MATHIS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2016

7. Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate 7%	Discount Rate 8%	1% Increase in Discount Rate 9%
District's proportionate share of the net pension liability	\$ 5,675,942	\$ 3,622,602	\$ 1,912,306

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

At August 31, 2016, the District reported a liability of \$3,622,602 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	\$ 3,622,602
State's proportionate share of the net pension liability associated with the District	<u>6,145,538</u>
Total	<u>\$ 9,768,140</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 District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2014 through August 31, 2015.

At August 31, 2015 the employer's proportion of the collective net pension liability was 0.0102482%, which was an increase (decrease) of 0.0028710% 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 promotional/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 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.

MATHIS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2016

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

Other Demographic Assumptions

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

Actuarial Methods and Policies

- m. The method of using celled data in the valuation process was changed to now using individual data records to 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 \$875,640 and revenue of \$875,640 for support provided by the State.

MATHIS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2016

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 25,345	\$ 139,220
Changes in actuarial assumptions	106,527	129,239
Difference between projected and actual investment earnings	892,166	451,711
Changes in proportion and differences between the District's contributions and the proportionate share of contributions	656,265	1,167
District contributions paid to TRS subsequent to the measurement date	308,709	
Total	<u>\$ 1,989,012</u>	<u>\$ 721,337</u>

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

Year Ended August 31	Pension Expense Amount
2017	\$ 164,649
2018	\$ 164,649
2019	\$ 164,648
2020	\$ 315,217
2021	\$ 90,599
Thereafter	\$ 59,204

I. Retiree Health Care Plans

1. TRS-Care

a. Plan Description

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

MATHIS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2016

b. Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. The State of Texas contribution rate was 1% for fiscal years 2015 and 2014, and 0.5% for fiscal year 2013. The active public school employee contributions rates were 0.65% of public school payroll, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2016, 2015 and 2014. For the years ended August 31, 2016, 2015, and 2014, the State's contributions to TRS-Care were \$103,506, \$98,363, and \$102,037, respectively, the active member contributions were \$67,278, \$63,936, and \$66,322, respectively, and the District's contributions were \$56,929, \$54,101, and \$56,121, respectively, which equaled the required contributions each year.

2. Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2016, 2015, and 2014, the subsidy payments received by TRS-Care on behalf of the District were \$38,355, \$39,174, and \$26,185, respectively.

J. Employee Health Care Coverage

During the year ended August 31, 2016, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$341 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

The contract between the District and the third party administrator is renewable September 1, 2016, and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for the Aetna are available and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

K. Commitments and Contingencies

1. Contingencies

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

2. Litigation

No reportable litigation was pending against the District at August 31, 2016.

MATHIS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2016

L. Shared Services Arrangements

Shared Services Arrangement - Fiscal Agent The District also receives IDEA-Part B, Formula and IDEA-Part B, Preschool funds from TEA and serves as SSA activities in Special Revenue Funds No. 313 and No. 314 respectively and are accounted for using Model 1 in the SSA section of the Resource guide. Expenditure of the SSA are summarized below.

The District is the fiscal agent for a Shared Services Arrangement ("SSA") which provides special education services to the member districts listed below. All services are provided by the fiscal agent. The member districts provide the funds to the fiscal agent. According to guidance provided in TEA's Resource Guide, the District has accounted for the fiscal agent's activities of the SSA in Special Revenue fund No. 437, Shared Services arrangements-Special Education and will be accounted for using Model 3 in the SSA section of the Resource Guide.

	IDEA-Part B Formula Fund No. 313	IDEA-Part B Preschool Fund No. 314	Special Education Fund No. 437
<u>Member Districts</u>			
Mathis ISD	\$ 292,695	\$ 8,960	\$ 39,068
Agua Dulce ISD	54,196	1,120	21,305
Banquete ISD	126,852	558	26,536
George West ISD	190,148	8,402	27,982
Orange Grove ISD	268,910	9,517	35,333
Pawnee ISD	28,854	1,678	13,955
Pettus ISD	84,352	3,360	24,174
Skidmore-Tynan ISD	130,361	6,158	25,716
Three Rivers ISD	123,343	6,720	26,945
Total	<u>\$ 1,299,711</u>	<u>\$ 46,473</u>	<u>\$ 241,014</u>

M. Due From Other Governments

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

<u>Fund</u>	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>Other</u>	<u>Total</u>
General	\$ 955,418	\$ 52,750	\$ 405,177	\$ 1,413,345
Special Revenue	1	132,166	--	132,167
Total	<u>\$ 955,419</u>	<u>\$ 184,916</u>	<u>\$ 405,177</u>	<u>\$ 1,545,512</u>

N. Unearned Revenue

Unearned revenue at year end consisted of the following:

<u>Revenue Description</u>	<u>Special Revenue</u>	<u>Total</u>
Grant Programs	\$ 150	\$ 150
Other	26,411	26,411
Total Unearned Revenue	<u>\$ 26,561</u>	<u>\$ 26,561</u>

MATHIS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2016

O. Fund Balances

The following is a summary of Governmental Fund fund balances of the District at the year ended August 31, 2016:

General Fund

Restricted:	
Child Nutrition Program	\$ 437,045
Committed:	
Construction and renovation	550,000
Capital expenditures for equipment	150,000
Technology	250,000
Storm replacement	250,000
	<u>1,200,000</u>
Unassigned:	8,026,385
Total General Fund fund balance	<u>9,663,430</u>

Debt Service Fund:

Restricted:	
Retirement of long-term debt	<u>644,241</u>

Other Governmental Funds

Restricted:	
State Textbook	28,463
Construction of facilities	320,237
	<u>348,700</u>
Committed:	
Campus Activity Funds	<u>979</u>
Total Other Governmental Fund fund balance	<u>349,679</u>
Total Governmental fund balance	<u>\$ 10,657,350</u>

MATHIS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2016

P. Food Service Operations Reported in General Fund

Beginning in 2011 fiscal year end, the District entered into a Provision #2 program with Child Nutrition, and such Districts do not charge students for meals. As required by the Financial Accountability System Resource Guide, revenues and expenditures for the Provision #2 Child Nutrition Program have been reported in the General Fund for 2015-2016. The following is a summary of the Food Service Operations included in the General Fund.

Data Control Codes		Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Revenue:	Original	Final		
5700	Local	\$ 162,328	\$ 162,328	\$ 117,135	\$ (45,193)
5800	State Program	24,764	24,764	6,845	(17,919)
5900	Federal Program	1,249,270	1,249,270	1,233,470	(15,800)
5020	Total Revenue	<u>1,436,362</u>	<u>1,436,362</u>	<u>1,357,450</u>	<u>(78,912)</u>
	Expenditures:				
0035	Food Services	1,336,362	1,397,785	1,224,859	172,926
0051	Plant Maintenance and Operations	100,000	110,975	109,066	1,909
6030	Total Expenditures	<u>1,436,362</u>	<u>1,508,760</u>	<u>1,333,925</u>	<u>174,835</u>
7915	Operating Transfer In	--	--	--	--
1200	Net Change in Fund Balance	--	(72,398)	23,525	95,923
0100	Fund Balance - Beginning	413,520	413,520	413,520	--
3000	Fund Balance - Ending	<u>\$ 413,520</u>	<u>\$ 341,122</u>	<u>\$ 437,045</u>	<u>\$ 95,923</u>

Required Supplementary Information

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

MATHIS INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT G-1

Page 1 of 2

Data Control Codes		1	2	3	Variance with
		Budgeted Amounts			Final Budget
		Original	Final	Actual	Positive (Negative)
REVENUES:					
5700	Local and Intermediate Sources	\$ 4,598,531	\$ 4,874,931	\$ 4,758,807	\$ (116,124)
5800	State Program Revenues	11,369,983	11,019,983	11,413,432	393,449
5900	Federal Program Revenues	1,339,270	1,526,270	1,787,388	261,118
5020	Total Revenues	17,307,784	17,421,184	17,959,627	538,443
EXPENDITURES:					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	7,832,808	8,034,328	7,531,545	502,783
0012	Instructional Resources and Media Services	381,851	390,851	320,693	70,158
0013	Curriculum and Staff Development	179,745	181,745	166,855	14,890
	Total Instruction & Instr. Related Services	8,394,404	8,606,924	8,019,093	587,831
Instructional and School Leadership:					
0021	Instructional Leadership	1,000	1,000	--	1,000
0023	School Leadership	1,044,728	1,090,728	1,038,680	52,048
	Total Instructional & School Leadership	1,045,728	1,091,728	1,038,680	53,048
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	446,483	416,333	372,494	43,839
0032	Social Work Services	7,000	8,000	4,169	3,831
0033	Health Services	134,389	148,389	147,242	1,147
0034	Student (Pupil) Transportation	569,186	613,836	600,745	13,091
0035	Food Services	1,336,362	1,397,785	1,224,859	172,926
0036	Cocurricular/Extracurricular Activities	874,110	898,645	846,766	51,879
	Total Support Services - Student (Pupil)	3,367,530	3,482,988	3,196,275	286,713
Administrative Support Services:					
0041	General Administration	1,030,914	1,001,359	948,801	52,558
	Total Administrative Support Services	1,030,914	1,001,359	948,801	52,558
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	2,628,148	2,673,423	2,417,529	255,894
0052	Security and Monitoring Services	118,200	123,200	116,904	6,296
0053	Data Processing Services	245,472	257,972	248,832	9,140
	Total Support Services - Nonstudent Based	2,991,820	3,054,595	2,783,265	271,330
Ancillary Services:					
0061	Community Services	69,638	73,138	61,531	11,607
	Total Ancillary Services	69,638	73,138	61,531	11,607
Debt Service:					
0071	Principal on Long-Term Debt	198,140	198,192	192,706	5,486
0072	Interest on Long-Term Debt	84,060	83,201	82,310	891
0073	Bond Issuance Costs and Fees	--	807	806	1
	Total Debt Service	282,750	283,850	275,822	8,028
Capital Outlay:					
0081	Capital Outlay	--	405,177	403,647	1,530
	Total Capital Outlay	--	405,177	403,647	1,530
Intergovernmental Charges:					

MATHIS INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT G-1

Page 2 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
0093	Payments to Fiscal Agent/Member Dist.-SSA	45,000	45,000	38,255	6,745
0099	Other Intergovernmental Charges	80,000	120,000	85,515	34,485
	Total Intergovernmental Charges	125,000	165,000	123,770	41,230
6030	Total Expenditures	17,307,784	18,164,759	16,850,884	1,313,875
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	--	(743,575)	1,108,743	1,852,318
	Other Financing Sources (Uses):				
7914	Issuance of Non-Current Debt	--	405,177	405,177	--
7080	Total Other Financing Sources and (Uses)	--	405,177	405,177	--
1200	Net Change in Fund Balance	--	(338,398)	1,513,920	1,852,318
0100	Fund Balance - Beginning	8,149,509	8,149,509	8,149,509	--
3000	Fund Balance - Ending	\$ 8,149,509	\$ 7,811,111	\$ 9,663,429	\$ 1,852,318

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

	2016	2015
District's Proportion of the Net Pension Liability (Asset)	0.0102482%	0.0073772%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 3,622,602	\$ 1,970,552
States Proportionate Share of the Net Pension Liability (Asset) associated with the District	6,145,538	5,407,526
Total	<u>\$ 9,768,140</u>	<u>\$ 7,378,078</u>
District's Covered Employee Payroll	\$ 9,836,283	\$ 10,203,769
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Employee Payroll	36.83%	19.31%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	78.43%	83.25%

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

MATHIS INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT CONTRIBUTIONS
 TEACHER RETIREMENT SYSTEM
 FOR FISCAL YEAR 2016

	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 308,709	\$ 300,667
Contribution in Relation to the Contractually Required Contribution	<u>(308,709)</u>	<u>(300,667)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
District's Covered Employee Payroll	\$ 10,350,557	\$ 9,836,283
Contributions as a percentage of Covered Employee Payroll	2.98%	3.06%

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

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

MATHIS INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED AUGUST 31, 2016

Budget

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

- a. Prior to August 21 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
- c. Prior to the beginning of the fiscal year, the budget is legally enacted through passage of a resolution by the Board.

Once a budget is approved, it can be amended at function and fund level only by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings.

Each amendment must have Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board and are not made after fiscal year end as required by law.

Each amendment is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

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

Defined Benefit Pension Plan

Changes of benefit terms

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

Changes of assumptions

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

Other Supplementary Information

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

MATHIS INDEPENDENT SCHOOL DISTRICT**SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2016**

Year Ended August 31	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
2007 and Prior Years	\$	Various	\$	Various	\$	Various
2008		1.17		.156		221,546,904
2009		1.17		.18		229,989,835
2010		1.17		.18		234,665,407
2011		1.17		.256		247,130,645
2012		1.17		.255		241,201,895
2013		1.1314		.2164		277,122,125
2014		1.17		.2048		347,579,066
2015		1.17		.234		365,149,786
2016 (School Year Under Audit)		1.17		.233		365,256,166
1000 Totals						

EXHIBIT J-1

10 Beginning Balance 9/1/15	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/16
\$ 226,789	\$ --	\$ 10,529	\$ 592	\$ (826)	\$ 214,842
44,284	--	2,122	283	(236)	41,643
77,789	--	2,990	460	(243)	74,096
84,233	--	4,812	740	(245)	78,436
109,313	--	8,182	1,790	837	100,178
121,983	--	8,809	1,920	736	111,990
143,647	--	17,980	3,439	551	122,779
224,459	--	41,211	7,214	820	176,854
387,947	--	131,665	26,333	315	230,264
--	5,124,544	3,897,353	776,141	(2,823)	448,227
<u>\$ 1,420,444</u>	<u>\$ 5,124,544</u>	<u>\$ 4,125,653</u>	<u>\$ 818,912</u>	<u>\$ (1,114)</u>	<u>\$ 1,599,309</u>

Levies and Collections

Fiscal Year End	Levy Year	Tax Levy	Total Tax Collection	Percent of Levy
08/31/07	2006	2,848,562	2,839,631	99.69%
08/31/08	2007	2,915,921	2,873,080	98.53%
08/31/09	2008	3,104,863	2,993,308	96.41%
08/31/10	2009	3,167,983	3,082,956	97.32%
08/31/11	2010	3,524,083	3,424,899	97.19%
08/31/12	2011	3,414,930	3,344,464	97.94%
08/31/13	2012	3,727,794	3,637,059	97.57%
08/31/14	2013	4,748,081	4,562,856	96.10%
08/31/15	2014	5,083,776	4,969,731	97.76%
08/31/16	2015	5,121,721	4,944,565	96.54%

MATHIS INDEPENDENT SCHOOL DISTRICT**FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET (UNAUDITED)****GENERAL FUND****AS OF AUGUST 31, 2016****EXHIBIT J-2**

Data Control Codes	Explanation	Amount
1	Total General Fund Fund Balance as of August 31, 2016 (Exhibit C-1 object 3000 for the General Fund only)	\$ 9,663,430
2	Total General Fund Nonspendable Fund Balance (from Exhibit C-1 - total of object 341X-344X for the General Fund only)	--
3	Total General Fund Restricted Fund Balance (from Exhibit C-1 - total of object 345X-349X for the General Fund only)	437,045
4	Total General Fund Committed Fund Balance (from Exhibit C-1 - total of object 351X-354X for the General Fund only)	1,200,000
5	Total General Fund Assigned Fund Balance (from Exhibit C-1 - total of object 355X-359X for the General Fund only)	--
6	Estimated amount needed to cover fall cash flow deficits in the General Fund (net of borrowed funds and funds representing deferred revenues)	--
7	Estimate of two months' average cash disbursements during the fiscal year	3,667,500
8	Estimate of delayed payments from state sources (58XX)	942,668
9	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount	--
10	Estimate of delayed payments from federal sources (59XX)	182,480
11	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	--
12	General Fund Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9+10+11)	6,429,693
13	Excess (Deficit) Unassigned General Fund Fund Balance (1-12)	\$ 3,233,737

If Item 13 is a Positive Number

The District will use the excess fund balance to purchase equipment and vehicles, renovate and improve District buildings and facilities, invest in technology and improve infrastructure.

MATHIS INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-3

DEBT SERVICE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes		1	2	3	Variance with Final Budget
		Budgeted Amounts		Actual	Positive (Negative)
		Original	Final		
REVENUES:					
5700	Local and Intermediate Sources	\$ 857,995	\$ 857,995	\$ 847,700	\$ (10,295)
5800	State Program Revenues	471,825	471,825	407,617	(64,208)
5020	Total Revenues	1,329,820	1,329,820	1,255,317	(74,503)
EXPENDITURES:					
Debt Service:					
0071	Principal on Long-Term Debt	480,000	575,000	574,999	1
0072	Interest on Long-Term Debt	842,320	747,320	742,915	4,405
0073	Bond Issuance Costs and Fees	7,500	7,500	154,679	(147,179)
	Total Debt Service	1,329,820	1,329,820	1,472,593	(142,773)
6030	Total Expenditures	1,329,820	1,329,820	1,472,593	(142,773)
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	--	--	(217,276)	(217,276)
Other Financing Sources (Uses):					
7911	Capital-Related Debt Issued (Regular Bonds)	--	--	5,185,000	5,185,000
7916	Premium on Issuance of Bonds	--	--	616,326	616,326
8949	Payment to Escrow Agent	--	--	(5,648,760)	(5,648,760)
7080	Total Other Financing Sources and (Uses)	--	--	152,566	152,566
1200	Net Change in Fund Balance	--	--	(64,710)	(64,710)
0100	Fund Balance - Beginning	708,951	708,951	708,951	--
3000	Fund Balance - Ending	\$ 708,951	\$ 708,951	\$ 644,241	\$ (64,710)

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Lovvorn & Kieschnick, LLP
418 Peoples Street, Ste. 308
Corpus Christi, TX 78401

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

Board of Trustees
Mathis Independent School District
P. O. Box 1177
Mathis, Texas 78368

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mathis Independent School District, as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise Mathis Independent School District's basic financial statements, and have issued our report thereon dated December 5, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,

A handwritten signature in cursive script that reads "Lovvorn & Kieschnick, LLP".

Lovvorn & Kieschnick, LLP

Corpus Christi, TX
December 5, 2016

Lovvorn & Kieschnick, LLP
418 Peoples Street, Ste. 308
Corpus Christi, TX 78401

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

Board of Trustees
Mathis Independent School District
P. O. Box 1177
Mathis, Texas 78368

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

Respectfully submitted,



Lovvorn & Kieschnick, LLP

Corpus Christi, TX
December 5, 2016

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

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200? Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027A	IDEA-B Cluster:
84.027A	IDEA-B Formula
84.173A	SSA - IDEA-B Formula
	SSA - IDEA-B Preschool

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

Auditee qualified as low-risk auditee? X Yes No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

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

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
N/A - No prior findings		

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

Program

Corrective Action Plan

N/A

No corrective action required

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

EXHIBIT K-1

(1)	(2)	(2A)		(3)
Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION				
Passed Through State Department of Education:				
<i>Title I 1003(A) Priority and Focus School Grant</i>	84.010A	1561011220	\$ --	\$ 3,335
<i>Title I 1003(A) Priority and Focus School Grant</i>	84.010A	1561011220590	--	12,076
<i>Title I 1003(A) Priority and Focus School Grant</i>	84.010A	1661010120590	--	339,014
<i>ESEA Title I Part A - Improving Basic Programs</i>	84.010A	1661010120590	--	1,130,353
Total CFDA Number 84.010A			--	1,484,778
 <i>ESEA Title I Part C - Education of Migratory Children</i>	 84.011A	 1661500120590	 --	 172,265
IDEA-B Cluster:				
<i>IDEA-B Formula</i>	84.027A	1666000120590	--	150,188
<i>SSA IDEA-B Formula</i>	84.027A	1666000120590	625,107	1,375,501
<i>SSA IDEA-B Preschool</i>	84.173A	1666100120590	9,000	49,220
Total IDEA-B Cluster			634,107	1,574,909
 <i>Career and Technical - Basic Grant</i>	 84.048A	 1642000620590	 --	 23,015
<i>ESEA Title II Part A - Teacher & Principal Training & Recruiting</i>	84.367A	1669450120590	--	193,052
Total Passed Through State Department of Education			634,107	3,448,020
Total U. S. Department of Education			634,107	3,448,020
U. S. DEPARTMENT OF AGRICULTURE				
Passed Through State Department of Education:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	205-904	--	414,481
National School Lunch Program	10.555	205-904	--	736,778
Summer Feeding Program	10.559	205-904	--	26,220
Total Child Nutrition Cluster				1,177,479
 Commodity Supplemental Food Program	 10.565	 205-904	 --	 82,211
Total Passed Through State Department of Education			--	1,259,690
Total U. S. Department of Agriculture			--	1,259,690
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 634,107	\$ 4,707,710

The accompanying notes are an integral part of this schedule.

MATHIS INDEPENDENT SCHOOL DISTRICT**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2016**Note 1: Federal Assistance Reconciliation

Federal Grants and Contracts Revenues per Exhibit C-2	5,104,599
Less: School Health & Related Services (SHARS) reported in General Fund	<u>(396,889)</u>
Total Federal Revenues per Schedule of Expenditures of Federal Awards	<u><u>4,707,710</u></u>

Basis of Presentation

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