

ALEDO INDEPENDENT SCHOOL DISTRICT

**ANNUAL FINANCIAL REPORT FOR THE
YEAR ENDED**

AUGUST 31, 2017

ALEDO INDEPENDENT SCHOOL DISTRICT

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Year Ended August 31, 2017**

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CERTIFICATE OF THE BOARD

Aledo Independent School District
Name of School District

Parker
County

184-907
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, 2017, at a meeting of the board of trustees of such school district on the 25th day of January, 2018.



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)

KIRK & RICHARDSON, P. C.

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Aledo Independent School District
1008 Bailey Ranch Road
Aledo, Texas 76008

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Aledo Independent School District (the "District") as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of August 31, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 7-14 and 52 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. Also included as required supplementary information are the schedule of the District's proportionate share of the net pension liability – Teacher Retirement System of Texas and schedule of District contributions – Teacher Retirement System of Texas on pages 53 and 54 respectively. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining fund financial statements and the required Texas Education Agency schedules are presented for purposes of additional analysis and are not a required part 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*, and is also not a required part of the basic financial statements.

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

The Texas Education Agency requires school districts to include certain information in the Annual Financial and Compliance Report in conformity with laws and regulations of the State of Texas. This information is in Exhibits identified in the Table of Contents as J-1, J-4 and J-5.

Other Reporting Required By Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its

compliance with certain provisions of law, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing on internal control over financial reports and compliance with the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Kirk & Richardson, P.C.

Kirk & Richardson, P.C.
Fort Worth, Texas
January 9, 2018

ALEDO INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2017
UNAUDITED

As management of the Aledo Independent School District (the "District"), we offer this narrative overview and analysis of the financial activities of the District for the fiscal year ended August 31, 2017. Please read this narrative in conjunction with the independent auditor's report and the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District finished construction on a new elementary school and renovations to Coder Elementary School during the year using funds received from the Unlimited Tax School Building Bonds, Series 2015-A issued last year.
- The District rated "Superior Achievement" in financial management based on 20 financial indicators of the TEA Financial Integrity Rating System of Texas.
- The District's continues to be efficient in collecting ad valorem taxes.
- The District's governmental activities net position at the close of its fiscal year was (\$45,458,089) as compared to (\$37,918,373) last year. Net investment in capital assets is (\$59,545,185). Restricted for Federal and State Programs, Debt Service, Capital Projects and Campus Activities is \$13,965,010. Unrestricted net position is \$122,086. The District's business type activities net position was \$271,652, an increase of \$12,465 over last year.
- As of the close of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$31,317,372 a net decrease of (\$28,564,982) from the prior year. The General Fund had a net increase of \$1,440,242 from \$15,337,305 to \$16,777,547. This was composed of an increase of \$1,418,043 from current year operations plus other financing sources of \$22,199. The Debt Service Fund increased by \$621,088 from current year operations from \$1,458,095 to \$2,079,103. The Capital Projects Fund decreased by (\$30,643,652) during the current year resulting in an ending fund balance of \$11,833,499. Other Funds increased from \$609,803 to \$627,223 as a result of current year operations.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$16,777,547, or 40%, of total General Fund current year expenditures. Prior year unassigned fund balance for the General Fund was \$15,337,305, or 37%, of total General Fund expenditures.
- No new programs were added during the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- Government-wide financial statements - These statements provide information about the activities of the District as a whole and present both a long-term and short-term view of the District's finances. The

ALEDO INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2017
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government-wide financial statements include the statement of net position and the statement of activities.

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

The statement of activities presents information on all of the current year's revenues and expenses regardless of when cash is received or paid. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.

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

- Fund financial statements – These statements report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. Some funds are required by State law and/or bond covenants. Other funds may be established by the Board to control and manage money for particular purposes or to show that it is properly using certain taxes or grants.

All the funds of the District can be divided into three categories; governmental funds, proprietary funds, and fiduciary funds.

- Governmental funds – these funds tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget.
- Proprietary funds – Proprietary funds are used to account for on-going organizations and activities where net income and capital maintenance are measured. All related assets, liabilities, equities, revenues, expenses, non-operating revenues and expenses, and transfers are accounted for through the fund affected. Generally accepted accounting principles that apply to similar businesses in the private sector are applicable to proprietary type funds, as net income and financial position are to be determined. These funds utilize the accrual basis of accounting. The District had several enterprise funds during the year. A budget is not required to be approved by the District's Board of Trustees. Expenses of an enterprise operation, including depreciation, are generally intended to be financed or recovered primarily through user charges, rather than from governmental grants or subsidies.
- Fiduciary funds – these funds provide information about activities for which the District acts solely as a trustee or agent for the benefit of others, for example, student activity funds and scholarships for graduating students. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's operations.

ALEDO INDEPENDENT SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2017
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- Notes to the financial statements - The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide statements and the fund financial statements.
- Other information – This annual report contains other supplementary information in addition to the basic financial statements and the notes to the financial statements. The Management’s Discussion and Analysis is required supplementary information under governmental accounting standards. The “Combining Schedules” for nonmajor funds contain even more information about the District’s individual funds. The “Required Texas Education Agency Schedules” and “Reports on Internal Controls, Compliance and Federal Awards” contain data used by monitoring or regulatory agencies for assurance that the District is using supplied funds in compliance with terms of grants.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following analysis presents both current and prior year data and discusses significant changes in the accounts. Our analysis focuses on the statement of net position (Table 1) and the statement of activities (Table 2) of the District’s governmental activities.

Table 1
Statement of Net Position

	Governmental Activities	
	2017	2016
ASSETS:		
Current and other assets	\$ 37,054,496	\$ 64,142,932
Capital assets	126,540,848	108,731,690
Total assets	<u>163,595,344</u>	<u>172,874,622</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred charges for refunding	14,281,472	15,104,333
Teacher Retirement System	4,007,674	4,492,119
Total deferred outflow of resources	<u>18,289,146</u>	<u>19,596,452</u>
LIABILITIES:		
Long-term liabilities	212,697,375	217,338,937
Net pension liability – (District’s share)	8,704,926	8,336,241
Other liabilities	5,438,437	4,094,015
Total liabilities	<u>226,840,738</u>	<u>229,769,193</u>
DEFERRED INFLOW OF RESOURCES:		
Teacher Retirement System	501,841	620,254
NET POSITION:		
Net investment in capital assets	(59,545,185)	(80,125,923)
Restricted	13,965,010	43,981,750
Unrestricted	122,086	(1,774,200)
Total net position	<u>\$(45,458,089)</u>	<u>\$(37,918,373)</u>
	Business Type Activities	
	2017	2016
ASSETS:		
Current and other assets	\$281,634	\$262,825
Total assets	<u>281,634</u>	<u>262,825</u>
LIABILITIES:		
Other liabilities	9,982	3,638
Total liabilities	<u>9,982</u>	<u>3,638</u>
NET POSITION:		
Unrestricted	271,652	259,187
Total net position	<u>\$271,652</u>	<u>\$259,187</u>

ALEDO INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2017
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Table 2
Statement of Activities

	Governmental Activities	
	2017	2016
REVENUES:		
Program revenues:		
Charges for services	\$ 2,708,861	\$ 2,899,123
Operating grants and contributions	4,069,393	4,534,840
General revenues:		
Maintenance and operations taxes	32,035,198	33,123,612
Debt service taxes	11,638,245	11,982,856
State aid – formula grants	7,214,043	7,344,996
Grants and contributions not restricted	375,294	298,276
Investment earnings	516,126	271,756
Miscellaneous local & intermediate revenue	1,569,270	565,966
Total revenues	60,126,430	61,021,425
EXPENSES:		
Instruction & instructional-related services	32,800,523	30,384,606
Instructional & school leadership	3,964,100	3,840,228
Guidance, social work, health, transportation	4,572,679	4,372,682
Food service	2,200,499	2,225,324
Extracurricular activities	2,323,438	2,551,896
General administration	1,932,076	2,012,552
Plant maintenance & security	7,523,425	8,161,566
Data processing services	3,343,993	2,451,031
Community services	4,036	4,096
Debt service	7,472,429	4,089,587
Intergovernmental charges	1,528,948	1,366,866
Total expenses	67,666,146	61,460,434
Increase/(Decrease) in net position before inflows/ outflows and special items	(7,539,716)	(439,009)
Net position beginning of year	(37,918,373)	(37,479,364)
Prior period adjustment	0	0
Net position end of year	\$(45,458,089)	\$(37,918,373)
	Business Type Activities	
	2017	2016
REVENUES	\$150,234	\$146,524
EXPENSES	137,769	116,668
Increase/(Decrease) in net position before inflows/ outflows and special items	12,465	29,856
Net position beginning of year	259,187	229,331
Net position end of year	\$271,652	\$259,187

ALEDO INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2017
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Governmental Revenue by Source

	Governmental Activities	
	2017	2016
Program Revenues:		
Charges for services	4.5%	4.8%
Operating grants and contributions	6.8%	7.4%
General Revenues:		
Maintenance & operating taxes	53.3%	54.3%
Debt service taxes	19.4%	19.6%
State aid – formula grants	12.0%	12.0%
Grants and contributions not restricted	0.6%	0.5%
All others	3.4%	1.4%
Total Revenues	100.0%	100.0%

Governmental Expenses by Function

	Governmental Activities	
	2017	2016
Instruction & instructional-related services	48.4%	49.4%
Instructional & school leadership	5.9%	6.2%
Guidance, social work, health, transportation	6.8%	7.1%
Food service	3.3%	3.6%
Extracurricular activities	3.4%	4.2%
General administration	2.9%	3.3%
Plant maintenance & security	11.1%	13.3%
Data processing services	4.9%	4.0%
Community services	0.0%	0.0%
Debt service	11.0%	6.7%
Intergovernmental charges	2.3%	2.2%
Total Expenses	100.0%	100.0%

The District's governmental activities net position decreased by (\$7,539,716), or (19.9%), from current fiscal year operations as shown below.

- 1) Total net change in Fund Balances – Governmental Funds – (\$28,564,982)
- 2) Capital outlays and long-term debt principal – \$28,071,243
- 3) Depreciation – (\$6,454,900)
- 4) GASB 68 adjustments – (\$734,717)
- 5) Other miscellaneous adjustments - \$143,640

The District is required under GASB 68 to report its proportionate share of the unfunded liability associated with the Teacher Retirement System of Texas (TRS) pension plan. The required entries to record the effects of GASB 68 and GASB 71, an amendment to GASB 68, are book entries only in the statement of governmental activities and do not affect the funding of the District. These entries decreased the District's ending net position and is discussed in greater detail in the notes to the financial statements.

GOVERNMENTAL FUNDS FINANCIAL ANALYSIS

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

ALEDO INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2017
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The District's governmental funds reported a combined ending fund balance of \$31,317,372, a net decrease of (\$28,564,982) from last year's combined fund balance. Unassigned fund balance is \$16,777,547, or 53.6%, and is available for spending at the District's discretion. The remainder of fund balance is not available for discretionary spending because it is classified as nonspendable, restricted, or committed for the following items:

Nonspendable fund balance:	
Inventories -	
National Breakfast & Lunch Program	\$78,359
Restricted fund balance:	
Federal or state funds grant restrictions -	
National Breakfast & Lunch Program	\$207,301
Advance Placement Incentives	7,039
Total federal or state funds grant restriction	<u>\$214,340</u>
Capital acquisition & contractual obligations -	
Capital Projects Fund	<u>\$11,833,499</u>
Retirement of long-term debt -	
Debt Service Fund	<u>\$2,079,103</u>
Committed fund balance:	
Other committed fund balance - Campus activity funds	<u>\$334,524</u>

The General Fund is the chief operating fund of the District. At the end of the current fiscal year the General Fund's unassigned fund balance was \$16,777,547 as compared to \$15,337,305 last year. The total fund balance increased by \$1,418,043 from current year operations plus an additional \$22,199 from other financing sources.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments fall into three categories:

1. Amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts we originally estimated).
2. Amendments to reflect unanticipated costs when developing the original budget. This type of amendments added \$103,000 to the original budget.
3. Amendments to move funds from programs that did not need all the resources originally appropriated to programs with resource needs.

The District's actual General Fund balance of \$16,777,547 differs from the General Fund's budgetary fund balance of \$15,337,305. The difference of \$1,440,242 is primarily due to actual revenues exceeding budgeted revenues by \$554,422 and actual expenditures being \$875,021 less than budgeted expenditures. Other financing sources were \$10,799 more than the original budget amount.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's investments in capital assets for its governmental activities at the end of this fiscal year amounts to \$126,540,848 (net of accumulated depreciation) for a net increase of \$17,809,158, or (16.4%),

ALEDO INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
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over last year. This investment in capital assets includes land, buildings and improvements, furniture and equipment, and construction-in-progress.

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

CAPITAL ASSETS		
	2017	2016
Land	\$ 6,745,838	\$ 6,745,838
Construction-in-progress	0	3,114,260
Buildings & improvements	181,855,215	155,342,696
Furniture & equipment	11,165,958	10,469,809
Total at historical costs	199,767,011	175,672,603
Less depreciation	(73,226,163)	(66,940,913)
Totals	\$126,540,848	\$108,731,690

The increase in building and improvements is primarily from the addition of the completed Elementary #5 to the fixed asset ledger.

Debt Service

At year-end, the District had \$221,402,301 in long-term debt, consisting of \$176,257,122 in outstanding general obligation bonds, accreted interest of \$12,329,871, premium on bonds of \$24,110,382 and net pension liability of \$8,704,926, versus \$225,675,178 last year for a net decrease of \$4,272,877.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The District's 2016-2017 student attendance rate remained stable at 97.0%. This is the same student attendance rate the District had in 2015-2016. The 2016-2017 student enrollment growth was 194 students, a 3.7% increase.
- Following is the outlook for the 2017-2018 fiscal year:
 - The most recent demographic projection of student enrollment growth forecasts an additional 280 students, a 5.1% increase.
 - The 2017 certified taxable value of all property in the District was \$3,260,776,276, an increase in value of \$445.96 million, or 15.84%, from the 2016 certified taxable value.
 - The Maintenance and Operations tax rate was adopted at \$1.17 per \$100 valuation and the Debt Service tax rate was adopted at \$0.4250 per \$100 valuation for a total tax rate of \$1.5950 per \$100 valuation. This is the third consecutive year of no change in the District's total tax rate.
 - Due to the increase in taxable property values, 2017-2018 budgeted current year local tax revenues in the General Fund increased by \$4,712,538 to \$36,384,128. Budgeted state revenues and other resources increased to \$11,197,898 because of the change in taxable property values and projected student enrollment growth. This results in total 2017-2018 budgeted General Fund revenues of \$47,582,026 with General Fund expenditures budgeted at \$46,061,932. The budgeted difference of \$1,520,094 will increase the fund balance in the General Fund. It is

ALEDO INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2017
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- anticipated this increase in the General Fund's fund balance will be utilized in the 2018-2019 fiscal year due to a projected decrease in state revenues and a lower property value increase.
- Due to the increase in taxable property values, 2017-2018 budgeted local revenues in the Debt Service Fund increased to \$13,368,457 while budgeted state revenues increased to \$175,000. Budgeted Debt Service Fund expenditures increased to \$13,543,457. The fund balance in the Debt Service Fund is projected to remain stable at \$1,458,095.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the district's finances and to demonstrate the district's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Aledo Independent School District's Business Office.

BASIC FINANCIAL STATEMENTS

ALEDO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2017

EXHIBIT A-1

Data Control Codes	1	2	3
	Primary Government		
	Governmental Activities	Business Type Activities	Total
ASSETS			
1110 Cash and Cash Equivalents	\$ 1,296,285	\$ 281,634	\$ 1,577,919
1120 Current Investments	31,133,155	-	31,133,155
1220 Property Taxes Receivable (Delinquent)	1,593,759	-	1,593,759
1230 Allowance for Uncollectible Taxes	(720,257)	-	(720,257)
1240 Due from Other Governments	3,667,788	-	3,667,788
1290 Other Receivables, net	5,407	-	5,407
1300 Inventories	78,359	-	78,359
Capital Assets:			
1510 Land	6,745,838	-	6,745,838
1520 Buildings, Net	115,876,130	-	115,876,130
1530 Furniture and Equipment, Net	3,918,880	-	3,918,880
1000 Total Assets	<u>163,595,344</u>	<u>281,634</u>	<u>163,876,978</u>
DEFERRED OUTFLOWS OF RESOURCES			
1701 Deferred Charge for Refunding	14,281,472	-	14,281,472
1705 Deferred Outflow Related to TRS	4,007,674	-	4,007,674
1700 Total Deferred Outflows of Resources	<u>18,289,146</u>	<u>-</u>	<u>18,289,146</u>
LIABILITIES			
2110 Accounts Payable	2,201,884	9,982	2,211,866
2140 Interest Payable	574,815	-	574,815
2150 Payroll Deductions & Withholdings	979	-	979
2160 Accrued Wages Payable	1,475,272	-	1,475,272
2200 Accrued Expenses	1,164,490	-	1,164,490
2300 Unearned Revenue	20,997	-	20,997
Noncurrent Liabilities			
2501 Due Within One Year	3,958,035	-	3,958,035
2502 Due in More Than One Year	208,739,340	-	208,739,340
2540 Net Pension Liability (District's Share)	8,704,926	-	8,704,926
2000 Total Liabilities	<u>226,840,738</u>	<u>9,982</u>	<u>226,850,720</u>
DEFERRED INFLOWS OF RESOURCES			
2605 Deferred Inflow Related to TRS	501,841	-	501,841
2600 Total Deferred Inflows of Resources	<u>501,841</u>	<u>-</u>	<u>501,841</u>
NET POSITION			
3200 Net Investment in Capital Assets	(59,545,185)	-	(59,545,185)
Restricted:			
3820 Restricted for Federal and State Programs	292,699	-	292,699
3850 Restricted for Debt Service	1,504,288	-	1,504,288
3860 Restricted for Capital Projects	11,833,499	-	11,833,499
3870 Restricted for Campus Activities	334,524	-	334,524
3900 Unrestricted	122,086	271,652	393,738
3000 Total Net Position	<u>\$ (45,458,089)</u>	<u>\$ 271,652</u>	<u>\$ (45,186,437)</u>

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

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ALEDO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	1	Program Revenues	
		3	4
	Expenses	Charges for Services	Operating Grants and Contributions
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
11 Instruction	\$ 31,506,248	\$ 695,284	\$ 2,251,540
12 Instructional Resources and Media Services	828,579	-	32,460
13 Curriculum and Staff Development	465,696	-	101,615
21 Instructional Leadership	492,845	-	29,241
23 School Leadership	3,471,255	-	160,730
31 Guidance, Counseling and Evaluation Services	1,810,391	-	474,333
33 Health Services	469,157	-	37,324
34 Student (Pupil) Transportation	2,293,131	-	-
35 Food Services	2,200,499	1,530,576	608,995
36 Extracurricular Activities	2,323,438	434,713	59,403
41 General Administration	1,932,076	-	152,946
51 Facilities Maintenance and Operations	6,897,266	48,288	65,053
52 Security and Monitoring Services	626,159	-	31,407
53 Data Processing Services	3,343,993	-	44,346
61 Community Services	4,036	-	-
72 Debt Service - Interest on Long Term Debt	7,374,750	-	-
73 Debt Service - Bond Issuance Cost and Fees	97,679	-	-
91 Contracted Instructional Services Between Schools	880,568	-	-
93 Payments related to Shared Services Arrangements	20,000	-	20,000
99 Other Intergovernmental Charges	628,380	-	-
[TG] Total Governmental Activities:	<u>67,666,146</u>	<u>2,708,861</u>	<u>4,069,393</u>
BUSINESS-TYPE ACTIVITIES:			
01 Aledo ISD Daycare	56,280	56,280	-
02 Bearcat Store	33,470	44,654	-
03 Community Partners	23,505	3,700	-
04 Stadium/Gym Advertising	24,514	45,600	-
[TB] Total Business-Type Activities:	<u>137,769</u>	<u>150,234</u>	<u>-</u>
[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 67,803,915</u>	<u>\$ 2,859,095</u>	<u>\$ 4,069,393</u>

Data	General Revenues:
Control	Taxes:
Codes	MT Property Taxes, Levied for General Purposes
	DT Property Taxes, Levied for Debt Service
	SF State Aid - Formula Grants
	GC Grants and Contributions not Restricted
	IE Investment Earnings
	MI Miscellaneous Local and Intermediate Revenue
TR	Total General Revenues
CN	Change in Net Position
NB	Net Position - Beginning
NE	Net Position--Ending

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

Net (Expense) Revenue and Changes in Net Position		
6	7	8
Primary Government		
Governmental Activities	Business Type Activities	Total
\$ (28,559,424)	\$ -	\$ (28,559,424)
(796,119)	-	(796,119)
(364,081)	-	(364,081)
(463,604)	-	(463,604)
(3,310,525)	-	(3,310,525)
(1,336,058)	-	(1,336,058)
(431,833)	-	(431,833)
(2,293,131)	-	(2,293,131)
(60,928)	-	(60,928)
(1,829,322)	-	(1,829,322)
(1,779,130)	-	(1,779,130)
(6,783,925)	-	(6,783,925)
(594,752)	-	(594,752)
(3,299,647)	-	(3,299,647)
(4,036)	-	(4,036)
(7,374,750)	-	(7,374,750)
(97,679)	-	(97,679)
(880,568)	-	(880,568)
-	-	-
(628,380)	-	(628,380)
(60,887,892)	-	(60,887,892)
-	-	-
-	11,184	11,184
-	(19,805)	(19,805)
-	21,086	21,086
-	12,465	12,465
(60,887,892)	12,465	(60,875,427)
32,035,198	-	32,035,198
11,638,245	-	11,638,245
7,214,043	-	7,214,043
375,294	-	375,294
516,126	-	516,126
1,569,270	-	1,569,270
53,348,176	-	53,348,176
(7,539,716)	12,465	(7,527,251)
(37,918,373)	259,187	(37,659,186)
\$ (45,458,089)	\$ 271,652	\$ (45,186,437)

ALEDO INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2017

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
ASSETS			
1110 Cash and Cash Equivalents	\$ 472,112	\$ 6,600	\$ 20,709
1120 Investments - Current	14,555,257	2,068,484	14,509,414
1220 Property Taxes - Delinquent	1,230,355	363,404	-
1230 Allowance for Uncollectible Taxes (Credit)	(553,351)	(166,906)	-
1240 Receivables from Other Governments	3,645,996	6,377	-
1260 Due from Other Funds	3,150	-	2,358
1290 Other Receivables	-	-	-
1300 Inventories	-	-	-
1000 Total Assets	<u>\$ 19,353,519</u>	<u>\$ 2,277,959</u>	<u>\$ 14,532,481</u>
LIABILITIES			
2110 Accounts Payable	\$ 387,277	\$ -	\$ 1,561,108
2150 Payroll Deductions and Withholdings Payable	979	-	-
2160 Accrued Wages Payable	1,468,078	-	-
2170 Due to Other Funds	-	2,358	3,150
2200 Accrued Expenditures	29,634	-	1,134,724
2300 Unearned Revenues	13,000	-	-
2000 Total Liabilities	<u>1,898,968</u>	<u>2,358</u>	<u>2,698,982</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	677,004	196,498	-
2600 Total Deferred Inflows of Resources	<u>677,004</u>	<u>196,498</u>	<u>-</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3410 Inventories	-	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3470 Capital Acquisition and Contractual Obligation	-	-	11,833,499
3480 Retirement of Long-Term Debt	-	2,079,103	-
Committed Fund Balance:			
3545 Other Committed Fund Balance	-	-	-
3600 Unassigned Fund Balance	16,777,547	-	-
3000 Total Fund Balances	<u>16,777,547</u>	<u>2,079,103</u>	<u>11,833,499</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 19,353,519</u>	<u>\$ 2,277,959</u>	<u>\$ 14,532,481</u>

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

Other Funds	Total Governmental Funds
\$ 796,864	\$ 1,296,285
-	31,133,155
-	1,593,759
-	(720,257)
15,415	3,667,788
-	5,508
5,407	5,407
78,359	78,359
<u>\$ 896,045</u>	<u>\$ 37,060,004</u>
\$ 253,499	\$ 2,201,884
-	979
7,194	1,475,272
-	5,508
132	1,164,490
7,997	20,997
<u>268,822</u>	<u>4,869,130</u>
-	873,502
<u>-</u>	<u>873,502</u>
78,359	78,359
214,340	214,340
-	11,833,499
-	2,079,103
334,524	334,524
-	16,777,547
<u>627,223</u>	<u>31,317,372</u>
<u>\$ 896,045</u>	<u>\$ 37,060,004</u>

ALEDO INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2017

Total Fund Balances - Governmental Funds	\$	31,317,372
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$175,672,604 and the accumulated depreciation was (\$66,940,913). In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to decrease net position.		(94,066,213)
2 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2017 capital outlays and debt principal payments is to increase net position.		28,071,243
3 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68. The net position related to TRS included a deferred resource outflow in the amount of \$4,007,674, a deferred resource inflow in the amount of \$501,841, and a net pension liability in the amount of \$8,704,926. This resulted in a decrease in net position.		(5,199,093)
4 The 2017 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(6,454,900)
5 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.		873,502
19 Net Position of Governmental Activities	\$	(45,458,089)

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

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ALEDO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 33,969,719	\$ 11,668,879	\$ 278,774
5800 State Program Revenues	8,938,875	231,743	-
5900 Federal Program Revenues	143,072	-	-
5020 Total Revenues	<u>43,051,666</u>	<u>11,900,622</u>	<u>278,774</u>
EXPENDITURES:			
Current:			
0011 Instruction	22,172,566	-	2,441,981
0012 Instructional Resources and Media Services	560,270	-	187,281
0013 Curriculum and Instructional Staff Development	302,947	-	-
0021 Instructional Leadership	477,766	-	-
0023 School Leadership	2,577,450	-	-
0031 Guidance, Counseling and Evaluation Services	1,349,366	-	-
0033 Health Services	446,626	-	-
0034 Student (Pupil) Transportation	2,141,577	-	576,298
0035 Food Services	990	-	19,722
0036 Extracurricular Activities	2,028,694	-	-
0041 General Administration	1,769,575	-	-
0051 Facilities Maintenance and Operations	4,930,558	-	1,972,257
0052 Security and Monitoring Services	486,070	-	-
0053 Data Processing Services	880,220	-	2,372,716
Debt Service:			
0071 Principal on Long Term Debt	-	4,090,000	-
0072 Interest on Long Term Debt	-	7,091,935	-
0073 Bond Issuance Cost and Fees	-	97,679	-
Capital Outlay:			
0081 Facilities Acquisition and Construction	-	-	23,352,171
Intergovernmental:			
0091 Contracted Instructional Services Between Schools	880,568	-	-
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	-
0099 Other Intergovernmental Charges	628,380	-	-
6030 Total Expenditures	<u>41,633,623</u>	<u>11,279,614</u>	<u>30,922,426</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,418,043</u>	<u>621,008</u>	<u>(30,643,652)</u>
OTHER FINANCING SOURCES (USES):			
7912 Sale of Real and Personal Property	2,682	-	-
7949 Other Resources - Gas & Land Lease	19,517	-	-
7080 Total Other Financing Sources (Uses)	<u>22,199</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balances	1,440,242	621,008	(30,643,652)
0100 Fund Balance - September 1 (Beginning)	<u>15,337,305</u>	<u>1,458,095</u>	<u>42,477,151</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 16,777,547</u>	<u>\$ 2,079,103</u>	<u>\$ 11,833,499</u>

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

Other Funds	Total Governmental Funds
\$ 2,382,693	\$ 48,300,065
440,304	9,610,922
1,594,219	1,737,291
<u>4,417,216</u>	<u>59,648,278</u>
1,661,740	26,276,287
65,449	813,000
81,970	384,917
-	477,766
-	2,577,450
394,299	1,743,665
8,490	455,116
-	2,717,875
2,154,724	2,175,436
5,410	2,034,104
14,656	1,784,231
-	6,902,815
558	486,628
-	3,252,936
-	4,090,000
-	7,091,935
-	97,679
-	23,352,171
-	880,568
20,000	20,000
-	628,380
<u>4,407,296</u>	<u>88,242,959</u>
9,920	(28,594,681)
7,500	10,182
-	19,517
<u>7,500</u>	<u>29,699</u>
17,420	(28,564,982)
<u>609,803</u>	<u>59,882,354</u>
<u>\$ 627,223</u>	<u>\$ 31,317,372</u>

ALEDO INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED AUGUST 31, 2017

Total Net Change in Fund Balances - Governmental Funds	\$	(28,564,982)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2017 capital outlays and debt principal payments is to increase net position.		28,071,243
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.		(6,454,900)
GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in the ending net position to increase by \$745,322. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in net position totaling \$731,908. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$748,131. The net result is a decrease in the change in net position.		(734,717)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.		143,640
Change in Net Position of Governmental Activities	<u>\$</u>	<u>(7,539,716)</u>

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

ALED0 INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AUGUST 31, 2017

	Business-Type Activities
	Total Enterprise Funds
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 281,634
Total Assets	<u>281,634</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	<u>9,982</u>
Total Liabilities	<u>9,982</u>
NET POSITION	
Unrestricted Net Position	<u>271,652</u>
Total Net Position	<u><u>\$ 271,652</u></u>

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

ALEDO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2017

	Business-Type Activities
	Total Enterprise Funds
<hr/>	
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 150,234
Total Operating Revenues	150,234
OPERATING EXPENSES:	
Payroll Costs	56,280
Supplies and Materials	27,925
Other Operating Costs	53,564
Total Operating Expenses	137,769
Operating Income	12,465
Total Net Position - September 1 (Beginning)	259,187
Total Net Position - August 31 (Ending)	\$ 271,652

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

ALEDO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2017

	Business-Type Activities
	Total Enterprise Funds
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 150,234
Cash Payments to Employees for Services	(56,280)
Cash Payments for Suppliers	(28,821)
Cash Payments for Other Operating Expenses	(46,324)
Net Cash Provided by Operating Activities	<u>18,809</u>
Net Increase in Cash and Cash Equivalents	18,809
Cash and Cash Equivalents at Beginning of Year	<u>262,825</u>
Cash and Cash Equivalents at End of Year	<u>\$ 281,634</u>
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating Income:	\$ 12,465
Effect of Increases and Decreases in Current Assets and Liabilities:	
Increase (decrease) in Accounts Payable	<u>6,344</u>
Net Cash Provided by Operating Activities	<u>\$ 18,809</u>

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

ALEDO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2017

	Private Purpose Trust Funds	Agency Fund
ASSETS		
Cash and Cash Equivalents	\$ 2,037	\$ 428,554
Investments - Current	118,155	-
Total Assets	<u>120,192</u>	<u>\$ 428,554</u>
LIABILITIES		
Due to Student Groups	-	\$ 428,554
Total Liabilities	<u>-</u>	<u>\$ 428,554</u>
NET POSITION		
Restricted for Scholarships	<u>120,192</u>	
Total Net Position	<u>\$ 120,192</u>	

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

ALEDO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2017

	Private Purpose Trust Funds
ADDITIONS:	
Local and Intermediate Sources	\$ 3,727
Total Additions	<u>3,727</u>
DEDUCTIONS:	
Other Operating Costs	<u>15,500</u>
Total Deductions	<u>15,500</u>
Change in Net Position	(11,773)
Total Net Position - September 1 (Beginning)	<u>131,965</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 120,192</u></u>

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

I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Aledo Independent School District (the “District”) substantially comply with the rules prescribed by the Texas Education Agency (the “Agency”) *Financial Accountability System Resource Guide* (the “Resource Guide”). These accounting policies conform to accounting principles generally accepted in the United States of America (“generally accepted accounting principles”) applicable to governments.

In accordance with the Resource Guide the District has adopted and installed an accounting system which meets the minimum requirements prescribed the State Board of Education and approved by the State Auditor.

The District prepares its basic financial statements in conformity with generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in *GASB Statement No 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* and it complies with the requirements of the appropriate version of the Resource Guide and the requirements of contracts and grants of agencies from which it receives funds. Specifically, the District’s accounting system uses codes and the code structure as presented in the Resource Guide.

A. Reporting Entity

The District is governed by a seven-member Board of Trustees (the “Board”) elected by registered voters of the District. The District is a public educational agency operating under the applicable laws and regulations of the State of Texas. The Board has responsibility and control over all activities related to public school education within the District. The District receives funds from local, state and federal sources and must comply with all the requirements of these funding source entities. However, the District is not included in any other governmental “reporting entity” as defined by GAAP. The Board has decision-making authority, the power to designate management, the ability to significantly influence operations and the primary accountability for fiscal matters. The District is not included in any other governmental “reporting entity: as defined by Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*.

B. Basis of Presentation

The District prepares its financial statements in accordance with reporting practices prescribed by the Agency in the Resource Guide and the Governmental Accounting Standards Board.

C. Government-Wide and Fund Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) are prepared using the accrual basis of accounting and the information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes, state foundation funds, grants and other intergovernmental revenues are reported separately from business-type activities which rely to a significant extent on charge for services.

The statement of activities demonstrates the degree to which direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Certain indirect costs are also included in the program expense reported by individual functions and activities. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods or services provided by a given function or segment of the District, examples include tuition paid by students not residing in the District, school lunch charges, etc. and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a given function or segment, examples include grants under the Elementary and Secondary Education Act. If a revenue is not a program revenue, it is a general revenue used to support all of the District's functions. Taxes are always general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. The District considers some governmental funds major and reports their financial condition and results of operations in separate columns.

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

The government-wide financial statements are reported on a flow of economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Fiduciary funds do not have a measurement focus as they report only assets and liabilities. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. All assets, deferred outflows, liabilities and deferred inflows associated with the operation of these funds are included on the statement of net position.

The governmental fund financial statements are reported using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered as available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Property taxes received after the 60-day period are not considered available and, therefore, are recorded as a deferred inflow of resources in the Governmental Funds Balance Sheet. Revenues susceptible to accrual are principally certain inter-government revenues, property taxes and investment income. Charges for services and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until received. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the payment is due. Funds received from federal, state and other grants designated for payment of specific District expenditures are considered as earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors may require the District to refund all or part of the unused amount.

E. Purpose of Funds

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts to reflect results of activities. Major individual governmental funds are reported as separate columns in the fund financial statements. The following funds are used by the District:

Major Governmental Funds

General Fund – The General Fund is the District’s primary operating fund. It is used to account for all financial transactions except for those required to be accounted for in another fund. Major revenue sources include local property taxes and state funding under the Foundation School Program. Expenditures include all costs associated with the daily operations of the District except for costs incurred by programs accounted for in the Special Revenue Funds, Debt Service Fund, Proprietary Fund, and Fiduciary Funds. The General Fund is a budgeted fund, and any fund balances are considered resources for current and future operations.

Debt Service Fund – The Debt Service Fund, which is a budgeted fund, accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt. Revenues include property taxes collections, state funding under the Instructional Facilities and Existing Debt Allotments, and earned interest. The fund balance represents amounts that are available for retirement of future payments of principal, interest and fees.

Capital Projects Fund – This fund, which is an unbudgeted fund, is used to account for proceeds from sales of bonds and other revenues to be used for authorized construction, renovations, and technology projects/enhancements.

Non-major Governmental Funds

Special Revenue Funds – These funds are used to account for federal, state and locally financed programs where unused balances are generally returned to the grantor at the close of specified project periods. Proceeds of specific revenue resources that are restricted or committed to expenditures for specified purposes, other than debt service or capital projects, are accounted for in a special revenue fund. Project accounting is employed to maintain integrity for the various sources of funds.

The District’s Food Service Fund (National Breakfast and Lunch Program) is considered a special revenue fund since it meets the following criteria: (1) User fees are charged to supplement the National School Breakfast and Lunch Program, (2) the General Fund subsidizes the Food Service Program for all expenditures in excess of the National Breakfast and Lunch Program, and (3) the District does not consider the Food Service Program completely self-supporting. Food Service fund balances are used exclusively for child nutrition program purposes. This is a budgeted fund.

Proprietary Funds

Enterprise Funds – These funds are conceived to be self-supporting. Revenues are earned mainly from sales of services to the schools and operating departments of the District.

Internal Service Funds – These funds are conceived to be self-supporting. Revenues are earned mainly from sales of services to the schools and operating departments of the District. The District does not have internal service funds.

Fiduciary Funds

Private-purpose Trust Fund – This fund is used to account for all trust agreements under which the principal and income benefit a specific school or group of students.

Fiduciary Funds – Agency Funds – The Agency Fund is custodial in nature and accounts for activities of student groups and other types of activities requiring clearing accounts. The fund has no equity. Assets are equal to liabilities, and do not include revenues and expenditures for general operations of the District. This accounting reflects the District’s agency relationship with student activity organizations. Fiduciary funds use the accrual basis of accounting to recognize assets and liabilities.

F. Assets, Liabilities, Deferred Outflows/Inflows and Net Position or Fund Balance

1. Cash and Cash Equivalents

The District’s cash and cash equivalents are considered as cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. Investments for the District are reported at fair value.

2. Investments

Investments are recorded at fair value. Investments are considered as and classified as cash equivalents. Investments are primarily in FDIC insured investments, savings accounts and public funds money markets and are not significantly affected by impairment of the credit standing of the issues or other factors.

3. Receivables and Payables

Interfund activities result 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 costs 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. The District did not have any transfers in or transfers out during the current fiscal year. Similarly, interfund receivables and payables are netted and presented as a single “internal balances” line of the government-wide statement of net position.

Delinquent property tax receivables are prorated between the General Fund and Debt Service Fund based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables is based on historical experience in collecting property taxes. Management periodically reviews outstanding property taxes and establishes an allowance adequate to reflect the anticipated net collectible balance. The District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

Other receivables and payables may include amounts due from local, state and federal agencies resulting from excess of expenditures over revenues incurred, accrued liabilities, interest payable, and accrued wages payable.

4. Inventories and Prepaid Items

Except for inventories of food commodities, the District records purchases of supplies and materials as expenditures when purchased. This method is used to avoid administrative costs that are excessive to the benefit gained and where expenditures tend to be equalized over a period of years. Inventories of food commodities used in the food service program are recorded at fair market values supplied by the Texas Department of Human Services. Although commodities are received at no cost, their fair market value is recorded as inventory and deferred revenue when received. As commodities are consumed, inventory and unearned revenues are relieved, expenditures are charged, and revenue is recognized for an equal amount.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayment in both government-wide and fund financial statements. The District does not have any prepaid items.

5. Interfund Activities

Transactions among governmental funds and between governmental funds and proprietary funds appear as due to/due from other funds on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Position and as other financing sources and uses on the Governmental Fund Statement of Revenues, Expenses and Changes in Fund Net Position. Interfund services provided and used are not eliminated in the consolidation of funds for the Statement of Activities.

All interfund transactions that do not represent services provided and used between governmental funds and between governmental funds and internal service funds are eliminated on the government-wide statements. Interfund activities between governmental funds and enterprise funds remain on the government-wide statements and appear on the government-wide Statement of Net Position as internal balances and on the Statement of Activities as interfund transfers. Interfund activities between governmental funds and fiduciary funds remain as due to/due from other funds on the government-wide Statement of Net Position.

6. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in the accounting system in order to reserve a portion of the applicable appropriation, is employed in the governmental fund types on the governmental fund financial statements. Encumbrances are liquidated at year end.

7. Capital Assets

Capital assets, which include land, buildings and improvements, furniture and equipment and construction in progress, are reported in the applicable governmental column in the government-wide financial statements. The cost of the infrastructure (e.g., roads, bridges, sidewalks, and similar items) was initially capitalized with the building cost and is being depreciated over the same useful life as the building. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

Buildings and improvements and furniture and equipment assets of the District are depreciated using the straight-line method over the following estimated lives:

Asset Classification	Useful Life
Buildings and improvements	30
Furniture & equipment	3-15

Land and construction in progress are not depreciable.

8. Long-term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activity. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount. Deferred loss on refunding, will be recognized as a deferred outflow of resources and amortized to interest expense over the life of the bonds. Bond issuance costs are expensed in the current period.

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

9. Unearned Revenues

Unearned revenues represent revenues received by the District but not yet earned and are not available for use by the District to liquidate current year liabilities. A summary of unearned revenues by fund follows:

General Fund:	
Senior student parking	<u>\$13,000</u>
Other Funds:	
Advanced Placement Incentives	\$ 591
Other State Special Revenue Funds	<u>7,406</u>
	<u>\$7,997</u>

10. Deferred Outflows/Inflow of Resources

Deferred outflows and inflows of resources are reported in the financial statements as described below:

A deferred outflow of resources is a consumption of a government’s net assets (a decrease in assets in excess of any related decrease in liabilities or an increase in liabilities in excess of any related increase in assets) by the government that is applicable to a future reporting period. The District had the following deferred outflows of resources:

- Deferred outflows of resources for refunding – Reported in the government-wide statement of net position, this deferred charge on refunding results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. During the current year, the District had \$14,281,472 in deferred charges for refunding.
- Deferred outflows of resources for pension – Reported in the government-wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of differences between expected and actuarial experience. The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. During the current year, the District had \$4,007,674 deferred outflow related to TRS from implementing GASB 68. This amount consisted of \$3,262,352 for total net amounts per TRS August 31, 2016 measurement date and \$745,322 for contributions paid to TRS subsequent to the measurement date.

A deferred inflow of resources is an acquisition of a government’s net assets (an increase in assets in excess of any related increase in liabilities or a decrease in liabilities in excess of any related decrease in assets) by the government that is applicable to a future reporting period. The District had two items that qualify for reporting in this category:

- Deferred inflow of resources for unavailable revenues – Reported only in the governmental funds balance sheet, for unavailable revenues from property taxes arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of revenues in the period that the amounts become available. During the current year, the District recorded deferred inflow of resources \$677,004 and \$196,498 as unavailable revenues – property taxes with the General Fund and Debt Service Fund respectively.

- Deferred inflow of resources for pensions – Reported in the government-wide financial statement of net position, these deferred inflows result primarily from differences between projected and actual earnings on pension plan investments. During the current year the District recorded \$501,841 for total net amounts per TRS August 31, 2016 measurement date as a result of implementing GASB 68.

11. Categories and Classifications of Fund Balance and Net Position

In accordance with GASB 54 which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in governmental funds. The objective of GASB 54 is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions.

Government-wide Financial Statements – Net position on the Statement of Net Position includes the following:

Net investment in capital assets - the component of net position that reports capital assets less both the accumulated depreciation and the outstanding balance of debt and is directly attributable to the acquisition, construction, or improvement of these capital assets.

Restricted for federal and state programs – the component of net position that reports the difference between assets and liabilities related to federal and state programs that consist of assets with constraints placed on their use by granting agencies.

Restricted for debt service – the component of net position that reports the difference between assets and liabilities adjusted on a government-wide basis that consists of assets with constraints placed on their use by the bond covenants.

Restricted for capital projects – funds that have been assigned for future expenditures for equipment.

Restricted for campus activities – funds that have been committed solely for the use by various campuses within the District.

Unrestricted net position - the difference between the assets and liabilities that are not reported in net investment in capital assets or restricted net position.

Net position flow assumption – Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restrict bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Governmental Fund Financial Statements – In the fund financial statements, government funds report fund balances as either a non-spendable fund balance or a spendable fund balance.

Non-spendable fund balance – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements. Examples include inventories, long-term receivables, endowment principal, and/or prepaid/deferred items.

Spendable fund balance – Spendable fund balance includes restricted, committed, assigned, and unassigned components. These components can be described as follows:

Restricted fund balance – the component of the spendable fund balance constrained to a specific purpose by a provider, such as creditor, grantor, contributor, or law or regulation of other governments. Restricted fund balance includes funds for federal/state grants, capital acquisition and contractual obligations, and long-term debt service.

Committed fund balance – the component of spendable fund balance constrained to a specific purpose by the Board. A Board resolution is required to establish, modify, or rescind a fund balance commitment. Only the action that constitutes the most binding constraint of the Board can be considered a commitment for fund balance classification purposes. Committed fund balance includes funds for campus activity funds.

Assigned fund balance – the component of the spendable fund balance that is spendable or available for appropriation but has been tentatively earmarked for some specific purpose by the Board of Trustees or by an official or body to which the Board of Trustees delegates. 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 conveys that the intended use of those amounts is a specific purpose that is narrower than the general purposes of the District itself. The District does not have assigned fund balances.

Unassigned fund balance – is the residual classification of the General Fund and includes all amounts not contained in other classifications. This portion of the total fund balance in the general fund is available to finance operating expenditures. Only the General Fund will have unassigned amounts. By accounting for amounts in other funds, the District has implicitly assigned the funds for purposes of those particular funds.

The District has a minimum fund balance policy as defined by their Annual Operating Budget Policy CE (Local). The District is in compliance with this policy.

Fund balance flow assumptions – Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are

considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Disclosure of Fund Balances Reported on Balance Sheet – Governmental Funds
 For Fiscal Year Ending August 31, 2017

	General Fund	Debt Service Fund	Capital Projects Fund	Other Funds
Nonspendable Fund Balance				
Inventories – Natl. Lunch & Break. Prog.	\$ 0	\$ 0	\$ 0	\$ 78,359
Restricted Fund Balance				
National Lunch & Breakfast Program	0	0	0	207,301
Advanced Placement Incentives	0	0	0	7,039
Retirement of Long-term Debt	0	2,079,103	0	0
Capital Acquis. & Contract.	0	0	11,833,499	0
Obligations				
Committed Fund Balance				
Campus Activity Funds	0	0	0	334,524
Unassigned	16,777,547	0	0	0
Total Fund Balance	<u>\$16,777,547</u>	<u>\$2,079,103</u>	<u>\$11,833,499</u>	<u>\$627,223</u>

12. Management's Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimations and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

The amount of state foundation revenue a district earns for a year can and does vary until the time when final values for each of the factors in the formula become available. Availability can be as late as into the next fiscal year. It is at least reasonably possible that the foundation revenue for the fiscal year will ultimately change from the amount calculated as of August 31, 2017 because of the factors that TEA uses in its calculations.

13. Defined Benefit Pension Plan

The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The Teacher Retirement System of Texas (TRS) administers the plan. The fiduciary net position of the TRS 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 reported to the District, deferred outflows of resources and deferred inflows of resources related to pension, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

14. Data Control Codes

The data control codes refer to the account code structure prescribed by the Texas Education Agency (the “Agency”) in the *Financial Accountability System Resource Guide*. The Agency requires school districts to display these codes in the financial statements filed with the Agency in order to ensure accuracy in building a statewide data base for policy development and funding plans.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS.

Exhibit C-2 “Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position” provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net position as reported in the government-wide statement of net position. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds. Also, the property taxes receivable which is included as unavailable revenue in the fund financial statements are adjusted based on when the tax levy was made and adjusted for uncollectible amounts. Also included are all of the adjustments required by GASB 68.

Exhibit C-4 “Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities” provides a reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net position of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net position balance and the change in net position. The debt payments on retirement of debt are recorded as expenditures for fund-basis financial statements but are a reduction of debt in the government-wide financial statements. The capital asset additions are expenditures in the fund-basis financial statements but capitalized in the government-wide financial statements. The fund-basis financial statements do not include depreciation expense. The depreciation expense is a deduction to reconcile to the government-wide statement of activities. New debt issues are treated as sources of revenue for fund-basis financial statements, but for the government-wide statements, those amounts are recorded as a liability. Property taxes are adjusted for the accrual basis and the unavailable revenues are adjusted based on prior year levies and current year uncollectable amounts. Also included are all of the adjustments required by GASB 68.

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting

The Board of Trustees adopts an “appropriated budget” for the General Fund, Child Nutrition Program and the Debt Service Fund. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The general fund budget report appears in Exhibit G-1 “Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and

Actual – General Fund” and the other two reports are in Exhibit J-4 “Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual - Child Nutrition Program” and J-5 “Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual - Debt Service Fund”.

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

1. Prior to August 20 the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days’ public notices of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can be amended at the function and fund level by approval of a majority of the members of the Board. Changes can be made to the budget at any detail within the function level without an amendment approved by the Board. During the year, several budget amendments were made with Board approval. The most significant amendments were for carryover funding; mid-year adjustment of operating costs; and year-end adjustments to expenditures based on the latest information concerning operating cost. All budget appropriations lapse at year-end.

	Original Budget Appropriations	Increase (Decrease)	Amended Budget Appropriations
General Fund – Exhibit G-1	\$42,405,644	\$103,000	\$42,508,644
Child Nutrition Program – Exhibit J-4	2,430,644	0	2,430,644
Debt Service Fund – Exhibit J-5	11,784,137	0	11,784,137

4. The General Fund was amended by \$103,000 to reflect unanticipated costs when developing the original budget.
5. Each budget is controlled at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. A reconciliation of fund balances for both appropriated budget and non-appropriated budget special revenue funds is as follows:

August 31, 2017 Fund Balance	
Appropriated Budgeted Funds – National Breakfast & Lunch Program	\$285,660
Non-appropriated Budgeted Funds	341,573
All Special Revenue Funds	<u>\$627,233</u>

B. Excess of Expenditures over Appropriations

No excess of expenditures over appropriations existed for the year ended August 31, 2017.

C. Deficit Fund Equity

There were no deficit fund equities for the year ended August 31, 2017.

IV. DETAILED NOTES ON ALL FUNDS

A. Cash and Cash Equivalents

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

Depository information is as follows:

- Depository bank: First Financial Bank
- Highest combined balance: \$23,169,292
- Date of highest combined balance: February 1, 2017
- Amount of FDIC insurance: \$250,000
- Amount of pledged securities: \$25,887,885

Since the District complies with this law, it has no custodial credit risk for deposits.

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

At August 31, 2017, the carrying value of the District’s deposits was \$1,577,919 and the bank balance was \$2,787,122. The District’s cash deposits at August 31, 2017, and during the year then ended, were entirely covered by FDIC insurance or by pledged collateral held by the District’s agent bank in the District’s name.

Governmental Funds:	
Cash-in-bank	\$1,296,285
Business Type Activities:	
Cash-in-bank	281,634
Total Governmental Activities & Business Type Activities	<u><u>\$1,577,919</u></u>

The District does not have any cash or cash equivalents in foreign currency; therefore, there is no foreign currency risk.

B. Investments

The District’s investments at August 31, 2017, are shown below:

Investment/Credit Ratings	Carrying Amount	Fair Value	Percentage of Investments	Weighted Average Maturity (Days)
TexPool/AAAm	<u>\$31,133,355</u>	<u>\$31,133,355</u>	100.0	On demand

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies.

Among other things, it requires 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 returns, (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. The District maintains an investment policy which authorizes the District to invest in obligations of U.S. Treasury and U.S. agencies, municipal securities and repurchase agreements and the State Treasurer's investment pool or similar public investment pools. 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.

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy.

Custodial Credit Risk – Investments - For an investment this 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 possession of an outside party. The District's investment are not exposed to custodial risk. External investment pools are not subject custodial risk because investments are not evidenced by securities that exist in physical or book entry form. State law limits investments in public funds investment pools to those rated no lower than AAA or AAAM or an equivalent rating by at least one nationally recognized rating service. District investments are not exposed to custodial credit risk.

Credit Risk – This is the risk that a security issuer may default on an interest or principal payment. State law limits investment in local government pools to those that are rated AAA or equivalent by at least one Nationally Recognized Statistical Rating Organization (NRSRO). The District controls and monitors this risk by purchasing quality rated instruments that have been evaluated by agencies such as Standard and Poor's (S&P) or Moody's Investors Service, or by investing in public fund investment pools rated no lower than AAA or AAAM.

Interest-rate Risk – This type of risk occurs when potential purchasers of debt securities do not agree to pay face value for those securities if interest rates rise. The District's investment policy does not allow the purchase of investments that would expose the District to interest-rate risk.

Concentration of Credit Risk – This type of risk is defined as positions of 5 percent or more in securities of a single issuer. The District is not exposed to concentration of credit risk because the investment portfolio mainly consists of external investment pools.

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

C. Property Taxes

Property taxes are levied by October 1 and are due and payable at that time. The Board establishes the District's property tax rates annually. The authorized tax rates for property taxes assessed on

January 1, 2017, were \$1.170 and \$0.425 per \$100 for the General Fund and Debt Service Fund, respectively, based on a net assessed valuation of \$2,723,994,044.

The legally authorized tax rate limit for the District is \$1.17 per \$100 assessed valuation for maintenance and operations. On January 1 of each year, a tax lien attaches to property to secure the payment of penalties imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period and those expected to be collected during the 60-day period after the close of the District’s fiscal year.

Delinquent taxes are prorated between the General Fund and Debt Service Fund based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes.

Delinquent taxes receivables and the related allowance for uncollectible taxes in the governmental fund financial statements as of August 31, 2017 are as follows:

	Property Taxes - Delinquent	Allowance for Uncollectible Taxes	Unavailable Revenue – Property Taxes
General Fund	\$1,230,355	(\$553,351)	\$677,004
Debt Service Fund	363,404	(166,906)	196,498
Totals	<u>\$1,593,759</u>	<u>(\$720,257)</u>	<u>\$873,502</u>

Current tax collections for the levy year ended August 31, 2017 were 99.0% of the year-end adjusted tax levy.

Uncollectible personal property taxes are periodically reviewed and written off by the District. The District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

The District has an agreement with Parker County Appraisal District (“County”) whereby the County bills and collects the District’s property taxes.

D. Disaggregation of Receivables and Payables

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

There are no significant receivables which are not scheduled for collection within one year of August 31, 2017.

E. Receivables from Other Governments

Receivables from other governments, as of August 31, 2017, are as follow:

General Fund:	
Due from State	\$3,625,766
Due from Other Governments	20,230
Total	<u>\$3,645,996</u>

ALEDO INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 AUGUST 31, 2017

Exhibit F-1

Debt Service Fund – Due from Other Governments	<u>\$6,377</u>
Special Revenue Funds – Due from State:	
National Breakfast & Lunch Program	\$ 8,207
State Textbook Fund	<u>7,208</u>
Total	<u>\$15,415</u>

F. Interfund Receivables and Payables

The following is a summary of amounts due to and due from other funds:

	Due From Other Funds	Due To Other Funds
General Fund	\$3,150	\$ 0
Capital Projects Fund	0	3,150
Totals	<u>\$3,150</u>	<u>\$3,150</u>
Capital Projects Fund	\$2,358	\$ 0
Debt Service Fund	0	2,358
Totals	<u>\$2,358</u>	<u>\$2,358</u>

Interfund receivables and payables generally arise from interfund loans between different funds with balances being repaid generally within one year.

G. Interfund Transfers

There were no interfund transfers during the fiscal year.

H. Other Financing Sources (Uses)

The District had the following financing sources and (uses) during the year:

General Fund	
Sale of real and personal property	\$ 2,682
Other resources – gas & land lease	<u>19,517</u>
Total	<u>\$22,199</u>
Special Revenue Funds – National Breakfast & Lunch Program	
Sale of real and personal property	<u>\$7,500</u>

I. Special Items/Extraordinary Items

There were no special items/extraordinary items during the fiscal year.

J. Operating Leases

The District leases office equipment under noncancelable operating leases. Total costs for such leases were \$416,221 for the year. The future minimum lease payments for active operating leases are summarized below:

ALEDO INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 AUGUST 31, 2017

Exhibit F-1

Year Ending August 31	Amount
2018	\$459,728
2019	292,919
2020	177,451
2021	76,652
2022	76,652

K. Capital Asset Activity

Capital asset activity for the year ended August 31, 2017 is as follows:

	Beginning Balance	Increases/ Adjustments	Decreases/ Adjustments	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 6,745,838	\$ 0	\$ 0	\$ 6,745,838
Construction in Progress	3,114,260	0	3,114,260	0
Total Capital Assets, not being depreciated	9,860,098	0	3,114,260	6,745,838
Capital assets, being depreciated:				
Buildings and improvements	155,342,696	26,512,519	0	181,855,215
Furniture and equipment	10,469,809	865,799	169,650	11,165,958
Total capital assets, being depreciated	165,812,505	27,378,318	169,650	193,021,173
Less accumulated depreciation for:				
Buildings and improvements	60,147,717	5,831,368	0	65,979,085
Furniture and equipment	6,793,196	623,532	169,650	7,247,078
Total accumulated depreciation	66,940,913	6,454,900	169,650	73,226,163
Governmental activities capital assets, net	\$108,731,690	\$20,923,418	\$3,114,260	\$126,540,848

The increase in building and improvements and furniture and equipment was due to primarily to the completion of the Elementary #5 and the addition of the related furniture and equipment. The District disposed of an old phone system during the year.

Depreciation expense was charged to governmental functions of the District as follows:

Governmental activities:	
11 – Instruction	\$4,705,771
13 – Curriculum & Instructional Staff Development	73,949
23 – School Leadership	809,917
34 – Student (Pupil) Transportation	194,554
35 – Food Services	16,619
36 – Extracurricular Activities	255,862
41 – General Administration	105,620
51 – Plant Maintenance & Operations	88,290
52 – Security & Monitoring Services	128,149
53 – Data Processing Services	76,169
Total Depreciation Expense	<u>\$6,454,900</u>

L. Long-Term Debt

Long-term debt of the District is comprised of bonds payable, accreted interest, premium on bonds, compensated absences, and net pension liability. Debt service requirements for general obligation bonds are payable from fund balance and future revenues of the Debt Service Fund which consists principally of property taxes collected by the District, state funding, and interest earnings. Capital leases are paid from fund balance and future revenues of the General Fund.

ALEDO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2017

Exhibit F-1

The following is a summary of changes in long-term debt for government activities for the year ended August 31, 2017.

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Bonds payable	\$179,385,854	\$ 0	\$3,128,732	\$176,257,122	\$3,958,035
Accreted interest	12,621,981	669,158	961,268	12,329,871	0
Premium on bonds	25,331,102	0	1,220,720	24,110,382	0
Net pension liability	8,336,241	1,100,594	731,909	8,704,926	0
Total	<u>\$225,675,178</u>	<u>\$1,769,752</u>	<u>\$6,042,629</u>	<u>\$221,402,301</u>	<u>\$3,958,035</u>

M. Bonds Payable

Bonded indebtedness of the District is reflected in the statement of net position. Current requirements for principal and interest expenditures are accounted for in the Debt Service Fund in the fund financial statements.

A summary of changes in general obligation bonds for the year ended August 31, 2017, are as follows:

Issue/Maturity Date	Interest Rates Payable	Amounts Original Issue	Beginning Balances	Issued	Retired	Ending Balances	Due Within One Year
Series 2001 UTSB Bonds/2032	4.5%/5.55%	\$7,418,568	\$ 3,360,941	\$0	\$ 213,732	\$ 3,147,209	\$ 203,035
Series 2006A UTSB Bonds/2035	3.62%/3.75%	16,910,000	14,320,000	0	300,000	14,020,000	310,000
Series 2007 UTR Bonds/2029	3.5%/5.0%	7,520,000	6,720,000	0	400,000	6,320,000	420,000
Series 2008 UTSB Bonds/2043	3.374%/5.82%	61,000,000	500,000	0	260,000	240,000	240,000
Series 2012 UTR Bonds/2027	2.0%/3.5%	8,519,913	8,014,913	0	130,000	7,884,913	130,000
Series 2013A UTR Bonds/2031	2.0%/3.5%	8,985,000	8,870,000	0	40,000	8,830,000	40,000
Series 2013B UTR Bonds/2028	0.4%/3.13%	16,615,000	15,305,000	0	1,290,000	14,015,000	1,340,000
Series 2014 UTR Bonds/2033	1.63%/4.0%	9,330,000	9,060,000	0	70,000	8,990,000	70,000
Series 2015 UTR Bonds/2035	0.54%/5.0%	13,195,000	12,720,000	0	255,000	12,465,000	150,000
Series 2015A UTSB Bonds/2045	2.0%/5.0%	47,075,000	47,075,000	0	170,000	46,905,000	1,055,000
Series 2016 UTR Bonds/43	2.0%/5.0%	54,225,000	53,440,000	0	0	53,440,000	0
Totals			<u>\$179,385,854</u>	<u>\$0</u>	<u>\$3,128,732</u>	<u>\$176,257,122</u>	<u>\$3,958,035</u>

The following is a summary of the District's future annual debt service requirements to maturity for general obligation bonds.

Year Ended August 31	Principal	Interest	Total Requirements
2018	\$ 3,958,035	\$ 8,676,296	\$ 12,634,331
2019	4,774,218	8,160,551	12,934,769
2020	5,941,594	7,618,162	13,559,756
2021	6,508,986	7,372,245	13,881,231
2022	5,967,011	7,907,195	13,874,206
2023-2027	27,240,893	36,908,667	64,149,560
2028-2032	23,151,385	33,100,919	56,252,304
2033-2037	36,720,000	19,160,216	55,880,216
2038-2042	43,885,000	9,825,550	53,710,550
2043-2047	18,110,000	971,750	19,081,750
Totals	\$176,257,122	\$139,701,551	\$315,958,673

Interest and fees paid on general obligation bonds during the year was \$7,189,614.

There are numerous limitations and restrictions contained in the various general obligation bond indentures. The District has complied with all significant limitations and restrictions as of August 31, 2017.

N. Prior Year Deafesance of Debt

In prior years and during the current year, the District issued refunding bonds for the purpose of restructuring debt cash flow requirements. Proceeds from the refunding bonds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. The old bonds are considered defeased, and accordingly, the trust account assets and liabilities are not included in the District's financial statements. On August 31, 2017, \$106,445,000 of bonds considered defeased are still outstanding.

O. Revenue from Local and Intermediate Sources

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

	General Fund	Debt Service Fund	Capital Projects Fund	Other Funds	Fund Totals
Property taxes	\$31,908,567	\$11,565,432	\$ 0	\$ 0	\$43,473,999
Food sales	0	0	0	1,530,577	1,530,577
Penalties, interest & other tax related income	172,747	59,618	0	0	232,365
Earnings – temporary deposits & investments	193,523	43,829	278,774	5,704	521,830
Rent	48,288	0	0	0	48,288
Foundations, gifts & bequests	1,003,000	0	0	230,445	1,233,445
Insurance recovery	129,564	0	0	0	129,564
Other revenues from local sources	79,317	0	0	615,967	695,284
Ex/cocurricular activities	434,713	0	0	0	434,713
Total	\$33,969,719	\$11,668,879	\$278,774	\$2,382,693	\$48,300,065

P. State Aid Revenue

The District receives state revenues from TEA based upon application of formula allocations, on behalf allocations, and other state miscellaneous programs. The components of state program revenues as shown in the governmental fund financial statements are as follows:

	General Fund	Debt Service Fund	Other Funds	Totals
Per Capita Apportionment	\$1,984,703	\$ 0	\$ 0	\$1,984,703
Foundation School Prg. Act Entitlements	5,229,341	0	0	5,229,341
State Program Revenues	2,808	231,743	381,507	616,058
TRS On-behalf Payments	1,641,381	0	58,797	1,700,178
TRS Medicare Part-D	80,642	0	0	80,642
Totals	<u>\$8,938,875</u>	<u>\$231,743</u>	<u>\$440,304</u>	<u>\$9,610,922</u>

Q. Federal Program Revenues

The District receives federal program revenues for various programs as follows:

Revenues	General Fund	Other Funds
School Health & Related Services (SHARS)	\$140,742	\$ 0
Federal Revenues Distributed by TEA – indirect costs	2,330	0
U. S. Department of Education – Passed Through	0	1,062,960
U. S. Department of Agriculture – Passed Through	0	531,259
Totals	<u>\$143,072</u>	<u>\$1,594,219</u>

R. Employee Benefits

1. Compensated Absences

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

2. Defined Benefit Pension Plan

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

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

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

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

COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs, can be granted by the Texas Legislature as noted in the Plan description in above.

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

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

	<u>Contribution Rates</u>	
	<u>2016</u>	<u>2017</u>
Member	7.2%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%

Current fiscal year employer contributions	\$745,322
Current fiscal year member contributions	\$2,080,458
2016 measurement year NECE on-behalf contributions	\$1,405,115

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

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

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

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

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

Actuarial Assumptions - The total pension liability in the August 31, 2016, actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2016
Actuarial Cost Method	Individual Entry Age
Asset Valuation Method	Market Value
Single Discount Rate	8.0%
Long-term expected Investment Rate of Return	8.0%
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.

Discount Rate - The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used

to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2016, are summarized below:

Teacher Retirement System of Texas
Asset Allocation and Long-Term Expected Rate of Return
As of August 31, 2016

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

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

Discount Rate Sensitivity Analysis - The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2016 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
District's proportionate share of the net pension liability:	\$13,472,293	\$8,704,926	\$4,661,235

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At August 31, 2017, the District reported a liability of \$8,704,926 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction in 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	\$ 8,704,926
State's proportionate share that is associated with District	<u>16,678,493</u>
Total	<u>\$25,383,419</u>

The net pension liability was measured as of August 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2015, thru August 31, 2016.

At August 31, 2016, the employer's proportion of the collective net pension liability was 0.0230359% which was a decrease of 0.0005470% from its proportion measured as of August 31, 2015.

Changes Since the Prior Actual Valuation – There were no changes to the actuarial assumptions or other inputs that affected the measurement of the total pension liability since the prior measurement period.

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

Since this is the first year of implementation, the District does not have the proportion measured as of August 31, 2013. The Notes to the Financial Statements for August 31, 2014, for TRS stated that the change in proportion was immaterial and therefore disregarded this year.

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

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

For the year ended August 31, 2017, the District recognized pension expense of \$1,730,830 and revenue of \$1,730,830 for support provided by the State.

At August 31, 2017, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 136,492	\$259,924
Changes in actuarial assumptions	265,311	241,289
Difference between projected and actual investment earnings	737,115	0
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	2,123,434	628
Totals as of August 31, 2016 measurement date	\$3,262,352	\$501,841
Contributions paid to TRS subsequent to the measurement date	745,322	0
Total	<u>\$4,007,674</u>	<u>\$501,841</u>

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

Year ended August 31:	Pension Expense Amount
2018	\$494,566
2019	494,566
2020	964,733
2021	458,442
2022	309,060
Thereafter	39,144

3. Retiree Health Plan

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

Funding Policy – Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The Contribution Rate for the State was 1.00% for 2014, 2015 and 2016. The 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 contribution rate for the District was 0.55% for each of these three years. The

contribution rate for active employees was 0.65% of the District payroll for each of the three years. For staff members funded by federal programs, the federal programs are required to contribute 1.0%.

Contributions. Contributions made by the State on behalf of the District are recorded in the governmental funds financial statement as both revenue and expenditures. State contributions to TRS-Care made on behalf of the District’s employees as well as the District’s required contributions and federal grant program contributions for the years ended August 31, 2017, 2016, and 2015 are as follows:

	Contribution Amounts		
	2017	2016	2015
District Contributions	\$148,606	\$144,316	\$136,389
State Contributions	270,189	262,390	247,984
Employee Contributions	175,622	170,555	161,184

4. Medicare Part D Coverage

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2017, 2016, and 2015, the subsidy payments received by TRS-Care on-behalf of the District were \$80,642, \$101,170, and \$102,143, respectively. The information for the year ended August 31, 2017 is an estimate provided by the Teachers Retirement System. These payments are recorded as equal revenues and expenditures in the governmental funds financial statements of the District.

5. Active Employee Health Care Coverage

The District participates in TRS Active Care sponsored by the Teacher Retirement System of Texas and administered through Aetna and Caremark (pharmacy). TRS Active Care provides health care coverage to employees (and their dependents) of participating public education entities. Optional life and long-term care insurance are also provided to active members and retirees. The plan is authorized by the Texas Insurance Code, Title 8, Subtitle H, Chapter 1579 and by the Texas Administrative Code, Title 34, Part 3, Chapter 41. The District contributed approximately \$250 per month per participant to the plan, and employees, at their option, authorized payroll withholdings to pay employee contributions and additional premiums for dependents. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS ActiveCare. That report may be obtained by visiting the TRS Website at www.trs.state.tx.us, by writing the Communications Department of the Texas Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling (800) 223-8778.

S. Commitments and Contingencies

1. State and Federal Grants

Minimum foundation funding received from TEA is based primarily upon information concerning average daily attendance at the District's schools which is compiled by the District and supplied to TEA. Federal funding for Food Service under child nutrition programs is based primarily upon the number and type of meals served and on user charges as reported to the United States Department of Agriculture ("USDA"). Federal and state funding received related to various grant programs are based upon periodic reports detailing reimbursable expenditures made in compliance with program guidelines to the grantor agencies.

These programs are governed by various statutory rules and regulations of the grantors. Amounts received and receivable under these various funding programs are subject to periodic audit and adjustment by the funding agencies. To the extent, if any, that the District has not complied with all the rules and regulations with respect to performance, financial or otherwise, adjustment to or return of funding monies may be required. In the opinion of the District's administration, there are no significant contingent liabilities relating to matters of compliance and, accordingly, no provision has been made in the accompanying financial statements for such contingencies.

2. Litigation

The District is not a party in any litigation.

T. Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the current fiscal year, 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.

U. Evaluation of Subsequent Events

The District has evaluated subsequent events through January 9, 2018, the date which the financial statements were available to be issued.

ALEDO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 33,748,390	\$ 33,751,390	\$ 33,969,719	\$ 218,329
5800	State Program Revenues	7,693,682	8,645,854	8,938,875	293,021
5900	Federal Program Revenues	100,000	100,000	143,072	43,072
5020	Total Revenues	41,542,072	42,497,244	43,051,666	554,422
EXPENDITURES:					
Current:					
0011	Instruction	22,602,800	22,453,028	22,172,566	280,462
0012	Instructional Resources and Media Services	506,212	564,427	560,270	4,157
0013	Curriculum and Instructional Staff Development	322,647	322,647	302,947	19,700
0021	Instructional Leadership	492,561	492,561	477,766	14,795
0023	School Leadership	2,597,914	2,617,914	2,577,450	40,464
0031	Guidance, Counseling and Evaluation Services	1,261,932	1,350,489	1,349,366	1,123
0033	Health Services	437,951	447,951	446,626	1,325
0034	Student (Pupil) Transportation	2,258,210	2,258,210	2,141,577	116,633
0035	Food Services	3,000	3,000	990	2,010
0036	Extracurricular Activities	2,106,670	2,107,670	2,028,694	78,976
0041	General Administration	1,820,091	1,885,091	1,769,575	115,516
0051	Facilities Maintenance and Operations	5,016,689	5,016,689	4,930,558	86,131
0052	Security and Monitoring Services	468,019	498,019	486,070	11,949
0053	Data Processing Services	955,948	955,948	880,220	75,728
Intergovernmental:					
0091	Contracted Instructional Services Between Schools	905,000	895,000	880,568	14,432
0099	Other Intergovernmental Charges	650,000	640,000	628,380	11,620
6030	Total Expenditures	42,405,644	42,508,644	41,633,623	875,021
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(863,572)	(11,400)	1,418,043	1,429,443
OTHER FINANCING SOURCES (USES):					
7912	Sale of Real and Personal Property	500	500	2,682	2,182
7949	Other Resources - Gas & Land Lease	10,900	10,900	19,517	8,617
7080	Total Other Financing Sources (Uses)	11,400	11,400	22,199	10,799
1200	Net Change in Fund Balances	(852,172)	-	1,440,242	1,440,242
0100	Fund Balance - September 1 (Beginning)	15,337,305	15,337,305	15,337,305	-
3000	Fund Balance - August 31 (Ending)	\$ 14,485,133	\$ 15,337,305	\$ 16,777,547	\$ 1,440,242

ALEDO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2017

	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
District's Proportion of the Net Pension Liability (Asset)	0.0230359%	0.0235829%	0.0135432%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 8,704,926	\$ 8,336,241	\$ 3,617,576
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	16,678,493	15,764,091	13,391,760
Total	<u>\$ 25,383,419</u>	<u>\$ 24,100,332</u>	<u>\$ 17,009,336</u>
District's Covered-Employee Payroll	\$ 26,239,017	\$ 24,798,446	\$ 23,334,205
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	33.18%	33.62%	15.50%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.00%	78.43%	83.25%

Note: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2016 for Year 2017, August 31, 2015 for Year 2016 and August 31, 2014 for 2015.

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

ALEDO INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DISTRICT CONTRIBUTIONS
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR FISCAL YEAR 2017

	2017	2016	2015
Contractually Required Contribution	\$ 745,322	\$ 731,908	\$ 698,301
Contribution in Relation to the Contractually Required Contribution	(745,322)	(731,908)	(698,301)
Contribution Deficiency (Excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
District's Covered-Employee Payroll	\$ 27,018,924	\$ 26,239,017	\$ 24,798,446
Contributions as a Percentage of Covered-Employee Payroll	2.76%	2.79%	2.82%

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

Note: In accordance with GASB 68, Paragraph 138, the years of data presented this reporting period are those for which data is available. "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."

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COMBINING SCHEDULES

ALEDO INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2017

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program	
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ 418,321
1240	Receivables from Other Governments	-	-	-	8,207
1290	Other Receivables	-	-	-	-
1300	Inventories	-	-	-	78,359
1000	Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 504,887</u>
LIABILITIES					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ 211,901
2160	Accrued Wages Payable	-	-	-	7,194
2200	Accrued Expenditures	-	-	-	132
2300	Unearned Revenues	-	-	-	-
2000	Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>219,227</u>
FUND BALANCES					
Nonspendable Fund Balance:					
3410	Inventories	-	-	-	78,359
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	207,301
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>285,660</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 504,887</u>

244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	289 Other Federal Special Revenue Funds	397 Advanced Placement Incentives	410 State Textbook Fund	429 Other State Special Revenue Funds	461 Campus Activity Funds
\$ -	\$ -	\$ -	\$ -	\$ 7,630	\$ 33,695	\$ 7,406	\$ 334,524
-	-	-	-	-	7,208	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,630</u>	<u>\$ 40,903</u>	<u>\$ 7,406</u>	<u>\$ 334,524</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40,903	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	591	-	7,406	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>591</u>	<u>40,903</u>	<u>7,406</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	7,039	-	-	-
-	-	-	-	-	-	-	334,524
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,039</u>	<u>-</u>	<u>-</u>	<u>334,524</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,630</u>	<u>\$ 40,903</u>	<u>\$ 7,406</u>	<u>\$ 334,524</u>

ALEDO INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2017

Data Control Codes		490 Education Foundation Awards	Total Nonmajor Governmental Funds
ASSETS			
1110	Cash and Cash Equivalents	\$ (4,712)	\$ 796,864
1240	Receivables from Other Governments	-	15,415
1290	Other Receivables	5,407	5,407
1300	Inventories	-	78,359
1000	Total Assets	<u>\$ 695</u>	<u>\$ 896,045</u>
LIABILITIES			
2110	Accounts Payable	\$ 695	\$ 253,499
2160	Accrued Wages Payable	-	7,194
2200	Accrued Expenditures	-	132
2300	Unearned Revenues	-	7,997
2000	Total Liabilities	<u>695</u>	<u>268,822</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3410	Inventories	-	78,359
Restricted Fund Balance:			
3450	Federal or State Funds Grant Restriction	-	214,340
Committed Fund Balance:			
3545	Other Committed Fund Balance	-	334,524
3000	Total Fund Balances	<u>-</u>	<u>627,223</u>
4000	Total Liabilities and Fund Balances	<u>\$ 695</u>	<u>\$ 896,045</u>

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ALEDO INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ 1,536,156
5800 State Program Revenues	-	-	-	67,195
5900 Federal Program Revenues	284,580	660,173	8,352	531,259
5020 Total Revenues	284,580	660,173	8,352	2,134,610
EXPENDITURES:				
Current:				
0011 Instruction	247,969	257,612	8,352	-
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	16,611	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	394,071	-	-
0033 Health Services	-	8,490	-	-
0035 Food Services	-	-	-	2,154,724
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0052 Security and Monitoring Services	-	-	-	-
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	20,000	-	-	-
6030 Total Expenditures	284,580	660,173	8,352	2,154,724
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	(20,114)
OTHER FINANCING SOURCES (USES):				
7912 Sale of Real and Personal Property	-	-	-	7,500
1200 Net Change in Fund Balance	-	-	-	(12,614)
0100 Fund Balance - September 1 (Beginning)	-	-	-	298,274
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ 285,660

244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	289 Other Federal Special Revenue Funds	397 Advanced Placement Incentives	410 State Textbook Fund	429 Other State Special Revenue Funds	461 Campus Activity Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	616,092
-	-	-	-	7,200	365,853	56	-
34,791	61,264	13,800	-	-	-	-	-
34,791	61,264	13,800	-	7,200	365,853	56	616,092
34,791	-	11,460	-	-	365,853	-	505,258
-	-	-	-	-	-	56	65,393
-	61,264	2,340	-	1,755	-	-	-
-	-	-	-	-	-	-	228
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	5,410
-	-	-	-	-	-	-	14,656
-	-	-	-	-	-	-	558
-	-	-	-	-	-	-	-
34,791	61,264	13,800	-	1,755	365,853	56	591,503
-	-	-	-	5,445	-	-	24,589
-	-	-	-	-	-	-	-
-	-	-	-	5,445	-	-	24,589
-	-	-	-	1,594	-	-	309,935
\$ -	\$ -	\$ -	\$ -	\$ 7,039	\$ -	\$ -	\$ 334,524

ALEDO INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	490 Education Foundation Awards	Total Nonmajor Governmental Funds
REVENUES:		
5700 Total Local and Intermediate Sources	\$ 230,445	\$ 2,382,693
5800 State Program Revenues	-	440,304
5900 Federal Program Revenues	-	1,594,219
5020 Total Revenues	<u>230,445</u>	<u>4,417,216</u>
EXPENDITURES:		
Current:		
0011 Instruction	230,445	1,661,740
0012 Instructional Resources and Media Services	-	65,449
0013 Curriculum and Instructional Staff Development	-	81,970
0031 Guidance, Counseling and Evaluation Services	-	394,299
0033 Health Services	-	8,490
0035 Food Services	-	2,154,724
0036 Extracurricular Activities	-	5,410
0041 General Administration	-	14,656
0052 Security and Monitoring Services	-	558
Intergovernmental:		
0093 Payments to Fiscal Agent/Member Districts of SSA	-	20,000
6030 Total Expenditures	<u>230,445</u>	<u>4,407,296</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	9,920
OTHER FINANCING SOURCES (USES):		
7912 Sale of Real and Personal Property	-	7,500
1200 Net Change in Fund Balance	-	17,420
0100 Fund Balance - September 1 (Beginning)	-	609,803
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ 627,223</u>

ALEDO INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF NET POSITION
 NONMAJOR ENTERPRISE FUNDS
 AUGUST 31, 2017

	715	730	732	733	Total Nonmajor Enterprise Funds
	Pre-K Child Care	Bearcat Store	Community Partners	Stadium/Gym Advertising	
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$ 20,364	\$ 37,359	\$ 10,902	\$ 213,009	\$ 281,634
Total Assets	<u>20,364</u>	<u>37,359</u>	<u>10,902</u>	<u>213,009</u>	<u>281,634</u>
LIABILITIES					
Current Liabilities:					
Accounts Payable	-	342	-	9,640	9,982
Total Liabilities	<u>-</u>	<u>342</u>	<u>-</u>	<u>9,640</u>	<u>9,982</u>
NET POSITION					
Unrestricted Net Position	\$ 20,364	\$ 37,017	\$ 10,902	\$ 203,369	\$ 271,652
Total Net Position	<u>\$ 20,364</u>	<u>\$ 37,017</u>	<u>\$ 10,902</u>	<u>\$ 203,369</u>	<u>\$ 271,652</u>

ALEDO INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2017

	715	730	732	733	Total Nonmajor Enterprise Funds
	Pre-K Child Care	Bearcat Store	Community Partners	Stadium/Gym Advertising	
OPERATING REVENUES:					
Local and Intermediate Sources	\$ 56,280	\$ 44,654	\$ 3,700	\$ 45,600	\$ 150,234
Total Operating Revenues	<u>56,280</u>	<u>44,654</u>	<u>3,700</u>	<u>45,600</u>	<u>150,234</u>
OPERATING EXPENSES:					
Payroll Costs	56,280	-	-	-	56,280
Supplies and Materials	-	27,925	-	-	27,925
Other Operating Costs	-	5,545	23,505	24,514	53,564
Total Operating Expenses	<u>56,280</u>	<u>33,470</u>	<u>23,505</u>	<u>24,514</u>	<u>137,769</u>
Operating Income (Loss)	-	11,184	(19,805)	21,086	12,465
Total Net Position - September 1 (Beginning)	<u>20,364</u>	<u>25,833</u>	<u>30,707</u>	<u>182,283</u>	<u>259,187</u>
Total Net Position - August 31 (Ending)	<u>\$ 20,364</u>	<u>\$ 37,017</u>	<u>\$ 10,902</u>	<u>\$ 203,369</u>	<u>\$ 271,652</u>

ALED0 INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2017

	715	730	732	733	Total
	Pre-K Child Care	Bearcat Store	Community Partners	Stadium/Gym Advertising	Nonmajor Enterprise Funds
<u>Cash Flows from Operating Activities:</u>					
Cash Received from User Charges	\$ 56,280	\$ 44,654	\$ 3,700	\$ 45,600	\$ 150,234
Cash Payments to Employees for Services	(56,280)	-	-	-	(56,280)
Cash Payments for Suppliers	-	(28,821)	-	-	(28,821)
Cash Payments for Other Operating Expenses	-	(5,545)	(25,905)	(14,874)	(46,324)
Net Cash Provided by (Used for) Operating Activities	-	10,288	(22,205)	30,726	18,809
Net Increase (Decrease) in Cash and Cash Equivalents	-	10,288	(22,205)	30,726	18,809
Cash and Cash Equivalents at Beginning of Year	20,364	27,071	33,107	182,283	262,825
Cash and Cash Equivalents at End of Year	\$ 20,364	\$ 37,359	\$ 10,902	\$ 213,009	\$ 281,634
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>					
<u>Provided by (Used for) Operating Activities:</u>					
Operating Income (Loss):	\$ -	\$ 11,184	\$ (19,805)	\$ 21,086	\$ 12,465
Effect of Increases and Decreases in Current Assets and Liabilities:					
Increase (decrease) in Accounts Payable	-	(896)	(2,400)	9,640	6,344
Net Cash Provided by (Used for) Operating Activities	\$ -	\$ 10,288	\$ (22,205)	\$ 30,726	\$ 18,809

ALED0 INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF NET POSITION
 PRIVATE PURPOSE TRUST FUNDS
 AUGUST 31, 2017

	816 Don Daniel Endowment Fund	817 Dan Manning Endowment Fund	818 Hyles Attendance Awards	819 FG Aledo Development Fund	Total Private Purpose Trust Funds
ASSETS					
Cash and Cash Equivalents	\$ 30	\$ 7	\$ -	\$ 2,000	\$ 2,037
Investments - Current	74,925	40,646	2,584	-	118,155
Total Assets	<u>74,955</u>	<u>40,653</u>	<u>2,584</u>	<u>2,000</u>	<u>120,192</u>
NET POSITION					
Restricted for Scholarships	\$ 74,955	\$ 40,653	\$ 2,584	\$ 2,000	\$ 120,192
Total Net Position	<u>\$ 74,955</u>	<u>\$ 40,653</u>	<u>\$ 2,584</u>	<u>\$ 2,000</u>	<u>\$ 120,192</u>

ALEDO INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 PRIVATE PURPOSE TRUST FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2017

	816 Don Daniel Endowment Fund	817 Dan Manning Endowment Fund	818 Hyles Attendance Awards	819 FG Aledo Development Fund	Total Private Purpose Trust Funds
ADDITIONS:					
Local and Intermediate Sources	\$ 778	\$ 401	\$ 2,548	\$ -	\$ 3,727
Total Additions	<u>778</u>	<u>401</u>	<u>2,548</u>	<u>-</u>	<u>3,727</u>
DEDUCTIONS:					
Other Operating Costs	7,000	2,500	5,000	1,000	15,500
Total Deductions	<u>7,000</u>	<u>2,500</u>	<u>5,000</u>	<u>1,000</u>	<u>15,500</u>
 Change in Net Position	 (6,222)	 (2,099)	 (2,452)	 (1,000)	 (11,773)
 Net Position - September 1 (Beginning)	 <u>81,177</u>	 <u>42,752</u>	 <u>5,036</u>	 <u>3,000</u>	 <u>131,965</u>
 Net Position - August 31 (Ending)	 <u>\$ 74,955</u>	 <u>\$ 40,653</u>	 <u>\$ 2,584</u>	 <u>\$ 2,000</u>	 <u>\$ 120,192</u>

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REQUIRED SUPPLEMENTARY INFORMATION

ALEDO INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED AUGUST 31, 2017

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2008 and prior years	Various	Various	\$ 1,908,823,774
2009	1.040000	0.385200	2,498,301,428
2010	1.040000	0.385200	2,527,725,812
2011	1.170000	0.255200	2,573,318,370
2012	1.170000	0.255200	2,434,577,463
2013	1.170000	0.255200	2,465,553,677
2014	1.170000	0.255200	2,504,191,131
2015	1.170000	0.255200	2,606,380,768
2016	1.170000	0.425000	2,811,377,179
2017 (School year under audit)	1.170000	0.425000	2,723,994,044
1000 TOTALS			

(10) Beginning Balance 9/1/2016	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2017
\$ 157,600	\$ -	\$ 463	\$ 157	\$ (170)	\$ 156,810
24,311	-	828	307	(10)	23,166
32,248	-	873	323	(11)	31,041
31,505	-	1,487	324	(56)	29,638
107,207	-	41,458	9,043	7,171	63,877
136,586	-	47,382	10,335	80,425	159,294
196,486	-	47,696	10,403	73,882	212,269
221,818	-	56,563	12,337	59,082	212,000
423,316	-	156,067	56,691	64,114	274,672
-	43,447,705	31,598,851	11,478,215	60,353	430,992
<u>\$ 1,331,077</u>	<u>\$ 43,447,705</u>	<u>\$ 31,951,668</u>	<u>\$ 11,578,135</u>	<u>\$ 344,780</u>	<u>\$ 1,593,759</u>

ALEDO INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
 FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 1,609,000	\$ 1,609,000	\$ 1,536,156	\$ (72,844)
5800 State Program Revenues	69,021	69,021	67,195	(1,826)
5900 Federal Program Revenues	475,000	475,000	531,259	56,259
5020 Total Revenues	<u>2,153,021</u>	<u>2,153,021</u>	<u>2,134,610</u>	<u>(18,411)</u>
EXPENDITURES:				
0035 Food Services	<u>2,430,644</u>	<u>2,430,644</u>	<u>2,154,724</u>	<u>275,920</u>
6030 Total Expenditures	<u>2,430,644</u>	<u>2,430,644</u>	<u>2,154,724</u>	<u>275,920</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(277,623)	(277,623)	(20,114)	257,509
OTHER FINANCING SOURCES (USES):				
7912 Sale of Real and Personal Property	-	-	7,500	7,500
1200 Net Change in Fund Balances	(277,623)	(277,623)	(12,614)	265,009
0100 Fund Balance - September 1 (Beginning)	<u>298,274</u>	<u>298,274</u>	<u>298,274</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 20,651</u>	<u>\$ 20,651</u>	<u>\$ 285,660</u>	<u>\$ 265,009</u>

ALEDO INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - DEBT SERVICE FUND
 FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 11,637,137	\$ 11,637,137	\$ 11,668,879	\$ 31,742
5800	State Program Revenues	147,000	147,000	231,743	84,743
5020	Total Revenues	11,784,137	11,784,137	11,900,622	116,485
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	3,128,733	4,128,733	4,090,000	38,733
0072	Interest on Long Term Debt	8,505,404	7,505,404	7,091,935	413,469
0073	Bond Issuance Cost and Fees	150,000	150,000	97,679	52,321
6030	Total Expenditures	11,784,137	11,784,137	11,279,614	504,523
1200	Net Change in Fund Balances	-	-	621,008	621,008
0100	Fund Balance - September 1 (Beginning)	1,458,095	1,458,095	1,458,095	-
3000	Fund Balance - August 31 (Ending)	\$ 1,458,095	\$ 1,458,095	\$ 2,079,103	\$ 621,008

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REPORT ON INTERNAL CONTROLS, COMPLIANCE
AND FEDERAL AWARDS

KIRK & RICHARDSON, P. C.

Certified Public Accountants

Tom Kirk, CPA		Don Richardson, CPA
7559 John T. White Road	P. O. Box 8342	Fort Worth, Texas 76124
(817) 451-7406	www.krp-cpa.com	Fax (817) 451-7597

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
Aledo Independent School District
1008 Bailey Ranch Road
Aledo, Texas 76008

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, business-type activities, each major fund, and the aggregate remaining fund information of Aledo Independent School District (the "District") as of and for the year ended August 31, 2017, and the related notes to the financial statements which collectively comprise the District's basic financial statements and have issued our report thereon dated January 9, 2018.

Internal Control over Financial Reports

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

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

Our consideration of the 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 over financial reporting that might be material weaknesses, or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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 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 Audit Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kirk & Richardson, P.C.

Kirk & Richardson, P. C.
Fort Worth, Texas
January 9, 2018

KIRK & RICHARDSON, P. C.

Certified Public Accountants

Tom Kirk, CPA		Don Richardson, CPA
7559 John T. White Road	P. O. Box 8342	Fort Worth, Texas 76124
(817) 451-7406	www.krp-cpa.com	Fax (817) 451-7597

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees
Aledo Independent School District
1008 Bailey Ranch Road
Aledo, Texas 76008

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited Aledo Independent School District (the "District") compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2017. The 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 the 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 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 District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2017.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on 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 District's internal control over compliance.

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

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

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

Kirk & Richardson, P.C.

Kirk & Richardson, P. C.
Fort Worth, Texas
January 9, 2018

ALEDO INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED AUGUST 31, 2017

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiency(ies) identified that are not considered to be material weakness?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiency(ies) identified that are not considered to be material weakness?	No
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 <i>Audit Requirements for Federal Awards</i> (Uniform Guidance).	
	No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.027	IDEA – Part B, Formula
84.173	IDEA – Part B, Preschool

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

Auditee qualified as low risk auditee?: Yes

Section II – Financial Statement Findings

None.

Section III – Federal Award Findings and Questioned Costs

None.

ALEDO INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2017

PRIOR YEAR'S FINDING/NONCOMPLIANCE:

N/A – none required.

STATUS OF PRIOR YEAR'S FINDINGS/NONCOMPLIANCE:

N/A – none required.

ALEDO INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2017

Contact Person: Earl Husfeld, Chief Financial Officer
1008 Bailey Ranch Road
Aledo, Texas 76008
(817) 441-5111

CORRECTIVE ACTION PLAN:

None required.

ALEDO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2017

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	17610101184907	\$ 284,580
*IDEA - Part B, Formula	84.027	176600011849076000	660,173
*IDEA - Part B, Preschool	84.173	176610011849076000	8,352
Total Special Education Cluster (IDEA)			668,525
Career and Technical - Basic Grant	84.048	17420006184907	34,791
Title III, Part A - English Language Acquisition	84.365A	17671001184907	13,800
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	17694501184907	61,264
Summer School LEP	84.369	69551602	2,330
Total Passed Through State Department of Education			1,065,290
TOTAL U.S. DEPARTMENT OF EDUCATION			1,065,290
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	00901	65,626
*National School Lunch Program - Cash Assistance	10.555	00901	357,606
*National School Lunch Prog. - Non-Cash Assistance	10.555	00901	108,027
Total CFDA Number 10.555			465,633
Total Child Nutrition Cluster			531,259
Total Passed Through the State Department of Agriculture			531,259
TOTAL U.S. DEPARTMENT OF AGRICULTURE			531,259
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 1,596,549

*Clustered Programs

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

ALEDO INDEPENDENT SCHOOL DISTRICT
 NOTES TO SCHEDULE OF EXPENDITURES TO FEDERAL AWARDS
 AUGUST 31, 2017

1. For all federal programs, the District uses the fund types specified in Texas Education Agency's *Financial Accountability System Resource Guide*. Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is account for in a Special Revenue Fund.
2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The governmental funds are accounted for using a current financial resources measurement focus. All federal grant funds were accounted for in special revenue funds, which are governmental fund types. With this measurement focus, only current assets, current liabilities and fund balance are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for the Governmental Fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant revenues are considered to be earned to the extent of expenditures made under the provisions of the grant, and accordingly, when such amounts are received, they are recorded as unearned revenues until earned. The accompanying Schedule of Expenditures of Federal Awards is presented on the modified accrual basis of accounting.

3. The period of availability for federal grant programs for the purpose of liquidations of outstanding obligations made on or before the ending date of the federal project extended 30 days beyond the federal project period ending date.
4. The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustments by the grantor agencies; therefore, to the extent that the District has not complied with rules and regulations governing the grants, refund of any money received may be required and the collectability of any related receivable may be impaired.
5. The following is a reconciliation of expenditures of federal awards program per the Schedule of Expenditures of Federal Awards and expenditures reported in the financial statements as follows:

Total federal sources per financial statements for Governmental Funds	\$1,737,291
School Health & Related Services (SHARS) reimbursement not reported in the Schedule of Expenditures of Federal Awards	(140,742)
Total federal expenditures on Schedule of Expenditures of Federal Awards	<u>\$1,596,549</u>