

**ALEDO INDEPENDENT SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT FOR THE  
YEAR ENDED**

**AUGUST 31, 2016**

**ALEDO INDEPENDENT SCHOOL DISTRICT**

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Year Ended August 31, 2016**

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**CERTIFICATE OF THE BOARD**

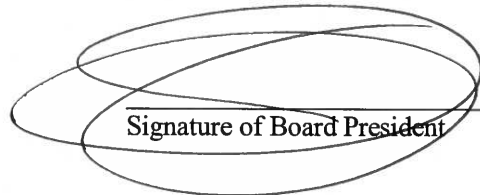
Aledo Independent School District  
Name of School District

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)  X  approved \_\_\_\_\_ disapproved for the year ended August 31, 2016, at a meeting of the board of trustees of such school district on the  23rd  day of  January , 2017.

  
\_\_\_\_\_  
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 & POOLE, P. C.

## Certified Public Accountants

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<b>Tom Kirk, CPA</b>	<b>Don Richardson, CPA</b>	<b>Cindy Poole, CPA</b>
<b>7559 John T. White Road</b>	<b>P. O. Box 8342</b>	<b>Fort Worth, Texas 76124</b>
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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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

## **Opinions**

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

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 7-15 and 68 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 69 and 70 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 18, 2017 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 & Poole, P.C.*

Kirk, Richardson & Poole, P.C.  
Fort Worth, Texas  
January 18, 2017

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

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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, 2016. 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 issued \$54,225,000 in Unlimited Tax School Refunding Bonds, Series 2016. Proceeds from the sale of the Bonds will be used to (i) refund \$56,615,000 of the District's outstanding Unlimited Tax School Building Bonds, Series 2008, and (ii) pay the costs associated with issuance of the Bonds. The refunding was undertaken to lower the District's debt service payments and to result in a present value savings to the District. See Notes to the Financial Statements for additional detail.
- The District started 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 Aledo Education Foundation was added to this year's financial statements as a "blended fiduciary component unit" because of the close relationship with District governance and financial relationship with the District.
- The District's governmental activities net position at the close of its fiscal year was (\$37,918,373) as compared to (\$37,479,364) last year. Net investment in capital assets is (\$80,125,923). Restricted for Federal and State Programs, Debt Service, Capital Projects and Campus Activities is \$43,981,750. Unrestricted net position is (\$1,774,200). The District's business type activities net position was \$259,187, an increase of \$29,856 over last year.
- As of the close of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$59,882,354 a net decrease of (\$7,449,741) from the prior year. The General Fund had a net increase of \$1,649,840 from \$13,687,465 to \$15,337,305. This was composed of an increase of \$1,604,335 from current year operations plus other financing sources of \$45,505. The Debt Service Fund increased from \$558,959 to \$1,458,095. Current year operations added \$362,830 to this amount and the refunding issue, previously discussed, added another \$536,306. The Capital Projects Fund decreased by (\$9,976,753) during the current year resulting in an ending fund balance of \$42,477,151. Other Funds decreased from \$631,767 to \$609,803 as a result of current year operations.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$15,337,305 or 37% of total General Fund current year expenditures. Prior year unassigned fund balance for the General Fund was \$13,687,465, or 35% 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 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.

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

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- 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.
- 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.

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Table 1**  
**Statement of Net Position**

	Governmental Activities	
	2016	2015
<b>ASSETS:</b>		
Current and other assets	\$ 64,142,932	\$ 71,334,155
Capital assets	108,731,690	108,501,775
Total assets	<u>172,874,622</u>	<u>179,835,930</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
Deferred charges for refunding	15,104,333	11,029,721
Teacher Retirement System	4,492,119	989,394
Total deferred outflow of resources	<u>19,596,452</u>	<u>12,019,115</u>
<b>LIABILITIES:</b>		
Long-term liabilities	225,675,178	224,131,010
Other liabilities	4,094,015	4,096,772
Total liabilities	<u>229,769,193</u>	<u>228,227,782</u>
<b>DEFERRED INFLOW OF RESOURCES:</b>		
Teacher Retirement System	620,254	1,106,627
<b>NET POSITION:</b>		
Net investment in capital assets	(80,125,923)	(41,228,549)
Restricted	43,981,750	6,013,811
Unrestricted	<u>(1,774,200)</u>	<u>(2,264,626)</u>
Total net position	<u>\$(37,918,373)</u>	<u>\$(37,479,364)</u>
	Business Type Activities	
	2016	2015
<b>ASSETS:</b>		
Current and other assets	\$262,825	\$316,066
Total assets	<u>262,825</u>	<u>316,066</u>
<b>LIABILITIES:</b>		
Other liabilities	3,638	86,735
Total liabilities	<u>3,638</u>	<u>86,735</u>
<b>NET POSITION:</b>		
Unrestricted	259,187	229,331
Total net position	<u>\$259,187</u>	<u>\$229,331</u>

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Table 2**  
**Statement of Activities**

	Governmental Activities	
	2016	2015
<b>REVENUES:</b>		
Program revenues:		
Charges for services	\$ 2,899,123	\$ 3,090,259
Operating grants and contributions	4,534,840	4,078,556
General revenues:		
Maintenance and operations taxes	33,123,612	30,574,129
Debt service taxes	11,982,856	6,668,818
State aid – formula grants	7,344,996	5,854,579
Grants and contributions not restricted	298,276	1,897
Investment earnings	271,756	14,503
Miscellaneous local & intermediate revenue	565,966	327,923
Total revenues	<u>61,021,425</u>	<u>50,610,664</u>
<b>EXPENSES:</b>		
Instruction & instructional-related services	30,384,606	28,667,031
Instructional & school leadership	3,840,228	3,451,357
Guidance, social work, health, transportation	4,372,682	3,950,194
Food service	2,225,324	2,185,023
Extracurricular activities	2,551,896	2,340,452
General administration	2,012,552	1,783,258
Plant maintenance & security	8,161,566	5,360,190
Data processing services	2,451,031	1,223,628
Community services	4,096	0
Debt service	4,089,587	5,256,519
Intergovernmental charges	1,366,866	1,289,868
Total expenses	<u>61,460,434</u>	<u>55,507,520</u>
Increase/(Decrease) in net position before inflows/ outflows and special items	(439,009)	(4,896,856)
Net position beginning of year	(37,479,364)	(28,483,780)
Prior period adjustment	0	(4,098,728)
Net position end of year	<u>\$(37,918,373)</u>	<u>\$(37,479,364)</u>
	Business Type Activities	
	2016	2015
REVENUES	\$146,524	\$239,714
EXPENSES	116,668	213,480
Increase/(Decrease) in net position before inflows/ outflows and special items	29,856	26,234
Net position beginning of year	229,331	203,097
Net position end of year	<u>\$259,187</u>	<u>\$229,331</u>

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Governmental Revenue by Source**

	Governmental Activities	
	2016	2015
Program Revenues:		
Charges for services	4.8%	6.1%
Operating grants and contributions	7.4%	8.1%
General Revenues:		
Maintenance & operating taxes	54.3%	60.4%
Debt service taxes	19.6%	13.2%
State aid – formula grants	12.0%	11.7%
Grants and contributions not restricted	0.5%	0.0%
All others	1.4%	0.5%
Total Revenues	100.0%	100.0%

**Governmental Expenses by Function**

	Governmental Activities	
	2016	2015
Instruction & instructional-related services	49.4%	51.6%
Instructional & school leadership	6.2%	6.2%
Guidance, social work, health, transportation	7.1%	7.1%
Food service	3.6%	3.9%
Extracurricular activities	4.2%	4.2%
General administration	3.3%	3.2%
Plant maintenance & security	13.3%	9.7%
Data processing services	4.0%	2.2%
Community services	0.0%	0.0%
Debt service	6.7%	9.5%
Intergovernmental charges	2.2%	2.4%
Total Expenses	100.0%	100.0%

The District's governmental activities net position decreased by (\$439,009), or (1.2%) from current fiscal year operations as shown below.

- 1) Total net change in Fund Balances – Governmental Funds – (\$7,449,741)
- 2) Capital outlays and long-term debt principal – \$10,399,086
- 3) Depreciation – (\$5,569,171)
- 4) GASB 68 adjustments – (\$729,567)
- 5) Other miscellaneous adjustments - \$2,910,384

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.

ALEDO INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**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.

The District's governmental funds reported a combined ending fund balance of \$59,882,354, a net decrease of (\$7,449,741) from last year's combined fund balance. Unassigned fund balance is \$15,337,305 or 25.6%, 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	\$57,014
Restricted fund balance:	
Federal or state funds grant restrictions -	
National Breakfast & Lunch Program	\$241,260
Advance Placement Incentives	1,594
Total federal or state funds grant restriction	<u>\$242,854</u>
Capital acquisition & contractual obligations -	
Capital Projects Fund	<u>\$42,477,151</u>
Retirement of long-term debt -	
Debt Service Fund	<u>\$1,458,095</u>
Committed fund balance:	
Other committed fund balance - Campus activity funds	<u>\$309,935</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 \$15,337,305 as compared to \$13,687,465 last year. The total fund balance increased by \$1,604,335 plus an additional \$45,505 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. Major amendments were in Function 11 - Instruction for increased operating and personnel cost associated with increased enrollment.
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 \$15,337,305 differs from the General Fund's budgetary fund balance of \$13,042,879. The difference of \$2,294,426 is primarily due to actual revenues exceeding

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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budgeted revenues by \$464,510 and actual expenditures being \$1,800,811 less than budgeted expenditures. Other financing sources were \$29,105 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 \$108,731,690 (net of accumulated depreciation) for a net increase of \$229,915 or (0.2%) 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		
	2016	2015
Land	\$ 6,745,838	\$ 6,745,838
Construction-in-progress	3,114,260	0
Buildings & improvements	155,342,696	155,263,477
Furniture & equipment	10,469,809	7,917,202
Total at historical costs	175,672,603	169,926,517
Less depreciation	(66,940,913)	(61,424,742)
Totals	<u>\$108,731,690</u>	<u>\$108,501,775</u>

**Debt Service**

At year-end, the District had \$225,675,178 in long-term debt, consisting of \$179,385,854 in outstanding general obligation bonds, accreted interest of \$12,621,981, premium on bonds of \$25,331,102 and net pension liability of \$8,336,241, versus \$224,131,010 last year for an increase of \$1,544,168. Net pension liability and premium on bonds increased by \$4,718,665 and \$3,116,901, respectively. This increase was partially offset by a reduction in general obligation bonds of (\$6,234,989).

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

- The District's 2015-2016 student attendance rate increased to 97.0% from 96.5% in 2014-2015. The 2015-2016 student enrollment growth was 194 students, a 3.8% increase.
- Following is the outlook for the 2016-2017 fiscal year:
  - The most recent demographic projection of student enrollment growth forecasts an additional 189 students, a 3.6% increase.
  - The 2016 certified taxable value of all property in the District was \$2,814,813,802, a decrease in value of \$78,240,428, or 2.70%, from the 2015 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 same tax rate as was adopted for the 2015-2016 fiscal year.
  - Due to the decline in taxable property values, 2016-2017 budgeted current year local tax revenues in the General Fund decreased by \$921,460 to \$31,671,590. During 2016-2017, the Walsh Ranch made a generous, one-time donation to the District in the amount of \$1,000,000. Budgeted state revenues and other resources increased to \$7,805,082 as a result of the decrease

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

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in taxable property values and projected student enrollment growth. This results in total 2016-2017 budgeted General Fund revenues of \$41,553,472 with General Fund expenditures budgeted at \$42,405,644. The budgeted difference of \$852,172 will reduce the fund balance in the General Fund.

- o Due to the decrease in taxable property values, 2016-2017 budgeted local revenues in the Debt Service Fund decreased slightly to \$11,637,137 while budgeted state revenues increased to \$147,000. Budgeted Debt Service Fund expenditures increased slightly to \$11,784,137. The fund balance in the Debt Service Fund is projected to remain stable at \$558,959.

#### **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.



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## BASIC FINANCIAL STATEMENTS

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

EXHIBIT A-1

Data Control Codes	1	2	3
	Primary Government		
	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ 6,323,783	\$ 262,825	\$ 6,586,608
1120 Current Investments	54,897,373	-	54,897,373
1220 Property Taxes Receivable (Delinquent)	1,331,077	-	1,331,077
1230 Allowance for Uncollectible Taxes	(601,215)	-	(601,215)
1240 Due from Other Governments	2,134,900	-	2,134,900
1300 Inventories	57,014	-	57,014
Capital Assets:			
1510 Land	6,745,838	-	6,745,838
1520 Buildings, Net	95,194,979	-	95,194,979
1530 Furniture and Equipment, Net	3,676,613	-	3,676,613
1580 Construction in Progress	3,114,260	-	3,114,260
1000 Total Assets	<u>172,874,622</u>	<u>262,825</u>	<u>173,137,447</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
1701 Deferred Charge for Refunding	15,104,333	-	15,104,333
1705 Deferred Outflow Related to TRS	4,492,119	-	4,492,119
1700 Total Deferred Outflows of Resources	<u>19,596,452</u>	<u>-</u>	<u>19,596,452</u>
<b>LIABILITIES</b>			
2110 Accounts Payable	1,579,582	3,638	1,583,220
2140 Interest Payable	563,299	-	563,299
2160 Accrued Wages Payable	1,537,821	-	1,537,821
2180 Due to Other Governments	13,180	-	13,180
2200 Accrued Expenses	379,036	-	379,036
2300 Unearned Revenue	21,097	-	21,097
Noncurrent Liabilities			
2501 Due Within One Year	3,128,732	-	3,128,732
2502 Due in More Than One Year	214,210,205	-	214,210,205
2540 Net Pension Liability (District's Share)	8,336,241	-	8,336,241
2000 Total Liabilities	<u>229,769,193</u>	<u>3,638</u>	<u>229,772,831</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
2605 Deferred Inflow Related to TRS	620,254	-	620,254
2600 Total Deferred Inflows of Resources	<u>620,254</u>	<u>-</u>	<u>620,254</u>
<b>NET POSITION</b>			
3200 Net Investment in Capital Assets	(80,125,923)	-	(80,125,923)
Restricted:			
3820 Restricted for Federal and State Programs	299,868	-	299,868
3850 Restricted for Debt Service	894,796	-	894,796
3860 Restricted for Capital Projects	42,477,151	-	42,477,151
3870 Restricted for Campus Activities	309,935	-	309,935
3900 Unrestricted	(1,774,200)	259,187	(1,515,013)
3000 Total Net Position	<u>\$ (37,918,373)</u>	<u>\$ 259,187</u>	<u>\$ (37,659,186)</u>

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

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ALED0 INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	1	Program Revenues	
		3	4
	Expenses	Charges for Services	Operating Grants and Contributions
<b>Primary Government:</b>			
GOVERNMENTAL ACTIVITIES:			
11 Instruction	\$ 29,357,583	\$ 548,175	\$ 2,724,115
12 Instructional Resources and Media Services	596,430	78,311	36,889
13 Curriculum and Staff Development	430,593	-	99,665
21 Instructional Leadership	497,932	-	36,287
23 School Leadership	3,342,296	-	200,190
31 Guidance, Counseling and Evaluation Services	1,577,876	-	280,551
33 Health Services	453,159	-	35,754
34 Student (Pupil) Transportation	2,341,647	-	20,974
35 Food Services	2,225,324	1,584,691	651,824
36 Extracurricular Activities	2,551,896	501,651	80,391
41 General Administration	2,012,552	46,986	240,051
51 Facilities Maintenance and Operations	7,577,060	139,309	78,033
52 Security and Monitoring Services	584,506	-	38,092
53 Data Processing Services	2,451,031	-	12,024
61 Community Services	4,096	-	-
72 Debt Service - Interest on Long Term Debt	3,458,337	-	-
73 Debt Service - Bond Issuance Cost and Fees	631,250	-	-
91 Contracted Instructional Services Between Schools	783,253	-	-
99 Other Intergovernmental Charges	583,613	-	-
[TG] Total Governmental Activities:	61,460,434	2,899,123	4,534,840
BUSINESS-TYPE ACTIVITIES:			
01 Aledo ISD Daycare	63,240	63,240	-
02 Bearcat Store	15,838	19,454	-
03 Community Partners	12,340	9,000	-
04 Stadium/Gym Advertising	25,250	54,830	-
[TB] Total Business-Type Activities:	116,668	146,524	-
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 61,577,102	\$ 3,045,647	\$ 4,534,840

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
\$ (26,085,293)	\$ -	\$ (26,085,293)
(481,230)	-	(481,230)
(330,928)	-	(330,928)
(461,645)	-	(461,645)
(3,142,106)	-	(3,142,106)
(1,297,325)	-	(1,297,325)
(417,405)	-	(417,405)
(2,320,673)	-	(2,320,673)
11,191	-	11,191
(1,969,854)	-	(1,969,854)
(1,725,515)	-	(1,725,515)
(7,359,718)	-	(7,359,718)
(546,414)	-	(546,414)
(2,439,007)	-	(2,439,007)
(4,096)	-	(4,096)
(3,458,337)	-	(3,458,337)
(631,250)	-	(631,250)
(783,253)	-	(783,253)
(583,613)	-	(583,613)
(54,026,471)	-	(54,026,471)
-	-	-
-	3,616	3,616
-	(3,340)	(3,340)
-	29,580	29,580
-	29,856	29,856
(54,026,471)	29,856	(53,996,615)
33,123,612	-	33,123,612
11,982,856	-	11,982,856
7,344,996	-	7,344,996
298,276	-	298,276
271,756	-	271,756
565,966	-	565,966
53,587,462	-	53,587,462
(439,009)	29,856	(409,153)
(37,479,364)	229,331	(37,250,033)
\$ (37,918,373)	\$ 259,187	\$ (37,659,186)

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

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ 291,129	\$ 6,247	\$ 5,622,578
1120 Investments - Current	15,099,219	1,357,659	38,440,495
1220 Property Taxes - Delinquent	1,049,150	281,927	-
1230 Allowance for Uncollectible Taxes (Credit)	(475,644)	(125,571)	-
1240 Receivables from Other Governments	1,696,235	96,547	-
1260 Due from Other Funds	-	-	2,358
1300 Inventories	-	-	-
1000 Total Assets	<u>\$ 17,660,089</u>	<u>\$ 1,616,809</u>	<u>\$ 44,065,431</u>
<b>LIABILITIES</b>			
2110 Accounts Payable	\$ 171,321	\$ -	\$ 1,237,101
2160 Accrued Wages Payable	1,524,051	-	-
2170 Due to Other Funds	-	2,358	-
2180 Due to Other Governments	13,180	-	-
2200 Accrued Expenditures	27,626	-	351,179
2300 Unearned Revenues	13,100	-	-
2000 Total Liabilities	<u>1,749,278</u>	<u>2,358</u>	<u>1,588,280</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
2601 Unavailable Revenue - Property Taxes	573,506	156,356	-
2600 Total Deferred Inflows of Resources	<u>573,506</u>	<u>156,356</u>	<u>-</u>
<b>FUND BALANCES</b>			
Nonspendable Fund Balance:			
3410 Inventories	-	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3470 Capital Acquisition and Contractual Obligation	-	-	42,477,151
3480 Retirement of Long-Term Debt	-	1,458,095	-
Committed Fund Balance:			
3545 Other Committed Fund Balance	-	-	-
3600 Unassigned Fund Balance	15,337,305	-	-
3000 Total Fund Balances	<u>15,337,305</u>	<u>1,458,095</u>	<u>42,477,151</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 17,660,089</u>	<u>\$ 1,616,809</u>	<u>\$ 44,065,431</u>

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

Other Funds	Total Governmental Funds
\$ 403,829	\$ 6,323,783
-	54,897,373
-	1,331,077
-	(601,215)
342,118	2,134,900
-	2,358
57,014	57,014
<u>\$ 802,961</u>	<u>\$ 64,145,290</u>
\$ 171,160	\$ 1,579,582
13,770	1,537,821
-	2,358
-	13,180
231	379,036
7,997	21,097
<u>193,158</u>	<u>3,533,074</u>
-	729,862
<u>-</u>	<u>729,862</u>
57,014	57,014
242,854	242,854
-	42,477,151
-	1,458,095
309,935	309,935
-	15,337,305
<u>609,803</u>	<u>59,882,354</u>
<u>\$ 802,961</u>	<u>\$ 64,145,290</u>



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

<b>Total Fund Balances - Governmental Funds</b>	\$	59,882,354
<b>1</b> 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 \$169,926,517 and the accumulated depreciation was (\$61,424,742). 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.		(109,007,375)
<b>2</b> Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2016 capital outlays and debt principal payments is to increase net position.		10,399,086
<b>3</b> Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of \$8,336,241, a deferred resource inflow related to TRS in the amount of \$620,254, and a deferred resource outflow related to TRS in the amount of \$4,492,119. The net effect of the GASB 68 entries is to decrease net position.		(4,464,376)
<b>4</b> The 2016 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(5,569,171)
<b>5</b> 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.		10,841,109
<b>19 Net Position of Governmental Activities</b>	<u>\$</u>	<u>(37,918,373)</u>

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

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

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
<b>REVENUES:</b>			
5700 Total Local and Intermediate Sources	\$ 33,861,541	\$ 11,988,523	\$ 166,947
5800 State Program Revenues	9,042,768	241,829	-
5900 Federal Program Revenues	108,371	-	-
5020 Total Revenues	<u>43,012,680</u>	<u>12,230,352</u>	<u>166,947</u>
<b>EXPENDITURES:</b>			
<b>Current:</b>			
0011 Instruction	22,242,407	-	2,737,068
0012 Instructional Resources and Media Services	499,797	-	-
0013 Curriculum and Instructional Staff Development	264,402	-	-
0021 Instructional Leadership	475,146	-	-
0023 School Leadership	2,574,836	-	-
0031 Guidance, Counseling and Evaluation Services	1,309,412	-	-
0033 Health Services	431,767	-	-
0034 Student (Pupil) Transportation	2,191,550	-	22,712
0035 Food Services	1,123	-	-
0036 Extracurricular Activities	2,178,943	-	-
0041 General Administration	1,742,573	-	-
0051 Facilities Maintenance and Operations	4,645,288	-	2,909,450
0052 Security and Monitoring Services	481,404	-	2,229
0053 Data Processing Services	1,002,831	-	1,366,050
<b>Debt Service:</b>			
0071 Principal on Long Term Debt	-	4,600,000	-
0072 Interest on Long Term Debt	-	6,636,272	-
0073 Bond Issuance Cost and Fees	-	631,250	-
<b>Capital Outlay:</b>			
0081 Facilities Acquisition and Construction	-	-	3,106,191
<b>Intergovernmental:</b>			
0091 Contracted Instructional Services Between Schools	783,253	-	-
0099 Other Intergovernmental Charges	583,613	-	-
6030 Total Expenditures	<u>41,408,345</u>	<u>11,867,522</u>	<u>10,143,700</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,604,335</u>	<u>362,830</u>	<u>(9,976,753)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
7901 Refunding Bonds Issued	-	54,225,000	-
7912 Sale of Real and Personal Property	30,749	-	-
7916 Premium or Discount on Issuance of Bonds	-	7,823,780	-
7949 Other Resources - Gas & Land Lease	14,756	-	-
8940 Payment to Bond Refunding Escrow Agent (Use)	-	(61,512,474)	-
7080 Total Other Financing Sources (Uses)	<u>45,505</u>	<u>536,306</u>	<u>-</u>
1200 Net Change in Fund Balances	1,649,840	899,136	(9,976,753)
0100 Fund Balance - September 1 (Beginning)	<u>13,687,465</u>	<u>558,959</u>	<u>52,453,904</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 15,337,305</u>	<u>\$ 1,458,095</u>	<u>\$ 42,477,151</u>

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

Other Funds	Total Governmental Funds
\$ 2,513,868	\$ 48,530,879
363,220	9,647,817
<u>1,556,553</u>	<u>1,664,924</u>
4,433,641	59,843,620
1,808,589	26,788,064
74,448	574,245
81,630	346,032
-	475,146
-	2,574,836
195,054	1,504,466
-	431,767
20,974	2,235,236
2,162,604	2,163,727
58,672	2,237,615
53,320	1,795,893
-	7,554,738
314	483,947
-	2,368,881
-	4,600,000
-	6,636,272
-	631,250
-	3,106,191
-	783,253
-	583,613
<u>4,455,605</u>	<u>67,875,172</u>
<u>(21,964)</u>	<u>(8,031,552)</u>
-	54,225,000
-	30,749
-	7,823,780
-	14,756
-	(61,512,474)
-	581,811
<u>(21,964)</u>	<u>(7,449,741)</u>
<u>631,767</u>	<u>67,332,095</u>
<u>\$ 609,803</u>	<u>\$ 59,882,354</u>

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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, 2016

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	(7,449,741)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2016 capital outlays and debt principal payments is to increase net position.		10,399,086
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.		(5,569,171)
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 8/31/2015 caused the change in the ending net position to increase in the amount of \$731,908. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability for the District. This caused a decrease in the change in net position totaling \$698,301. The District's proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$763,174. The net result is to decrease the change in net position.		(729,567)
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.		2,910,384
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b>(439,009)</b>

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, 2016

	Business-Type Activities
	Total Enterprise Funds
<hr/>	
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 262,825
Total Assets	<u>262,825</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	<u>3,638</u>
Total Liabilities	<u>3,638</u>
NET POSITION	
Unrestricted Net Position	<u>259,187</u>
Total Net Position	<u><u>\$ 259,187</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, 2016

	Business-Type Activities
	Total Enterprise Funds
<b>OPERATING REVENUES:</b>	
Local and Intermediate Sources	\$ 146,524
Total Operating Revenues	<u>146,524</u>
<b>OPERATING EXPENSES:</b>	
Payroll Costs	63,240
Supplies and Materials	13,119
Other Operating Costs	40,309
Total Operating Expenses	<u>116,668</u>
Operating Income	29,856
Total Net Position - September 1 (Beginning)	<u>229,331</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 259,187</u></u>

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, 2016

	Business-Type Activities
	Total Enterprise Funds
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 146,524
Cash Payments to Employees for Services	(63,240)
Cash Payments for Suppliers	(11,882)
Cash Payments for Other Operating Expenses	(124,643)
Net Cash Used for Operating Activities	<u>(53,241)</u>
Net Decrease in Cash and Cash Equivalents	(53,241)
Cash and Cash Equivalents at Beginning of Year	<u>316,066</u>
Cash and Cash Equivalents at End of Year	<u>\$ 262,825</u>
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Used for Operating Activities:</u>	
Operating Income:	\$ 29,856
Effect of Increases and Decreases in Current Assets and Liabilities:	
Increase (decrease) in Accounts Payable	<u>(83,097)</u>
Net Cash Used for Operating Activities	<u>\$ (53,241)</u>

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

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

	Private Purpose Trust Funds	Agency Fund	Fiduciary Component Unit
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 3,018	\$ 355,806	\$ 330,017
Investments - Current	128,947	-	-
Other Receivables	-	-	3,841
Total Assets	<u>131,965</u>	<u>\$ 355,806</u>	<u>333,858</u>
<b>LIABILITIES</b>			
Due to Student Groups	-	\$ 355,806	-
Total Liabilities	<u>-</u>	<u>\$ 355,806</u>	<u>-</u>
<b>NET POSITION</b>			
Restricted for Scholarships	131,965		298,006
Unrestricted Net Position	-		35,852
Total Net Position	<u>\$ 131,965</u>		<u>\$ 333,858</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, 2016

	Private Purpose Trust Funds	Fiduciary Component Unit
<b>ADDITIONS:</b>		
Local and Intermediate Sources	\$ 6,265	\$ 455,676
Total Additions	<u>6,265</u>	<u>455,676</u>
<b>DEDUCTIONS:</b>		
Payroll Costs	-	66,238
Professional and Contracted Services	-	5,195
Supplies and Materials	-	13,561
Other Operating Costs	-	252,226
Scholarships Awarded	14,500	-
Total Deductions	<u>14,500</u>	<u>337,220</u>
Change in Net Position	(8,235)	118,456
Total Net Position - September 1 (Beginning)	<u>140,200</u>	<u>215,402</u>
Total Net Position - August 31 (Ending)	<u>\$ 131,965</u>	<u>\$ 333,858</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.

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

Fair Value - *GASB Statement No. 72, Fair Value Measurement and Application* provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements. The District does not have any investments subject to application of *GASB Statement No. 72, Fair Value Measurement and Application*.

### **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 accompanying financial statements present the District’s financial statements and those of a blended component unit, which is included because of the significance of its operations or financial relationship with the District. The blended component unit is described below.

- The Component Unit columns in the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Fund Net Position include financial data of The Aledo Independent School District Education Foundation, Inc., (“Foundation”) a component unit of the District. The component unit is fiduciary in nature and as such is included only in the fund financial statements with the District’s fiduciary funds. The primary purpose of the Foundation is to generate resources to enhance the quality of education of all students of the District. The Foundation is governed by a board of directors consisting of citizens of the community. District superintendent and a member of the District board of trustees are considered as non-voting members of the Foundation board of directors.

## **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.

All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows, current liabilities and deferred inflows are generally 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 fund balance.

The accounts of the governmental funds are maintained and the financial statements have been prepared on the modified accrual basis of accounting. Under this basis of accounting, revenues are recognized when they become measurable and available as net current assets. Substantially all revenues (state, federal and local property tax and interest revenues) are considered to be susceptible to accrual. Revenues from expenditure-driven grants are recognized when the expenditure is incurred. Accordingly, when such funds are received, they are recorded as unearned revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which is recognized as expenditures when due.

Property tax revenues recorded in the General Fund and Debt Service Fund are recognized under the "susceptible to accrual" concept. This District generally considers property taxes as available if they are collected within 60 days of year-end. Property taxes received after the 60-day period are not considered available and, therefore, are recorded as deferred inflow of resources in the Governmental Funds Balance Sheet totaling \$573,506 in the General Fund and \$156,356 in the Debt Service Fund. Grant revenues are recognized when expenditures are made. Charges for services and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available within 60 days of year-end.

Foundation School Program revenues are recognized as revenue when measurable and available within 60 days of year-end.

#### **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.

Fiduciary Component Unit - The component unit fund is used to account for the Aledo Independent School District Education Foundation, Inc., an organization formed to provide financial assistance to the District.

### **F. 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.

### **G. 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.

### **H. 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.

#### **I. 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.

#### **J. 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.

#### **K. 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.

#### **L. 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.

**M. 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.

**N. 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:	
Other revenues	\$13,100
Other Funds:	
Advanced Placement Incentives	\$ 591
Other State Special Revenue Funds	7,406
	<u>\$7,997</u>

### **O. 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 \$15,104,333 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 \$4,492,119 deferred outflow related to TRS from implementing GASB 68. This amount consisted of \$3,760,211 for total net amounts per TRS August 31, 2015 measurement date and \$731,908 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 \$573,506 and \$156,356 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 \$620,254 for total net amounts per TRS August 31, 2015 measurement date as a result of implementing GASB 68.

### **P. 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, 2016

	General Fund	Debt Service Fund	Capital Projects Fund	Other Funds
Nonspendable Fund Balance				
Inventories	\$ 0	\$ 0	\$ 0	\$ 57,014
Restricted Fund Balance				
Federal/State Funds Grant Restriction	0	0	0	242,654
Retirement of Long-term Debt	0	1,458,095	0	0
Capital Acquis. & Contract. Obligations	0	0	42,477,151	0
Committed Fund Balance				
Campus Activity Funds	0	0	0	309,935
Unassigned	15,337,305	0	0	0
Total Fund Balance	<u>\$15,337,305</u>	<u>\$1,458,095</u>	<u>\$42,477,151</u>	<u>\$609,803</u>

**Q. 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, 2016 because of the factors that TEA uses in its calculations.

**R. 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.

**S. 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.

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**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	Increase (Decrease)	Amended Budget
	Appropriations	(Decrease)	Appropriations
General Fund – Exhibit G-1	\$41,209,156	\$2,000,000	\$43,209,156
Child Nutrition Program – Exhibit J-4	2,411,262	0	2,411,262
Debt Service Fund – Exhibit J-5	11,721,815	536,305	12,258,120

The General Fund – Major amendment was in Function 11 – Instruction that was increased by \$2,050,000 for additional salary cost/personnel not anticipated in the original budget.

The Debt Service Fund was amended to reflect new amortization schedules and bond issuance cost and fees associated related with the issuance of \$54,225,000 in Unlimited Tax School Refunding Bonds, Series 2016

4. 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, 2016 Fund Balance	
Appropriated Budgeted Funds – National Breakfast & Lunch Program	\$298,274
Non-appropriated Budgeted Funds	311,529
All Special Revenue Funds	\$609,803

**B. Excess of Expenditures over Appropriations**

No excess of expenditures over appropriations existed for the year ended August 31, 2016.

**C. Deficit Fund Equity**

There were no deficit fund equities for the year ended August 31, 2016.

**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: \$59,419,881
- Date of highest combined balance: October 14, 2015
- Amount of FDIC insurance: \$250,000
- Amount of pledged securities: \$63,687,606

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, 2016, the carrying value of the District's deposits was \$6,323,783 and the bank balance was \$6,983,766. The District's cash deposits at August 31, 2016, 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	\$6,323,783
Business Type Activities:	
Cash-in-bank	262,825
Total Governmental Activities & Business Type Activities	<u>\$6,586,608</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, 2016, are shown below:

Investment/Credit Ratings	Carrying Amount	Fair Value	Percentage of Investments	Weighted Average Maturity (Days)
TexPool/AAAm	<u>\$54,897,373</u>	<u>\$54,897,373</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, 2016, were \$1.170 and \$0.425 per \$100 for the General Fund and Debt Service Fund, respectively, based on a net assessed valuation of \$2,811,377,179.

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 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, 2016 are as follows:

	Property Taxes - Delinquent	Allowance for Uncollectible Taxes	Unavailable Revenue – Property Taxes
General Fund	\$1,049,150	(\$475,644)	\$573,506
Debt Service Fund	281,927	(125,571)	156,356
Totals	<u>\$1,331,077</u>	<u>(\$601,215)</u>	<u>\$729,862</u>

Current tax collections for the levy year ended August 31, 2016 were 99.1% 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, 2016.

**E. Receivables from Other Governments**

Receivables from other governments, as of August 31, 2016, are as follow:

	Due from State
General Fund	\$1,696,235
Debt Service Fund	96,547
Special Revenue Funds:	
ESEA I, A – Improving Basic Programs	173,852
IDEA – Part B Formula	122,886
IDEA – Part B Preschool	1,049
National Breakfast & Lunch Program	16,922
Career & Technical Basic Grant	11,145
ESEA II, A – Training & Recruiting	3,535
Title III, A – English Language Acquisition	1,577
State Textbook Fund	11,152
Total	<u>\$2,134,900</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
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 Other Financing Sources (Uses)	
Sale of real and personal property	\$30,749
Other resources – gas & land lease	14,756
Total	<u>\$45,505</u>
Debt Service Fund Other Financing Sources (Uses)	
Refunding bonds issued	\$54,225,000
Premium on issuance of bonds	7,823,780
Payment to bond refunding escrow agent	<u>(61,512,474)</u>
Total	<u>\$536,306</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 \$341,780 for the year. The future minimum lease payments for active operating leases are summarized below:

Year Ending August 31	Amount
2017	\$344,558
2018	344,558
2019	177,748
2020	169,349
2021	76,949

**K. Capital Asset Activity**

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

	Beginning Balance	Increases/ Adjustments	Decreases/ Adjustments	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 6,745,838	\$ 0	\$ 0	\$ 6,745,838
Construction in Progress	0	3,114,260	0	3,114,260
Total Capital Assets, not being depreciated	6,745,838	3,114,260	0	9,860,098
Capital assets, being depreciated:				
Buildings and improvements	155,263,477	223,038	143,819	155,342,696
Furniture and equipment	7,917,202	2,605,607	53,000	10,469,809
Total capital assets, being depreciated	163,180,679	2,828,645	196,819	165,812,505
Less accumulated depreciation for:				
Buildings and improvements	55,146,768	5,000,949	0	60,147,717
Furniture and equipment	6,277,974	568,222	53,000	6,793,196
Total accumulated depreciation	61,424,742	5,569,171	53,000	66,940,913
Governmental activities capital assets, net	\$108,501,775	\$ 373,734	\$143,819	\$108,731,690

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

<b>Governmental activities:</b>	
11 – Instruction	\$4,042,992
13 – Curriculum & Instructional Staff Development	73,949
23 – School Leadership	643,100
34 – Student (Pupil) Transportation	128,324
35 – Food Services	23,608
36 – Extracurricular Activities	275,902
41 – General Administration	105,620
51 – Plant Maintenance & Operations	71,358
52 – Security & Monitoring Services	128,149
53 – Data Processing Services	76,169
Total Depreciation Expense	\$5,569,171

**L. Construction in Progress Commitments**

Construction in progress and remaining commitments as of the end of the fiscal year are as follows:

Project	Approved Construction Budget	Construction In Progress	Estimated Remaining Commitment
New elementary school #5	\$23,495,122	\$1,519,517	\$21,975,605
Coder Elementary School additions & entry	1,690,000	1,594,743	95,257
Totals	\$25,185,122	\$3,114,260	\$22,070,862

**M. 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.

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

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Bonds payable	\$185,620,843	\$54,225,000	\$60,459,989	\$179,385,854	\$3,128,732
Accreted interest	12,678,389	698,602	755,010	12,621,981	0
Premium on bonds	22,214,201	7,823,780	4,706,879	25,331,102	0
Net pension liability	3,617,576	5,416,966	698,301	8,336,241	0
Total	\$224,131,009	\$68,164,348	\$66,620,179	\$225,675,178	\$3,128,732

**N. Bonds Payable**

During the year, the District issued \$54,225,000 in Unlimited Tax Refunding Bonds, Series 2016 with an average interest rate of 4.5% to advance refund \$56,615,000 in Unlimited Tax School Building Bonds, Series 2008. Cost of issuance was also paid by the refunding bonds.

The net proceeds from the refunding portion were used to purchase U.S government securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments of the aforementioned bonds. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the Statement of Net Position. The District in effect reduced its aggregate debt service payments by \$12,467,671 over 30 years and obtained a net present value savings \$7,518,521.

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, 2016, are as follows:

ALEDO INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
AUGUST 31, 2016

Exhibit F-1

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	\$ 3,585,930	\$ 0	224,989	\$ 3,360,941	\$ 213,732
Series 2006-A UTSB Bonds/2035	3.62%/3.75%	16,910,000	14,615,000	0	295,000	14,320,000	300,000
Series 2007 UTR Bonds/2029	3.5%/5.0%	7,520,000	7,105,000	0	385,000	6,720,000	400,000
Series 2008 UTSB Bonds/2043	3.374%/5.82%	61,000,000	57,400,000	0	56,900,000	500,000	260,000
Series 2012 UTR Bonds/2027	2.0%/3.5%	8,519,913	8,139,913	0	125,000	8,014,913	130,000
Series 2013-A UTR Bonds/2031	2.0%/3.5%	8,985,000	8,910,000	0	40,000	8,870,000	40,000
Series 2013-B UTR Bonds/2028	0.4%/3.13%	16,615,000	16,535,000	0	1,230,000	15,305,000	1,290,000
Series 2014 UTR Bonds/2033	1.63%/4.0%	9,330,000	9,125,000	0	65,000	9,060,000	70,000
Series 2015 UTR Bonds/2035	0.54%/5.0%	13,195,000	13,130,000	0	410,000	12,720,000	255,000
Series 2015-A UTSB Bonds/2045	2.0%/5.0%	47,075,000	47,075,000	0	0	47,075,000	170,000
Series 2016 UTR Bonds/43	2.0%/5.0%	54,225,000	0	54,225,000	785,000	53,440,000	0
Totals			\$185,620,843	\$54,225,000	\$60,459,989	\$179,385,854	\$3,128,732

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
2017	\$ 3,128,732	\$ 8,659,524	\$ 11,788,256
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
2022-2026	28,124,121	38,617,564	66,741,685
2027-2031	22,423,542	33,881,262	56,304,804
2032-2036	34,721,626	21,504,070	56,225,696
2037-2041	42,650,000	11,786,275	54,436,275
2042-2046	27,155,000	2,085,125	29,240,125
Totals	\$179,385,854	\$148,361,074	\$327,746,928

Interest and fees paid on general obligation bonds during the year was \$7,267,522.

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, 2016.

**O. 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, 2016, \$108,715,000 of bonds considered defeased are still outstanding.



**P. 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	\$32,924,381	\$11,910,900	\$ 0	\$ 0	\$44,835,281
Food sales	0	0	0	1,576,860	1,576,860
Penalties, interest & other tax related income	185,225	59,217	0	0	244,442
Earnings – temporary deposits & investments	86,403	18,406	166,947	1,826	273,582
Rent	139,309	0	0	0	139,309
Foundations, gifts & bequests	35,000	0	0	243,451	278,451
Other revenues from local sources	91,376	0	0	691,731	783,107
Ex/cocurricular activities	399,847	0	0	0	399,847
<b>Total</b>	<b>\$33,861,541</b>	<b>\$11,988,523</b>	<b>\$166,947</b>	<b>\$2,513,868</b>	<b>\$48,530,879</b>

**Q. 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	\$ 872,755	\$ 0	\$ 0	\$ 872,755
Foundation School Prg. Act Entitlements	6,472,241	0	0	6,472,241
State Program Revenues	2,696	241,829	308,600	553,125
TRS On-behalf Payments	1,593,906	0	54,620	1,648,526
TRS Medicare Part-D	101,170	0	0	101,170
<b>Totals</b>	<b>\$9,042,768</b>	<b>\$241,829</b>	<b>\$363,220</b>	<b>\$9,647,817</b>

**R. Federal Program Revenues**

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

Revenues	General Fund	Other Funds
School Health & Related Services (SHARS)	\$108,371	\$ 0
U. S. Department of Education – Passed Through	0	1,049,604
U. S. Department of Agriculture – Passed Through	0	506,949
<b>Totals</b>	<b>\$108,371</b>	<b>\$1,556,553</b>

**S. 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 work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

**Pension Plan Fiduciary Net Position** - Detailed information about the Teacher Retirement System’s fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. 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. The information provided in the Notes to the Financial Statements in the 2015 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2015.

Net Pension Liability	Total
Total Pension Liability	\$163,887,375,172
Less: Plan Fiduciary Net Position	(128,538,706,212)
Net Pension Liability	<u>\$ 35,348,668,960</u>

Net Position as percentage of Total Pension Liability 78.43%

**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 83<sup>rd</sup> Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 83<sup>rd</sup> Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84<sup>th</sup> Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

Contribution Rates

	<b>2015</b>	<b>2016</b>
Member	6.7%	7.2%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
District - 2016 Employer Contributions		\$ 731,908
District - 2016 Member Contributions		\$1,889,209
District - 2015 NECE On-behalf Contributions		\$1,320,898

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.

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, 2015 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2015
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.0%
Long-term expected Investment Rate of Return	8.0%
Inflation	2.5%
Salary Increases Including Inflation	3.5% to 9.0%
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, 2015, are summarized below:

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

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

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

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
District's proportionate share of the net pension liability:	\$13,061,319	\$8,336,241	\$4,400,545

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** - At August 31, 2016, the District reported a liability of \$8,336,241 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's Proportionate share of the collective net pension liability	\$ 8,336,241
State's proportionate share that is associated with District	15,764,091
Total	<u>\$24,100,332</u>

The net pension liability was measured as of August 31, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2014 thru August 31, 2015.

At August 31, 2015, the employer's proportion of the collective net pension liability was 0.0235829% which was an increase of 0.0100397% from its proportion measured as of August 31, 2014.

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

*Economic Assumptions*

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

*Mortality Assumptions*

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

*Other Demographic Assumptions*

8. Previously it was assumed 10% of all members who had contributed in the past 5 years to be an active member. This was an implicit rehire assumption because teachers have historically had a high incidence of terminating employment for a time and then returning to the workforce at a later date. This methodology was modified to add a more explicit valuation of the rehire incidence in the termination liabilities, and therefore these 10% are no longer being counted as active members.
9. There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of the termination decrement was also

changed from the middle of the year to the beginning to match the actual pattern in the data.

10. Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
11. Small adjustments to the disability patterns were made for members consistent with experience and future expectations. Two separate patterns were created based on whether the member has 10 years of service or more.
12. For members that become disabled in the future, it is assumed 20% of them will choose 100% joint and survivor annuity option.

*Actuarial Methods and Policies*

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

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

For the measurement period August 31, 2015, the District recognized pension expense of \$2,246,129 and revenue of \$2,246,129 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 46,529	\$320,369
Changes in actuarial assumptions	195,563	297,401
Difference between projected and actual investment earnings	1,223,772	0
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	2,294,347	2,484
Totals as of August 31, 2015 measurement date	\$3,760,211	\$620,254
Contributions paid to TRS subsequent to the measurement date	731,908	0
Total	\$4,492,119	\$620,254

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
2017	\$569,418
2018	569,418
2019	569,419
2020	845,836
2021	329,679
Thereafter	256.187

### 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](http://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, 2016, 2015 and 2014 are as follows:

	Contribution Amounts		
	2016	2015	2014
District Contributions	\$144,316	\$136,389	\$128,158
State Contributions	262,390	247,984	233,342
Employee Contributions	170,555	161,184	151,674

### 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, 2016, 2015, and 2014, the subsidy payments received by TRS-Care on-behalf of the District were \$101,170, \$102,143, and \$63,202, respectively. The information for the year ended August 31, 2016 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](http://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.

## **T. 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.

**R. 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.

**S. Evaluation of Subsequent Events**

The District has evaluated subsequent events through January 18, 2017, the date which the financial statements were available to be issued.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 33,639,825	\$ 33,639,825	\$ 33,861,541	\$ 221,716
5800	State Program Revenues	6,908,345	8,908,345	9,042,768	134,423
5900	Federal Program Revenues	-	-	108,371	108,371
5020	Total Revenues	40,548,170	42,548,170	43,012,680	464,510
<b>EXPENDITURES:</b>					
Current:					
0011	Instruction	21,502,634	23,552,634	22,242,407	1,310,227
0012	Instructional Resources and Media Services	513,712	543,712	499,797	43,915
0013	Curriculum and Instructional Staff Development	302,005	282,005	264,402	17,603
0021	Instructional Leadership	487,290	487,290	475,146	12,144
0023	School Leadership	2,572,923	2,590,423	2,574,836	15,587
0031	Guidance, Counseling and Evaluation Services	1,210,306	1,332,806	1,309,412	23,394
0033	Health Services	435,005	465,005	431,767	33,238
0034	Student (Pupil) Transportation	2,298,210	2,218,210	2,191,550	26,660
0035	Food Services	3,000	3,000	1,123	1,877
0036	Extracurricular Activities	2,140,920	2,240,920	2,178,943	61,977
0041	General Administration	1,751,391	1,801,391	1,742,573	58,818
0051	Facilities Maintenance and Operations	4,994,130	4,769,130	4,645,288	123,842
0052	Security and Monitoring Services	498,630	503,630	481,404	22,226
0053	Data Processing Services	1,019,000	1,019,000	1,002,831	16,169
Intergovernmental:					
0091	Contracted Instructional Services Between Schools	880,000	800,000	783,253	16,747
0099	Other Intergovernmental Charges	600,000	600,000	583,613	16,387
6030	Total Expenditures	41,209,156	43,209,156	41,408,345	1,800,811
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(660,986)	(660,986)	1,604,335	2,265,321
<b>OTHER FINANCING SOURCES (USES):</b>					
7912	Sale of Real and Personal Property	500	500	30,749	30,249
7949	Other Resources - Gas & Land Lease	15,900	15,900	14,756	(1,144)
7080	Total Other Financing Sources (Uses)	16,400	16,400	45,505	29,105
1200	Net Change in Fund Balances	(644,586)	(644,586)	1,649,840	2,294,426
0100	Fund Balance - September 1 (Beginning)	13,687,465	13,687,465	13,687,465	-
3000	Fund Balance - August 31 (Ending)	\$ 13,042,879	\$ 13,042,879	\$ 15,337,305	\$ 2,294,426

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, 2016

EXHIBIT G-6

	<u>2016</u>	<u>2015</u>
District's Proportion of the Net Pension Liability (Asset)	0.0235829%	0.0135432%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 8,336,241	\$ 3,617,576
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	15,764,091	13,391,760
Total	<u>\$ 24,100,332</u>	<u>\$ 17,009,336</u>
District's Covered-Employee Payroll	\$ 24,798,446	\$ 23,334,205
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	33.62%	15.50%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.43%	83.25%

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

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

ALED0 INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR FISCAL YEAR 2016

EXHIBIT G-7

	2016	2015
Contractually Required Contribution	\$ 731,908	\$ 698,301
Contribution in Relation to the Contractually Required Contribution	(731,908)	(698,301)
Contribution Deficiency (Excess)	\$ -0-	\$ -0-
District's Covered-Employee Payroll	\$ 26,239,017	\$ 24,798,446
Contributions as a Percentage of Covered-Employee Payroll	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, 2014 for Fiscal Year 2015 and August 31, 2015 for Fiscal Year 2016.

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

## **COMBINING AND OTHER STATEMENTS**



ALED0 INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2016

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program	
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ (173,852)	\$ (122,886)	\$ (1,049)	\$ 390,180
1240	Receivables from Other Governments	173,852	122,886	1,049	16,922
1300	Inventories	-	-	-	57,014
1000	Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 464,116</u>
<b>LIABILITIES</b>					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ 151,841
2160	Accrued Wages Payable	-	-	-	13,770
2200	Accrued Expenditures	-	-	-	231
2300	Unearned Revenues	-	-	-	-
2000	Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>165,842</u>
<b>FUND BALANCES</b>					
Nonspendable Fund Balance:					
3410	Inventories	-	-	-	57,014
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	241,260
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>298,274</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 464,116</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
\$ (8,090)	\$ (3,535)	\$ (1,577)	\$ -	\$ 2,185	\$ 5,112	\$ 7,406	\$ 309,935
11,145	3,535	1,577	-	-	11,152	-	-
-	-	-	-	-	-	-	-
<u>\$ 3,055</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,185</u>	<u>\$ 16,264</u>	<u>\$ 7,406</u>	<u>\$ 309,935</u>
\$ 3,055	\$ -	\$ -	\$ -	\$ -	\$ 16,264	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	591	-	7,406	-
<u>3,055</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>591</u>	<u>16,264</u>	<u>7,406</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	1,594	-	-	-
-	-	-	-	-	-	-	309,935
-	-	-	-	<u>1,594</u>	<u>-</u>	<u>-</u>	<u>309,935</u>
<u>\$ 3,055</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,185</u>	<u>\$ 16,264</u>	<u>\$ 7,406</u>	<u>\$ 309,935</u>

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

Data Control Codes	490 Education Foundation Awards	Total Nonmajor Governmental Funds
<b>ASSETS</b>		
1110	Cash and Cash Equivalents	\$ -    \$ 403,829
1240	Receivables from Other Governments	-    342,118
1300	Inventories	-    57,014
1000	Total Assets	<u>\$ -    \$ 802,961</u>
<b>LIABILITIES</b>		
2110	Accounts Payable	\$ -    \$ 171,160
2160	Accrued Wages Payable	-    13,770
2200	Accrued Expenditures	-    231
2300	Unearned Revenues	-    7,997
2000	Total Liabilities	<u>-    193,158</u>
<b>FUND BALANCES</b>		
Nonspendable Fund Balance:		
3410	Inventories	-    57,014
Restricted Fund Balance:		
3450	Federal or State Funds Grant Restriction	-    242,854
Committed Fund Balance:		
3545	Other Committed Fund Balance	-    309,935
3000	Total Fund Balances	<u>-    609,803</u>
4000	Total Liabilities and Fund Balances	<u>\$ -    \$ 802,961</u>

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ALED0 INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ 1,583,828
5800 State Program Revenues	-	-	-	63,299
5900 Federal Program Revenues	<u>261,089</u>	<u>667,401</u>	<u>7,628</u>	<u>506,949</u>
5020 Total Revenues	<u>261,089</u>	<u>667,401</u>	<u>7,628</u>	<u>2,154,076</u>
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	234,613	473,817	7,628	-
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	5,502	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	193,584	-	-
0034 Student (Pupil) Transportation	20,974	-	-	-
0035 Food Services	-	-	-	2,162,604
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0052 Security and Monitoring Services	-	-	-	-
6030 Total Expenditures	<u>261,089</u>	<u>667,401</u>	<u>7,628</u>	<u>2,162,604</u>
1200 Net Change in Fund Balance	-	-	-	(8,528)
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>306,802</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 298,274</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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 686,589
-	-	-	-	9,095	290,770	56	-
<u>34,245</u>	<u>63,969</u>	<u>13,046</u>	<u>2,226</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>34,245</u>	<u>63,969</u>	<u>13,046</u>	<u>2,226</u>	<u>9,095</u>	<u>290,770</u>	<u>56</u>	<u>686,589</u>
34,245	-	9,982	2,226	-	290,770	-	511,857
-	-	-	-	-	-	56	74,392
-	63,969	3,064	-	9,095	-	-	-
-	-	-	-	-	-	-	1,470
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	58,672
-	-	-	-	-	-	-	53,320
-	-	-	-	-	-	-	314
<u>34,245</u>	<u>63,969</u>	<u>13,046</u>	<u>2,226</u>	<u>9,095</u>	<u>290,770</u>	<u>56</u>	<u>700,025</u>
-	-	-	-	-	-	-	(13,436)
-	-	-	-	1,594	-	-	323,371
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,594</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 309,935</u>

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

Data Control Codes	490 Education Foundation Awards	Total Nonmajor Governmental Funds
<b>REVENUES:</b>		
5700 Total Local and Intermediate Sources	\$ 243,451	\$ 2,513,868
5800 State Program Revenues	-	363,220
5900 Federal Program Revenues	-	1,556,553
5020 Total Revenues	<u>243,451</u>	<u>4,433,641</u>
<b>EXPENDITURES:</b>		
Current:		
0011 Instruction	243,451	1,808,589
0012 Instructional Resources and Media Services	-	74,448
0013 Curriculum and Instructional Staff Development	-	81,630
0031 Guidance, Counseling and Evaluation Services	-	195,054
0034 Student (Pupil) Transportation	-	20,974
0035 Food Services	-	2,162,604
0036 Extracurricular Activities	-	58,672
0041 General Administration	-	53,320
0052 Security and Monitoring Services	-	314
6030 Total Expenditures	<u>243,451</u>	<u>4,455,605</u>
1200 Net Change in Fund Balance	-	(21,964)
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>631,767</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ 609,803</u>

ALED0 INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF NET POSITION  
 NONMAJOR ENTERPRISE FUNDS  
 AUGUST 31, 2016

	715	730	732	733	Total Nonmajor Enterprise Funds
	Pre-K Child Care	Bearcat Store	Community Partners	Stadium/Gym Advertising	
<b>ASSETS</b>					
Current Assets:					
Cash and Cash Equivalents	\$ 20,364	\$ 27,071	\$ 33,107	\$ 182,283	\$ 262,825
Total Assets	<u>20,364</u>	<u>27,071</u>	<u>33,107</u>	<u>182,283</u>	<u>262,825</u>
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts Payable	-	1,238	2,400	-	3,638
Total Liabilities	<u>-</u>	<u>1,238</u>	<u>2,400</u>	<u>-</u>	<u>3,638</u>
<b>NET POSITION</b>					
Unrestricted Net Position	\$ 20,364	\$ 25,833	\$ 30,707	\$ 182,283	\$ 259,187
Total Net Position	<u>\$ 20,364</u>	<u>\$ 25,833</u>	<u>\$ 30,707</u>	<u>\$ 182,283</u>	<u>\$ 259,187</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, 2016

	715	730	732	733	Total Nonmajor Enterprise Funds
	Pre-K Child Care	Bearcat Store	Community Partners	Stadium/Gym Advertising	
<b>OPERATING REVENUES:</b>					
Local and Intermediate Sources	\$ 63,240	\$ 19,454	\$ 9,000	\$ 54,830	\$ 146,524
Total Operating Revenues	<u>63,240</u>	<u>19,454</u>	<u>9,000</u>	<u>54,830</u>	<u>146,524</u>
<b>OPERATING EXPENSES:</b>					
Payroll Costs	63,240	-	-	-	63,240
Supplies and Materials	-	13,119	-	-	13,119
Other Operating Costs	-	2,719	12,340	25,250	40,309
Total Operating Expenses	<u>63,240</u>	<u>15,838</u>	<u>12,340</u>	<u>25,250</u>	<u>116,668</u>
Operating Income (Loss)	-	3,616	(3,340)	29,580	29,856
Total Net Position - September 1 (Beginning)	<u>20,364</u>	<u>22,217</u>	<u>34,047</u>	<u>152,703</u>	<u>229,331</u>
Total Net Position - August 31 (Ending)	<u>\$ 20,364</u>	<u>\$ 25,833</u>	<u>\$ 30,707</u>	<u>\$ 182,283</u>	<u>\$ 259,187</u>

ALED0 INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF CASH FLOWS  
 NONMAJOR ENTERPRISE FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2016

	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	\$ 63,240	\$ 19,454	\$ 9,000	\$ 54,830	\$ 146,524
Cash Payments to Employees for Services	(63,240)	-	-	-	(63,240)
Cash Payments for Suppliers	-	(11,882)	-	-	(11,882)
Cash Payments for Other Operating Expenses	-	(2,719)	(13,340)	(108,584)	(124,643)
Net Cash Provided by (Used for) Operating Activities	-	4,853	(4,340)	(53,754)	(53,241)
Net Increase (Decrease) in Cash and Cash Equivalents	-	4,853	(4,340)	(53,754)	(53,241)
Cash and Cash Equivalents at Beginning of Year	20,364	22,218	37,447	236,037	316,066
Cash and Cash Equivalents at End of Year	\$ 20,364	\$ 27,071	\$ 33,107	\$ 182,283	\$ 262,825
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>					
<u>Provided by (Used for) Operating Activities:</u>					
Operating Income (Loss):	\$ -	\$ 3,616	\$ (3,340)	\$ 29,580	\$ 29,856
Effect of Increases and Decreases in Current Assets and Liabilities:					
Increase (decrease) in Accounts Payable	-	1,237	(1,000)	(83,334)	(83,097)
Net Cash Provided by (Used for) Operating Activities	\$ -	\$ 4,853	\$ (4,340)	\$ (53,754)	\$ (53,241)

ALEDO INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF NET POSITION  
 PRIVATE PURPOSE TRUST FUNDS  
 AUGUST 31, 2016

	816 Don Daniel Endowment Fund	817 Dan Manning Endowment Fund	818 Hyles Attendance Awards	819 FG Aledo Development Fund	Total Private Purpose Trust Funds
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 10	\$ 7	\$ 1	\$ 3,000	\$ 3,018
Investments - Current	81,167	42,745	5,035	-	128,947
Total Assets	<u>81,177</u>	<u>42,752</u>	<u>5,036</u>	<u>3,000</u>	<u>131,965</u>
<b>NET POSITION</b>					
Restricted for Scholarships	\$ 81,177	\$ 42,752	\$ 5,036	\$ 3,000	\$ 131,965
Total Net Position	<u>\$ 81,177</u>	<u>\$ 42,752</u>	<u>\$ 5,036</u>	<u>\$ 3,000</u>	<u>\$ 131,965</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, 2016

	816 Don Daniel Endowment Fund	817 Dan Manning Endowment Fund	818 Hyles Attendance Awards	819 FG Aledo Development Fund	Total Private Purpose Trust Funds
<b>ADDITIONS:</b>					
Local and Intermediate Sources	\$ 559	\$ 183	\$ 2,523	\$ 3,000	\$ 6,265
Total Additions	<u>559</u>	<u>183</u>	<u>2,523</u>	<u>3,000</u>	<u>6,265</u>
<b>DEDUCTIONS:</b>					
Scholarships Awarded	7,000	2,500	5,000	-	14,500
Total Deductions	<u>7,000</u>	<u>2,500</u>	<u>5,000</u>	<u>-</u>	<u>14,500</u>
 Change in Net Position	 (6,441)	 (2,317)	 (2,477)	 3,000	 (8,235)
 Net Position - September 1 (Beginning)	 <u>87,618</u>	 <u>45,069</u>	 <u>7,513</u>	 <u>-</u>	 <u>140,200</u>
 Net Position - August 31 (Ending)	 <u>\$ 81,177</u>	 <u>\$ 42,752</u>	 <u>\$ 5,036</u>	 <u>\$ 3,000</u>	 <u>\$ 131,965</u>

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

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

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2007 and prior years	Various	Various	\$ Various
2008	1.040000	0.350000	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 (School year under audit)	1.170000	0.425000	2,811,377,179
1000 TOTALS			

(10) Beginning Balance 9/1/2015	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2016
\$ 161,437	\$ -	\$ 2,225	\$ 485	\$ (21,226)	\$ 137,501
20,504	-	287	97	(21)	20,099
27,759	-	2,205	817	(426)	24,311
37,183	-	3,124	1,157	(654)	32,248
39,920	-	40,090	8,744	40,419	31,505
53,117	-	48,858	10,657	113,605	107,207
86,370	-	49,474	10,791	110,481	136,586
162,822	-	56,407	12,304	102,375	196,486
318,357	-	141,071	30,770	75,302	221,818
-	44,841,466	32,582,593	11,835,557	-	423,316
<u>\$ 907,469</u>	<u>\$ 44,841,466</u>	<u>\$ 32,926,334</u>	<u>\$ 11,911,379</u>	<u>\$ 419,855</u>	<u>\$ 1,331,077</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, 2016

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 1,616,500	\$ 1,616,500	\$ 1,583,828	\$ (32,672)
5800 State Program Revenues	62,164	62,164	63,299	1,135
5900 Federal Program Revenues	458,500	458,500	506,949	48,449
5020 Total Revenues	<u>2,137,164</u>	<u>2,137,164</u>	<u>2,154,076</u>	<u>16,912</u>
<b>EXPENDITURES:</b>				
0035 Food Services	<u>2,411,262</u>	<u>2,411,262</u>	<u>2,162,604</u>	<u>248,658</u>
6030 Total Expenditures	<u>2,411,262</u>	<u>2,411,262</u>	<u>2,162,604</u>	<u>248,658</u>
1200 Net Change in Fund Balances	(274,098)	(274,098)	(8,528)	265,570
0100 Fund Balance - September 1 (Beginning)	<u>306,802</u>	<u>306,802</u>	<u>306,802</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 32,704</u>	<u>\$ 32,704</u>	<u>\$ 298,274</u>	<u>\$ 265,570</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, 2016

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 11,721,815	\$ 11,721,815	\$ 11,988,523	\$ 266,708
5800	State Program Revenues	-	145,000	241,829	96,829
5020	Total Revenues	11,721,815	11,866,815	12,230,352	363,537
<b>EXPENDITURES:</b>					
Debt Service:					
0071	Principal on Long Term Debt	3,060,000	4,605,000	4,600,000	5,000
0072	Interest on Long Term Debt	8,511,815	6,966,815	6,636,272	330,543
0073	Bond Issuance Cost and Fees	150,000	686,305	631,250	55,055
6030	Total Expenditures	11,721,815	12,258,120	11,867,522	390,598
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(391,305)	362,830	754,135
<b>OTHER FINANCING SOURCES (USES):</b>					
7901	Refunding Bonds Issued	-	54,225,000	54,225,000	-
7916	Premium or Discount on Issuance of Bonds	-	7,823,780	7,823,780	-
8940	Payment to Bond Refunding Escrow Agent (Use)	-	(61,512,475)	(61,512,474)	1
7080	Total Other Financing Sources (Uses)	-	536,305	536,306	1
1200	Net Change in Fund Balances	-	145,000	899,136	754,136
0100	Fund Balance - September 1 (Beginning)	558,959	558,959	558,959	-
3000	Fund Balance - August 31 (Ending)	\$ 558,959	\$ 703,959	\$ 1,458,095	\$ 754,136

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

# KIRK, RICHARDSON & POOLE, P. C.

## Certified Public Accountants

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

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, 2016, and the related notes to the financial statements which collectively comprise the District's basic financial statements and have issued our report thereon dated January 18, 2017.

### 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 & Poole, P.C.*

Kirk, Richardson & Poole, P. C.  
Fort Worth, Texas  
January 18, 2017

# KIRK, RICHARDSON & POOLE, P. C.

## Certified Public Accountants

<b>Tom Kirk, CPA</b>	<b>Don Richardson, CPA</b>	<b>Cindy Poole, CPA</b>
<b>7559 John T. White Road</b>	<b>P. O. Box 8342</b>	<b>Fort Worth, Texas 76124</b>
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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 the 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, 2016. 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 the requirements of laws, regulations, contracts, and grants 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 Requirement of 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 the compliance for each major federal program. However, our audit does not provide a legal determination on the District's compliance with those requirements.

## Opinion on Each Major Federal Program

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

## Report on Internal Control over Compliance

Management of the 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. 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* 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 of 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 & Poole, P.C.*

Kirk, Richardson & Poole, P.C.  
Fort Worth, Texas  
January 18, 2017



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

**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
10.553	School Breakfast Program
10.555	National School Lunch Program – Cash Assistance
10.555	National School Lunch Program – Non-cash Assistance

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, 2016

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, 2016

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, 2016

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	16610101184907	\$ 261.089
*IDEA - Part B, Formula	84.027	16660001184907	667.401
*IDEA - Part B, Preschool	84.173	16661001184907	7.628
Total Special Education Cluster (IDEA)			675,029
Career and Technical - Basic Grant	84.048	16420006184907	34.245
Title III, Part A - English Language Acquisition	84.365A	16671001184907	13.046
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	16694501184907	63.969
Summer School LEP	84.369	69551502	2,226
Total Passed Through State Department of Education			\$ 1,049,604
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<b>\$ 1,049,604</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	00901	\$ 61.451
*National School Lunch Program - Cash Assistance	10.555	00901	345.478
*National School Lunch Prog. - Non-Cash Assistance	10.555	00901	100,020
Total CFDA Number 10.555			445,498
Total Child Nutrition Cluster			506,949
Total Passed Through the State Department of Agriculture			\$ 506,949
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<b>\$ 506,949</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 1,556,553</b>

\*Clustered Programs

ALEDO INDEPENDENT SCHOOL DISTRICT  
 NOTES TO SCHEDULE OF EXPENDITURES TO FEDERAL AWARDS  
 AUGUST 31, 2016

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	\$1,664,924
School Health & Related Services (SHARS) reimbursement not reported in the Schedule of Expenditures of Federal Awards	<u>(108,371)</u>
Total federal expenditures on Schedule of Expenditures of Federal Awards	<u><u>\$1,556,553</u></u>