

FLOYDADA INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2017

Introductory Section

Floydada Independent School District
Annual Financial Report
For The Year Ended August 31, 2017

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CERTIFICATE OF BOARD

Floydada Independent School District
Name of School District

Floyd
County

077-901
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) approved disapproved for the year ended August 31, 2017, at a meeting of the board of trustees of such school district on the 20th day of November, 2017.


Signature of Board Secretary


Signature of Board President

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

Financial Section

Regina K. Johnston, P.C.
William P. Patton, P.C.

Members of
American Institute of Certified Public
Accountants,
Division of CPA Firms,
Private Companies Practice Section,
Texas Society of Certified Public
Accountants

Robison Johnston & Patton, LLP
C E R T I F I E D P U B L I C A C C O U N T A N T S
A PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS

Independent Auditors' Report

To the Board of Trustees
Floydada Independent School District
226 West California
Floydada, Texas 79235

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Emphasis of Matter

Change in Accounting Principle

As described in Note A to the financial statements, in 2017, Floydada Independent School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 77, *Tax Abatements*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Floydada Independent School District's basic financial statements. The introductory section and required TEA schedules are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* 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 accompanying other supplementary information is presented for purposes of additional analysis and is also not a required part of the basic financial statements.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Floydada Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended August 31, 2017. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total combined net position was \$13,003,961 at August 31, 2017.
- During the year, the District's expenses were \$1,999,609 less than the \$13,552,325 generated in taxes and other revenues for governmental activities.
- The general fund reported a fund balance this year of \$5,493,530.

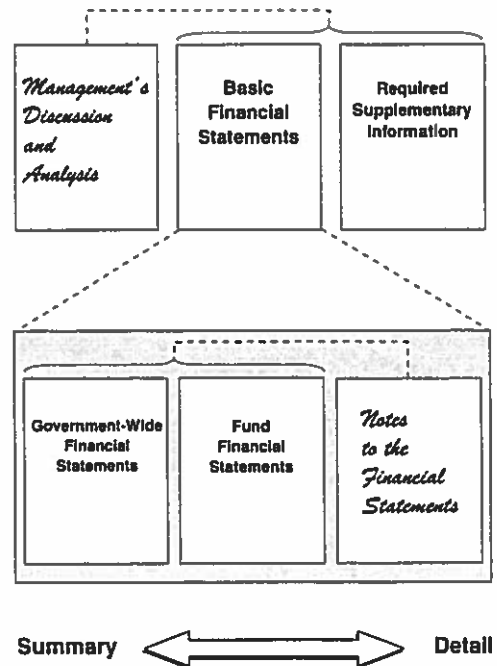
OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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



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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position. The District’s combined net position was \$13,003,961 at August 31, 2017.

	Governmental Activities		Total Percentage Change
	<u>2017</u>	<u>2016</u>	<u>2016-2017</u>
Current assets:			
Cash and cash equivalents	\$4,626,819	\$7,853,773	69.74%
Due from other Governments	1,267,932	921,979	37.52%
Other receivables	139	0	100%
Unrealized expenses	212,471	63,842	232.81%
Total current assets:	6,107,361	8,839,594	
Noncurrent assets:			
Land	419,671	153,235	173.87%
Bldgs, Furn. and equipment	16,050,619	16,176,130	.78%
Less accumulated depreciation	(7,861,303)	(7,624,777)	3.10%
Total noncurrent assets	8,608,987	8,704,678	
Total Assets	14,716,348	17,544,272	
Deferred Outflows of Resources:			
Deferred outflow related to pensions	809,120	946,149	14.48%
Total Deferred Outflows of Resources	809,120	946,149	
Current liabilities:			
Accrued wages payable	374,033	401,362	6.81%
Unearned revenue	1,400	0	100%
Interest payable	0	9,593	100%
Accrued expenses & liabilities	10,641	11,176	4.79%
Total current liabilities	386,074	422,131	
Noncurrent liabilities:			
Due within one year	0	154,703	100%
Due in more than one year	0	4,781,700	100%
Pension liability	2,016,416	1,980,091	1.83%
Total Liabilities	2,402,490	7,338,625	
Deferred Inflows of Resources:			
Deferred Inflow related to Pensions	119,017	147,353	19.23%
Total Deferred Inflows of Resources	119,017	147,353	
Net Position:			
Net invest. in capital assets	8,608,987	3,768,185	128.47%
Restricted for debt service	0	96,424	100%
Restricted for campus act.	214,131	94,733	126.03%
Unrestricted	4,180,843	7,045,011	40.65%
Total Net Position	\$13,003,961	\$11,004,353	

Health Services	43,299	44,105	1.83%
Student (Pupil) Transportation	363,430	418,757	13.21%
Food Services	617,827	626,786	1.43%
Curricular/Extracurricular Activities	655,012	764,796	14.36%
General Administration	576,911	566,288	1.88%
Plant Maintenance & Oper.	1,384,062	1,043,818	32.59%
Security & Monitoring Svcs.	54,748	46,502	17.73%
Data Processing Services	547,378	577,259	5.18%
Community Services	19,629	4,752	313.06%
Debt Service-Interest	190,961	221,394	13.75%
Bond Issuance Costs & Fees	300	400	25%
Other intergovt charges	83,119	82,667	.55%
Total Expenses	11,552,716	10,928,534	
Increase (Decrease) in Net Position	\$1,999,609	\$819,613	143.97%

The table below presents the cost of each of the District's largest functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

- The cost of all *governmental* activities this year was \$11,552,716.
- The amount that our taxpayers paid for these activities through property taxes was \$4,493,793.
- Some of the cost was paid by those who directly benefited from the programs \$256,739, or
- By operating grants and contributions \$2,208,892 and state aid-formula grants \$6,210,367.

Net Cost of Selected District Functions

	Total Cost of Services		% Change	Net Cost of Services		% Change
	2017	2016		2017	2016	
Instruction	5,449,616	5,004,829	8.88%	4,287,438	3,883,278	4.87%
School administration	576,911	566,288	1.88%	537,556	253,125	112.36%
Plant Maintenance & Operations	1,384,062	1,043,818	32.59%	1,361,424	1,006,053	35.32%
Debt Service – Interest & Fiscal Charges	191,261	221,394	13.61%	191,261	221,394	13.61%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$13,282,548, an increase of 17.76 percent over the preceding year. The increase in state revenues is a result of an increase in ADA and revenue protection payments received from the District's Chapter 313 agreements in the current year. The increase in local revenues is a result of an increase in property tax values in the current year.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget several times. Even with these adjustments, actual expenditures were \$1,479,987 less than the final budget amounts. The most significant positive variance was in the plant maintenance and operations and data processing functions.

Revenues available were \$484,454 above the final budgeted amount.

- State Foundation payments were more than expected due to an increase in ADA.

Basic Financial Statements

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

Data Control Codes	1	3		4	Net (Expense) Revenue and Changes in Net Position
		Program Revenues			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	
Governmental Activities:					
11	Instruction	\$ 5,449,616	\$ 9,997	\$ 1,152,181	\$ (4,287,438)
12	Instructional Resources and Media Services	94,386		5,261	(89,125)
13	Curriculum and Staff Development	333,867		165,596	(168,271)
21	Instructional Leadership	194,060		56,954	(137,106)
23	School Leadership	607,444		41,572	(565,872)
31	Guidance, Counseling, & Evaluation Services	290,631		20,909	(269,722)
32	Social Work Services	46,036		43,657	(2,379)
33	Health Services	43,299		2,460	(40,839)
34	Student Transportation	363,430		16,413	(347,017)
35	Food Service	617,827	29,054	568,026	(20,747)
36	Cocurricular/Extracurricular Activities	655,012	217,688	13,021	(424,303)
41	General Administration	576,911		39,355	(537,556)
51	Facilities Maintenance and Operations	1,384,062		22,638	(1,361,424)
52	Security and Monitoring Services	54,748		35,000	(19,748)
53	Data Processing Services	547,378		24,629	(522,749)
61	Community Services	19,629		1,220	(18,409)
72	Interest on Long-term Debt	190,961			(190,961)
73	Bond Issuance Costs and Fees	300			(300)
99	Other Intergovernmental Charges	83,119			(83,119)
TG	Total Governmental Activities	<u>11,552,716</u>	<u>256,739</u>	<u>2,208,892</u>	<u>(9,087,085)</u>
TP	Total Primary Government	<u>\$ 11,552,716</u>	<u>\$ 256,739</u>	<u>\$ 2,208,892</u>	<u>(9,087,085)</u>
General Revenues:					
MT	Property Taxes, Levied for General Purposes				3,532,519
DT	Property Taxes, Levied for Debt Service				961,274
IE	Investment Earnings				63,018
GC	Grants and Contributions Not Restricted to Specific Programs				6,210,367
MI	Miscellaneous				319,516
TR	Total General Revenues				<u>11,086,694</u>
CN	Change in Net Position				1,999,609
NB	Net Position - Beginning				11,004,352
NE	Net Position - Ending				<u>\$ 13,003,961</u>

The accompanying notes are an integral part of this statement.

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

Total fund balances - governmental funds balance sheet	\$ 5,707,661
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	8,608,986
Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.	13,626
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(2,016,416)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(119,017)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	809,120
Rounding difference	<u>1</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 13,003,961</u>

The accompanying notes are an integral part of this statement.

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

Net change in fund balances - total governmental funds	\$ (2,697,534)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	562,447
The depreciation of capital assets used in governmental activities is not reported in the funds.	(550,968)
Trade-in or disposal of capital assets decrease net position in the SOA but not in the funds.	(107,079)
Expenses not requiring the use of current financial resources are not reported as expenditures in the funds.	(8,235)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	4,834,999
(Increase) decrease in accrued interest from beginning of period to end of period.	9,593
Bond premiums are reported in the funds but not in the SOA.	101,404
Implementing GASB 68 required certain expenditures to be de-expended and recorded as deferred resource outflows.	174,835
Pension contributions made before the measurement date and during the previous FY were expended and reduced NPL.	(170,240)
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	<u>(149,613)</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ 1,999,609</u>

The accompanying notes are an integral part of this statement.

FLOYDADA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

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

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Financial Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

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

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

The District reports the following major governmental funds:

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

Capital Projects Fund: This fund has been set up to account for the receipt of proceeds from the issuance of bonds and the expenditure of these funds.

Debt Service Fund: This fund accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of the governmental funds.

FLOYDADA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as unrealized expenditures.

c. Capital Assets

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings & Improvements	10-35
Furniture & Equipment	5-10

d. Deferred Outflows and Inflows of Resources

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

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

e. Receivable and Payable Balances

The District believes that sufficient detail of 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 year end.

f. Interfund Activity

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

g. Use of Estimates

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

FLOYDADA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

k. 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.

4. Pensions

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

5. New Accounting Standards Adopted

In fiscal year 2017, the District adopted one new statement of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

-- Statement No. 77, *Tax Abatement Disclosures*

- a. Statement No. 77 requires governments granting tax abatements to individuals and businesses to disclose program information in the notes to the financial statements through the agreement's duration and also requires disclosures about tax abatements entered into by other governments that reduce the reporting government's tax revenue.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

<u>Violation</u>	<u>Action Taken</u>
The District did not spend the required amount of career and technology or compensatory education allotments per the District's Near Final Summary of Finance.	The District will calculate its three year spending average to determine the dollar amount of spending that needs to be made up in the subsequent year.

C. Deposits and Investments

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

FLOYDADA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

e. 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.

As of August 31, 2017, the following are the District's cash and cash equivalents with respective maturities and credit rating:

Type of Deposit	Fair Value	Percentage	Maturity in Less Than One Year	Maturity in	Maturity in Over 10 Years	Credit Rating
Cash	\$2,550,717	54.66%	\$2,550,717			N/A
Certificates of Deposit	2,115,637	45.34%	2,115,637			N/A
Total Cash and Cash Equivalents	<u>\$4,666,354</u>	<u>100.00%</u>	<u>\$4,666,354</u>			

Investment Accounting Policy

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

During the current fiscal year, there were no fair value adjustments made to the financial statements since the District did not have funds that met the definition of an investment according to GASB 72.

D. Receivables

Receivables at year end, including, the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Other Governmental Funds	Total
Receivables			
Taxes	\$ 180,402	\$	\$ 180,402
State Entitlements	1,193,688		1,193,688
Federal Grants		41,702	41,702
Other Governments		32,542	32,542
Other Receivables	139		139
Total Gross Receivables	<u>1,374,229</u>	<u>74,244</u>	<u>1,448,473</u>
Less Allowance for Uncollectible Taxes	(180,402)		(180,402)
Total Net Receivables	<u>\$ 1,193,827</u>	<u>\$ 74,244</u>	<u>\$ 1,268,071</u>

FLOYDADA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

All amounts due are scheduled to be repaid within one year.

2. Transfers To and From Other Funds

Transfers to and from other funds at August 31, 2017, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
General Fund	Debt Service Fund	\$ 3,965,102	Pay off Unlimited Tax School Bonds, Series 2007
	Total	<u>\$ 3,965,102</u>	

G. Long-Term Obligations

The District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

Unlimited Tax School Building Bonds

During a prior year, the District issued Unlimited Tax School Building Bonds, Series 2007 to provide funds for the acquisition, construction, and renovation of school buildings. These bonds are guaranteed by the Permanent School Fund of Texas. The bonds are rated "AAA" by Standard & Poor's Rating Services.

The Board of Trustees voted to pay off these bonds during the current fiscal year.

Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2017, are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<u>Governmental activities:</u>					
Unlimited Tax School Bonds Plus (Less) Deferred Amts	\$ 4,835,000	\$	\$ 4,835,000	\$	\$
Bond Premiums	101,403		101,403		
Net Pension Liability *	1,980,091	205,865	169,540	2,016,416	
Total governmental activities	<u>\$ 6,916,494</u>	<u>\$ 205,865</u>	<u>\$ 5,105,943</u>	<u>\$ 2,016,416</u>	<u>\$</u>

* Other long-term liabilities

The funds typically used to liquidate other long-term liabilities in the past are as follows:

<u>Liability</u>	<u>Activity Type</u>	<u>Fund</u>
Net Pension Liability *	Governmental	General Fund

FLOYDADA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2016, the Fund carries a discounted reserve of \$51,843,324 for future development on reported claims and claims that have been incurred but not yet reported. For the year ended August 31, 2017, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions.

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

J. Pension Plan

1. Plan Description

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

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

2. Pension Plan Fiduciary Net Position

Detailed information about the TRS' fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.trs.texas.gov/TRS%20Documents/cafr_2016.pdf; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592.

3. Benefits Provided

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

4. Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution, which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas

FLOYDADA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

5. Actuarial Assumptions

The total pension liability in the August 31, 2016 actuarial evaluation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2016
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8%
Long-term expected Investment Rate of Return	8%
Inflation	2.5%
Salary Increases including inflation	3.5% to 9.5%
Payroll Growth Rate	2.5%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

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

6. Discount Rate

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

The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2016 are summarized below:

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

	Target Allocation	Long-term Expected Geometric Real Rate of Return	Expected Contribution to Long-term Portfolio Returns *
Global Equity			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%

FLOYDADA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

For the year ended August 31, 2017, the District recognized pension expense of \$336,665 and revenue of \$336,665 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 31,617	\$ 60,209
Changes in actuarial assumptions	61,457	55,892
Difference between projected and actual investment earnings	170,746	
Changes in proportion and differences between the District's contributions and the proportionate share of contributions	<u>370,465</u>	<u>2,916</u>
Total as of August 31, 2016 measurement date	634,285	119,017
District contributions paid to TRS subsequent to the measurement date	<u>174,835</u>	
Total as of fiscal year end	<u>\$ 809,120</u>	<u>\$ 119,017</u>

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

Year Ended August 31	Pension Expense Amount
2018	\$ 90,876
2019	\$ 90,876
2020	\$ 199,786
2021	\$ 82,509
2022	\$ 49,307
Thereafter	\$ 1,912

K. Retiree Health Care Plans

1. TRS-Care

a. Plan Description

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

FLOYDADA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

N. Tax Abatements

Floydada ISD entered into an agreement with South Plains Wind Energy, LLC on August 25, 2015. The agreement was for South Plains Wind Energy, LLC to invest capital of \$259,970,000 on a long-term basis for a valuation limitation of \$20,000,000. For fiscal year 2017, which is year 2 of the agreement, with the M&O tax rate \$1.1132 per \$100, with property valued at \$141,534,990 without considering the limit and \$20,000,000 with the limit. When calculated, the District forgoes collecting \$1,352,928 in tax revenue; however, that will be offset by the increase in state funding through the FSP funding formula and a possible Revenue Protection Payment. In addition to the tax abatement, South Plains Wind Energy, LLC has committed to pay supplemental payments to the District in the amount of \$100 per ADA or \$50,000 whichever is greater.

Floydada ISD entered into an agreement with Longhorn Wind Project, LLC on October 15, 2013. The agreement was for Longhorn Wind Project, LLC to invest capital of \$193,500,000 on a long-term basis for a valuation limitation of \$10,000,000. For fiscal year 2017, which is year 3 of the agreement, with the M&O tax rate \$1.1132 per \$100, with property valued at \$50,399,110 without considering the limit and \$10,000,000 with the limit. When calculated, the District forgoes collecting \$449,723 in tax revenue; however, that will be offset by the increase in state funding through the FSP funding formula and a possible Revenue Protection Payment. In addition to the tax abatement, Longhorn Wind Project, LLC has committed to pay supplemental payments to the District in the amount of \$100 per ADA .

Floydada ISD entered into an agreement with Cotton Plains Wind I, LLC on September 8, 2015. The agreement was for Cotton Plains Wind I, LLC to invest capital of \$202,500,000 on a long-term basis for a valuation limitation of \$20,000,000. For fiscal year 2017, which is year 1 of the agreement, with the M&O tax rate \$1.1132 per \$100, with property valued at \$0 without considering the limit and \$0 with the limit. When calculated, the District forgoes collecting \$0 in tax revenue; however, that will be offset by the increase in state funding through the FSP funding formula and a possible Revenue Protection Payment. In addition to the tax abatement, Cotton Plains Wind I, LLC has committed to pay supplemental payments to the District in the amount of \$100 per ADA based on the District's 2014-2015 final ADA.

Floydada ISD entered into an agreement with Wake Wind Energy, LLC on November 8, 2016. The agreement was for Wake Wind Energy, LLC to invest capital of \$198,887,336 on a long-term basis for a valuation limitation of \$10,000,000. For fiscal year 2017, which is year 3 of the agreement, with the M&O tax rate \$1.1132 per \$100, with property valued at \$29,833,100 without considering the limit and \$10,000,000 with the limit. When calculated, the District forgoes collecting \$220,782 in tax revenue; however, that will be offset by the increase in state funding through the FSP funding formula and a possible Revenue Protection Payment. In addition to the tax abatement, Wake Wind Energy, LLC has committed to pay supplemental payments to the District in the amount of \$100 per ADA based on the District's 2012-2013 final ADA.

O. Subsequent Events

During the current fiscal year, the District approved the issuance of \$40,270,000 in Unlimited Tax School Building Bonds, Series 2017 for the construction, acquisition, renovation and equipment of school buildings in the District. The bonds were issued and the money was received by the District September 26, 2017.

Subsequent events were evaluated through November 10, 2017, which is the date the financial statements were available to be issued. No other significant subsequent events have occurred prior to this date.

Required Supplementary Information

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

FLOYDADA INDEPENDENT SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2017

EXHIBIT G-1
Page 2 of 2

Data Control Codes	1	2	3	Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
Other Financing Sources (Uses):				
7949	200,000	218,912	218,912	
8911	(65,000)	(4,041,500)	(3,965,102)	76,398
8949	(100)	(100)		100
7080	<u>134,900</u>	<u>(3,822,688)</u>	<u>(3,746,190)</u>	<u>76,498</u>
1200		(4,761,447)	(2,720,508)	2,040,939
0100	8,214,038	8,214,038	8,214,038	
3000	<u>\$ 8,214,038</u>	<u>\$ 3,452,591</u>	<u>\$ 5,493,530</u>	<u>\$ 2,040,939</u>

FLOYDADA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM
LAST TEN FISCAL YEARS *

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 174,835	\$ 170,240	\$ 165,566	\$	\$	\$	\$	\$	\$	\$
Contributions in relation to the contractually required contribution	(174,835)	(170,240)	(165,566)							
Contribution deficiency (excess)	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
District's covered-employee payroll	\$ 5,589,823	\$ 5,382,466	\$ 5,330,482	\$	\$	\$	\$	\$	\$	\$
Contributions as a percentage of covered-employee payroll	3.13%	3.16%	3.11%							

Note: GASB 68, Paragraph 81.2.b requires that the data in this schedule be presented as of the District's current fiscal year as opposed to the time period covered by the measurement date of September 1, 2015- August 31, 2016.

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

Other Supplementary Information

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

10 Beginning Balance 9/1/16	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/17
\$ 60,196	\$	\$ 325	\$	\$ (977)	\$ 58,893
3,057		368	41	(197)	2,451
3,956		376	47	(365)	3,168
6,094		759	85	(391)	4,858
10,127		2,051	242	(426)	7,408
12,394		1,812	214	(527)	9,842
19,650		3,224	380	(429)	15,617
25,666		4,301	521	(432)	20,412
33,188		11,761	949	995	21,473
	4,502,630	3,539,106	950,931	23,687	36,280
<u>\$ 174,328</u>	<u>\$ 4,502,630</u>	<u>\$ 3,564,083</u>	<u>\$ 953,409</u>	<u>\$ 20,937</u>	<u>\$ 180,402</u>
\$	\$	\$	\$	\$	\$

Robison Johnston & Patton, LLP
CERTIFIED PUBLIC ACCOUNTANTS
A PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS

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

Board of Trustees
Floydada Independent School District
226 West California
Floydada, Texas 79235

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Floydada Independent School District, as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise Floydada Independent School District's basic financial statements, and have issued our report thereon dated November 10, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Robison Johnston, Partner LLP

Lubbock, TX
November 10, 2017

Robison Johnston & Patton, LLP
C E R T I F I E D P U B L I C A C C O U N T A N T S
A P A R T N E R S H I P I N C L U D I N G P R O F E S S I O N A L C O R P O R A T I O N S

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

Board of Trustees
Floydada Independent School District
226 West California
Floydada, Texas 79235

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited the Floydada Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Floydada Independent School District's major federal program for the year ended August 31, 2017. Floydada Independent School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

Robison Johnston, Partner UP

Lubbock, TX
November 10, 2017

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

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
There were no findings in the prior year.		

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

EXHIBIT K-1
Page 1 of 2

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Passed Through to Subrecipients Federal Expenditures
CHILD NUTRITION CLUSTER:			
<u>U. S. Department of Agriculture</u>			
Passed Through State Department of Education:			
<i>School Breakfast Program</i>	10.553	71401501	\$ 197,300
<i>Food Distribution (Non-cash)</i>	10.555	077002A	46,329
<i>National School Lunch Program</i>	10.555	71301501	272,804
Total CFDA Number 10.555			<u>319,133</u>
Total Passed Through State Department of Education			<u>516,433</u>
Passed Through Texas Department of Human Services:			
<i>Summer Feeding</i>	10.559	0771001	6,531
Total U. S. Department of Agriculture			<u>522,964</u>
Total Child Nutrition Cluster			<u>522,964</u>
SPECIAL EDUCATION (IDEA) CLUSTER:			
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
<i>IDEA-B Formula</i>	84.027	1766000107790	156,804
<i>IDEA-B Formula</i>	84.027	1866000107790	9,772
Total CFDA Number 84.027			<u>166,576</u>
<i>IDEA-B Preschool</i>	84.173	1766100107790	7,307
Total Passed Through State Department of Education			<u>173,883</u>
Total U. S. Department of Education			<u>173,883</u>
Total Special Education (IDEA) Cluster			<u>173,883</u>
OTHER PROGRAMS:			
<u>U. S. Department of Health and Human Services</u>			
Passed Through State Department of Education:			
<i>Head Start</i>	93.600	06CH010433	81,623
<i>Head Start</i>	93.600	06CH010433	85,196
Total CFDA Number 93.600			<u>166,819</u>
Total Passed Through State Department of Education			<u>166,819</u>
Total U. S. Department of Health and Human Services			<u>166,819</u>
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
<i>ESEA Title I, Part A- Improving Basic Programs</i>	84.010A	17610101077901	341,028
<i>Title I 1003 (A) Priority and Focus School Grant</i>	84.010A	17610112077901000	122,959
<i>ESEA Title I Part A - Improving Basic Programs</i>	84.010A	1861010107790	23,225
Total CFDA Number 84.010A			<u>487,212</u>
<i>ESEA Title I Part C - Education of Migratory Children</i>	84.011	1761500107790	115,937
<i>ESEA Title I Part C- Education of Migratory Children</i>	84.011	1861500107790	1,987
Total CFDA Number 84.011			<u>117,924</u>
<i>Title IV Part B21st Century Community Learning Centers</i>	84.287	1769502471100	77,510
<i>Title IV Part B21st Century Community Learning Centers</i>	84.287	1869502471100	225
Total CFDA Number 84.287			<u>77,735</u>
<i>Title III Part A English Language Acquisition and Language Enhance</i>	84.365	077-901	3,850

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

Basis of Presentation

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

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. These expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Floydada Independent School District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.