

DECATUR INDEPENDENT SCHOOL DISTRICT

*ANNUAL FINANCIAL REPORT*

*FOR THE YEAR ENDED AUGUST 31, 2016*

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

TABLE OF CONTENTS

	Page	Exhibit
<b>INTRODUCTORY SECTION</b>		
Certificate of Board.....	1	
<b>FINANCIAL SECTION</b>		
Independent Auditor's Report.....	2	
Management's Discussion and Analysis (Required Supplementary Information).....	5	
<u>Basic Financial Statements</u>		
Government-wide Financial Statements:		
Statement of Net Position.....	11	A-1
Statement of Activities.....	12	B-1
Fund Financial Statements:		
Balance Sheet - Governmental Funds.....	13	C-1
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Position.....	15	C-1R
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.....	16	C-2
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	18	C-3
Statement of Net Position - Internal Service Fund.....	19	D-1
Statement of Revenues, Expenses, and Changes in Fund Net Position - Internal Service Fund.....	20	D-2
Statement of Cash Flows - Proprietary Funds.....	21	D-3
Statement of Fiduciary Net Position - Fiduciary Funds.....	22	E-1
Notes to the Financial Statements .....	23	
<u>Required Supplementary Information</u>		
Budgetary Comparison Schedules:		
General Fund.....	45	G-1
Schedule of the District's Proportionate Share of the Net Pension Liability - Teacher Retirement System Of Texas.....		
	47	G-2
Schedule of District's Contributions - Teacher Retirement System Of Texas.....		
	48	G-3
Notes to Required Supplementary Information.....	49	
<b>OTHER SUPPLEMENTARY INFORMATION SECTION</b>		
Schedule of Delinquent Taxes Receivable.....	50	J-1
Fund Balance and Cash Flow Calculation Worksheet (Unaudited)-General Fund.....	52	J-2
Budgetary Comparison Schedules Required by the Texas Education Agency:		
National School Breakfast and Lunch Program.....	53	J-3
Debt Service Fund.....	54	J-4

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

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	55	
Report on Compliance for Each Major Program and on Internal Control over Compliance Required by Uniform Guidance.....	57	
Schedule of Findings and Questioned Costs .....	59	
Summary Schedule of Prior Audit Findings.....	61	
Corrective Action Plan.....	62	
Schedule of Expenditures of Federal Awards .....	63	K-1
Notes to the Schedule of Expenditures of Federal Awards.....	65	
Schedule of Required Responses to Selected School First Indicators.....	66	K-2

*Introductory Section*

CERTIFICATE OF BOARD

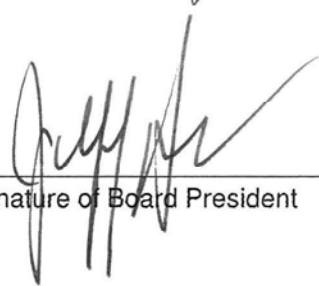
Decatur Independent School District  
Name of School District

Wise  
County

249-905  
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one)  approved  disapproved for the year ended August 31, 2016, at a meeting of the board of trustees of such school district on the 16<sup>th</sup> 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)

*Financial Section*



**SNOW GARRETT WILLIAMS**  
CERTIFIED PUBLIC ACCOUNTANTS

**Independent Auditor's Report**

To the Board of Trustees  
Decatur Independent School District  
307 S. Cates Street  
Decatur, Texas 76234

**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 Decatur Independent School District ("the District") as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

**Auditor's Responsibility**

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

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Decatur Independent School District as of August 31, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof 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 2016, Decatur Independent School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 72, *Fair Value*. Our opinion is not modified with respect to this matter.

As described in Note A to the financial statements, in 2016, Decatur Independent School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Our opinion is not modified with respect to this matter.

As described in Note A to the financial statements, in 2016, Decatur Independent School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 76, *Hierarchy of GAAP*. Our opinion is not modified with respect to this matter.

As described in Note A to the financial statements, in 2016, Decatur Independent School District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 79, *Investment Pools*. 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 Decatur Independent School District's basic financial statements. The introductory section is presented for purposes of additional analysis and is 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*, Subpart F -- Audit Requirements (Uniform Guidance) and is also not a required part of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is also not a required part of the basic financial statements.

The other supplementary information, except for Exhibit J-2, and the schedule of expenditures of federal awards were the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and Exhibit J-2 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2017 on our consideration of Decatur Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Decatur Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,



Snow Garrett Williams  
January 10, 2017

## Management's Discussion and Analysis (Unaudited)

As management of the District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended August 31, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found at the front of this report and the District's financial statements, which follow this section.

### Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent period by \$20,202,458 (*net position*). Of this amount, \$3,961,394 (*unrestricted net position*) may be used to meet the District's ongoing obligations.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$20,772,623. Approximately 26 percent of this total amount, \$5,438,934, is *available for spending* at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$5,438,934, or 18 percent of the total general fund expenditures.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised 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 themselves.

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

The *statement of net position* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or 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 for all of the current year's revenues and expenses regardless of when cash is received or paid. Thus, revenues and expenses are reported in this 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 (*governmental 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. The District has no *business-type activities* and no component units for which it is financially accountable. The government-wide financial statements can be found on pages 11-12 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. The fund financial statements provide more detailed information about the District's most significant funds-not the District as a whole.

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

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

in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. The District adopts an annual appropriated budget for its general fund, debt service fund, and food service fund. A budgetary comparison schedule has been provided to demonstrate compliance with these budgets. The basic governmental fund financial statements can be found on pages 13-18 of this report.

- **Proprietary funds.** *Proprietary funds* provide the same type of information as the government-wide financial statements, only in more detail. There are two proprietary fund types. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The District has no enterprise funds. The second type of proprietary fund is the *internal service fund*. Internal service funds are an accounting device used to accumulate and allocate costs internally among the various functions. The District uses the *internal service fund* to report activities for its health insurance. The basic proprietary financial statements can be found on pages 19-21 of this report.
- **Fiduciary funds.** *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. 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 own programs. The District is the trustee, or *fiduciary*, for these funds and 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 can be found on page 22.
- **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 and fund financial statements. The notes to the financial statements can be found on pages 23-44 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that further explains and supports the information in the financial statements. Required supplementary information can be found on pages 45-49 of this report.

#### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$20,202,458 as of August 31, 2016.

#### The District's Net Position

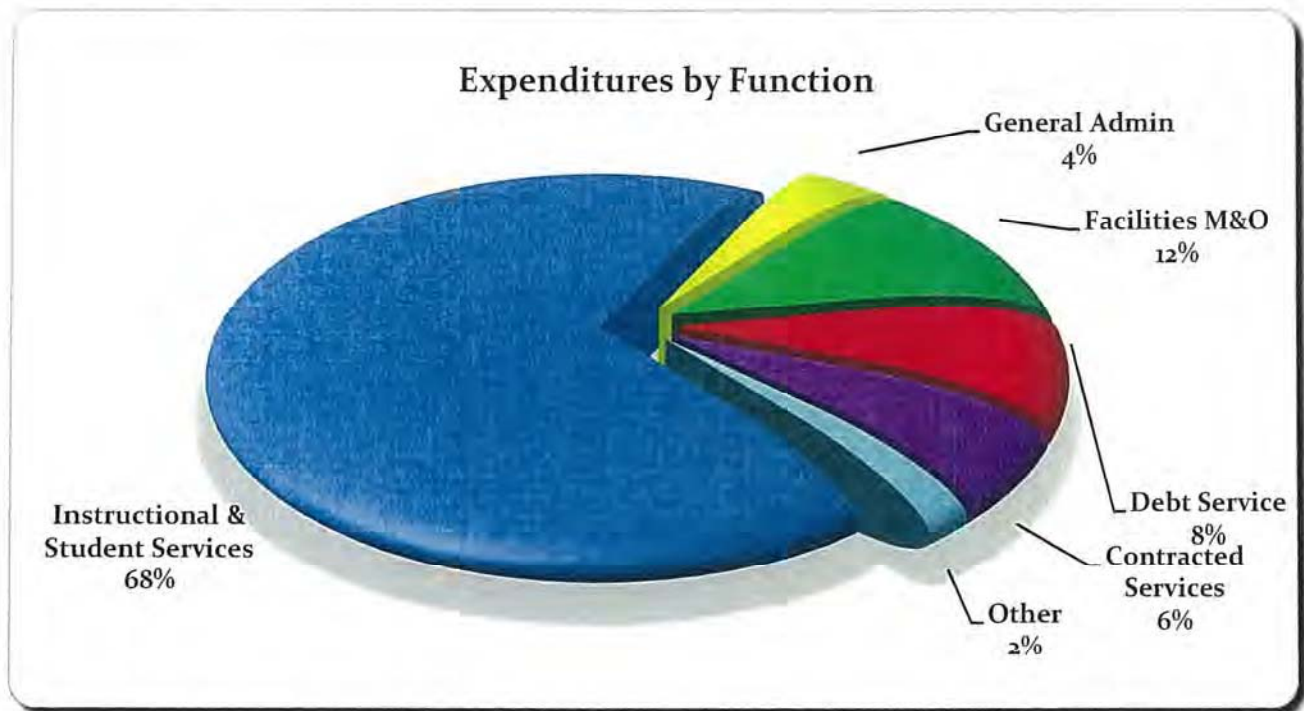
	<u>August 31, 2016</u>	<u>August 31, 2015</u>
Current assets	\$ 24,123,468	\$ 33,435,103
Capital assets	79,710,550	72,401,983
Total assets	<u>103,834,018</u>	<u>105,837,086</u>
Deferred outflows of resources		
Deferred loss on refunding	636,614	-
Deferred outflow related to pensions	3,459,101	718,076
Total deferred outflows of resources	<u>4,095,715</u>	<u>718,076</u>
Current liabilities	1,938,297	1,975,547
Long-term liabilities outstanding	84,271,645	83,830,993
Total liabilities	<u>86,209,942</u>	<u>85,806,540</u>
Deferred inflows of resources		
Deferred gain on refunding	428,803	451,372
Deferred inflow related to pensions	1,088,530	873,817
Total deferred inflows of resources	<u>1,517,333</u>	<u>1,325,189</u>
Net position:		
Net investment in capital assets	13,315,454	(1,668,919)
Restricted	2,925,610	16,138,625
Unrestricted	3,961,394	4,953,727
Total net position	<u>\$ 20,202,458</u>	<u>\$ 19,423,433</u>

Investment in capital assets (e.g., land, buildings and improvements, and furniture and equipment) is \$13,315,454. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's net position, \$2,925,610, represents resources that are subject to external restrictions on how they may be used. The amount of these restricted assets includes: (1) debt service of \$2,740,564, (2) scholarships of \$181,174, and (3) other purposes of \$3,872. The remaining balance of unrestricted net position, \$3,961,394, may be used to meet the District's ongoing obligations. This surplus is not an indication that the District has significant resources available to meet financial obligations next year, but rather the result of having *long-term* commitments that are less than currently available resources.

**Governmental activities.** The District's total net position increased \$779,025. The total cost of all *governmental activities* this year was \$41,148,368. The amount that our taxpayers paid for these activities through property taxes was \$30,135,625 or 73%.

#### Changes in the District's Net Position

	Fiscal Year August 31, 2016	Fiscal Year August 31, 2015
Revenues:		
Program revenues		
Charges for services	\$ 686,813	\$ 673,952
Operating grants and contributions	3,569,161	3,718,415
General revenues		
Property taxes	30,135,625	29,506,650
State grants	4,515,140	4,373,177
Other	3,020,654	1,472,340
Total revenues	<u>41,927,393</u>	<u>39,744,534</u>
Expenses:		
Instruction	19,222,963	18,098,280
Instruction resources and media services	641,641	602,332
Curriculum and staff development	181,858	169,518
Instructional leadership	333,183	331,274
School leadership	2,156,108	1,923,803
Guidance, counseling and evaluation services	1,053,888	1,001,719
Health services	279,496	290,471
Student transportation	1,271,304	954,446
Food service	1,616,649	1,563,810
Cocurricular/Extracurricular activities	1,359,031	1,190,894
General administration	1,468,212	1,320,706
Facilities maintenance and operations	4,725,227	4,515,868
Security and monitoring services	134,287	146,413
Data processing services	267,611	250,311
Community Services	12,371	16,912
Debt service-interest on long-term debt	3,263,574	2,788,458
Debt service-bond issuance costs	185,468	275,917
Capital Outlay	17,631	43,408
Contracted instructional services between schools	2,546,683	3,351,657
Payments related to shared service arrangements	88,934	88,934
Other Intergovernmental Charges	322,249	308,044
Total expenses	<u>41,148,368</u>	<u>39,233,175</u>
Changes in net position	779,025	511,359
Net position - beginning	19,423,433	22,148,518
Prior period adjustment	-	(3,236,444)
Net position - beginning, as restated	19,423,433	18,912,074
Net position - ending	<u>\$ 20,202,458</u>	<u>\$ 19,423,433</u>



#### Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, bond covenants, and segregation for particular purposes.

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$20,772,623, a decrease of \$9,553,105. Approximately 26 percent of this total amount (\$5,438,934) constitutes *unassigned fund balance*. Nonspendable fund balance for inventories is \$30,786. The remainder of fund balance is restricted or *committed* to indicate that it is not available for new spending because it has already been restricted (1) to pay debt service (\$2,507,178), (2) for construction and capital acquisitions (\$3,612,653), and (3) other fund balance restrictions (\$185,046), and committed for (4) construction (\$6,717,913), (5) for capital expenditures and equipment (\$1,500,000), (6) for self-insurance (\$100,000), and (4) other commitments (\$680,113).

The general fund is the primary operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$5,438,934, out of a total fund balance of \$10,719,720 for the General Fund. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to the total fund expenditures. Unassigned fund balance represents 18 percent of the total general fund expenditures, while total general fund balance represents 36 percent of that same amount.

The fund balance of the District's general fund decreased \$1,429,050 during the current fiscal year. Key factors in this decrease are:

- In January 2016, the Board of Trustees transferred \$2 million to the local construction fund to cover future capital expenditures.

The debt service fund has a total fund balance of \$2,507,178, all of which is restricted for the payment of debt service. The net decrease in fund balance during the period in the debt service fund was \$25,462.

The capital projects fund has a total fund balance of \$7,280,566 consisting of committed of \$3,667,913 and restricted from external restrictions of \$3,612,653. The net decrease in fund balance during the period was \$8,020,225.

## General Fund Budgetary Highlights

Over the course of the year, the District recommended and the Board approved several revisions to budgeted revenue and appropriations. These amendments fall into the following categories:

- Transfer \$2 million into the local construction fund to cover future capital projects.
- Insurance proceeds from hail storm.
- Purchase new weight equipment for high school.
- Year-End adjustment for recapture and various function adjustments.

The following are significant variations between the final budget and actual amounts for the general fund:

- Actual revenues were higher than budgeted by \$625,603 primarily related to increases in local and intermediate sources as well as state program revenues; and
- Actual expenditures were lower than budgeted by \$886,886 primarily due to instruction, student (pupil) transportation, capital outlay, and contracted instructional services between public schools.

## Capital Asset and Debt Administration

**Capital assets.** The District's investment in capital assets for its governmental activities as of August 31, 2016, amounts to \$79,710,550 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, furniture and equipment, and construction in progress.

Major capital asset events during the year included completion of District-wide roof replacements, athletic press box renovations, track resurfacing, and multiple security system upgrades.

### Districts Capital Assets (net of depreciation)

	<u>August 31, 2016</u>	<u>August 31, 2015</u>
Land	\$ 1,998,567	\$ 1,998,567
Buildings and improvements	68,226,144	67,617,569
Furniture and equipment	4,068,717	2,094,648
Construction in progress	5,417,122	691,199
Total at historical cost	<u>\$ 79,710,550</u>	<u>\$ 72,401,983</u>

Additional information on the District's capital assets can be found in Note D on page 32 of this report.

**Long-term debt.** As of August 31, 2016, the District had total general obligation bonded debt outstanding of \$66,022,612, a decrease of \$4,410,000 from the prior year.

Accretion on CAB's increased \$872,778 for fiscal year 2016, resulting in an ending balance of \$8,227,726. The premium on bonds is \$4,192,948, an increase of \$1,006,030 from the previous year. The District issued Unlimited Tax Refunding Bonds Series 2016 with a par amount of \$8,635,000 and premium of \$1,360,872, which defeased \$8,930,000 of the outstanding Series 2008 Building Bonds. The net pension liability for fiscal year 2016 had an ending balance of \$5,828,359, derived from GASB 68 & 71 and an increase of \$2,971,844 from the prior year.

As of the last rating, November 2010, the outstanding unlimited tax supported debt of the District was rated "AA-" by S&P and "Aa3" by Moody's, without regard to credit enhancement. At the time of the last bond refinancing, December 2010, the District did not qualify for the guarantee of the Permanent School Fund of the State of Texas due to legislative limitations on the fund.

Additional information on the District's long-term debt can be found in Note F on pages 33-34 of this report.

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

- The District's 2016-2017 M&O tax rate is \$1.04 which represents a zero percent increase over the prior year. The District's I&S rate was \$0.30, a \$0.01 increase from the previous year.
- Capital projects budgeted in the general fund include completion of the roofing projects from insurance proceeds, parking lot improvements and purchase vehicles.
- The District gave a general pay increase to teachers in the amount of \$1,500. The cost of this increase is anticipated to be approximately \$300,000 for the year.

### **Requests for Information**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances as well as demonstrate accountability for funds the District receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Business Office, Decatur I.S.D., 307 S. Cates Street, Decatur, Texas, 76234.

*Basic Financial Statements*



**DECATUR INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**AUGUST 31, 2016**

Data Control Codes	1	Governmental Activities
<b>ASSETS:</b>		
1110	<i>Cash and Cash Equivalents</i>	\$ 7,432,872
1120	<i>Current Investments</i>	14,214,541
1225	<i>Property Taxes Receivable (Net)</i>	1,130,866
1240	<i>Due from Other Governments</i>	1,259,056
1267	<i>Due from Fiduciary</i>	29,192
1290	<i>Other Receivables (Net)</i>	3,799
1300	<i>Inventories</i>	53,142
Capital Assets:		
1510	<i>Land</i>	1,998,567
1520	<i>Buildings and Improvements, Net</i>	68,226,144
1530	<i>Furniture and Equipment, Net</i>	4,068,717
1580	<i>Construction in Progress</i>	5,417,122
1000	<b>Total Assets</b>	<u>103,834,018</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
	<i>Deferred Loss on Refunding</i>	636,614
1705	<i>Deferred Outflow Related to Pensions</i>	3,459,101
1700	<b>Total Deferred Outflows of Resources</b>	<u>4,095,715</u>
<b>LIABILITIES:</b>		
2110	<i>Accounts Payable</i>	745,240
2140	<i>Interest Payable</i>	107,006
2165	<i>Accrued Liabilities</i>	1,063,165
2180	<i>Due to Other Governments</i>	17,936
2300	<i>Unearned Revenue</i>	4,950
Noncurrent Liabilities:		
2501	<i>Due Within One Year</i>	3,360,000
2502	<i>Due in More Than One Year</i>	75,083,286
2540	<i>Net Pension Liability</i>	5,828,359
2000	<b>Total Liabilities</b>	<u>86,209,942</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
	<i>Deferred Gain on Refunding</i>	428,803
2605	<i>Deferred Inflow Related to Pensions</i>	1,088,530
2600	<b>Total Deferred Inflows of Resources</b>	<u>1,517,333</u>
<b>NET POSITION:</b>		
3200	<b>Net Investment in Capital Assets</b>	13,315,454
Restricted For:		
3850	<i>Debt Service</i>	2,740,564
3880	<i>Scholarships</i>	181,174
3890	<i>Other Purposes</i>	3,872
3900	<i>Unrestricted</i>	3,961,394
3000	<b>Total Net Position</b>	<u>\$ 20,202,458</u>

The accompanying notes are an integral part of this statement.

## DECATUR INDEPENDENT SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	Functions/Programs	1 Expenses	3 Program Revenues		4 Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Governmental Activities		
	Governmental Activities:					
11	Instruction	\$ 19,222,963	\$ 88,156	\$ 1,531,807	\$ (17,603,000)	
12	Instructional Resources and Media Services	641,641	--	23,310	(618,331)	
13	Curriculum and Staff Development	181,858	--	6,810	(175,048)	
21	Instructional Leadership	333,183	--	12,048	(321,135)	
23	School Leadership	2,156,108	--	78,181	(2,077,927)	
31	Guidance, Counseling, & Evaluation Services	1,053,888	--	258,235	(795,653)	
33	Health Services	279,496	--	10,084	(269,412)	
34	Student Transportation	1,271,304	--	36,668	(1,234,636)	
35	Food Service	1,616,649	470,571	977,576	(168,502)	
36	Cocurricular/Extracurricular Activities	1,359,031	91,689	50,942	(1,216,400)	
41	General Administration	1,468,212	--	54,085	(1,414,127)	
51	Facilities Maintenance and Operations	4,725,227	36,397	178,886	(4,509,944)	
52	Security and Monitoring Services	134,287	--	5,238	(129,049)	
53	Data Processing Services	267,611	--	9,822	(257,789)	
61	Community Services	12,371	--	--	(12,371)	
72	Interest on Long-term Debt	3,263,574	--	90,309	(3,173,265)	
73	Bond Issuance Costs and Fees	185,468	--	--	(185,468)	
81	Capital Outlay	17,631	--	45,442	27,811	
91	Contracted Instructional Services between Schools	2,546,683	--	110,789	(2,435,894)	
93	Payments Related to Shared Services Arrangements	88,934	--	88,929	(5)	
99	Other Intergovernmental Charges	322,249	--	--	(322,249)	
TG	Total Governmental Activities	<u>41,148,368</u>	<u>686,813</u>	<u>3,569,161</u>	<u>(36,892,394)</u>	
TP	Total Primary Government	<u>\$ 41,148,368</u>	<u>\$ 686,813</u>	<u>\$ 3,569,161</u>	<u>(36,892,394)</u>	
	General Revenues:					
MT	Property Taxes, Levied for General Purposes				23,565,390	
DT	Property Taxes, Levied for Debt Service				6,570,235	
IE	Investment Earnings				84,661	
GC	Grants and Contributions Not Restricted to Specific Programs				4,515,140	
MI	Miscellaneous				2,935,993	
TR	Total General Revenues				<u>37,671,419</u>	
CN	Change in Net Position				779,025	
NB	Net Position - Beginning				19,423,433	
NE	Net Position - Ending				<u>\$ 20,202,458</u>	

The accompanying notes are an integral part of this statement.

**DECATUR INDEPENDENT SCHOOL DISTRICT**

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2016

Data Control Codes	10 <u>General Fund</u>	50 <u>Debt Service Fund</u>
<b>ASSETS:</b>		
1110 <i>Cash and Cash Equivalents</i>	\$ 2,434,501	\$ 2,377,624
1120 <i>Current Investments</i>	8,193,603	115,532
1225 <i>Taxes Receivable</i>	1,234,824	313,194
1230 <i>Allowance for Uncollectible Taxes (Credit)</i>	(337,344)	(79,808)
1240 <i>Due from Other Governments</i>	1,124,492	11,772
1260 <i>Due from Other Funds</i>	122,126	--
1290 <i>Other Receivables</i>	1,323	2,250
1300 <i>Inventories</i>	30,786	--
1000 <b>Total Assets</b>	<u>12,804,311</u>	<u>2,740,564</u>
<b>LIABILITIES:</b>		
Current Liabilities:		
2110 <i>Accounts Payable</i>	\$ 172,351	\$ --
2160 <i>Accrued Wages Payable</i>	996,811	--
2170 <i>Due to Other Funds</i>	13	--
2180 <i>Due to Other Governments</i>	17,936	--
2300 <i>Unearned Revenue</i>	897,480	233,386
2000 <b>Total Liabilities</b>	<u>2,084,591</u>	<u>233,386</u>
<b>FUND BALANCES:</b>		
Nonspendable Fund Balances:		
3410 <i>Inventories</i>	30,786	--
Restricted Fund Balances:		
3470 <i>Capital Acquisitions &amp; Contractual Obligations</i>	--	--
3480 <i>Retirement of Long-Term Debt</i>	--	2,507,178
3490 <i>Other Restrictions of Fund Balance</i>	--	--
Committed Fund Balances:		
3510 <i>Construction</i>	3,050,000	--
3530 <i>Capital Expenditures for Equipment</i>	1,500,000	--
3540 <i>Self-Insurance</i>	100,000	--
3545 <i>Other Committed Fund Balance</i>	600,000	--
3600 <i>Unassigned</i>	5,438,934	--
3000 <b>Total Fund Balances</b>	<u>10,719,720</u>	<u>2,507,178</u>
4000 <b>Total Liabilities and Fund Balances</b>	<u>\$ 12,804,311</u>	<u>\$ 2,740,564</u>

The accompanying notes are an integral part of this statement.

60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
\$ 1,864,314	\$ 163,600	\$ 6,840,039
5,738,970	166,436	14,214,541
--	--	1,548,018
--	--	(417,152)
--	122,792	1,259,056
--	13	122,139
--	225	3,798
--	22,356	53,142
<u>7,603,284</u>	<u>475,422</u>	<u>23,623,581</u>
\$ 322,718	\$ 45,536	\$ 540,605
--	66,354	1,063,165
--	93,423	93,436
--	--	17,936
--	4,950	1,135,816
<u>322,718</u>	<u>210,263</u>	<u>2,850,958</u>
--	--	30,786
3,612,653	--	3,612,653
--	--	2,507,178
--	185,046	185,046
3,667,913	--	6,717,913
--	--	1,500,000
--	--	100,000
--	80,113	680,113
--	--	5,438,934
<u>7,280,566</u>	<u>265,159</u>	<u>20,772,623</u>
<u>\$ 7,603,284</u>	<u>\$ 475,422</u>	<u>\$ 23,623,581</u>

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

Total fund balances - governmental funds balance sheet	\$ 20,772,623
Amounts reported for governmental activities in the Statement of Net Position ("SNP") are different because:	
Capital assets used in governmental activities are not reported in the funds.	79,710,550
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	1,130,866
The assets and liabilities of internal service funds are included in governmental activities in the SNP.	388,688
Payables for bond principal which are not due in the current period are not reported in the funds.	(66,022,612)
Deferred loss on refunding bonds is not reported in the funds.	636,614
Payables for bond interest which are not due in the current period are not reported in the funds.	(107,006)
Deferred gain on refunding bonds is not reported in the funds.	(428,803)
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(5,828,359)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(1,088,530)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	3,459,101
Accumulated accretion of interest on capital appreciation bonds is not reported in the funds.	(8,227,726)
Premium on bonds which are not due and payable in the current period are not reported in the funds	<u>(4,192,948)</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 20,202,458</u>

The accompanying notes are an integral part of this statement.

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

Data Control Codes	10 General Fund	50 Debt Service Fund
<b>REVENUES:</b>		
5700 Local and Intermediate Sources	\$ 24,723,615	\$ 6,533,266
5800 State Program Revenues	5,701,743	90,309
5900 Federal Program Revenues	122,961	--
5020 Total Revenues	<u>30,548,319</u>	<u>6,623,575</u>
<b>EXPENDITURES:</b>		
Current:		
0011 Instruction	14,828,005	--
0012 Instructional Resources and Media Services	537,140	--
0013 Curriculum and Staff Development	156,979	--
0021 Instructional Leadership	275,657	--
0023 School Leadership	1,797,760	--
0031 Guidance, Counseling, & Evaluation Services	647,386	--
0033 Health Services	231,205	--
0034 Student Transportation	842,304	--
0035 Food Service	1,284	--
0036 Cocurricular/Extracurricular Activities	1,172,314	--
0041 General Administration	1,242,428	--
0051 Facilities Maintenance and Operations	4,111,644	--
0052 Security and Monitoring Services	120,509	--
0053 Data Processing Services	226,240	--
0061 Community Services	1,378	--
0071 Principal on Long-term Debt	--	4,115,000
0072 Interest on Long-term Debt	--	2,526,279
0073 Bond Issuance Costs and Fees	--	185,468
0081 Capital Outlay	1,045,926	--
0091 Contracted Instructional Services		
0091 Between Public Schools	2,546,683	--
0093 Payments to Shared Service Arrangements	--	--
0099 Other Intergovernmental Charges	322,249	--
6030 Total Expenditures	<u>30,107,091</u>	<u>6,826,747</u>
1100 Excess (Deficiency) of Revenues Over (Under)		
1100 Expenditures	<u>441,228</u>	<u>(203,172)</u>
Other Financing Sources and (Uses):		
7911 Debt Issued- Refunding Bonds	--	8,635,000
7912 Sale of Real or Personal Property	143,000	--
7915 Transfers In	--	--
7916 Premium or Discount on Issuance of Bonds	--	1,360,872
8911 Transfers Out	(2,013,278)	--
8949 Other Uses-Payment to Refunded Bond Escrow Agent	--	(9,818,162)
7080 Total Other Financing Sources and (Uses)	<u>(1,870,278)</u>	<u>177,710</u>
1200 Net Change in Fund Balances	<u>(1,429,050)</u>	<u>(25,462)</u>
0100 Fund Balances - Beginning	12,148,770	2,532,640
3000 Fund Balances - Ending	<u>\$ 10,719,720</u>	<u>\$ 2,507,178</u>

The accompanying notes are an integral part of this statement.

60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
\$ 87,391	\$ 654,876	\$ 31,999,148
--	161,080	5,953,132
--	2,008,208	2,131,169
<u>87,391</u>	<u>2,824,164</u>	<u>40,083,449</u>
252,598	1,063,718	16,144,321
--	--	537,140
--	--	156,979
--	--	275,657
--	--	1,797,760
--	230,100	877,486
--	--	231,205
2,398,663	--	3,240,967
--	1,499,534	1,500,818
--	--	1,172,314
--	--	1,242,428
--	--	4,111,644
--	--	120,509
65,008	--	291,248
--	10,000	11,378
--	--	4,115,000
--	--	2,526,279
--	--	185,468
7,414,871	--	8,460,797
--	--	2,546,683
--	88,934	88,934
--	--	322,249
<u>10,131,140</u>	<u>2,892,286</u>	<u>49,957,264</u>
<u>(10,043,749)</u>	<u>(68,122)</u>	<u>(9,873,815)</u>
--	--	8,635,000
--	--	143,000
2,023,524	13,278	2,036,802
--	--	1,360,872
--	(23,524)	(2,036,802)
--	--	(9,818,162)
<u>2,023,524</u>	<u>(10,246)</u>	<u>320,710</u>
<u>(8,020,225)</u>	<u>(78,368)</u>	<u>(9,553,105)</u>
15,300,791	343,527	30,325,728
<u>\$ 7,280,566</u>	<u>\$ 265,159</u>	<u>\$ 20,772,623</u>

**DECATUR INDEPENDENT SCHOOL DISTRICT**

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

Net change in fund balances - total governmental funds	\$ (9,553,105)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	11,055,687
The depreciation of capital assets used in governmental activities is not reported in the funds.	(3,610,721)
The gain or loss on the sale of capital assets is not reported in the funds.	6,601
All proceeds from the sale of capital assets are reported in the funds but not in the SOA.	(143,000)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	201,524
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	4,115,000
The accretion of interest on capital appreciation bonds is not reported in the funds.	(872,778)
(Increase) decrease in accrued interest from beginning of period to end of period.	9,620
The net revenue (expense) of internal service funds is reported with governmental activities.	67,577
Interest paid in defeasance of bonds payable is reported in the SOA but not in the funds.	(214,100)
Amortization of deferred gain on issuance of bonds is not reported in the funds.	22,569
Amortization of deferred loss on issuance of bonds is not reported in the funds.	(37,448)
Amortization of premium on issuance of bonds.	354,842
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	(8,635,000)
Bond premiums are reported in the funds but not in the SOA.	(1,360,872)
Payment to escrow agent for refunding bonds is reported in the funds but not in the SOA.	9,818,162
Pension expense related to GASB 68 is recorded in the SOA but not in the funds.	(1,133,510)
Pension contributions made after the measurement date but in current FY were de-expended and reduced NPL.	508,276
The District's share of the unrecognized deferred inflows and outflows for the pension plan was amortized.	<u>179,701</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ 779,025</u>

The accompanying notes are an integral part of this statement.



**DECATUR INDEPENDENT SCHOOL DISTRICT**

STATEMENT OF NET POSITION

INTERNAL SERVICE FUND

AUGUST 31, 2016

Data Control Codes		Nonmajor Internal Service Fund
		<u>Insurance Fund</u>
	<b>ASSETS:</b>	
	Current Assets:	
1110	Cash and Cash Equivalents	\$ 592,833
	Receivables:	
1260	Due from Other Funds	490
	Total Current Assets	<u>593,323</u>
1000	Total Assets	<u>593,323</u>
	<b>LIABILITIES:</b>	
	Current Liabilities:	
2110	Accounts Payable	\$ 204,635
	Total Current Liabilities	<u>204,635</u>
2000	Total Liabilities	<u>204,635</u>
	<b>NET POSITION:</b>	
3900	Unrestricted	388,688
3000	Total Net Position	<u>\$ 388,688</u>

The accompanying notes are an integral part of this statement.

**DECATUR INDEPENDENT SCHOOL DISTRICT**

STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET POSITION - INTERNAL SERVICE FUND  
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes		Nonmajor Internal Service Fund
		Insurance Fund
	<b>OPERATING REVENUES:</b>	
5700	<i>Local and Intermediate Sources</i>	\$ 254,147
5020	Total Revenues	<u>254,147</u>
	<b>OPERATING EXPENSES:</b>	
6400	<i>Other Operating Costs</i>	186,570
6030	Total Expenses	<u>186,570</u>
1300	Change in Net Position	67,577
0100	Total Net Position - Beginning	321,111
3300	Total Net Position - Ending	<u>\$ 388,688</u>

The accompanying notes are an integral part of this statement.

**DECATUR INDEPENDENT SCHOOL DISTRICT**

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE YEAR ENDED AUGUST 31, 2016

	Internal Service Funds
<b>Cash Flows from Operating Activities:</b>	
<i>Cash Receipts (Payments) for Quasi-external     Operating Transactions with Other Funds</i>	\$ 254,040
<i>Cash Payments to Other Suppliers for Goods and Services</i>	(141,504)
<i>Other Operating Cash Receipts (Payments)</i>	107
Net Cash Provided (Used) by Operating Activities	<u>112,643</u>
Net Increase (Decrease) in Cash and Cash Equivalents	112,643
Cash and Cash Equivalents at Beginning of Year	480,190
Cash and Cash Equivalents at End of Year	<u>\$ 592,833</u>
<b>Reconciliation of Operating Income to Net Cash     Provided by Operating Activities:</b>	
Operating Income (Loss)	\$ 67,577
Adjustments to Reconcile Operating Income to Net Cash	
Change in Assets and Liabilities:	
<i>Increase (Decrease) in Accounts Payable</i>	45,556
<i>Increase (Decrease) in Interfund Payables</i>	(490)
Total Adjustments	<u>45,066</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 112,643</u>

The accompanying notes are an integral part of this statement.

**DECATUR INDEPENDENT SCHOOL DISTRICT**

## STATEMENT OF FIDUCIARY NET POSITION

## FIDUCIARY FUNDS

AUGUST 31, 2016

Data Control Codes		Agency Funds
	<b>ASSETS:</b>	
1110	<i>Cash and Cash Equivalents</i>	\$ 291,733
1000	Total Assets	<u>291,733</u>
	<b>LIABILITIES:</b>	
	Current Liabilities:	
2110	<i>Accounts Payable</i>	\$ 76
2150	<i>Payroll Deduction &amp; Withholdings</i>	2,724
2170	<i>Due to Other Funds</i>	29,193
2190	<i>Due to Student Groups</i>	259,740
2000	Total Liabilities	<u>291,733</u>
	<b>NET POSITION:</b>	
3000	Total Net Position	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

# DECATUR INDEPENDENT SCHOOL DISTRICT

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

### A. Summary of Significant Accounting Policies

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

#### 1. Reporting Entity

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

#### 2. Basis of Presentation, Basis of Accounting

##### a. Basis of Presentation

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

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

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The District reports the following major governmental funds:

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

**Debt Service Fund:** This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

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

Capital Projects Fund: This fund is used to account for all financial resources restricted, committed, or assigned to expenditures for the acquisition or construction of capital assets.

In addition, the District reports the following fund types:

Internal Service Funds: These funds are used to account for revenues and expenses related to services provided to parties inside the District. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. Because the principal users of the internal services are the District's governmental activities, this fund type is included in the "Governmental Activities" column of the government-wide financial statements.

Agency Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

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

b. Measurement Focus, Basis of Accounting

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

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

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

3. Financial Statement Amounts

a. Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

**DECATUR INDEPENDENT SCHOOL DISTRICT**

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

b. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year.

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

c. Inventories and Prepaid Items

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

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

d. 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>
Building & Improvements	5-40
Equipment	3-15

## DECATUR INDEPENDENT SCHOOL DISTRICT

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

e. 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.

f. Receivable and Payable Balances

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

There are no significant receivables which are not scheduled for collection within one year of year end.

g. 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.

h. Use of Estimates

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

i. Data Control Codes

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



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

j. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

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

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

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

k. Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted 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 and proprietary 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 net position to have been depleted before unrestricted net position is applied.

l. 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.

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

4. Pensions

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

At August 31, 2016 the District reported the following:

Net Pension Asset	\$	--
Net Pension Liability	\$	5,828,359

5. New Accounting Standards Adopted

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

- Statement No. 72, *Fair Value Measurement and Application*
- Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not Within the Scope of GASB 68, and Amendments to Certain Provisions of GASB 67 and 68*
- Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Government*
- Statement No. 79, *Investment Pools*

- a. Statement No. 72 requires state and local governments to measure investments at fair value using a consistent definition and valuation techniques; also defines what assets and liabilities governments should measure at fair value and expands fair value disclosures in financial disclosure notes. While the Statement generally requires restatement of prior period balances in the year of implementation, the nature of the District's investments was such that their carrying amount was not affected.
- b. Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions* as well as for the assets accumulated for purposes of providing those pensions. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans* and Statement No. 68 for pension plans and pensions that are within their respective scopes.
- c. The GAAP hierarchy prioritizes guidance governments follow when preparing U.S. GAAP financial statements. Statement No. 76 reduces authoritative GAAP hierarchy from four categories to two and lists the order of priority for pronouncements to which a government should look for guidance.
- d. Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this statement.

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

**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>
Debt Service and Food Service Fund total actual expenditures exceeded final budgeted amounts.	The District will closely review approved budget amounts adopted by the School Board and propose amendments for unexpected resource needs during the year to prevent future overspending.

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

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

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

**C. Deposits and Investments**

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

1. Cash Deposits:

At August 31, 2016, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$7,724,605 and the bank balance was \$8,321,613. The District's cash deposits at August 31, 2016 and during the year ended August 31, 2016, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

# DECATUR INDEPENDENT SCHOOL DISTRICT

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

### 2. Investments:

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

The District's investment at August 31, 2016 is shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Value</u>
TexPool LGIP	Wtd Avg 42 Days	\$ 14,214,541
Total Investments		<u>\$ 14,214,541</u>

### 3. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

#### a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.

At August 31, 2016, the District's investments, other than those which are obligations of or guaranteed by the U. S. Government, are rated as to credit quality as follows:

TexPool LGIP	AAAm
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#### b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

At year end, the District was not exposed to custodial credit risk.

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

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

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.

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. The District reports investments in local government investment pools following GASB 79 at amortized cost.

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

TexPool

The District invests in the Texas Local Government Investment Pool (TexPool), which is a local government investment pool that was established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The State Comptroller of Public Accounts oversees TexPool. Federated Investors, Inc. is the administrator and investment manager of TexPool under a contract with the State Comptroller. In accordance with the Public Funds Investment Act, the State Comptroller has appointed the TexPool Investment Advisory Board to advise with respect to TexPool. The board is composed equally of participants in TexPool Portfolios and other persons who do not have a business relationship with TexPool Portfolios and are qualified to advise in respect to TexPool Portfolios. The Advisory Board members review the investment policy and management fee structure. TexPool is rated AAAM by Standard & Poor's. All investments are stated at amortized cost, in accordance with GASB 79, which usually approximates the market value of the securities. The financial statement can be obtained from the Texas Trust Safekeeping Trust Company website at [www.ftstc.org](http://www.ftstc.org).

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

D. Capital Assets

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

	Beginning Balances	Adjustments/ Increases	Adjustments Decreases	Ending Balances
<i>Governmental activities:</i>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,998,567	\$ --	\$ --	\$ 1,998,567
Construction in progress	691,199	5,417,122	691,199	5,417,122
Total capital assets not being depreciated	<u>2,689,766</u>	<u>5,417,122</u>	<u>691,199</u>	<u>7,415,689</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	100,074,337	3,501,376	--	103,575,713
Equipment	6,936,747	2,828,388	1,182,435	8,582,700
Total capital assets being depreciated	<u>107,011,084</u>	<u>6,329,764</u>	<u>1,182,435</u>	<u>112,158,413</u>
Less accumulated depreciation for:				
Buildings and improvements	(32,456,768)	(2,892,801)	--	(35,349,569)
Equipment	(4,842,099)	(717,920)	(1,046,036)	(4,513,983)
Total accumulated depreciation	<u>(37,298,867)</u>	<u>(3,610,721)</u>	<u>(1,046,036)</u>	<u>(39,863,552)</u>
Total capital assets being depreciated, net	69,712,217	2,719,043	136,399	72,294,861
Governmental activities capital assets, net	<u>\$ 72,401,983</u>	<u>\$ 8,136,165</u>	<u>\$ 827,598</u>	<u>\$ 79,710,550</u>

Depreciation was charged to functions as follows:

Instruction	\$ 1,842,437
Instructional Resources and Media Services	61,411
Curriculum and Staff Development	17,947
Instructional Leadership	31,516
School Leadership	205,539
Guidance, Counseling, & Evaluation Services	100,323
Health Services	26,434
Student Transportation	370,541
Food Services	158,104
Extracurricular Activities	134,031
General Administration	142,047
Plant Maintenance and Operations	472,321
Security and Monitoring Services	13,778
Data Processing Services	33,299
Community Services	993
	<u>\$ 3,610,721</u>

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

**E. Interfund Balances and Activities**

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2016, consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Special Revenue Funds	\$ 93,423	For transfer of federal receipts
General Fund	Trust and Agency Funds	28,702	Short-term loans
Special Revenue Funds	General Fund	13	For transfer of federal receipts
Internal Service Fund	Trust and Agency Funds	490	Reimburse expenditures
	Total	<u>\$ 122,628</u>	

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, 2016, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
General Fund	Special Revenue Fund	\$ 13,278	Supplement other fund sources
General Fund	Capital Projects Fund	2,000,000	Supplement other fund sources
Special Revenue Fund	Capital Projects Fund	23,524	Prior year expenditures paid for by Capital Projects Fund
	Total	<u>\$ 2,036,802</u>	

**F. 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.

1. 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, 2016, are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<b><u>Governmental activities:</u></b>					
General obligation bonds	\$ 70,432,612	\$ 8,635,000	\$ (13,045,000)	\$ 66,022,612	\$ 3,360,000
Accumulated Accretion CABs	7,354,948	872,778	--	8,227,726	--
Premium (unamortized)	3,186,918	1,360,872	(354,842)	4,192,948	--
Net Pension Liability *	2,856,515	2,971,844	--	5,828,359	--
Total governmental activities	<u>\$ 84,282,365</u>	<u>\$ 13,840,494</u>	<u>\$ (13,399,842)</u>	<u>\$ 84,271,645</u>	<u>\$ 3,360,000</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

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

2. Debt Service Requirements

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

Year Ending August 31,	Governmental Activities		
	Principal	Interest	Total
2017	\$ 3,360,000	\$ 2,435,762	\$ 5,795,762
2018	3,490,000	2,309,763	5,799,763
2019	3,625,000	2,193,737	5,818,737
2020	3,433,953	3,276,386	6,710,339
2021	3,469,019	3,237,743	6,706,762
2022-2026	17,625,360	15,199,015	32,824,375
2027-2031	15,659,280	14,554,200	30,213,481
2032-2036	15,360,000	1,582,613	16,942,613
Totals	<u>\$ 66,022,612</u>	<u>\$ 44,789,219</u>	<u>\$ 110,811,832</u>

The Unlimited Tax School Building Bonds Series 2004 interest is 5.00% and matures in August 2031.

The Unlimited Tax School Building Bonds Series 2008 interest range from 4.625% to 5.25% and matures in August 2032.

The Unlimited Tax School Building Bonds Series 2009 interest range from 3.00% to 4.50% and matures in August 2030.

The Unlimited Tax School Refunding Bonds Series 2013 interest range from 3.00% to 5.00% and matures in August 2019.

The Unlimited Tax School Building and Refunding Bonds Series 2015 interest range from 1.00% to 5.00% and matures in February 2035.

The Unlimited Tax Refunding Bonds Series 2016 interest range from 2.00% to 4.00% and matures in August 2034.

3. Advance Refunding of Debt

GASB Statement No. 7, "Advance Refundings Resulting in Defeasance of Debt," provides that refunded debt and assets placed in escrow for the payment of related debt service be excluded from the financial statements. As of August 31, 2016, outstanding balances of bond issues that have been refunded and defeased in-substance by placing existing assets and the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments are as follows.

<u>Bond Issue</u>	<u>Amount</u>
Unlimited Tax School Building Bonds, Series 2008	<u>8,930,000</u>
Total	<u><u>8,930,000</u></u>

As a result of the advance refunding of principal maturities from the Unlimited Tax Building Bonds, Series 2008 by the issuance of the Unlimited Tax Building and Refunding Bonds, Series 2016, the District decreased its total debt service requirements by \$903,024, which resulted in a net economic gain (difference between the present value of the debt service payments on the old and new debt) of \$906,350.



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

G. Commitments Under Noncapitalized Leases

Commitments under operating (noncapitalized) lease agreements for facilities and equipment provide for minimum future rental payments as of August 31, 2016, as follows:

<u>Year Ending August 31,</u>	
2017	\$ 30,744
2018	3,039
2019	507
Total Minimum Rentals	<u>\$ 34,290</u>
 Rental Expenditures in 2016	 <u>\$ 69,025</u>

H. Risk Management

Property Casualty Program

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2016, the District participated in the Texas Association of School Boards Risk Management Fund (the Fund) with coverage in Auto Liability, Auto Physical Damage, General Liability, Property, and Legal Liability. The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating the Fund execute Interlocal Agreements that define the responsibilities of the parties. 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 years.

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for its Auto, Liability and Property programs. The terms and limits of the stop-loss program vary by line coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended August 31, 2016, the Fund anticipates Decatur ISD has no additional liability beyond the 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 year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2015 are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

Workers' Compensation

The District has established a partially self-funded workers' compensation plan by participating in the Texas Educational Insurance Association. The Association is a public entity risk pool currently operating as a common risk management and insurance program for member colleges and school districts. The main purpose of the Association is to partially self-insure certain workers compensation risks up to an agreed upon retention limit. The plan for worker's compensation benefits is authorized by Section 504.011 of the Labor Code. Claims are paid by a third party administrator acting on behalf of the District under the terms of a contractual agreement. Administrative fees are included within the provisions of that agreement. The liability of the workers' compensation self-insurance plan includes \$88,420 incurred but not reported claims. Costs are allocated to other funds and the retained earnings are fully reserved for self-funded insurance. Estimates of claims payable and of claims incurred, but not reported at August 31, 2016, are reflected as accounts and claims payable of the Fund. The plan is funded to discharge liabilities of the fund as they become due.

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

Changes in the balances of claim liabilities during the past year are as follows:

	Year Ended 08/31/2016	Year Ended 08/31/2015
Unpaid claims, beginning of year	\$ 159,078	\$ 175,639
Incurring claims	143,482	23,836
Claim payments	(97,925)	(40,397)
Unpaid claims, end of fiscal year	<u>\$ 204,635</u>	<u>\$ 159,078</u>

Unemployment Compensation

During the year ended August 31, 2016, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for the Unemployment Compensation pool. For the year ended August 31, 2016, the Fund anticipates that Decatur ISD has no additional liability beyond the contractual obligation for payment of contribution.

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

I. 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.state.tx.us/about/documents/cafr.pdf#CAFR](http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR); by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592.

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

3. Benefits Provided

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

4. Contributions

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

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

	<u>Contribution Rates</u>	
	2015	2016
Member	6.7%	7.2%
Non-Employer Contributing Entity (NECE - State)	6.8%	6.8%
Employers	6.8%	6.8%
District's 2016 Employer Contributions	\$ 508,276	
District's 2016 Member Contributions	\$ 1,321,081	
NECE 2015 On-Behalf Contributions to District	\$ 961,989	

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

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.

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

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

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

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

5. Actuarial Assumptions

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

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

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

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.

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

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:

<b>Teacher Retirement System of Texas</b>			
<b>Asset Allocation and Long-Term Expected Real Rate of Return</b>			
<b>As of August 31, 2015</b>			
	Target Allocation	Long-term Expected Geometric Real Rate of Return	Expected Contribution to Long-term Portfolio Returns *
<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	0%	1.8%	0.0%
Hedge Funds (Stable Value)	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
<b>Real Return</b>			
Global Inflat. Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy & Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
<b>Risk Parity</b>			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation			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.

7. Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate 7%	Discount Rate 8%	1% Increase in Discount Rate 9%
District's proportionate share of the net pension liability	\$ 9,131,927	\$ 5,828,359	\$ 3,076,677

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

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

At August 31, 2016, the District reported a liability of \$5,828,359 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	\$	5,828,359
State's proportionate share of the net pension liability associated with the District		<u>11,480,735</u>
Total	\$	<u><u>17,309,094</u></u>

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

At August 31, 2015 the employer's proportion of the collective net pension liability was 0.0164882%. which was an increase (decrease) of 0.0057942% from its proportion measured as of August 31, 2014.

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

*Economic Assumptions*

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

*Mortality Assumptions*

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

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

*Other Demographic Assumptions*

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

*Actuarial Methods and Policies*

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

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

For the year ended August 31, 2016, the District recognized pension expense of \$1,635,820 and revenue of \$1,635,820 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 36,741	\$ 223,989
Changes in actuarial assumptions	154,421	207,930
Difference between projected and actual investment earnings	1,435,395	654,801
Changes in proportion and differences between the District's contributions and the proportionate share of contributions	1,324,268	1,810
District contributions paid to TRS subsequent to the measurement date	508,276	
Total	\$ 3,459,101	\$ 1,088,530

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

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

Year Ended August 31	Pension Expense Amount
2017	\$ 838,934
2018	\$ 330,118
2019	\$ 330,118
2020	\$ 548,385
2021	\$ 187,245
Thereafter	\$ 136,311

J. Retiree Health Care Plans

1. TRS-Care

a. Plan Description

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

b. Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. The State of Texas contribution rate was 1% for fiscal years 2016, 2015 and 2014. The active public school employee contributions rates were 0.65% of public school payroll, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2016, 2015 and 2014. For the years ended August 31, 2016, 2015, and 2014, the State's contributions to TRS-Care were \$183,483, \$179,962, and \$178,080, respectively, the active member contributions were \$119,264, \$116,975, and \$115,752, respectively, and the District's contributions were \$100,916, \$98,979, and \$97,944, respectively, which equaled the required contributions each year.

2. Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2016, 2015, and 2014, the subsidy payments received by TRS-Care on behalf of the District were \$55,473, \$52,420, and \$48,342, respectively.



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

K. Employee Health Care Coverage

During the year ended August 31, 2016, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$337 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

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

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

L. Commitments and Contingencies

1. Contingencies

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

2. Litigation

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

M. Shared Services Arrangements

Shared Services Arrangement - Membership

The District participates in a shared services arrangement ("SSA") for visual impaired services with the following school districts:

Member Districts

Aledo ISD	Palo Pinto County Co-op
Azle ISD	Parker County Co-op
Castleberry ISD	Springtown ISD
Decatur ISD	Weatherford ISD
Lake Worth ISD	White Settlement ISD
Northwest ISD	Wise County Co-op

The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Peaster ISD, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

# DECATUR INDEPENDENT SCHOOL DISTRICT

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

### Shared Services Arrangement - Membership

The District participates in a shared services arrangement ("SSA") for deaf education with the following school districts:

#### Member Districts

Cooke County SpEd SSA	Lake Dallas ISD
Decatur ISD	Lewisville ISD
Denton County SpEd Co-op	Little Elm ISD
Denton ISD	Northwest ISD
Gainesville ISD	Wise County SpEd Co-op

The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Denton ISD, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

### *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.

**DECATUR INDEPENDENT SCHOOL DISTRICT**

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT G-1

Page 1 of 2

Data Control Codes	Budgeted Amounts			Variance with Final Budget Positive (Negative)	
	1	2	3		
	Original	Final	Actual		
<b>REVENUES:</b>					
5700	Local and Intermediate Sources	\$ 24,299,167	\$ 24,299,167	\$ 24,723,615	\$ 424,448
5800	State Program Revenues	5,443,549	5,443,549	5,701,743	258,194
5900	Federal Program Revenues	180,000	180,000	122,961	(57,039)
5020	Total Revenues	<u>29,922,716</u>	<u>29,922,716</u>	<u>30,548,319</u>	<u>625,603</u>
<b>EXPENDITURES:</b>					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	14,958,066	14,955,432	14,828,005	127,427
0012	Instructional Resources and Media Services	551,814	551,814	537,140	14,674
0013	Curriculum and Staff Development	173,284	175,599	156,979	18,620
	Total Instruction & Instr. Related Services	<u>15,683,164</u>	<u>15,682,845</u>	<u>15,522,124</u>	<u>160,721</u>
Instructional and School Leadership:					
0021	Instructional Leadership	300,007	300,007	275,657	24,350
0023	School Leadership	1,820,834	1,821,153	1,797,760	23,393
	Total Instructional & School Leadership	<u>2,120,841</u>	<u>2,121,160</u>	<u>2,073,417</u>	<u>47,743</u>
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	674,550	674,550	647,386	27,164
0033	Health Services	262,150	262,150	231,205	30,945
0034	Student (Pupil) Transportation	1,035,119	1,035,119	842,304	192,815
0035	Food Services	5,000	5,000	1,284	3,716
0036	Cocurricular/Extracurricular Activities	1,012,973	1,155,133	1,172,314	(17,181)
	Total Support Services - Student (Pupil)	<u>2,989,792</u>	<u>3,131,952</u>	<u>2,894,493</u>	<u>237,459</u>
Administrative Support Services:					
0041	General Administration	1,231,578	1,241,578	1,242,428	(850)
	Total Administrative Support Services	<u>1,231,578</u>	<u>1,241,578</u>	<u>1,242,428</u>	<u>(850)</u>
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	3,991,609	4,056,609	4,111,644	(55,035)
0052	Security and Monitoring Services	143,000	143,000	120,509	22,491
0053	Data Processing Services	251,223	251,223	226,240	24,983
	Total Support Services - Nonstudent Based	<u>4,385,832</u>	<u>4,450,832</u>	<u>4,458,393</u>	<u>(7,561)</u>
Ancillary Services:					
0061	Community Services	2,000	2,000	1,378	622
	Total Ancillary Services	<u>2,000</u>	<u>2,000</u>	<u>1,378</u>	<u>622</u>
Capital Outlay:					
0081	Capital Outlay	53,500	1,127,601	1,045,926	81,675
	Total Capital Outlay	<u>53,500</u>	<u>1,127,601</u>	<u>1,045,926</u>	<u>81,675</u>
Intergovernmental Charges:					
0091	Contracted Instr. Services Between Public Schools	3,026,009	2,911,009	2,546,683	364,326
0099	Other Intergovernmental Charges	325,000	325,000	322,249	2,751
	Total Intergovernmental Charges	<u>3,351,009</u>	<u>3,236,009</u>	<u>2,868,932</u>	<u>367,077</u>
6030	Total Expenditures	<u>29,817,716</u>	<u>30,993,977</u>	<u>30,107,091</u>	<u>886,886</u>

**DECATUR INDEPENDENT SCHOOL DISTRICT**

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT G-1

Page 2 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	105,000	(1,071,261)	441,228	(261,283)
	Other Financing Sources (Uses):				
7912	Sale of Real or Personal Property	--	--	143,000	143,000
8911	Transfers Out	(105,000)	(2,105,000)	(2,013,278)	91,722
7080	Total Other Financing Sources and (Uses)	(105,000)	(2,105,000)	(1,870,278)	234,722
	EXTRAORDINARY ITEM:				
7919	Extraordinary Item (Resource)	--	1,007,728	--	(1,007,728)
1200	Net Change in Fund Balance	--	(2,168,533)	(1,429,050)	739,483
0100	Fund Balance - Beginning	12,148,770	12,148,770	12,148,770	
3000	Fund Balance - Ending	\$ 12,148,770	\$ 9,980,237	\$ 10,719,720	\$ 739,483

**DECATUR INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE**  
**SHARE OF THE NET PENSION LIABILITY**  
**TEACHER RETIREMENT SYSTEM OF TEXAS**  
**LAST TEN FISCAL YEARS \***

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
District's proportion of the net pension liability (asset)	0.011%	0.011%	--	--	--	--	--	--	--	--
District's proportionate share of the net pension liability (asset)	\$ 5,828,359	\$ 2,856,515	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
State's proportionate share of the net pension liability (asset) associated with the District	11,480,735	10,026,339	--	--	--	--	--	--	--	--
<b>Total</b>	<b>\$ 17,309,094</b>	<b>\$ 12,882,854</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>
District's covered-employee payroll	\$ 17,996,213	\$ 17,808,034	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	32.39%	16.04%	--	--	--	--	--	--	--	--
Plan fiduciary net position as a percentage of the total pension liability	78.43%	83.25%	--	--	--	--	--	--	--	--

\* 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 only for those years for which information is available.

**DECATUR INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICT CONTRIBUTIONS**  
**TEACHER RETIREMENT SYSTEM OF TEXAS**  
**LAST TEN FISCAL YEARS \***

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 508,276	\$ 488,222	\$ 271,122	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions in relation to the contractually required contribution	508,276	488,222	271,122	--	--	--	--	--	--	--
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered-employee payroll	\$ 18,348,343	\$ 17,996,213	\$ 17,808,034	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions as a percentage of covered-employee payroll	2.77%	2.71%	1.52%	--	--	--	--	--	--	--

\* 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.

# DECATUR INDEPENDENT SCHOOL DISTRICT

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED AUGUST 31, 2016

### Budget

The official budget was prepared for adoption for all Governmental Fund Types legally required to adopt a budget (General Funds, Food Service Funds, and Debt Service Funds). The budget was prepared in accordance with accounting practices generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

- a. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
- c. Prior to the beginning of the fiscal year, the budget is legally enacted through passage of a resolution by the Board.

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

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

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

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

### Defined Benefit Pension Plan

#### *Changes of benefit terms*

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

#### *Changes of assumptions*

The changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period are listed in the Notes to the financial statements.



### *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.

**DECATUR INDEPENDENT SCHOOL DISTRICT**

*SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FOR THE YEAR ENDED AUGUST 31, 2016*

Year Ended August 31	1		2		3
	Tax Rates				Assessed/Appraised Value For School Tax Purposes
	Maintenance	Debt Service			
2007 and Prior Years	\$ Various	\$ Various			\$ Various
2008	1.03	.237			1,743,519,206
2009	1.04	.270			1,991,922,824
2010	1.04	.270			2,188,087,557
2011	1.04	.260			2,300,214,846
2012	1.04	.260			2,192,024,538
2013	1.04	.260			2,278,497,385
2014	1.04	.260			2,231,104,000
2015	1.04	.250			2,276,939,070
2016 (School Year Under Audit)	1.04	.290			2,255,784,737

1000 Totals

9000 - Portion of Row 1000 for Taxes Paid into Tax Increment Zone Under Chapter 311, Tax Code

Column 20, the current year's levy is the ending levy provided by Wise County Appraisal District.

Column 3, Assessed/Appraised Value for School Tax Purposes is calculated based on current year total levy divided by current year total tax rate. This amount includes adjustments for frozen values.

10 Beginning Balance 9/1/15	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/16
\$ 100,741	\$ --	\$ 3,492	\$ 585	\$ (10,531)	\$ 86,133
22,024	--	902	207	(40)	20,875
23,587	--	2,458	638	(343)	20,148
49,310	--	2,683	697	(343)	45,587
43,502	--	6,982	1,746	731	35,505
42,825	--	21,842	5,460	21,183	36,706
252,939	--	22,236	5,559	19,540	244,684
270,874	--	40,624	10,156	18,211	238,305
454,840	--	138,150	33,209	11,046	294,527
--	30,001,937	23,021,503	6,419,457	(35,429)	525,548
<u>\$ 1,260,642</u>	<u>\$ 30,001,937</u>	<u>\$ 23,260,872</u>	<u>\$ 6,477,714</u>	<u>\$ 24,025</u>	<u>\$ 1,548,018</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

**DECATUR INDEPENDENT SCHOOL DISTRICT**  
**FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET (UNAUDITED)**  
**GENERAL FUND**  
**AS OF AUGUST 31, 2016**

EXHIBIT J-2

Data Control Codes	Explanation	Amount
1	Total General Fund Fund Balance as of August 31, 2016 (Exhibit C-1 object 3000 for the General Fund only)	\$ <u>10,719,720</u>
2	Total General Fund Nonspendable Fund Balance (from Exhibit C-1 - total of object 341X-344X for the General Fund only)	<u>30,786</u>
3	Total General Fund Restricted Fund Balance (from Exhibit C-1 - total of object 345X-349X for the General Fund only)	<u>--</u>
4	Total General Fund Committed Fund Balance (from Exhibit C-1 - total of object 351X-354X for the General Fund only)	<u>5,250,000</u>
5	Total General Fund Assigned Fund Balance (from Exhibit C-1 - total of object 355X-359X for the General Fund only)	<u>--</u>
6	Estimated amount needed to cover fall cash flow deficits in the General Fund (net of borrowed funds and funds representing deferred revenues)	<u>2,508,924</u>
7	Estimate of two months' average cash disbursements during the fiscal year	<u>5,017,848</u>
8	Estimate of delayed payments from state sources (58XX)	<u>1,116,582</u>
9	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount	<u>--</u>
10	Estimate of delayed payments from federal sources (59XX)	<u>--</u>
11	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	<u>--</u>
12	General Fund Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9+10+11)	<u>13,924,140</u>
13	Excess (Deficit) Unassigned General Fund Fund Balance (1-12)	\$ <u><u>(3,204,420)</u></u>

**DECATUR INDEPENDENT SCHOOL DISTRICT**  
**NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED AUGUST 31, 2016**

EXHIBIT J-3

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
<b>REVENUES:</b>			
5700 <i>Local and Intermediate Sources</i>	\$ 535,000	\$ 530,854	\$ (4,146)
5800 <i>State Program Revenues</i>	15,000	29,052	14,052
5900 <i>Federal Program Revenues</i>	783,000	913,988	130,988
5020 <i>Total Revenues</i>	<u>1,333,000</u>	<u>1,473,894</u>	<u>140,894</u>
<b>EXPENDITURES:</b>			
Current:			
Support Services - Student (Pupil):			
0035 <i>Food Services</i>	1,438,000	1,482,616	(44,616)
<i>Total Support Services - Student (Pupil)</i>	<u>1,438,000</u>	<u>1,482,616</u>	<u>(44,616)</u>
6030 <i>Total Expenditures</i>	<u>1,438,000</u>	<u>1,482,616</u>	<u>(44,616)</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>			
1100 <i>Expenditures</i>	<u>(105,000)</u>	<u>(8,722)</u>	<u>96,278</u>
Other Financing Sources (Uses):			
7915 <i>Transfers In</i>	105,000	32,246	(72,754)
8911 <i>Transfers Out</i>	--	(23,524)	(23,524)
7080 <i>Total Other Financing Sources and (Uses)</i>	<u>105,000</u>	<u>8,722</u>	<u>(96,278)</u>
0100 <i>Fund Balance - Beginning</i>	--	--	--
3000 <i>Fund Balance - Ending</i>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

**DECATUR INDEPENDENT SCHOOL DISTRICT**

**EXHIBIT J-4**

*DEBT SERVICE FUND*

*BUDGETARY COMPARISON SCHEDULE*

*FOR THE YEAR ENDED AUGUST 31, 2016*

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
<b>REVENUES:</b>			
5700 <i>Local and Intermediate Sources</i>	\$ 6,341,188	\$ 6,533,266	\$ 192,078
5800 <i>State Program Revenues</i>	--	90,309	90,309
5020 <b>Total Revenues</b>	<u>6,341,188</u>	<u>6,623,575</u>	<u>282,387</u>
<b>EXPENDITURES:</b>			
Debt Service:			
0071 <i>Principal on Long-Term Debt</i>	3,970,000	4,115,000	(145,000)
0072 <i>Interest on Long-Term Debt</i>	2,677,588	2,526,279	151,309
0073 <i>Bond Issuance Costs and Fees</i>	20,000	185,468	(165,468)
<b>Total Debt Service</b>	<u>6,667,588</u>	<u>6,826,747</u>	<u>(159,159)</u>
6030 <b>Total Expenditures</b>	<u>6,667,588</u>	<u>6,826,747</u>	<u>(159,159)</u>
1100 <b>Excess (Deficiency) of Revenues Over (Under)</b>			
1100 <b>Expenditures</b>	<u>(326,400)</u>	<u>(203,172)</u>	<u>123,228</u>
Other Financing Sources (Uses):			
7911 <i>Debt Issued - Refunding Bonds</i>	--	8,635,000	8,635,000
7916 <i>Premium or Discount on Issuance of Bonds</i>	--	1,360,872	1,360,872
8949 <i>Payment to Refunded Bond Escrow Agent</i>	--	(9,818,162)	(9,818,162)
7080 <b>Total Other Financing Sources and (Uses)</b>	<u>--</u>	<u>177,710</u>	<u>177,710</u>
1200 <b>Net Change in Fund Balance</b>	<u>(326,400)</u>	<u>(25,462)</u>	<u>300,938</u>
0100 <b>Fund Balance - Beginning</b>	<u>2,532,640</u>	<u>2,532,640</u>	<u>--</u>
3000 <b>Fund Balance - Ending</b>	<u>\$ 2,206,240</u>	<u>\$ 2,507,178</u>	<u>\$ 300,938</u>



**SNOW GARRETT WILLIAMS**  
CERTIFIED PUBLIC ACCOUNTANTS

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  
Decatur Independent School District  
307 S. Cates Street  
Decatur, Texas 76234

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 Decatur Independent School District, as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise Decatur Independent School District's basic financial statements, and have issued our report thereon dated January 10, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Decatur 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 Decatur Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Decatur 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 and therefore, material weakness or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2016-001 that we consider to be material weaknesses.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Decatur 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*.

We noted certain matters that we reported to amnagement of Decatur Independent School District in a separate letter dated January 10, 2017.

## Purpose of this Report

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

Respectfully submitted,

  
Snow Garrett Williams  
January 10, 2017





**SNOW GARRETT WILLIAMS**  
CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Trustees  
Decatur Independent School District  
307 S. Cates Street  
Decatur, Texas 76234

Members of the Board of Trustees:

**Report on Compliance for Each Major Federal Program**

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

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Decatur 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 Decatur 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 Decatur Independent School District's compliance.

### **Opinion on Each Major Federal Program**

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

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

Management of the Decatur 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 Decatur 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 Decatur Independent School District's internal control over compliance.

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

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

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

Respectfully submitted,



Snow Garrett Williams

January 10, 2017

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

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified?  X  Yes      No

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

Noncompliance material to financial statements noted?      Yes  X  No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified?      Yes  X  No

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027/84.173	Special Education (IDEA) Cluster

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

Auditee qualified as low-risk auditee?  X  Yes      No

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

**B. Financial Statement Findings**

Finding 2016-001 - Material Weakness: Internal controls over Financial Reporting

Criteria: Timely and accurate financial reports are essential to perform analysis of financial condition, review data for accuracy and completeness, monitor compliance with budget appropriations, prepare low-range financial plans, and to safeguard assets.

Condition: Material adjusting journal entries were necessary to correct and adjust the balances and transactions reported in the general ledger in order to prepare accurate financial statements.

Cause: The District failed to properly record current year accounts payable. The unrecorded current year accounts payable was related to two invoices for a construction project in 2016.

Effect: The financial statements were misstated prior to the District approving and recording the proposed audit adjustments.

Auditor's Recommendation: The District should closely follow policies and procedures related to financial reporting and monitoring and recording financial transactions to produce more useful and accurate financial reports.

**C. Federal Award Findings and Questioned Costs**

NONE

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

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
There are no prior audit findings.		

**DECATUR INDEPENDENT SCHOOL DISTRICT**

*CORRECTIVE ACTION PLAN*

*FOR THE YEAR ENDED AUGUST 31, 2016*

2016-001 - Material Weakness: internal controls over Financial Reporting

Responsible Party: Cindy Tatum

Corrective Action Plan: The District will enhance current policies and procedures to include strong internal controls for financial reporting, monitoring and recording financial transactions to produce more useful and accurate financial reports.

Completion Date: January 2017

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

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Federal Expenditures
<b>CHILD NUTRITION CLUSTER:</b>			
<u>U. S. Department of Agriculture</u>			
Passed Through State Department of Education:			
School Breakfast Program	10.553	71401601	\$ 160,955
National School Lunch Program	10.555	71301601	579,338
Total Passed Through State Department of Education			740,293
Passed Through Texas Department of Agriculture:			
National School Lunch Program (Non-cash)	10.555	249-905	82,945
Summer Food Service Program	10.559	249905A	34,535
Total Passed Through Texas Department of Agriculture			117,480
Total U. S. Department of Agriculture			857,773
Total Child Nutrition Cluster			857,773
<b>FOREST SERVICE SCHOOLS AND ROADS CLUSTER:</b>			
<u>U. S. Department of Agriculture</u>			
Passed Through Wise County:			
Grasslands Grant	10.666	DECISD	27,968
Total U. S. Department of Agriculture			27,968
Total Forest Service Schools and Roads Cluster			27,968
<b>SPECIAL EDUCATION (IDEA) CLUSTER:</b>			
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
<i>IDEA-B Formula</i>	84.027	166600012499056600	520,660
<i>IDEA-B Discretionary</i>	84.027	16660006249905	72,607
<i>IDEA-B Formula</i>	84.027	176600012499056600	18,771
Total CFDA Number 84.027			612,038
<i>IDEA-B Preschool</i>	84.173	166610012499056610	11,879
Total Passed Through State Department of Education			623,917
Total U. S. Department of Education			623,917
Total Special Education (IDEA) Cluster			623,917
<b>OTHER PROGRAMS:</b>			
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
<i>ESEA Title I Part A - Improving Basic Programs</i>	84.010	16610101249905	271,211
<i>ESEA Title I Part A - Improving Basic Programs</i>	84.010	17610101249905	19,001
Total CFDA Number 84.010			290,212
<i>Career and Technical - Basic Grant</i>	84.048	16420006249905	21,831

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

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Federal Expenditures
<i>Title III Part A English Language Acquisition and Language Enhancement</i>	84.365	16671001249905	\$ 41,751
<i>Title III Part A English Language Acquisition and Language Enhancement</i>	84.365	17671001249905	\$ 589
Total CFDA Number 84.365			<u>42,340</u>
<i>ESEA Title II Part A - Teacher &amp; Principal Training &amp; Recruiting</i>	84.367	16694501249905	75,562
<i>ESEA Title II Part A - Teacher &amp; Principal Training &amp; Recruiting</i>	84.367	17694501249905	5,822
Total Passed Through State Department of Education			<u>435,767</u>
Total U. S. Department of Education			<u>435,767</u>
<u>U. S. Department of Agriculture</u>			
Passed Through State Department of Education:			
<i>State Administrative Expenses for Child Nutrition</i>	10.560	249-905	3,460
<i>Child Nutrition Discretionary Grants</i>	10.579	249-905	87,290
Total Passed Through State Department of Education			<u>90,750</u>
Total U. S. Department of Agriculture			<u>90,750</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ <u>2,036,175</u></b>

The accompanying notes are an integral part of this schedule.



**DECATUR INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS*  
*FOR THE YEAR ENDED AUGUST 31, 2016*

Basis of Presentation

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

The District did not elect to use the 10% de minimis cost rate during 2016.

**DECATUR INDEPENDENT SCHOOL DISTRICT**

*SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS  
AS OF AUGUST 31, 2016*

<u>Data Control Codes</u>		<u>Responses</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds?	Yes
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts and laws related to local, state or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other governmental agencies?	Yes
SF8	Did the school district <u>not</u> receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	What was the total accumulated accretion on capital appreciation bonds (CABs) included in government-wide financial statements at fiscal year-end?	\$ 8,227,726
SF11	Net Pension Assets (object 1920) at fiscal year-end.	\$ --
SF12	Net Pension Liabilities (object 2540) at fiscal year-end.	\$ 5,828,359
SF13	Pension Expense (object 6147) at fiscal year-end.	\$ 445,532

