

OAKWOOD INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2016

OAKWOOD INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2016

TABLE OF CONTENTS

| <u>Exhibit</u> | | <u>Page</u> |
|----------------|--|-------------|
| | Table of Contents | 1 |
| | Certificate of Board | 3 |
| | Independent Auditor's Report | 4 |
| | Management's Discussion and Analysis | 7 |
| | Financial Statements: | |
| | Government - Wide Financial Statements: | |
| A-1 | Statement of Net Position | 12 |
| B-1 | Statement of Activities | 13 |
| | Governmental Fund Financial Statements: | |
| C-1 | Balance Sheet | 14 |
| C-2 | Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position | 15 |
| C-3 | Statement of Revenues, Expenditures, and Changes in Fund Balances | 16 |
| C-4 | Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities | 17 |
| | Proprietary Fund Financial Statements: | |
| D-1 | Statement of Net Position | N/A |
| D-2 | Statement of Revenues, Expenses, and Changes in Fund Assets | N/A |
| D-3 | Statement of Cash Flows | N/A |
| | Fiduciary Fund Financial Statements: | |
| E-1 | Statement of Fiduciary Net Position | 18 |
| E-2 | Statement of Changes in Fiduciary Net Position | N/A |
| | Notes to the Financial Statements | 19 |
| | Required Supplementary Information: | |
| G-1 | Budgetary Comparison Schedule - General Fund | 51 |
| G-2 | Schedule of the District's Proportionate Share of the Net Pension Liability- Teacher Retirement System | 52 |
| G-3 | Schedule of District Contributions - Teacher Retirement System | 53 |
| | Notes to Required Supplementary Information | 54 |

OAKWOOD INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2016

TABLE OF CONTENTS, CONTINUED

| <u>Exhibit</u> | | <u>Page</u> |
|---|--|-------------|
| Combining Statements: | | |
| Nonmajor Governmental Funds: | | |
| H-1 | Combining Balance Sheet | 55 |
| H-2 | Combining Statement of Revenues, Expenditures and Changes in Fund Balances | 56 |
| Required TEA Schedules: | | |
| J-1 | Schedule of Delinquent Taxes Receivable | 57 |
| J-2 | | N/A |
| J-3 | Fund Balance and Cash Flow Calculation Worksheet | 58 |
| J-4 | Budgetary Comparison Schedule - Child Nutrition Fund | 59 |
| J-5 | Budgetary Comparison Schedule - Debt Service Fund | 60 |
| Compliance, Internal Control and Federal Awards: | | |
| | 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> | 61 |
| | Schedule of Findings and Questioned Costs | 63 |
| | Summary Schedule of Prior Audit Findings | 65 |
| | Corrective Action Plan | 66 |
| K-1 | Schedule of Expenditures of Federal Awards | 67 |
| | Notes to the Schedule of Expenditures of Federal Awards | 68 |

CERTIFICATE OF BOARD

Oakwood Independent School District
Name of School District

Leon
County

145-907
Co. - Dist. No.

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and _____ approved _____ disapproved for the year ended August 31, 2016 at a meeting of the board of school trustees of such school district on the _____ day of _____, 2016.

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)

SMITH, LAMBRIGHT & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Marlin R. Smith, CPA
J. W. Lambright, CPA

Cheri E. Kirkland, CPA
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505 E. Tyler
Athens, Texas 75751
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**Unmodified Opinions on Basic Financial Statements
Accompanied by Required Supplementary Information and Other Information**

Independent Auditor's Report

Board of School Trustees
Oakwood Independent School District
631 North Holly Street
Oakwood, Texas 75855

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* 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 District's basic financial statements. The budgetary comparison schedule - general fund, schedule of district's proportionate share of the net pension liability - TRS, schedule of district contributions - TRS, combining and individual nonmajor fund financial statements, required TEA schedules and schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedule - general fund, schedule of district's proportionate share of the net pension liability - TRS, schedule of district contributions - TRS, combining and individual nonmajor fund financial statements, required TEA schedules (except for Exhibit J-3) and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedule - general fund, schedule of district's proportionate share of the net pension liability - TRS, schedule of district contributions - TRS, combining and individual nonmajor fund financial statements, required TEA schedules (except for Exhibit J-3) and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Exhibit J-3 (Fund Balance and Cash Flow Calculation Worksheet) which is marked UNAUDITED has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2016 on our consideration of the 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 the District's internal control over financial reporting and compliance.

Respectfully submitted,

Smith, Lambright & Associates, P.C.

SMITH, LAMBRIGHT & ASSOCIATES, P. C.
Certified Public Accountants
Athens, Texas

December 5, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

Oakwood Independent School District

*631 North Holly Street * Oakwood, Texas * 75855*

Management's Discussion and Analysis

In this section of the Annual Financial and Compliance Report, we, the managers of Oakwood Independent School District, discuss and analyze the District's financial performance for the fiscal year ended August 31, 2016. Please read it in conjunction with the independent auditors' report and the District's Basic Financial Statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements report the District's operation in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the district.

The notes to the financial statements provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The sections labeled Required TEA Schedules and Compliance, Internal Control and Federal Awards Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations is located in this section. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as tuition received from students from outside the district and grants provided by the US Department of Education to assist children with disabilities from disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers or by TEA in equalization funding processes (general revenues). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net position and changes in them. The District's net position (the difference between assets and liabilities) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider non-financial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, we report only the District's Governmental activity, since the District has no business activities.

Governmental activities-Most of the District's basic services are reported here, including the instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds-not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the No Child Left Behind Act from the US Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities).

Governmental funds-Most of the District's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and basic services it provides.

We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds (reported in the Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances) in reconciliation schedules following each of the fund financial statements.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The District continues to use GASB Statement #34 this year. Our analysis of comparative balances and changes will present both current and prior years data and discuss significant changes in the accounts. Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental activities.

Net position of the District's governmental activity increased from \$4,472,096 to \$4,716,019.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - were \$983,232 at August 31, 2016. This increase in governmental net position was the result of several factors. The District's revenues were in excess of the expenditures by \$358,757 and the District recorded total depreciation in the amount of \$237,899.

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds reported a combined fund balance of \$695,628, which is above last year's total of \$336,871. Over the course of the year, the Board of Trustees revised the District's budget. The budget amendments were necessary due to moving funds from departments/programs that did not need all appropriated resources to programs with additional needs.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2016, the District had \$9,840,092 invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This amount represents a net increase over last year due to additional investment in capital assets.

Debt

At the end of the year, the District had \$2,854,000 of bonds outstanding.

For more detail about capital assets and debt, please refer to the notes in the audit report.

ECONOMIC FACTORS AND NEXT YEARS BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the fiscal-year 2015-2016 budget and tax rates. The factors include the needs of the students, staff and taxpayers of the District.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office, at Oakwood Independent School District, 631 North Holly Street, Oakwood, Texas 75855.

Table I
Oakwood Independent School District

NET POSITION

| | Governmental Activities 2015 | Governmental Activities 2016 |
|--|---------------------------------|---------------------------------|
| Current and other assets | \$ 1049717 | \$ 1426649 |
| Capital assets | 5401293 | 5163394 |
| Total Assets | <u>6451010</u> | <u>6,590,043</u> |
| Deferred Outflows-TRS | <u>39,159</u> | <u>172,358</u> |
| Long-term liabilities | 1840284 | 1871343 |
| Other liabilities | 133167 | 150683 |
| Total liabilities | <u>\$ 1973451</u> | <u>\$ 2022026</u> |
| Deferred Inflow-TRS | <u>44,622</u> | <u>24,356</u> |
| Net Assets: | | |
| Net Investments in Capital Assets | \$ 9706881 | \$ 3619380 |
| Restricted | 49061 | 113407 |
| Unrestricted | <u>716154</u> | <u>983,232</u> |
| Total net position | <u>\$ 4472096</u> | <u>\$ 4716019</u> |

Table II
Oakwood Independent School District

CHANGES IN NET POSITION

| | Governmental Activities 2015 | Governmental Activities 2016 |
|---|---------------------------------|---------------------------------|
| Revenues: | | |
| Program revenues: | | |
| Charges for services | \$ 17109 | \$ 12106 |
| Operating grants and contributions | 360217 | 414720 |
| General Revenues: | | |
| Maintenance and operations taxes | 777812 | 1055167 |
| Debt service taxes | 153818 | 211762 |
| State aid — formula grants | 918984 | 962239 |
| Grants and contributions not restricted to specific functions | 1162 | 0 |
| Investments earnings | 154 | 454 |
| Miscellaneous | 48579 | 73249 |
| Total Revenue | <u>\$ 1900509</u> | <u>\$ 2302871</u> |
| Expenses: | | |
| Instruction, curriculum and media services | \$ 1217329 | \$ 1358270 |
| Instructional and school leadership | 85786 | 144011 |
| Student support services | 205976 | 205066 |
| Child nutrition | 121395 | 121925 |
| Co-curricular activities | 137274 | 129282 |
| General administration | 193476 | 196810 |
| Plant maintenance, security & data processing | 246508 | 271679 |
| Debt services | 9062 | 8314 |
| Capital Outlay | | |
| Intergovernmental Charges | 37562 | 31061 |
| Total Expenses | <u>\$ 2254368</u> | <u>\$ 2485774</u> |
| Increase in net assets before transfers and special items | \$ 23467 | \$ 243923 |
| Transfers | 0 | 0 |
| Prior Period Adjustments – GASB 68 | (165272) | 0 |
| Net Position, September 1 | 4613901 | 4472096 |
| Net Position, August 31 | <u>\$ 4472096</u> | <u>\$ 4716019</u> |

FINANCIAL STATEMENTS

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

EXHIBIT A-1

| Data | Primary Government |
|--|-------------------------|
| Control Codes | Governmental Activities |
| ASSETS | |
| 1110 Cash and Cash Equivalents | \$ 640,632 |
| 1120 Current Investments | 107,452 |
| 1220 Property Taxes Receivable (Delinquent) | 611,235 |
| 1230 Allowance for Uncollectible Taxes | (30,561) |
| 1240 Due from Other Governments | 97,891 |
| Capital Assets: | |
| 1510 Land | 30,850 |
| 1520 Buildings, Net | 4,827,082 |
| 1530 Furniture and Equipment, Net | 305,462 |
| 1000 Total Assets | 6,590,043 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| 1705 Deferred Outflow Related to TRS | 172,358 |
| 1700 Total Deferred Outflows of Resources | 172,358 |
| LIABILITIES | |
| 2110 Accounts Payable | 10,170 |
| 2140 Interest Payable | 336 |
| 2150 Payroll Deductions & Withholdings | 3,765 |
| 2160 Accrued Wages Payable | 66,429 |
| 2200 Accrued Expenses | 1,650 |
| 2300 Unearned Revenue | 68,333 |
| Noncurrent Liabilities | |
| 2501 Due Within One Year | 150,939 |
| 2502 Due in More Than One Year | 1,393,075 |
| 2540 Net Pension Liability (District's Share) | 327,329 |
| 2000 Total Liabilities | 2,022,026 |
| DEFERRED INFLOWS OF RESOURCES | |
| 2605 Deferred Inflow Related to TRS | 24,356 |
| 2600 Total Deferred Inflows of Resources | 24,356 |
| NET POSITION | |
| 3200 Net Investment in Capital Assets | 3,619,380 |
| 3820 Restricted for Federal and State Programs | 37,927 |
| 3850 Restricted for Debt Service | 75,480 |
| 3900 Unrestricted | 983,232 |
| 3000 Total Net Position | \$ 4,716,019 |

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

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

EXHIBIT B-1

| Data Control Codes | 1 | Program Revenues | | Net (Expense) Revenue and Changes in Net Position |
|---|--------------|-------------------------|--|--|
| | | 3 | 4 | |
| | | Charges for Services | Operating Grants and Contributions | |
| | Expenses | | | Primary Gov. Governmental Activities |
| Primary Government: | | | | |
| GOVERNMENTAL ACTIVITIES: | | | | |
| 11 Instruction | \$ 1,315,350 | \$ - | \$ 230,554 | \$ (1,084,796) |
| 12 Instructional Resources and Media Services | 40,069 | - | 28,289 | (11,780) |
| 13 Curriculum and Staff Development | 2,315 | - | 1,454 | (861) |
| 23 School Leadership | 144,011 | - | 12,941 | (131,070) |
| 31 Guidance, Counseling and Evaluation Services | 54,103 | - | 5,274 | (48,829) |
| 33 Health Services | 4,421 | - | - | (4,421) |
| 34 Student (Pupil) Transportation | 146,542 | - | 3,594 | (142,948) |
| 35 Food Services | 121,925 | 7,744 | 111,408 | (2,773) |
| 36 Extracurricular Activities | 129,282 | 4,362 | 3,953 | (120,967) |
| 41 General Administration | 196,810 | - | 9,501 | (187,309) |
| 51 Facilities Maintenance and Operations | 220,874 | - | 7,752 | (213,122) |
| 52 Security and Monitoring Services | 9,930 | - | - | (9,930) |
| 53 Data Processing Services | 40,875 | - | - | (40,875) |
| 72 Debt Service - Interest on Long Term Debt | 8,064 | - | - | (8,064) |
| 73 Debt Service - Bond Issuance Cost and Fees | 250 | - | - | (250) |
| 93 Payments related to Shared Services Arrangements | 19,892 | - | - | (19,892) |
| 99 Other Intergovernmental Charges | 31,061 | - | - | (31,061) |
| [TP] TOTAL PRIMARY GOVERNMENT: | \$ 2,485,774 | \$ 12,106 | \$ 414,720 | (2,058,948) |

| Data Control Codes | General Revenues: | |
|--------------------------|--|--------------|
| | Taxes: | |
| MT | Property Taxes, Levied for General Purposes | 1,055,167 |
| DT | Property Taxes, Levied for Debt Service | 211,762 |
| SF | State Aid - Formula Grants | 962,239 |
| IE | Investment Earnings | 454 |
| MI | Miscellaneous Local and Intermediate Revenue | 73,249 |
| TR | Total General Revenues | 2,302,871 |
| CN | Change in Net Position | 243,923 |
| NB | Net Position - Beginning | 4,472,096 |
| NE | Net Position--Ending | \$ 4,716,019 |

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

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

| Data Control Codes | 10 General Fund | 50 Debt Service Fund | Other Funds | Total Governmental Funds |
|--|-----------------------|----------------------------|------------------|--------------------------------|
| ASSETS | | | | |
| 1110 Cash and Cash Equivalents | \$ 576,158 | \$ 72,107 | \$ (7,633) | \$ 640,632 |
| 1120 Investments - Current | 107,452 | - | - | 107,452 |
| 1220 Property Taxes - Delinquent | 558,321 | 52,914 | - | 611,235 |
| 1230 Allowance for Uncollectible Taxes (Credit) | (27,916) | (2,645) | - | (30,561) |
| 1240 Receivables from Other Governments | 37,685 | 3,373 | 56,833 | 97,891 |
| 1000 Total Assets | <u>\$ 1,251,700</u> | <u>\$ 125,749</u> | <u>\$ 49,200</u> | <u>\$ 1,426,649</u> |
| LIABILITIES | | | | |
| 2110 Accounts Payable | \$ 5,484 | \$ - | \$ 4,686 | \$ 10,170 |
| 2150 Payroll Deductions and Withholdings Payable | 3,765 | - | - | 3,765 |
| 2160 Accrued Wages Payable | 60,344 | - | 6,085 | 66,429 |
| 2200 Accrued Expenditures | 1,148 | - | 502 | 1,650 |
| 2300 Unearned Revenues | 68,333 | - | - | 68,333 |
| 2000 Total Liabilities | <u>139,074</u> | <u>-</u> | <u>11,273</u> | <u>150,347</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| 2601 Unavailable Revenue - Property Taxes | 530,405 | 50,269 | - | 580,674 |
| 2600 Total Deferred Inflows of Resources | <u>530,405</u> | <u>50,269</u> | <u>-</u> | <u>580,674</u> |
| FUND BALANCES | | | | |
| Restricted Fund Balance: | | | | |
| 3450 Federal or State Funds Grant Restriction | - | - | 37,927 | 37,927 |
| 3480 Retirement of Long-Term Debt | - | 75,480 | - | 75,480 |
| 3600 Unassigned Fund Balance | 582,221 | - | - | 582,221 |
| 3000 Total Fund Balances | <u>582,221</u> | <u>75,480</u> | <u>37,927</u> | <u>695,628</u> |
| 4000 Total Liabilities, Deferred Inflows & Fund Balances | <u>\$ 1,251,700</u> | <u>\$ 125,749</u> | <u>\$ 49,200</u> | <u>\$ 1,426,649</u> |

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

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

| | |
|---|---------------------|
| Total Fund Balances - Governmental Funds | \$ 695,628 |
| 1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$9,840,092. and the accumulated depreciation was (\$4,438,799). In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The long term debt was \$1,694,412. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net position. | 3,706,881 |
| 2 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2016 capital outlays and debt principal payments is to increase (decrease) net position. | 150,398 |
| 3 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of \$327,369, a Deferred Resource Inflow related to TRS in the amount of \$24,356 and a Deferred Resource Outflow related to TRS in the amount of \$172,358. This amounted to a decrease in Net Position. | (179,327) |
| 4 The 2016 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position. | (237,899) |
| 5 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position. | 580,338 |
| 19 Net Position of Governmental Activities | \$ 4,716,019 |

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

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

| Data Control Codes | 10 General Fund | 50 Debt Service Fund | Other Funds | Total Governmental Funds |
|--|-----------------------|----------------------------|------------------|--------------------------------|
| REVENUES: | | | | |
| 5700 Total Local and Intermediate Sources | \$ 1,133,204 | \$ 211,163 | \$ 7,744 | \$ 1,352,111 |
| 5800 State Program Revenues | 1,040,301 | 4,616 | 28,060 | 1,072,977 |
| 5900 Federal Program Revenues | - | - | 266,595 | 266,595 |
| 5020 Total Revenues | <u>2,173,505</u> | <u>215,779</u> | <u>302,399</u> | <u>2,691,683</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| 0011 Instruction | 995,026 | - | 155,101 | 1,150,127 |
| 0012 Instructional Resources and Media Services | - | - | 28,289 | 28,289 |
| 0013 Curriculum and Instructional Staff Development | 861 | - | 1,454 | 2,315 |
| 0023 School Leadership | 135,625 | - | - | 135,625 |
| 0031 Guidance, Counseling and Evaluation Services | 48,555 | - | - | 48,555 |
| 0033 Health Services | 74 | - | - | 74 |
| 0034 Student (Pupil) Transportation | 99,441 | - | - | 99,441 |
| 0035 Food Services | - | - | 110,244 | 110,244 |
| 0036 Extracurricular Activities | 105,034 | - | - | 105,034 |
| 0041 General Administration | 190,212 | - | - | 190,212 |
| 0051 Facilities Maintenance and Operations | 202,508 | - | - | 202,508 |
| 0052 Security and Monitoring Services | 9,930 | - | - | 9,930 |
| 0053 Data Processing Services | 40,875 | - | - | 40,875 |
| Debt Service: | | | | |
| 0071 Principal on Long Term Debt | - | 150,398 | - | 150,398 |
| 0072 Interest on Long Term Debt | - | 8,096 | - | 8,096 |
| 0073 Bond Issuance Cost and Fees | - | 250 | - | 250 |
| Intergovernmental: | | | | |
| 0093 Payments to Fiscal Agent/Member Districts of SSA | 19,892 | - | - | 19,892 |
| 0099 Other Intergovernmental Charges | 31,061 | - | - | 31,061 |
| 6030 Total Expenditures | <u>1,879,094</u> | <u>158,744</u> | <u>295,088</u> | <u>2,332,926</u> |
| 1100 Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>294,411</u> | <u>57,035</u> | <u>7,311</u> | <u>358,757</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| 7949 Other Resources | - | 134,471 | - | 134,471 |
| 8949 Other (Uses) | - | (134,471) | - | (134,471) |
| 7080 Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| 1200 Net Change in Fund Balances | 294,411 | 57,035 | 7,311 | 358,757 |
| 0100 Fund Balance - September 1 (Beginning) | <u>287,810</u> | <u>18,445</u> | <u>30,616</u> | <u>336,871</u> |
| 3000 Fund Balance - August 31 (Ending) | <u>\$ 582,221</u> | <u>\$ 75,480</u> | <u>\$ 37,927</u> | <u>\$ 695,628</u> |

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

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

| | |
|---|-------------------|
| Total Net Change in Fund Balances - Governmental Funds | \$ 358,757 |
| Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2016 capital outlays and debt principal payments is to increase (decrease) net position. | 150,398 |
| Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position. | (237,899) |
| Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position. | 659 |
| The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 8/31/2015 caused the change in the ending net position to increase in the amount of \$28,602. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in the net pension liability for the district. This caused a decrease in the change in net position in the amount of \$27,421. The District's proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$29,173. The net result is to increase (decrease) the change in net position. | (27,992) |
| Change in Net Position of Governmental Activities | \$ 243,923 |

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

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

| | Agency Fund |
|---------------------------|------------------|
| <hr/> | |
| ASSETS | |
| Cash and Cash Equivalents | \$ 26,967 |
| Total Assets | <u>\$ 26,967</u> |
| LIABILITIES | |
| Due to Student Groups | \$ 26,967 |
| Total Liabilities | <u>\$ 26,967</u> |

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Oakwood Independent School District ("The District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in *GASB Statement No. 56*; and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

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

A. REPORTING ENTITY

The Board of Trustees (the "Board") 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, has the authority to make decisions, appoint administrators and managers, significantly influence operations, and has primary accountability for fiscal matters. As such, the District is not included in any other governmental "reporting entity" as defined by *GASB Statement No. 14, The Financial Reporting Entity*. There are no component units included within the reporting entity. The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the District's nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. Direct costs are identifiable with a specific function. Program revenues of the District include charges for services and operating grants and contributions. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include tuition paid by students not residing in the district, school lunch charges, etc. The "grants and contributions" column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If a revenue is not a program revenue, it is a general revenue used to support all of the District's functions. Taxes are always general revenues.

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

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from /to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The District considers some governmental and enterprise funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are nonoperating.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within 60 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.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

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

The proprietary fund types are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The Agency funds apply the accrual basis of accounting but do not have a measurement focus. All assets and all liabilities associated with operation of these funds are included on the Statement of Net Position. The total net position is segregated into invested in capital assets net of related debt, restricted net position, and unrestricted net position.

The fiduciary fund types are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable.

The Agency funds apply the accrual basis of accounting but do not have a measurement focus as they report only assets and liabilities.

D. FUND ACCOUNTING

The District's accounts are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which are comprised of each fund's assets, liabilities, equity, revenues, and expenditures or expenses.

The District reports the following fund types:

Governmental Funds:

1. General Fund - The general fund is the District's primary operating fund and is always reported as a major fund. It accounts for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds - The District accounts for resources restricted to, or designated for specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.

3. Debt Service Fund - The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.

4. Capital Projects Fund - The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.

Fiduciary Funds:

5. Agency Funds - The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency Fund is the student activity fund.

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

E. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and highly liquid investments such as certificates of deposits, money market funds, local government investment pools, Treasury bills, and commercial paper that have a maturity from time of purchase of three months or less.

F. INVENTORIES

The District records purchases of supplies as expenditures. Inventory on the balance sheet, when present, is recorded at cost and represents supplies and materials purchased for the subsequent school year. Food service commodities are recorded at fair market value as supplied by the Texas Department of Human Services.

G. PREPAYMENTS

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayments in both government-wide and fund financial statements.

H. CAPITAL ASSETS

Capital assets, which include land, buildings, furniture and equipment are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Buildings, furniture and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|----------------------------|--------------|
| Buildings and Improvements | 20 - 50 |
| Vehicles | 8 - 10 |
| Furniture and Equipment | 8 - 10 |

Land and construction in progress are not depreciated.

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

I. DEFERRED OUTFLOWS / DEFERRED INFLOWS OF RESOURCES

GASB No. 63 and GASB No. 65 provide guidance on financial reporting related to deferred outflows of resources and deferred inflows of resources. The objective of these statements is to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position.

In addition to assets, the Balance Sheet and Statement of Net Position may report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the Balance Sheet and Statement of Net Position may 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 a future period(s) and so will not be recognized as an inflow or resource (revenue) until that time.

J. LONG TERM DEBT

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as current year debt service expenditures.

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

K. FUND BALANCE

The Governmental Accounting Standards Board has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories list below:

1. **Nonspendable fund balance** - includes amounts that cannot be spent because they are either not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. It also includes the long-term amount of loans and notes receivable.

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

2. **Restricted Fund Balance** - includes amounts that are restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions of enabling legislation.
3. **Committed Fund Balance** - includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District's Board of Trustees. Those committed amounts cannot be used for any other purposes unless the Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.
4. **Assigned Fund Balance** - includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by the Board or by other officials to which the Board has delegated the authority to assign amounts to be used for specific purposes. When it is appropriate for fund balance to be assigned, the Board delegates the responsibility to assign funds to the Superintendent or his/her designee.
5. **Unassigned Fund Balance** - is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The District will utilize funds in the following spending order: Restricted, Committed, Assigned and Unassigned.

L. USE OF ESTIMATES

The presentation of financial statements, in conformity with Generally Accepted Accounting Principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

M. DATA CONTROL CODES

The Data Control Codes refer to the account code structure prescribed by TEA in the *Financial Accountability System Resource Guide*. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a Statewide data base for policy development and funding plans.

N. TEACHER RETIREMENT SYSTEM

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/deduction from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments of the system are reported at fair value.

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

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net position for governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds. The details of capital assets and long-term debt at the beginning of the year were as follows:

| Capital Assets at the Beginning of the year | Historical Cost | Accumulated Depreciation | Net Value at the Beginning of the Year | Change in Net Assets |
|---|---------------------|-----------------------------|--|-------------------------|
| Land | \$ 30 850 | \$ | \$ 30 850 | |
| Buildings & Improvements | 7 916 643 | 2 913 575 | 5 003 068 | |
| Furniture & Equipment | 1 212 791 | 952 877 | 259 914 | |
| Vehicles | 679 808 | 572 347 | 107 461 | |
| Totals | <u>\$ 9 840 092</u> | <u>\$ 4 438 799</u> | | |
| Change in Net Position | | | | <u>\$ 5 401 293</u> |
| Long-term Liabilities at the Beginning of the Year | | | Payable at the Beginning of the Year | |
| Bonds Payable | | | <u>\$ 1 694 412</u> | |
| Change in Net Position | | | | <u>(1 694 412)</u> |
| Net Adjustment to Net Position | | | | <u>\$ 3 706 881</u> |

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

B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Exhibit C-4 provides a reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net position of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net asset balance and the change in net position. The details of this adjustment are as follows:

| | <u>Amount</u> | <u>Adjustments to Changes in Net Assets</u> | <u>Adjustments to Net Position</u> |
|----------------------------------|------------------------------|---|--|
| Current Year Capital Outlay: | | | |
| Buildings & Improvements | \$ | \$ | \$ |
| Furniture & Equipment | <u> </u> | | |
| Total Capital Outlay | <u> 0</u> | <u> 0</u> | <u> 0</u> |
| Debt Payments: | | | |
| Bond Principal | <u> 150 398</u> | | |
| Total Principal Payments | \$ <u> 150 398</u> | <u> 150 398</u> | <u> 150 398</u> |
| Total Adjustment to Net Position | | <u>\$ 150 398</u> | <u>\$ 150 398</u> |

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

C. EXPLANATION OF OTHER DIFFERENCES

Another element of the reconciliation on Exhibits C-2 and C-4 is described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This adjustment is the result of several items. The details for this element are as follows:

| | Amount | Adjustments to Change in Net Assets | Adjustments to Net Position |
|---|-------------------|---|-----------------------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| Adjustments to Revenue and Deferred Revenue: | | | |
| Taxes Collected from Prior Year Levies | \$ 79 972 | \$ (79 942) | \$ |
| Uncollected taxes (assumed collectible) from Current Year Levy | 80 569 | 80 569 | 80 569 |
| Uncollected Taxes (assumed collectible) from Prior Year Levy | 500 105 | | 500 105 |
| Accrued Interest on Debt: | | | |
| Prior Year | 368 | 368 | |
| Current Year | 336 | (336) | (336) |
| | | <u> </u> | <u> </u> |
| Total | | \$ 659 | \$ 580 338 |

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund and the Food Service Fund (which is included in the Special Revenue Fund). The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund budget report appears in Exhibit G-1 and the other two reports are in Exhibits J-4 and J-5.

The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

1. Prior to August 20 the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board.

Once a budget is approved, it can only be amended at the function and fund level 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. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. The budget was amended as necessary during the year.

Each budget is controlled at the organizational level by the administration, appropriate department head or campus principal within Board allocations at the revenue and expenditure function /object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end. A reconciliation of fund balances for both appropriated budget and nonappropriated budget special revenue funds is as follows:

| | <u>August 31, 2016</u> <u>Fund Balance</u> |
|---|---|
| Appropriated Budget Funds - Food Service Special Revenue Fund | \$ 25 675 |
| Nonappropriated Budget Funds | <u>12 252</u> |
| All Special Revenue Funds | <u><u>\$ 37 927</u></u> |

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

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The District made expenditures in excess of budgeted amounts in the general fund in amounts that are immaterial to the total budget. The variance in the Child Nutrition Program was due to an audit adjustment to record commodity revenue and expenditures, with no net effect.

C. ENCUMBRANCE ACCOUNTING

Encumbrance accounting, under which purchase orders, contracts, and other commitments are recorded in order to reserve that portion of the applicable appropriation, is used in all governmental funds. Encumbrances outstanding at year-end are commitments that do not constitute expenditures or liabilities, but are reported as assignments of fund balances. Since appropriations lapse at the end of each fiscal year, outstanding encumbrances are appropriately provided for in the subsequent fiscal year's budget to provide for the liquidation of the prior commitments. There were no outstanding encumbrances at the end of the fiscal year that were subsequently provided for in the 2016-2017 budget.

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

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

The Public funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of 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.

State statutes and Board policy authorize the District to invest in 1) Obligations of, or guaranteed by, governmental entities as permitted by Government Code 2256.009.; 2) Certificates of deposit and share certificates as permitted by Government Code 2256.010.; 3) Fully collateralized repurchase agreements permitted by Government Code 2256.011.; 4) A securities lending program as permitted by Government Code 2256.0115.; 5) Banker's acceptances as permitted by Government Code 2256.012.; 6) Commercial paper as permitted by Government Code 2256.013.; 7) No load money market mutual funds and no load mutual funds as permitted by Government Code 2256.014.; 8) A guaranteed investment contract as an investment vehicle for bond proceeds, provided it meets the criteria and eligibility requirements established by Government Code 2256.015.; and 9) Public funds investment pools as permitted by Government Code 2256.016.

In compliance with the Public Funds Investment Act, the District has adopted an investment policy. The District is in substantial compliance with the requirements of the Act and with local policies. The risks that the District may be subject are:

- a. **Custodial Credit Risk - Deposits:** This is the risk that in the event of a bank failure, the District's deposits, including checking, money market accounts and certificates of deposit, may not be returned to it.

The funds of the District must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. During 2015-2016 the District's combined deposits were fully insured by federal depository insurance or collateralized with securities pledged to the District and held by the District's agent.

The largest combined balances of cash, savings and time deposit accounts amounted to \$1,206,281 and occurred on February 12, 2016. The amount of bond or market value of securities pledged as of the date of the highest combined balance on deposit was \$1,46,912. The total amount of FDIC coverage at the time of the highest combined balance was \$500 000.

- b. **Custodial Credit Risk - Investments:** This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Any investment that is both uninsured and unregistered is exposed to custodial credit risk if the investment is held by the counterparty, or if the investment is held by the counterparty's trust department or agent, but not in the name of the investor government. Investments are subject to custodial credit risk only if they are evidenced by securities that exist in physical or book entry form. Positions in external investment pools are not subject to custodial credit risk.

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

- c. Interest Rate Risk: Interest rate risk occurs when potential purchasers of debt securities do not agree to pay face value for those securities if interest rates rise. Investments with interest rates that are fixed for longer periods are likely to be subject to more variability in their fair values as a result of future changes in interest rates.
- d. Concentration of Credit Risk: Concentration risk is defined as positions of five percent or more in the securities of a single issuer. This is the issuer of the underlying investment, and not a pool. This does not apply to U.S. Government securities.

CASH DEPOSITS

At August 31, 2016, the amount of the District's cash balance in checking accounts was \$667,599.

INVESTMENTS - CASH EQUIVALENTS

The District's investments - cash equivalents at August 31, 2016, are shown below:

| <u>Investment Type</u> | <u>Cost</u> | <u>Fair Value</u> | <u>Weighted Average Maturity (Years)</u> |
|--|-------------------|-------------------|--|
| First Public / Lone Star Investment Pool | \$ 107 452 | \$ 107 464 | .112329 |
| Total Investments | <u>\$ 107 452</u> | <u>\$ 107 464</u> | |

INVESTMENTS - OTHER

The District's investments - other at August 31, 2016, are shown below:

| | <u>Cost</u> | <u>Fair Value</u> | <u>Weighted Average Maturity (Years)</u> |
|-------------------|-----------------|-------------------|--|
| N/A | \$ _____ | \$ _____ | |
| Total Investments | <u>\$ _____</u> | <u>\$ _____</u> | |

Local government investment pools operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Local government investment pools use amortized cost rather than market value to report net position to compute share prices. Accordingly the market value of the position in these pools is the same as the value of the shares in each pool, which approximates the carrying amount. The investment pools are organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code.

For the purpose of the statement of cash flows for proprietary fund types, if any, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

OAKWOOD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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 located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are delinquent if not paid by 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. Delinquent taxes not paid by June 30 are subject to penalty and interest charges plus delinquent collection fees for attorney costs. Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting taxes. Uncollectible taxes are periodically reviewed and written off by the District as provided by specific statutory authority from the Texas Legislature.

The assessed value of the property tax roll on January 1, 2015 upon which the levy for the 2015-2016 fiscal year was based, was \$102,729,227. The tax rates assessed for the year ended August 31, 2016 to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.04 and \$.2044 per \$100 valuation, respectively, for a total of \$1.2444 per \$100 valuation. Current tax collections for the year ended August 31, 2016 were 92.6% of the year end adjusted tax levy. As of August 31, 2016, property taxes receivable totaled \$555,321 and \$52,914 for the General and Debt Service Funds respectively.

C. RECEIVABLES FROM OTHER GOVERNMENTS

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

| | General Fund | Debt Service Fund | Other Funds | Total |
|--------------------|------------------|-------------------------|------------------|------------------|
| State Entitlements | \$ 37 685 | \$ | \$ | \$ 37 685 |
| State Grants | | | | |
| Federal Grants | | | 56 833 | 56 833 |
| Other District | | 3 373 | | 3 373 |
| Total | <u>\$ 37 685</u> | <u>\$ 3 373</u> | <u>\$ 56 833</u> | <u>\$ 97 891</u> |

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

D. INTERFUND BALANCES AND TRANSFERS

Interfund balances at August 31, 2016 consisted of the following individual fund amounts:

| <u>Fund</u> | <u>Due From</u> | <u>Due to</u> |
|--------------------|-----------------------|-----------------------|
| General Fund: | | |
| Debt Service Fund | \$ _____ | \$ _____ |
| Debt Service Fund: | | |
| General Fund | \$ _____ | \$ _____ |
| Totals | <u>\$ 0</u> | <u>\$ 0</u> |

Interfund transfers for the year ended August 31, 2016 consisted of the following individual fund amounts:

| <u>Fund</u> | <u>Transfer In</u> | <u>Transfer Out</u> |
|--------------------|-----------------------|-----------------------|
| General Fund: | | |
| Debt Service Fund | \$ _____ | \$ _____ |
| Debt Service Fund: | | |
| General Fund | \$ _____ | \$ _____ |
| Totals | <u>\$ 0</u> | <u>\$ 0</u> |

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

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at August 31, 2016, were as follows:

| | General Fund | Debt Service Fund | Other Funds | Total |
|----------------------|-------------------|-------------------------|------------------|-------------------|
| Property Taxes (Net) | \$ 530 405 | \$ 50 269 | \$ | \$ 580 674 |
| Other Governments | <u>37 685</u> | <u>3 373</u> | <u>56 833</u> | <u>97 891</u> |
| Totals | <u>\$ 571 855</u> | <u>\$ 53 642</u> | <u>\$ 56 833</u> | <u>\$ 682 330</u> |

Payables at August 31, 2016, were as follows:

| | General Fund | Debt Service Fund | Other Funds | Total |
|--------------------|------------------|-------------------------|------------------|------------------|
| Accounts Payable | \$ 5 484 | \$ | \$ 4 686 | \$ 10 170 |
| Accrued Wages | 60 344 | | 6 086 | 66 430 |
| Payroll Deductions | <u>3 765</u> | | | <u>3 765</u> |
| Totals | <u>\$ 69 593</u> | <u>\$ 0</u> | <u>\$ 10 772</u> | <u>\$ 80 365</u> |

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

F. CAPITAL ASSET ACTIVITY

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

| | Beginning Balance | Additions | Retirements/ Adjustments | Ending Balance |
|--|----------------------|----------------------|-----------------------------|---------------------|
| Nondepreciable Capital Assets | | | | |
| Land | \$ 30 850 | \$ | \$ | \$ 30 850 |
| Construction in Progress | | | | |
| Subtotal Nondepreciable Assets | <u>30 850</u> | | | <u>30 850</u> |
| Depreciable Capital Assets | | | | |
| Building & Improvements | 7 916 643 | | | 7 916 643 |
| Furniture & Equipment | 1 212 791 | | | 1 212 791 |
| Vehicles | <u>679 808</u> | | | <u>679 808</u> |
| Subtotal Depreciable Assets | <u>9 809 242</u> | | | <u>9 809 242</u> |
| Total at Historical Cost | <u>9 840 092</u> | | | <u>9 840 092</u> |
| Less Accumulated Depreciation for: | | | | |
| Buildings & Improvements | 2 913 575 | 175 986 | | 3 089 561 |
| Furniture & Equipment | 952 877 | 26 378 | | 979 255 |
| Vehicles | <u>572 347</u> | <u>35 535</u> | | <u>607 882</u> |
| Total Accumulated Depreciation | <u>4 438 799</u> | <u>237 899</u> | | <u>4 676 698</u> |
| Governmental Activities Capital Assets, Net | <u>\$ 5 401 293</u> | <u>\$ (237 899)</u> | <u>\$ 0</u> | <u>\$ 5 163 394</u> |

Depreciation expense was charged to governmental functions as follows:

| | | |
|----|--|-------------------|
| 11 | Instruction | \$ 126 697 |
| 12 | Instructional Resources and Media Services | 8 762 |
| 23 | School Leadership | 2 904 |
| 31 | Guidance, Counseling and Evaluation Services | 2 904 |
| 33 | Health Services | 4 347 |
| 34 | Student (Pupil) Transportation | 45 232 |
| 35 | Food Services | 7 251 |
| 36 | Cocurricular/Extracurricular Activities | 22 390 |
| 41 | General Administration | 2 974 |
| 51 | Plant Maintenance and Operations | <u>14 438</u> |
| | Total Depreciation Expense | <u>\$ 237 899</u> |

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

G. BONDS PAYABLE

Bonded indebtedness of the District is reflected in the Long-Term Debt Account Group, and current requirements for principal and interest expenditures are accounted for in the Debt Service Fund.

A summary of changes in bonds payable for the year ended August 31, 2016 is as follows:

| Description | Interest Rate Payable | Amounts Original Issue | Amounts Outstanding 9/1/15 | Issued | Retired | Amounts Outstanding 8/31/16 | Interest Current Year |
|---|-----------------------------|------------------------------|----------------------------------|--------|------------|-----------------------------------|-----------------------------|
| Unlimited Tax Qualified School Construction Bonds Series 2010 | 0.5% | \$ 4 500 000 | \$ 3 132 000 | \$ | \$ 278 000 | \$ 2 854 000 | \$ 14 965 |
| Less: | | | | | | | |
| Allocated to Buffalo ISD | | | (1 437 588) | | (127 602) | (1 309 986) | (6 869) |
| Totals | | | \$ 1 694 412 | \$ 0 | \$ 150 398 | \$ 1 544 014 | \$ 8 096 |

Debt service requirements for Oakwood ISD are as follows:

| Year Ended August 31 | General Obligations | | |
|-------------------------|---------------------|-----------|-----------------------|
| | Principal | Interest | Total Requirements |
| 2017 | \$ 150 939 | \$ 7 343 | \$ 158 282 |
| 2018 | 151 480 | 6 587 | 158 067 |
| 2019 | 152 562 | 5 827 | 158 389 |
| 2020 | 153 103 | 5 062 | 158 165 |
| 2021 | 154 185 | 4 294 | 158 479 |
| 2022 - 2026 | 781 745 | 9 810 | 791 555 |
| Totals | \$ 1 544 014 | \$ 38 923 | \$ 1 582 937 |

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

Debt service requirements for Buffalo ISD are as follows:

| Year Ended August 31 | General Obligations | | Total Requirements |
|-------------------------|---------------------|------------------|-----------------------|
| | Principal | Interest | |
| 2017 | \$ 128 061 | \$ 6 230 | \$ 134 291 |
| 2018 | 128 520 | 5 588 | 134 108 |
| 2019 | 129 438 | 4 943 | 134 381 |
| 2020 | 129 897 | 4 295 | 134 192 |
| 2021 | 130 815 | 3 643 | 134 458 |
| 2022-2026 | <u>663 255</u> | <u>8 323</u> | <u>671 578</u> |
| Totals | <u>\$ 1 309 986</u> | <u>\$ 33 022</u> | <u>\$ 1 343 008</u> |

Total combined debt service requirements are as follows:

| | | | |
|--------|---------------------|------------------|---------------------|
| Totals | <u>\$ 2 854 000</u> | <u>\$ 71 945</u> | <u>\$ 2 925 945</u> |
|--------|---------------------|------------------|---------------------|

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions at August 31, 2016.

The final decision of the State Commissioner of Education in TEA Docket No. 095-R6-0711, Barbara S. Johnson, et al. V. Oakwood Independent School District detached territory consisting of the former Lone Star Rural High School District from Oakwood ISD and annexed it to Buffalo ISD with an effective date of July 1, 2013. Under Section 13.004, Texas Education Code, the Commissioners' Courts of Leon and Freestone Counties agreed to an equitable allocation of indebtedness, taking into consideration the value of the properties involved and the taxable values of the districts involved. The agreed allocation is shown above.

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

H. CHANGES IN LONG-TERM LIABILITIES

Long-term liabilities activity for the year ended August 31, 2016, was as follows:

| | <u>Beginning Balance</u> | <u>Issued</u> | <u>Reduction</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|---|------------------------------|---------------|-------------------|---------------------------|--------------------------------|
| Governmental Activities: | | | | | |
| Bonds Payable | | | | | |
| General Obligation Bonds | \$ 3 132 000 | \$ | \$ 278 000 | \$ 2 854 000 | \$ 279 000 |
| Less: | | | | | |
| Allocated to Buffalo ISD | <u>(1 437 588)</u> | | <u>(127 602)</u> | <u>(1 309 986)</u> | <u>(128 061)</u> |
| Total Governmental Activities Long-term Liabilities | <u>\$ 1 694 412</u> | <u>\$ 0</u> | <u>\$ 150 398</u> | <u>\$ 1 544 014</u> | <u>\$ 150 939</u> |

I. UNEARNED REVENUE AND UNAVAILABLE REVENUE

Unearned revenue at the fiscal year-end consisted of the following:

| | <u>General Fund</u> | <u>Debt Service Fund</u> | <u>Other Funds</u> | <u>Total</u> |
|------------------|-------------------------|------------------------------|------------------------|------------------|
| State Foundation | <u>\$ 68 333</u> | <u>\$</u> | <u>\$</u> | <u>\$ 68 333</u> |

Unavailable revenue at the fiscal year end consisted of the following:

| | | | | |
|--------------------|-------------------|------------------|-----------|-------------------|
| Net Property Taxes | <u>\$ 530 405</u> | <u>\$ 50 269</u> | <u>\$</u> | <u>\$ 580 674</u> |
|--------------------|-------------------|------------------|-----------|-------------------|

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

J. FUND BALANCE

Fund Balance is classified as nonspendable, restricted, committed, assigned and/or unassigned. The individual fund balances of the District are:

| Fund Balance | General Fund | Debt Service Fund | Other Funds | Total |
|---------------------|-----------------|-------------------------|----------------|------------|
| Nonspendable: | | | | |
| Prepaid Items | \$ | \$ | \$ | \$ |
| Total Nonspendable | | | | |
| Restricted: | | | | |
| Federal Grants | | | 37 927 | 37 927 |
| State Grants | | | | |
| Debt Service | | 75 480 | | 75 480 |
| Total Restricted | | 75 480 | 37 927 | 113 407 |
| Committed: | | | | |
| Total Committed | | | | |
| Assigned: | | | | |
| Total Assigned | | | | |
| Unassigned | 582 221 | | | 582 221 |
| Total Fund Balances | \$ 582 221 | \$ 75 480 | \$ 37 927 | \$ 695 628 |

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

K. LOCAL AND INTERMEDIATE SOURCES OF REVENUES

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

| | General Fund | Debt Service Fund | Other Funds | Total |
|-----------------------------|---------------------|----------------------|-----------------|---------------------|
| Property Taxes | \$ 1 061 613 | \$ 204 689 | \$ | \$ 1 266 302 |
| Penalties, Interest & Other | | | | |
| Tax Related Income | 41 116 | 6 474 | | 47 590 |
| Food Sales | | | 7 744 | 7 744 |
| Investment Income | 454 | | | 454 |
| Co-curricular Student | | | | |
| Activities | 4 362 | | | 4 362 |
| Other | 25 659 | | | 25 659 |
| Totals | <u>\$ 1 133 204</u> | <u>\$ 211 163</u> | <u>\$ 7 744</u> | <u>\$ 1 352 111</u> |

L. JOINT VENTURE SHARED SERVICE ARRANGEMENT

The District participates in a shared services arrangement for special education services with four other school districts. Although a portion of the shared services arrangement is attributable to the District's participation, 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, 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 shared services arrangement. The District made payments to the fiscal agent of \$12,631.

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

M. DEFINED BENEFIT PENSION PLAN

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

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

Pension Plan Fiduciary Net Position. Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <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. The information provided in the Notes to the Financial Statements in the 2014 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2014.

| <u>Net Pension Liability</u> | <u>Total</u> |
|---|---------------------------------|
| Total Pension Liability | \$ 163,887,375,172 |
| Less: Plan Fiduciary Net Position | <u>(128,538,706,212)</u> |
| Net Pension Liability | <u><u>\$ 35,348,668,960</u></u> |
| Net Position as percentage of Total Pension Liability | 78.43% |

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

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

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

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

| Contribution Rates | | |
|---|-------------|-------------|
| | 2015 | 2016 |
| Member | 6.7% | 7.2% |
| Non-Employer Contributing Entity (State) | 6.8% | 6.8% |
| Employers | 6.8% | 6.8% |
| | | |
| Oakwood ISD 2016 Employer Contributions | \$ | 28,602 |
| Oakwood ISD 2016 Member Contributions | \$ | 79,212 |
| Oakwood ISD 2015 NECE On-Behalf Contributions | \$ | 58,100 |

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

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

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

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

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

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

Actuarial Assumptions. The total pension liability in the August 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

| | |
|--|------------------------------|
| Valuation Date | August 31, 2015 |
| Actuarial Cost Method | Individual Entry Age, Normal |
| Asset Valuation Method | Market Value |
| Single Discount Rate | 8.00% |
| Long-term expected Investment Rate of Return | 8.00% |
| 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.

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

Discount Rate. The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2015 are summarized below:

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

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

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

Discount Rate. The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2014 are summarized below:

| Asset Class | Target Allocation | Real Return Geometric Basis | Long-Term Expected Portfolio Real Rate of Return * |
|-------------------------------|-------------------|-----------------------------|--|
| Global Equity | | | |
| U.S. | 18% | 7.0% | 1.4% |
| Non-U.S. Developed | 13% | 7.3% | 1.1% |
| Emerging Markets | 9% | 8.1% | 0.9% |
| Directional Hedge Funds | 4% | 5.4% | 0.2% |
| Private Equity | 13% | 9.2% | 1.4% |
| Stable Value | | | |
| U.S. Treasuries | 11% | 2.9% | 0.3% |
| Absolute Return | 0% | 4.0% | 0.0% |
| Stable Value Hedge Funds | 4% | 5.2% | 0.2% |
| Cash | 1% | 2.0% | 0.0% |
| Real Return | | | |
| Global Inflation Linked Bonds | 3% | 3.1% | 0.0% |
| Real Assets | 16% | 7.3% | 1.5% |
| Energy and Natural Resources | 3% | 8.8% | 0.3% |
| Commodities | 0% | 3.4% | 0.0% |
| Risk Parity | | | |
| Risk Parity | 5% | 8.9% | 0.4% |
| Alpha | | | 1.0% |
| Total | <u>100%</u> | | <u>8.7%</u> |

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

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

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

| | 1% Decrease in Discount Rate (7.0%) | Discount Rate (8.0%) | 1% Increase in Discount Rate (9.0%) |
|--|---|-------------------------|---|
| District's proportionate share of the net pension liability: | \$ 512,862 | \$ 327,329 | \$ 172,791 |

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2015, the District reported a liability of \$327,329 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 | \$ 327,329 |
| State's proportionate share that is associated with the District | 693,382 |
| Total | <u>\$ 1,020,711</u> |

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

At August 31, 2015 the employer's proportion of the collective net pension liability was .0009260%, which was an increase (decrease) of .0003799% 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

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

Mortality Assumptions

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

Other Demographic Assumptions

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

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

Actuarial Methods and Policies

13. 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, 2015, the District recognized pension expense of \$98,796 and revenue of \$98,796 for support provided by the State.

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

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual economic experience | \$ 1,876 | \$ 12,580 |
| Changes in actuarial assumptions | 7,886 | 11,678 |
| Difference between projected and actual investment earnings | 47,176 | |
| Changes in proportion and difference between the employer's contributions and the proportionate share of contributions | 86,818 | 98 |
| Total as of August 31, 2015 measurement date | \$ 143,756 | \$ 24,356 |
| Contributions paid to TRS subsequent to the measurement date | 28,602 | |
| Total as of fiscal year end | <u>\$ 172,358</u> | <u>\$ 243,563</u> |

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

| Year ended August 31: | Pension Expense Amount |
|-----------------------|------------------------|
| 2017 | \$ 21,565 |
| 2018 | 21,565 |
| 2019 | 21,565 |
| 2020 | 32,713 |
| 2021 | 12,438 |
| Thereafter | 9,554 |

Long-Term Liability Disclosure

| | Beginning Balance | Additions | Retirements | Ending Balance |
|-----------------------|----------------------|-------------------|------------------|-------------------|
| Net Pension Liability | <u>\$ 145,872</u> | <u>\$ 208,877</u> | <u>\$ 27,420</u> | <u>\$ 327,329</u> |

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

N. HEALTH CARE

During the year ended August 31, 2016 employees of the Oakwood Independent School District were covered by the state sponsored health insurance plan. The District paid premiums of \$225 per month per employee to the plan and employees, at their option, authorized payroll withholdings to pay premiums for dependents.

All premiums were paid to TRS-ActiveCare, the statewide health coverage program for public education employees administered by Aetna. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the District and TRS ActiveCare is renewable September 1 of each year and terms of coverage and premium costs are included in the contractual provisions.

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

O. SCHOOL DISTRICT RETIREE HEALTH PLAN

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-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 supplementary information for TRS-Care. That report may be obtained by visiting the TRS Web site at www.trs.state.tx.us, by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling 1-800-223-8778.

Medicare Part D:

Federal Government Retiree Drug Subsidy - 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. On-behalf payments must be recognized as equal revenues and expenditures/expenses by the District. The allocation of these on-behalf payments is based on the ratio of a reporting entity's covered payroll to the entire payroll reported by all reporting entities. The amount allocated on-behalf for the year ended August 31, 2016 is estimated by TRS at \$3,239.

P. COMPENSATED ABSENCES

Vacations are to be taken within the same year they are earned, and any unused days at the end of the year are forfeited. Therefore, no liability has been accrued in the accompanying general purpose financial statements. Employees of the District are entitled to sick leave based on category/class of employment. Sick leave is allowed to be accumulated but does not vest for most employees. Therefore, a liability for unused sick leave has not been recorded in the accompanying general purpose financial statements for these employees.

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

Q. COMMITMENTS UNDER OPERATING LEASES

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

| <u>Year Ended</u> <u>August 31</u> | <u>Total</u> |
|---|------------------|
| 2017 | \$ 6 362 |
| 2018 | 3 491 |
| 2019 | 3 491 |
| 2020 | <u>2 618</u> |
| Total Minimum Rentals | <u>\$ 15 962</u> |
| Rental Expenditures in Fiscal Year 2016 | <u>\$ 12 313</u> |

R. CONSTRUCTION AND OTHER COMMITMENTS AND CONTINGENCIES

The District participates in numerous state and Federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectibility of any related receivable at August 31, 2016 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 combined financial statements for such contingencies.

S. RISK MANAGEMENT

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

T. DETACHMENT AND ANNEXATION

The final decision of the State Commissioner of Education in TEA Docket No. 095-R6-0711, Barbara S. Johnson, et al. V. Oakwood Independent School District detached territory consisting of the former Lone Star Rural High School District from Oakwood ISD and annexed it to Buffalo ISD with an effective date of July 1, 2013. Under Section 13.004, Texas Education Code, the Commissioners' Courts of Leon and Freestone Counties agreed to an equitable allocation of indebtedness, taking into consideration the value of the properties involved and the taxable values of the districts involved. The allocation of debt is described in Note G.

U. LEGAL ISSUES

The District is involved in a complaint matter, the outcome of which is unknown as of the audit report date.

REQUIRED SUPPLEMENTARY INFORMATION

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

| Data Control Codes | Budgeted Amounts | | Actual Amounts (GAAP BASIS) | Variance With Final Budget Positive or (Negative) |
|---|------------------|------------|--------------------------------|--|
| | Original | Final | | |
| REVENUES: | | | | |
| 5700 Total Local and Intermediate Sources | \$ 918,669 | \$ 918,669 | \$ 1,133,204 | \$ 214,535 |
| 5800 State Program Revenues | 1,036,845 | 1,036,845 | 1,040,301 | 3,456 |
| 5020 Total Revenues | 1,955,514 | 1,955,514 | 2,173,505 | 217,991 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| 0011 Instruction | 1,038,144 | 1,056,848 | 995,026 | 61,822 |
| 0012 Instructional Resources and Media Services | 500 | 500 | - | 500 |
| 0013 Curriculum and Instructional Staff Development | 2,000 | 2,000 | 861 | 1,139 |
| 0023 School Leadership | 131,963 | 145,889 | 135,625 | 10,264 |
| 0031 Guidance, Counseling and Evaluation Services | 58,169 | 58,170 | 48,555 | 9,615 |
| 0033 Health Services | 250 | 250 | 74 | 176 |
| 0034 Student (Pupil) Transportation | 105,384 | 102,876 | 99,441 | 3,435 |
| 0036 Extracurricular Activities | 117,206 | 117,206 | 105,034 | 12,172 |
| 0041 General Administration | 185,127 | 185,127 | 190,212 | (5,085) |
| 0051 Facilities Maintenance and Operations | 199,968 | 199,968 | 202,508 | (2,540) |
| 0052 Security and Monitoring Services | 10,000 | 10,000 | 9,930 | 70 |
| 0053 Data Processing Services | 53,500 | 53,500 | 40,875 | 12,625 |
| Intergovernmental: | | | | |
| 0093 Payments to Fiscal Agent/Member Districts of SSA | 25,000 | 25,000 | 19,892 | 5,108 |
| 0099 Other Intergovernmental Charges | 28,553 | 31,061 | 31,061 | - |
| 6030 Total Expenditures | 1,955,764 | 1,988,395 | 1,879,094 | 109,301 |
| 1200 Net Change in Fund Balances | (250) | (32,881) | 294,411 | 327,292 |
| 0100 Fund Balance - September 1 (Beginning) | 287,810 | 287,810 | 287,810 | - |
| 3000 Fund Balance - August 31 (Ending) | \$ 287,560 | \$ 254,929 | \$ 582,221 | \$ 327,292 |

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

EXHIBIT G-2

| | <u>2016</u> | <u>2015</u> |
|--|---------------------|-------------------|
| District's Proportion of the Net Pension Liability (Asset) | 0.000926% | 0.0005461% |
| District's Proportionate Share of Net Pension Liability (Asset) | \$ 327,329 | \$ 145,872 |
| State's Proportionate Share of the Net Pension Liability (Asset) associated with the District | 693,382 | 676,567 |
| Total | <u>\$ 1,020,711</u> | <u>\$ 822,439</u> |
| District's Covered-Employee Payroll | \$ 1,038,470 | \$ 1,136,224 |
| District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll | 31.52% | 12.84% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 78.43% | 83.25% |

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

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

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

EXHIBIT G-3

| | 2016 | 2015 |
|---|---------------|---------------|
| Contractually Required Contribution | \$ 28,602 | \$ 27,421 |
| Contribution in Relation to the Contractually Required Contribution | (28,602) | (27,421) |
| Contribution Deficiency (Excess) | <u>\$ -0-</u> | <u>\$ -0-</u> |
| District's Covered-Employee Payroll | \$ 1,098,895 | \$ 1,038,470 |
| Contributions as a Percentage of Covered-Employee Payroll | 2.60% | 2.64% |

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31, 2014 for Fiscal Year 2015 and August 31, 2015 for Fiscal Year 2016.

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

MASTER INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2016

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 following are changes to the actuarial assumptions or other inputs that affected the measurement of the total pension liability during the prior measurement period.

Economic Assumptions

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

Mortality Assumptions

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

Other Demographic Assumptions

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

Actuarial Methods and Policies

13. 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.

COMBINING STATEMENTS

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

| Data Control Codes | | 211 ESEA I, A Improving Basic Program | 240 National Breakfast and Lunch Program | 244 Career and Technical - Basic Grant | 255 ESEA II, A Training and Recruiting |
|--------------------------|--|--|---|---|---|
| ASSETS | | | | | |
| 1110 | Cash and Cash Equivalents | \$ (23,889) | \$ 27,275 | \$ - | \$ (23,271) |
| 1240 | Receivables from Other Governments | 29,335 | 4,227 | - | 23,271 |
| 1000 | Total Assets | <u>\$ 5,446</u> | <u>\$ 31,502</u> | <u>\$ -</u> | <u>\$ -</u> |
| LIABILITIES | | | | | |
| 2110 | Accounts Payable | \$ - | \$ 4,686 | \$ - | \$ - |
| 2160 | Accrued Wages Payable | 4,966 | 1,119 | - | - |
| 2200 | Accrued Expenditures | 480 | 22 | - | - |
| 2000 | Total Liabilities | <u>5,446</u> | <u>5,827</u> | <u>-</u> | <u>-</u> |
| FUND BALANCES | | | | | |
| Restricted Fund Balance: | | | | | |
| 3450 | Federal or State Funds Grant Restriction | - | 25,675 | - | - |
| 3000 | Total Fund Balances | <u>-</u> | <u>25,675</u> | <u>-</u> | <u>-</u> |
| 4000 | Total Liabilities and Fund Balances | <u>\$ 5,446</u> | <u>\$ 31,502</u> | <u>\$ -</u> | <u>\$ -</u> |

| 410 State Textbook Fund | Total Nonmajor Governmental Funds |
|----------------------------------|--|
| \$ 12,252 | \$ (7,633) |
| - | 56,833 |
| <u>\$ 12,252</u> | <u>\$ 49,200</u> |
| | |
| \$ - | \$ 4,686 |
| - | 6,085 |
| - | 502 |
| <u>-</u> | <u>11,273</u> |
| | |
| 12,252 | 37,927 |
| <u>12,252</u> | <u>37,927</u> |
| | |
| <u>\$ 12,252</u> | <u>\$ 49,200</u> |

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

| Data Control Codes | | 211 ESEA I, A Improving Basic Program | 240 National Breakfast and Lunch Program | 244 Career and Technical - Basic Grant | 255 ESEA II, A Training and Recruiting |
|--------------------------|--|--|---|---|---|
| REVENUES: | | | | | |
| 5700 | Total Local and Intermediate Sources | \$ - | \$ 7,744 | \$ - | \$ - |
| 5800 | State Program Revenues | - | 3,523 | - | - |
| 5900 | Federal Program Revenues | 128,779 | 105,783 | 1,864 | 30,169 |
| 5020 | Total Revenues | <u>128,779</u> | <u>117,050</u> | <u>1,864</u> | <u>30,169</u> |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| 0011 | Instruction | 100,490 | - | 1,864 | 28,715 |
| 0012 | Instructional Resources and Media Services | 28,289 | - | - | - |
| 0013 | Curriculum and Instructional Staff Development | - | - | - | 1,454 |
| 0035 | Food Services | - | 110,244 | - | - |
| 6030 | Total Expenditures | <u>128,779</u> | <u>110,244</u> | <u>1,864</u> | <u>30,169</u> |
| 1200 | Net Change in Fund Balance | - | 6,806 | - | - |
| 0100 | Fund Balance - September 1 (Beginning) | <u>-</u> | <u>18,869</u> | <u>-</u> | <u>-</u> |
| 3000 | Fund Balance - August 31 (Ending) | <u>\$ -</u> | <u>\$ 25,675</u> | <u>\$ -</u> | <u>\$ -</u> |

| 410 State Textbook Fund | Total Nonmajor Governmental Funds |
|----------------------------------|--|
| \$ - | \$ 7,744 |
| 24,537 | 28,060 |
| - | 266,595 |
| <u>24,537</u> | <u>302,399</u> |
| 24,032 | 155,101 |
| - | 28,289 |
| - | 1,454 |
| - | 110,244 |
| <u>24,032</u> | <u>295,088</u> |
| 505 | 7,311 |
| <u>11,747</u> | <u>30,616</u> |
| \$ 12,252 | \$ 37,927 |

REQUIRED TEA SCHEDULES

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

| Last 10 Years Ended August 31 | (1) | (2) | (3) |
|----------------------------------|-------------|--------------|--|
| | Tax Rates | | Assessed/Appraised Value for School Tax Purposes |
| | Maintenance | Debt Service | |
| 2007 and prior years | Various | Various | \$ Various |
| 2008 | 1.040000 | 0.000000 | 136,990,260 |
| 2009 | 1.040000 | 0.000000 | 169,014,877 |
| 2010 | 1.040000 | 0.000000 | 190,650,690 |
| 2011 | 1.040000 | 0.185000 | 172,322,380 |
| 2012 | 1.040000 | 0.179000 | 166,543,058 |
| 2013 | 1.040000 | 0.178000 | 165,603,785 |
| 2014 | 1.040000 | 0.204400 | 82,392,673 |
| 2015 | 1.040000 | 0.204400 | 75,745,001 |
| 2016 (School year under audit) | 1.040000 | 0.204400 | 102,729,227 |
| 1000 TOTALS | | | |

| (10) Beginning Balance 9/1/2015 | (20) Current Year's Total Levy | (31) Maintenance Collections | (32) Debt Service Collections | (40) Entire Year's Adjustments | (50) Ending Balance 8/31/2016 |
|--|---|------------------------------------|-------------------------------------|---|--|
| \$ 219,010 | \$ - | \$ 5,201 | \$ - | \$ (24,060) | \$ 189,749 |
| 31,935 | - | 5,083 | - | (1,020) | 25,832 |
| 32,114 | - | 5,227 | - | (693) | 26,194 |
| 35,140 | - | 2,214 | - | (395) | 32,531 |
| 46,479 | - | 3,118 | 555 | (465) | 42,341 |
| 52,174 | - | 7,764 | 1,336 | 8,904 | 51,978 |
| 56,931 | - | 8,945 | 1,531 | 6,691 | 53,146 |
| 59,538 | - | 11,948 | 2,348 | 2,674 | 47,916 |
| 77,255 | - | 18,830 | 3,701 | 2,015 | 56,739 |
| - | 1,278,362 | 993,283 | 195,218 | (5,052) | 84,809 |
| <u>\$ 610,576</u> | <u>\$ 1,278,362</u> | <u>\$ 1,061,613</u> | <u>\$ 204,689</u> | <u>\$ (11,401)</u> | <u>\$ 611,235</u> |

OAKWOOD INDEPENDENT SCHOOL DISTRICT
FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET
GENERAL FUND AS OF AUGUST 31, 2016

EXHIBIT J-3

UNAUDITED

| | | | | |
|----|---|---------|----|----------------|
| 1 | Total General Fund Balance as of 8/31/16 (Exhibit C-1 object 3000 for the General Fund Only) | | \$ | 582,221 |
| 2 | Total Non-Spendable Fund Balance (from Exhibit C-1 - for the General Fund Only) | \$ | - | |
| 3 | Total Restricted Fund Balance (from Exhibit C-1 - for the General Fund Only) | | - | |
| 4 | Total Committed Fund Balance (from Exhibit C-1 - for the General Fund Only) | | - | |
| 5 | Total Assigned Fund Balance (from Exhibit C-1 - for the General Fund Only) | | - | |
| 6 | Estimated amount needed to cover fall cash flow deficits in the General Fund (Net of borrowed funds and funds representing deferred revenues.) | | - | |
| 7 | Estimate of two month's average cash disbursements during the fiscal year. | 392,674 | | |
| 8 | Estimate of delayed payments from state sources (58xx). | | - | |
| 9 | Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount. | | - | |
| 10 | Estimate of delayed payments from federal sources (59xx) | 56,833 | | |
| 11 | Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds) | | - | |
| 12 | Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9+10+11) | | | <u>449,507</u> |
| 13 | Excess (Deficit) Unassigned Fund Balance (Line 1 minus Line 12) | | \$ | <u>132,714</u> |

Explanation of need for and/or projected use of net positive Unassigned General Fund Fund Balance:

OAKWOOD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED AUGUST 31, 2016

| Data Control Codes | Budgeted Amounts | | Actual Amounts (GAAP BASIS) | Variance With Final Budget Positive or (Negative) | |
|--------------------------|--|-----------|--------------------------------|--|----------|
| | Original | Final | | | |
| REVENUES: | | | | | |
| 5700 | Total Local and Intermediate Sources | \$ 8,150 | \$ 8,150 | \$ 7,744 | \$ (406) |
| 5800 | State Program Revenues | 1,000 | 1,000 | 3,523 | 2,523 |
| 5900 | Federal Program Revenues | 100,784 | 100,784 | 105,783 | 4,999 |
| 5020 | Total Revenues | 109,934 | 109,934 | 117,050 | 7,116 |
| EXPENDITURES: | | | | | |
| 0035 | Food Services | 109,474 | 109,474 | 110,244 | (770) |
| 0053 | Data Processing Services | 460 | 460 | - | 460 |
| 6030 | Total Expenditures | 109,934 | 109,934 | 110,244 | (310) |
| 1200 | Net Change in Fund Balances | - | - | 6,806 | 6,806 |
| 0100 | Fund Balance - September 1 (Beginning) | 18,869 | 18,869 | 18,869 | - |
| 3000 | Fund Balance - August 31 (Ending) | \$ 18,869 | \$ 18,870 | \$ 25,675 | \$ 6,805 |

OAKWOOD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2016

| Data Control Codes | Budgeted Amounts | | Actual Amounts (GAAP BASIS) | Variance With Final Budget Positive or (Negative) |
|--|------------------|------------|--------------------------------|--|
| | Original | Final | | |
| REVENUES: | | | | |
| 5700 Total Local and Intermediate Sources | \$ 158,173 | \$ 145,341 | \$ 211,163 | \$ 65,822 |
| 5800 State Program Revenues | - | 4,518 | 4,616 | 98 |
| 5020 Total Revenues | 158,173 | 149,859 | 215,779 | 65,920 |
| EXPENDITURES: | | | | |
| Debt Service: | | | | |
| 0071 Principal on Long Term Debt | 278,000 | 278,000 | 150,398 | 127,602 |
| 0072 Interest on Long Term Debt | 16,350 | 16,350 | 8,096 | 8,254 |
| 0073 Bond Issuance Cost and Fees | 250 | 250 | 250 | - |
| 6030 Total Expenditures | 294,600 | 294,600 | 158,744 | 135,856 |
| 1100 Excess (Deficiency) of Revenues Over (Under) Expenditures | (136,427) | (144,741) | 57,035 | 201,776 |
| OTHER FINANCING SOURCES (USES): | | | | |
| 7915 Transfers In | - | 14,788 | - | (14,788) |
| 7949 Other Resources | 149,259 | 134,471 | 134,471 | - |
| 8949 Other (Uses) | - | - | (134,471) | (134,471) |
| 7080 Total Other Financing Sources (Uses) | 149,259 | 149,259 | - | (149,259) |
| 1200 Net Change in Fund Balances | 12,832 | 4,518 | 57,035 | 52,517 |
| 0100 Fund Balance - September 1 (Beginning) | 18,444 | 18,444 | 18,445 | 1 |
| 3000 Fund Balance - August 31 (Ending) | \$ 31,276 | \$ 22,962 | \$ 75,480 | \$ 52,518 |

COMPLIANCE. INTERNAL CONTROL AND FEDERAL AWARDS

SMITH, LAMBRIGHT & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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J. W. Lambright, CPA

Cheri E. Kirkland, CPA
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**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***

Independent Auditor's Report

Board of School Trustees
Oakwood Independent School District
631 North Holly Street
Oakwood, Texas 75855

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 the District as of and for the year ended August 31, 2016 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 5, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,

Smith, Lambright & Associates, P.C.

SMITH, LAMBRIGHT & ASSOCIATES, P. C.
Certified Public Accountants
Athens, Texas

December 5, 2016

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

I. Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes X none reported

Noncompliance material to financial statements noted?

_____ yes X N/A

Federal Awards:

N/A

Internal control over major programs:

- Material weakness(es) identified? _____ yes _____ no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes _____ none reported

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

Any audit findings disclosed that are required to be reported in accordance with Title 2 CFR 200.516(a)

_____ yes _____ no

Identification of major programs:

CFDA Number

Name of Federal Program or Cluster

N/A

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low risk auditee?

 X yes _____ no

District Contact Person

Jackie Thomason
Superintendent

OAKWOOD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED AUGUST 31, 2016

II. Financial Statement Findings

The audit disclosed no findings required to be reported.

III. Federal Awards Findings and Questioned Costs

The audit disclosed no findings required to be reported.

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

N/A

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

N/A

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

| (1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE | (2) Federal CFDA Number | (3) Pass-Through Entity Identifying Number | (4) Federal Expenditures |
|--|----------------------------------|---|--------------------------------|
| U.S. DEPARTMENT OF EDUCATION | | | |
| <u>Passed Through State Department of Education</u> | | | |
| ESEA, Title I, Part A - Improving Basic Programs | 84.010A | 16-610101145907 | \$ 128,779 |
| Career and Technical - Basic Grant | 84.048 | 16-ESC Region 6 | 1,864 |
| ESEA, Title II, Part A, Teacher/Principal Training | 84.367A | 16-694501145907 | 30,169 |
| Total Passed Through State Department of Education | | | <u>\$ 160,812</u> |
| TOTAL U.S. DEPARTMENT OF EDUCATION | | | <u>\$ 160,812</u> |
| U.S. DEPARTMENT OF AGRICULTURE | | | |
| <u>Passed Through the State Department of Agriculture</u> | | | |
| *School Breakfast Program | 10.553 | | \$ 35,486 |
| *National School Lunch Program - Cash Assistance | 10.555 | | 63,333 |
| *National School Lunch Prog. - Non-Cash Assistance | 10.555 | | 6,964 |
| Total CFDA Number 10.555 | | | <u>70,297</u> |
| Total Child Nutrition Cluster | | | <u>105,783</u> |
| Total Passed Through the State Department of Agriculture | | | <u>\$ 105,783</u> |
| TOTAL U.S. DEPARTMENT OF AGRICULTURE | | | <u>\$ 105,783</u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | <u>\$ 266,595</u> |

*Clustered Programs

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

- For all Federal programs, the District uses the fund types specified in Texas Education Agency's *Financial Accountability System Resource Guide*. Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund.
- The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in the General Fund or in a Special Revenue Fund which are Governmental Fund types.

With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The modified accrual basis of accounting is used for the Governmental Fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as deferred revenues until earned.

- The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions of the Period of Availability of Federal Funds.
- The National School Breakfast and Lunch Programs and the USDA donated commodities are accounted for in the nonmajor governmental funds. The Impact Aid, if any, is accounted for in the General Fund. Expenditures are not specifically attributable to these revenue sources and are shown on this schedule in an amount equal to revenue for balancing purposes only. The revenue for indirect costs is recognized in the General Fund.
- The expenditures shown on the Schedule of Expenditures of Federal Awards (SEFA) does not equal to total federal revenues shown on Exhibit C-3 by the amount of federal revenue recorded in various funds as shown below. These amounts are not subject to the Single Audit Act and are not required to be included in the SEFA.

| | |
|--|-------------------|
| Amount reported on the Schedule of Expenditures of Federal Awards \$ | 266,595 |
| Other | 0 |
| Federal Program Revenue Reported on Exhibit C-3 | <u>\$ 266,595</u> |