

MENARD INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
YEAR ENDED AUGUST 31, 2016



MENARD INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
for the Year Ended August 31, 2016

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CERTIFICATE OF BOARD

Menard Independent School District
Name of School District

Menard
County

164-901
Co.-Dist. Number

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

Sharon Hill
Signature of Board Secretary

[Signature]
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)

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EDE & COMPANY, LLC

Certified Public Accountants

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Donna Ede Jones

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Knippa, Texas 78870
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UNMODIFIED OPINIONS ON BASIC FINANCIAL STATEMENTS ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION AND OTHER INFORMATION

Independent Auditor's Report

Board of Trustees
Menard Independent School District
P. O. Box 729
Menard, TX 76859

Members of the Board:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Menard Independent School 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 Menard Independent School District, as of August 31, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

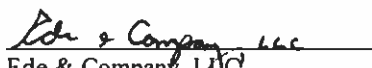
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Menard Independent School District's basic financial statements. The exhibits identified in the Table of Contents as J-1 and J-4 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

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

The exhibits identified in the Table of Contents as J-1 and J-4 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2016, on our consideration of the Menard Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Menard Independent School District's internal control over financial reporting and compliance.


Ede & Company, LLC
Certified Public Accountants
Knippa, Texas

November 16, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Menard Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended August 31, 2016. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total combined net position was \$4,310,019 at August 31, 2016.
- During the year, the District's expenses were \$26,666 more than the \$4,785.1 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs was virtually unchanged from last year, and no new programs were added this year.
- The general fund reported a fund balance this year of \$1,578.2.

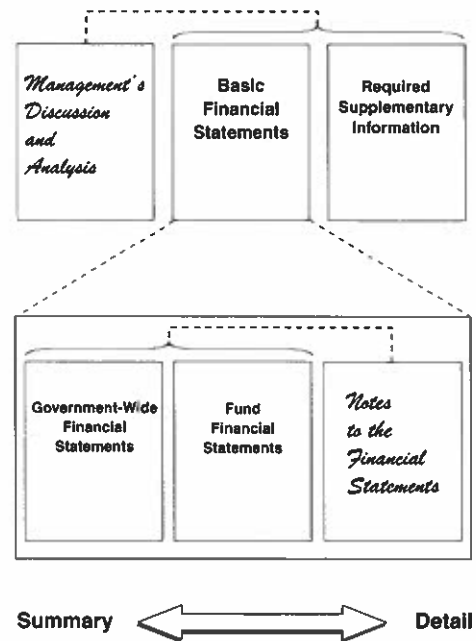
OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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



Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how they have changed. Net position, the difference between the District's assets and liabilities is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District's tax base

The government-wide financial statements of the District include the *Governmental activities*. Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services and general administration. Property taxes and grants finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant *funds*—not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has the following kinds of funds:

- *Governmental funds*—Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Fiduciary funds*—The District is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position. The District's combined net position were \$4,310.0 thousand at August 31, 2016. (See Table A-1).

Table A-1
Menard Independent School District's Net Position
(in thousands dollars)

	Governmental Activities		Total Percentage Change 2016-2015
	2016	2015	
Current assets:			
Cash and cash equivalents	\$ 2,276.3	\$ 1,913.0	19.0%
Property taxes receivable	85.8	98.6	-13.0%
Allowance for uncollectible taxes	(17.2)	(19.7)	-12.7%
Due from other governments	97.1	162.8	-40.4%
Due from fiduciary fund	-	2.7	-100.0%
Other receivables	-	-	0.0%
Total current assets	2,442.0	2,157.4	13.2%

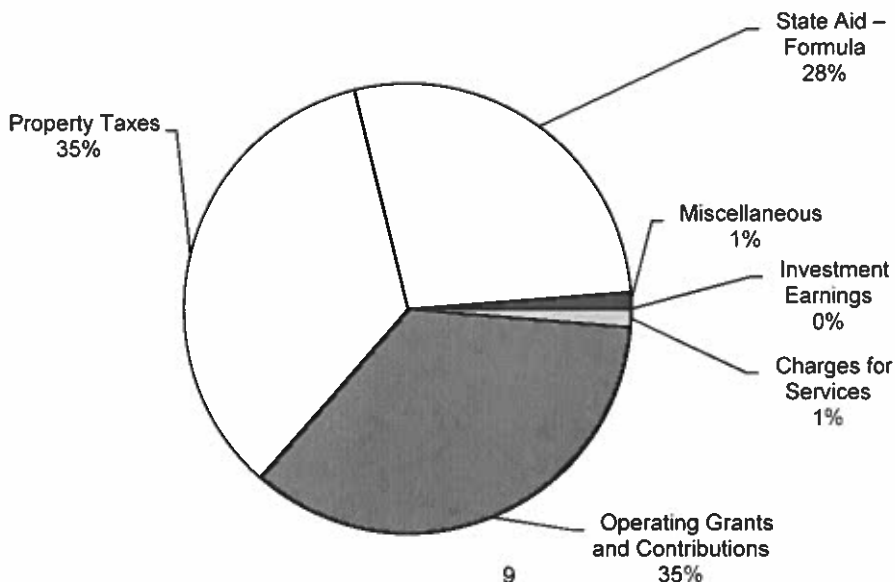
Noncurrent assets:			
Capital Assets	7,969.5	7,808.6	2.1%
Less accumulated depreciation	(4,537.1)	(4,285.2)	5.9%
Total noncurrent assets	<u>3,432.4</u>	<u>3,523.4</u>	<u>-2.6%</u>
Total Assets	<u>5,874.4</u>	<u>5,680.8</u>	<u>3.4%</u>
Deferred Outflows of Resources			
Deferred Outflow - Pensions	<u>621.3</u>	<u>118.4</u>	<u>424.7%</u>
Total Deferred Outflows of Resources	<u>621.3</u>	<u>118.4</u>	<u>424.7%</u>
Current liabilities:			
Accounts payable	131.3	289.4	-54.6%
Payroll Deductions & Withholdings	2.3	16.4	-86.0%
Accrued wages payable	119.2	96.2	23.9%
Due to other governments	536.1	499.3	7.4%
Accrued expenses	4.5	3.2	40.6%
Total current liabilities	<u>793.4</u>	<u>904.5</u>	<u>-12.3%</u>
Long-term liabilities:			
Notes payable	222.2	-	100.0%
Net Pension Liability	996.2	435.0	129.0%
Total Long-term liabilities	<u>1,218.4</u>	<u>435.0</u>	<u>180.1%</u>
Total Liabilities	<u>2,011.8</u>	<u>1,339.5</u>	<u>50.2%</u>
Deferred Inflows of Resources			
Deferred Inflow - Pensions	<u>173.8</u>	<u>133.1</u>	<u>100.0%</u>
Total Deferred Outflows of Resources	<u>173.8</u>	<u>133.1</u>	<u>100.0%</u>
Net Position:			
Invested in capital assets	3,210.2	3,523.4	-8.9%
Restricted for Federal and State Programs	1.3	1.3	0.0%
Unrestricted	1,098.5	801.9	37.0%
Total Net Position	<u>\$ 4,310.0</u>	<u>\$ 4,326.6</u>	<u>-0.4%</u>

The \$1,098.5 thousand of unrestricted net position represents the sources available to fund the programs of the District next year.

Changes in net position. The District's total revenues were \$4,785.1 thousand. A significant portion, 35 percent, of the District's revenue comes from taxes. (See Figure A-3.) 28 percent comes from state aid – formula grants, while only 1 percent relates to charges for services.

The total cost of all programs and services was \$4,811.8 thousand 42 percent of these costs are for instructional and student services.

Figure A-3 2016 Revenue Sources



Governmental Activities

- Property tax rates remained the same in 2015, however a 13.11% decrease in values resulted in the decrease of tax revenues from \$1,885.4 thousand to \$1,658.2 thousand.

	Governmental Activities		Percentage Change
	2016	2015	2016 - 2015
Program Revenues:			
Charges for Services	\$ 62.0	\$ 76.6	-19.1%
Operating Grants and Contributions	1,685.7	1,768.4	-4.7%
General Revenue			
Property Taxes	1,658.2	1,885.4	-12.1%
State Aid - Formula	1,321.8	1,280.2	3.2%
Investment Earnings	2.1	5.8	-63.8%
Other	55.4	36.0	53.9%
Total Revenue	4,785.2	5,052.4	-5.3%
Instruction	1,833.8	2,016.7	-9.1%
Instructional Resources and Media Services	5.0	6.9	-27.5%
Curriculum and Instructional Staff Development	3.6	8.3	-56.6%
Instructional Leadership	249.5	305.2	-18.3%
School Leadership	244.0	229.5	6.3%
Guidance Counseling and Evaluation Services	913.6	749.7	21.9%
Health Services	4.9	4.8	2.1%
Student (Pupil) Transportation	150.2	145.3	3.4%
Food Services	182.4	184.2	-1.0%
Cocurricular/Extracurricular Activities	231.0	219.7	5.1%
General Administration	237.1	231.0	2.6%
Plant Maintenance and Operations	500.5	515.9	-3.0%
Data Processing Service	101.0	96.8	4.3%
Debt Service - Interest on Long Term Debt	0.4	-	100.0%
Facilities Acquisition and Construction	-	-	0.0%
Payments to Fiscal Agent	56.7	116.6	-51.4%
Other Intergovernmental Charges	98.1	100.4	-2.3%
Total Expense	4,811.8	4,931.0	-2.4%
Excess (Deficiency) Before Other Resources, Uses & Transfers	(26.6)	121.4	-121.9%
Other Resources (Uses)	-	-	100.0%
Increase (Decrease) in Net Position	\$ (26.6)	\$ 121.4	121.9%

Figure A-4 2016 Expenses by Function

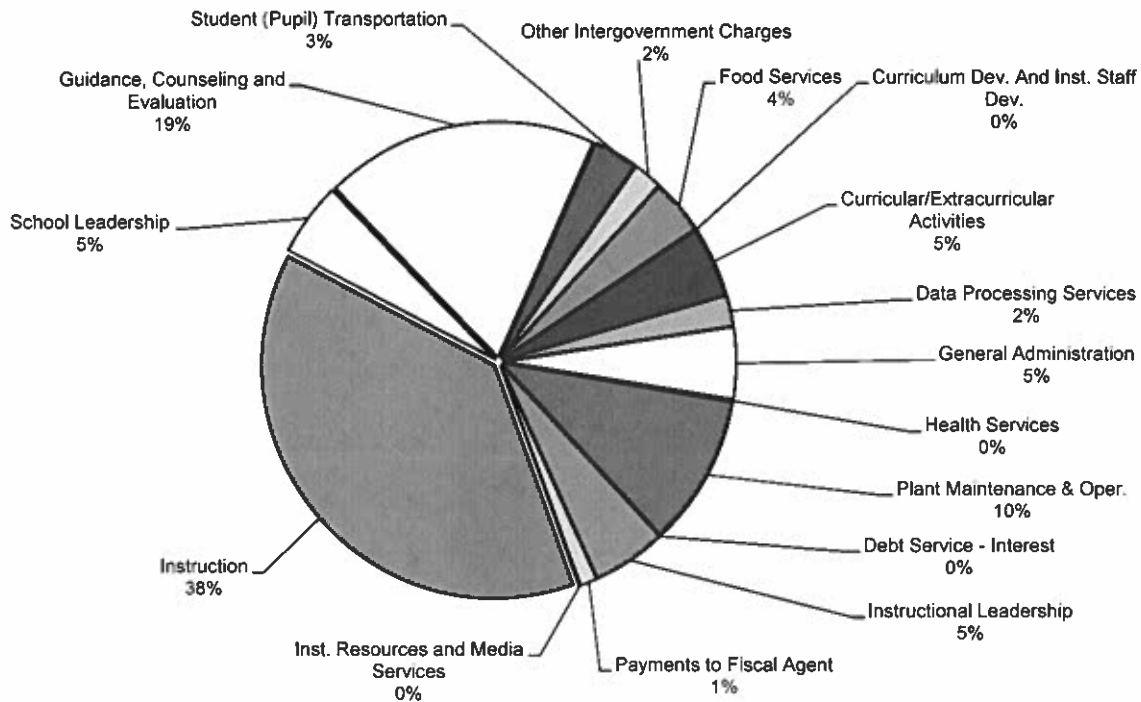


Table A-3 presents the cost of each of the District's largest functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

- The cost of all *governmental* activities this year was \$4,811.8 thousand.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$1,658.2 thousand.
- Some of the cost was paid by those who directly benefited from the programs \$62.0 thousand, or
- By grants and contributions \$1,685.7 thousand.

Table A-3
Net Cost of Selected District Functions
(in thousands of dollars)

	Total Costs of Services			Net Cost of Services		
	2016	2015	Percent Change	2016	2015	Percent Change
Instructional	\$ 1,833.8	\$ 2,016.8	-9.1%	\$ 1,406.0	\$ 1,486.4	-5.4%
Guidance Counseling	913.6	749.7	21.9%	647.5	55.6	1064.6%
Payments to Fiscal Agent	56.7	116.6	-51.4%	49.1	74.4	-34.0%
Plant Maintenance	500.5	515.9	-3.0%	489.2	495.9	-1.4%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$4,785.1 compared to \$5,052.4 thousand, in the prior year.

General Fund Budgetary Highlights

Over the course of the year, the District amended its budget as needed, with these adjustments, actual expenditures were \$163,335 below final budget amounts. Also, resources available were \$166,275 above the final budgeted amount.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2016, the District had invested \$7,969.5 in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.) This amount represents a \$2.1 increase (including additions and deductions) over last year.

	Governmental Activities		Percentage
	2016	2015	Change
			2016-2015
Land	\$ 99.5	\$ 99.5	0.0%
Construction in Progress	-	-	0.0%
Building and Improvements	6,851.2	6,731.8	1.8%
Furniture & Equipment	1,018.8	977.3	4.2%
Totals at historical cost	7,969.5	7,808.6	2.1%
Total Accumulated Depreciation	(4,537.1)	(4,285.2)	5.9%
Net Capital Assets	\$ 3,432.4	\$ 3,523.4	-2.6%

Long Term Debt

At the end of the year the District had one long-term note payable, with a balance as of August 31, 2016 of \$222,190.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Tax rates remained the same in 2016 at \$1.04.
- Appraised values with remain constant
- State funding is subject to legislative cuts.

These indicators were taken into account when adopting the general fund budget for 2017. Amounts available for appropriation in the general fund budget are approximately \$3.1 million, with no major increase over the final 2016

Expenditures are budgeted remain constant at approximately \$3.1 million. The District continues to coordinate local funds with federal funds to optimize instructional programs.

If these estimates are realized, the District's budgetary general fund fund balance is expected to remain the same by the close of 2017.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate 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.

BASIC FINANCIAL STATEMENTS

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

Data Control Codes	1 Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 2,276,309
1220 Property Taxes Receivable (Delinquent)	85,838
1230 Allowance for Uncollectible Taxes (Credit)	(17,168)
1240 Due from Other Governments	97,091
1267 Due from Fiduciary Funds	-
Capital Assets:	
1510 Land	99,497
1520 Buildings (Net)	3,085,320
1530 Furniture & Fixtures (Net)	247,533
1000 Total Assets	<u>5,874,420</u>
DEFERRED OUTFLOWS OF RESOURCES	
1705 Deferred Outflows - Pension	621,319
1700 Total Deferred Outflow of Resources	<u>621,319</u>
LIABILITIES	
2110 Accounts Payable	131,347
2150 Payroll Deductions & Withholdings	2,331
2160 Accrued Wages Payable	119,221
2177 Due to Fiduciary Funds	-
2180 Due to Other Government	536,124
2200 Accrued Expenditures/Expenses	4,511
Noncurrent Liabilities	
2501 Due Within One Year	30,420
2502 Due in More Than One Year	191,770
2540 Net Pension Liability	996,161
2000 Total Liabilities	<u>2,011,885</u>
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflows - Pension	173,835
1700 Total Deferred Inflow of Resources	<u>173,835</u>
NET POSITION	
3200 Invested in Capital Assets, Net of Related Debt	3,210,160
Restricted for:	
3820 Restricted for Federal and State Programs	1,271
3900 Unrestricted	1,098,588
3000 Total Net Position	<u>\$ 4,310,019</u>

The accompanying notes are an integral part of this statement.

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

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		3	4	6	
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	
Primary Government:					
GOVERNMENTAL ACTIVITIES:					
11	Instruction	\$ 1,833,779	\$ 14,564	\$ 413,246	\$ (1,405,969)
12	Instructional Resources and Media Services	5,043	-	-	(5,043)
13	Curriculum and Staff Development	3,625	-	44,101	40,476
21	Instructional Leadership	249,491	-	224,205	(25,286)
23	School Leadership	243,985	-	-	(243,985)
31	Guidance Counseling and Evaluation Services	913,571	-	266,075	(647,496)
33	Health Services	4,870	-	556,193	551,323
34	Student (Pupil) Transportation	150,150	-	4,546	(145,604)
35	Food Services	182,365	23,278	126,651	(32,436)
36	Extracurricular Activities	231,020	24,127	9,086	(197,807)
41	General Administration	237,101	-	15,329	(221,772)
51	Facilities Maintenance and Operations	500,500	-	11,328	(489,172)
53	Data Processing Services	101,011	-	7,289	(93,722)
72	Debt Service - Interest on Long Term Debt	445	-	-	(445)
93	Payments to Fiscal Agent/Member Districts of SSA	56,708	-	7,626	(49,082)
99	Other Intergovernmental Charges	98,141	-	-	(98,141)
	TG Total governmental activities	<u>4,811,805</u>	<u>61,969</u>	<u>1,685,675</u>	<u>(3,064,161)</u>
Data Control Codes	General Revenues: Taxes:				
MT	Property Taxes, Levied for General Purposes				1,658,184
DT	Property Taxes, Levied for Debt Service				
SF	State Aid - Formula Grants				1,321,787
IE	Investment Earnings				2,085
MI	Miscellaneous Local and Intermediate Revenue				55,439
TR	Total General Revenues and Transfers				<u>3,037,495</u>
CN			Change in Net Position		(26,666)
NB	Net Position—Beginning				4,336,685
	Prior Period Adjustment				-
NE	Net Position—Ending				<u>\$ 4,310,019</u>

The accompanying notes are an integral part of this statement.

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

Data Control Codes	10 General Fund	20 Special Revenue Funds
ASSETS		
1110 Cash and Cash Equivalents	\$ 1,652,424	\$ 623,885
1220 Property Taxes - Delinquent	85,838	-
1230 Allowance for Uncollectible Taxes (Credit)	(17,168)	-
1240 Receivables from Other Governments	55,596	41,495
1250 Accrued Interest	-	-
1260 Due from Other Funds	70,935	-
1410 Deferred Expenditures	-	-
1000 Total Assets	<u>\$ 1,847,625</u>	<u>\$ 665,380</u>
LIABILITIES		
2110 Accounts Payable	\$ 121,332	\$ 10,015
2150 Payroll Deductions & Withholdings	2,331	-
2160 Accrued Wages Payable	75,658	43,563
2170 Due to Other Funds	-	70,935
2180 Due to Other Governments	-	536,124
2200 Accrued Expenditures	1,389	3,122
2300 Unearned Revenues	-	-
2000 Total Liabilities	<u>200,710</u>	<u>663,759</u>
DEFERRED INFLOWS OF RESOURCES		
2601 Unavailable Revenue- Property Taxes	<u>68,670</u>	<u>-</u>
2600 Total Deferred Inflows of Resources	<u>68,670</u>	<u>-</u>
FUND BALANCE		
Restricted Fund Balance:		
3450 Federal or State Funds Grant Restrictions	-	1,621
3470 Capital Acquisition and Construction Obligations	-	-
3480 Retirement of Long-Term Debt	-	-
Assigned Fund Balance:		
3590 Other Assigned Fund Balance	416,500	-
Unassigned Fund Balance:		
3600 Unassigned Fund Balance	<u>1,161,745</u>	<u>-</u>
3000 Total Fund Balances	<u>1,578,245</u>	<u>1,621</u>
4000 Total Liabilities, Deferred Inflows, & Fund Balances	<u>\$ 1,847,625</u>	<u>\$ 665,380</u>

The accompanying notes are an integral part of this statement.

98
 Total Governmental
 Funds

\$ 2,276,309
 85,838
 (17,168)
 97,091
 -
 70,935
 -
\$ 2,513,005

\$ 131,347
 2,331
 119,221
 70,935
 536,124
 4,511
 -
864,469

68,670
68,670

 1,621
 -
 -
 416,500
1,161,745
1,579,866
\$ 2,513,005

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

Total Fund Balances - Governmental Funds	\$ 1,579,866
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 \$7,808,628 and accumulate depreciation was \$4,285,210. . The net effect of including the beginning balances for the capital assets (net of depreciation) and long-term debt in the governmental activities and pension related assets & liabilities is to increase net position.	3,523,418
2 Current year capital outlays and long-term debt principal payments are expended in the fund financial statements, but the 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 was to decrease net position.	(61,364)
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 996,161, a Deferred Resource Inflow related to TRS in the amount of 173,835, and a Deferred Resource Outflow related to TRS in the amount of 621,319. This amounted to a decrease in Net Position in the amount of \$548,677.	(548,677)
4 The 2016 depreciation expense increased accumulate depreciation. The net effect on the current year's depreciation is to decrease net position.	(251,894)
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 deferred revenue as revenue, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.	68,670
19 Net Position of Governmental Activities	<u><u>\$ 4,310,019</u></u>

The accompanying notes are an integral part of this statement.

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

Data Control Codes	10 General Fund	20 Special Revenue Funds
REVENUES:		
5700 Total Local and Intermediate Sources	\$ 1,804,628	\$ 469,418
5800 State Program Revenues	1,449,157	35,899
5900 Federal Program Revenues	-	981,780
5020 Total Revenue	<u>3,253,785</u>	<u>1,487,097</u>
EXPENDITURES:		
Current:		
0011 Instruction	\$ 1,461,298	270,310
0012 Instructional Resources and Media Services	5,043	-
0013 Curriculum and Instructional Staff Development	3,625	-
0021 Instructional Leadership	-	239,467
0023 School Leadership	234,705	-
0031 Guidance Counseling and Evaluation Services	68,803	805,547
0033 Health Services	4,681	-
0034 Student (Pupil) Transportation	138,096	-
0035 Food Services	-	175,441
0036 Extracurricular Activities	222,972	-
0041 General Administration	227,647	-
0051 Facilities Maintenance and Operations	315,232	10,829
0053 Data Processing Services	94,320	4,510
Debt Service:		
0071 Principal on Long Term Debt	22,765	-
0072 Interest on Long Term Debt	445	-
Capital Outlay:		
0081 Facilities Acquisition and Construction	119,354	-
Intergovernmental:		
0093 Payments to Fiscal Agent/Member Districts of SSA	49,082	7,626
0099 Other Intergovernment Charges	98,141	-
6030 Total Expenditures	<u>3,066,209</u>	<u>1,513,730</u>
1100 Excess (Deficiency) Revenues Over Expenditures	<u>187,576</u>	<u>(26,633)</u>
OTHER FINANCING SOURCES (USES):		
7915 Transfers In	-	26,982
7914 Non Current Loan Proceeds	244,955	-
8911 Transfers Out	(26,982)	-
7080 Total Other Financing Sources (Uses)	<u>217,973</u>	<u>26,982</u>
1200 Net Change in Fund Balances	405,549	349
0100 Fund Balance - September 1 (Beginning)	1,172,696	1,272
3000 Fund Balance - August 31 (Ending)	<u>\$ 1,578,245</u>	<u>\$ 1,621</u>

The accompanying notes are an integral part of this statement.

	<u>98</u>
	Total Governmental
	Funds
	<u> </u>
\$	2,274,046
	1,485,056
	981,780
	<u>4,740,882</u>
	1,731,608
	5,043
	3,625
	239,467
	234,705
	874,350
	4,681
	138,096
	175,441
	222,972
	227,647
	326,061
	98,830
	22,765
	445
	119,354
	56,708
	98,141
	<u>4,579,939</u>
	<u>160,943</u>
	26,982
	244,955
	(26,982)
	<u>244,955</u>
	405,898
	1,173,968
\$	<u><u>1,579,866</u></u>

MENARD 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	\$ 405,898
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 decrease net position.	(61,364)
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect on the current year's depreciation is to decrease net position.	(251,894)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position.	(20,244)
Current year changes due to GASB 68 required credits to revenue in the amount of 215,645, debits to revenue in the amount of 151,144, credits to expenses in the amount of \$259,421 and debits to expenses in the amount of \$422,984 resulting in an decrease in the change in ending net position of \$99,062.	(99,062)
Change in Net Position of Governmental Activities	<u>\$ (26,666)</u>

The accompanying notes are an integral part of this statement.

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

	<u>Agency Funds</u>
ASSETS:	
Cash & Cash Equivalents	\$ 77,904
Due From Other Funds	-
Total Assets	<u>\$ 77,904</u>
LIABILITIES:	
Payroll Deductions	\$ 388
Accrued Wages Payable	-
Due to Other Funds	-
Due to Student Groups	77,516
Total Liabilities	<u>\$ 77,904</u>

The accompanying notes are an integral part of this statement.

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Menard 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. Additionally, 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.

A. REPORTING ENTITY

The Board of Trustees (the "Board") is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, "The Financial Reporting Entity." There are no component units included within the reporting entity.

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 Menard Independent School District 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. The net position of the District is segregated into three categories: to include net investment in capital assets, restrict net position and unrestricted net position.

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. 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 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.

Interfund activities between governmental funds appear as due to/due from on the Governmental Fund Balance Sheet and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due from on the government-wide Statement of Activities.

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 funds major and reports their financial condition and results of operations in a separate column.

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 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.

The Fiduciary Funds 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. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position.

D. FUND ACCOUNTING

The District reports the following major governmental funds:

1. **The General Fund** – The general fund is the District's primary operating 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

Additionally, the District reports the following fund type(s):

Fiduciary Funds:

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

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

E. FUND BALANCES

In the fund financial statements, the District uses the following criteria when classifying fund balance amounts:

Nonspendable – amounts not available for appropriation or legally earmarked for a specific use. Examples include inventories and prepaid items.

Restricted – amounts that have been legally separated for a specific purpose; such as, grants and long-term debt.

Committed – amounts that require Board action to be used for a specific purpose; such as, certain amounts for construction and capital acquisition. Formal action to commit funds must occur prior to fiscal year end and can only be modified or removed by the same formal action.

Assigned – amounts that do not require Board approval but are intended to be used for a specific purpose, as determined by an official or body to which the Board has delegated authority; such as, the Superintendent. These amounts do not meet the criteria to be classified as restricted or committed.

Unassigned – residual amount in the general fund that is available to finance operating expenditures. In other funds this classification is used only to report a deficit balance resulting from over spending for specific purposes for which amounts had been restricted, committed, or assigned.

Spending Order – Fund balance amounts that are restricted, committed, or assigned are considered to have been spent when an expenditure is incurred for the respective purpose. If an expenditure is incurred that meets the criteria in more than one fund balance category, then the District considers that the fund balance is relieved in the following order: restricted, committed, assigned, and then unassigned.

F. OTHER ACCOUNTING POLICIES

1. The District records purchases of supplies as expenditures.
2. The District records its investments in bank Certificates of Deposit and Local Government Investment Cooperative at cost, which approximates fair value.
3. Deferred revenue accounted for on the balance sheet of the general fund relates to uncollected property taxes less the amount of doubtful accounts and the remainder relates to excess funds received from the Texas Education Agency over earned amounts.
4. The District provides risk management obligations by carrying appropriate insurance. Property and general liability insurance is obtained from a licensed insurer. Risk of loss is not retained by the district.
5. The preparation 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

6. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District.
7. Capital assets, which include land, buildings, furniture and equipment are reported in the applicable governmental columns 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 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 is depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	40
Building Improvements	20
Vehicles	5
Furniture and Equipment	5

8. When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first unless unrestricted assets will have to be returned because they were not used.
9. 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.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA

The Board of Trustees adopts an "appropriated budget" for the General Fund, and the Food Service Fund (which is included in Special Revenue Funds). 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 reports are in Exhibit J-4.

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

1. Prior to August 20 the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public 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. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. However, none of these were significant.
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

District Policies and Legal and Contractual Provisions Governing Deposits

Custodial Credit Risk for Deposits State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the District complies with this law, it has no custodial credit risk for deposits.

Foreign Currency Risk The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit by not participating in foreign currency transactions.

District Policies and Legal and Contractual Provisions Governing Investments

Compliance with the Public Funds Investment Act

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 a governmental entity 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, (9) and bid solicitation preferences for certificates of deposit.

Statutes authorize the entity to invest in (1) obligations of Use U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the entity to have independent auditors perform test procedures related to investment practices as provided by the Act. Menard Independent School District is in substantial compliance with the requirements of the Act and with local policies.

As of August 31, 2016, Menard Independent School District had the following investments which are reported as cash and cash equivalents on the balance sheet.

<u>Investment Type</u>	<u>Investment Maturities</u>		<u>Credit Rating</u>
	<u>Fair Value</u>	<u>(in years)</u> <u>Less Than 1</u>	
Certificates of Deposit	\$ 1,255,741	\$ 1,255,741	
	<u>\$ 1,255,741</u>	<u>\$ 1,255,741</u>	

Additional policies and contractual provisions governing deposits and investments for Menard Independent School District are specified below:

Credit Risk To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the District limits investments to depository bank certificates of deposits and state sponsored investment pools.

Custodial Credit Risk for Investments To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party the District requires counterparties to register the securities in the name of the District and hand them over to the District or its designated agent. All of the securities are in the District's name and held by the District or its agent.

Concentration of Credit Risk To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District investments in both depository bank certificates of deposits and state sponsored investment pools.

Interest Rate Risk To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires the investment portfolio to have maturities of less than one year on a weighted average maturity basis.

Foreign Currency Risk for investments The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment by not investing in foreign currencies.

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 on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

C. DELINQUENT TAXES RECEIVABLE

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy Allowances for uncollectible tax receivables within the General Fund are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

D. INTERFUND RECEIVABLES AND PAYABLES

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

Interfund Balance	<u>From Other Funds</u>	<u>To Other Funds</u>
General Fund:		
Special Revenue Fund	<u>\$ 70,935</u>	<u>-</u>
Total General Fund	<u>70,935</u>	<u>-</u>
Special Revenue Fund:		
General Fund	<u>-</u>	<u>70,935</u>
Total Special Revenue Fund:	<u>-</u>	<u>70,935</u>
Total Interfund Balances	<u><u>\$ 70,935</u></u>	<u><u>\$ 70,935</u></u>
Interfund Transfers		
General Fund:		
Special Revenue Fund	<u>\$ -</u>	<u>\$ 26,982</u>
Total General Fund	<u>-</u>	<u>26,982</u>
Special Revenue Fund:		
General Fund	<u>26,982</u>	<u>-</u>
Total Special Revenue Fund	<u>26,982</u>	<u>-</u>
TOTAL	<u><u>\$ 26,982</u></u>	<u><u>\$ 26,982</u></u>

All interfund balances are scheduled to be repaid within one year.

E. CAPITAL ASSET ACTIVITY

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

	Beginning Balances	Increases	Decreases	Ending Balances
<i>Governmental activities:</i>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 99,497	\$ -	\$ -	\$ 99,497
Construction in Progress	-	-	-	-
Total capital assets not being depreciated	<u>99,497</u>	<u>-</u>	<u>-</u>	<u>99,497</u>
<i>Capital assets being depreciated:</i>				
Buildings and Improvements	6,731,810	119,354	-	6,851,164
Furniture and Equipment	977,321	41,472	-	1,018,793
Total capital assets being depreciated	<u>7,709,131</u>	<u>160,826</u>	<u>-</u>	<u>7,869,957</u>
Less accumulated depreciation for:				
Buildings and Improvements	3,571,847	193,997	-	3,765,844
Furniture and Equipment	713,363	57,897	-	771,260
Total accumulated depreciation	<u>4,285,210</u>	<u>251,894</u>	<u>-</u>	<u>4,537,104</u>
Total capital assets being depreciated, net	<u>3,423,921</u>	<u>(91,068)</u>	<u>-</u>	<u>3,332,853</u>
Governmental activities capital assets, net	<u>\$ 3,523,418</u>	<u>\$ (91,068)</u>	<u>\$ -</u>	<u>\$ 3,432,350</u>

Depreciation was charged to functions as follows:

Instruction	\$ 28,175
Student Transportation	51,315
Food Services	1,364
Cocurricular/Extracurricular	2,266
Plant Maintenance and Operations	168,774
	<u>\$ 251,894</u>

F. DEFINED BENEFIT PENSION PLAN

Plan Description. Menard Independent School 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). TRS's defined benefit pension plan is 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, 2015.

<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>\$ 35,348,668,960</u>
Net Position as percentage of Total Pension Liability	78.43%

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

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees effective for fiscal year 2015 as discussed in Note 1 of the TRS 2014 CAFR. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015.

	<u>Contribution Rates</u>	
	<u>2015</u>	<u>2016</u>
Member	6.7%	7.2%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Menard ISD 2015 Employer Contributions	\$	83,444
Menard ISD 2015 Member Contributions	\$	165,453
Menard ISD 2015 NECE On-Behalf Contributions	\$	215,645

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

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

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

In addition to the employer contributions listed above, 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.

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	2.50%
Benefit Changes During the Year	None
Ad hoc Post Employment Benefit Changes	None

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

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

Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return*
Global Equity			
U.S.	18.0%	4.6%	1.0%
Non-U.S. Developed	13.0%	5.1%	0.8%
Emerging Markets	9.0%	5.9%	0.7%
Directional Hedge Funds	4.0%	3.2%	0.1%
Private Equity	13.0%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11.0%	0.7%	0.1%
Absolute Return	0.0%	1.8%	0.0%
Stable Value Hedge Funds	4.0%	3.0%	0.1%
Cash	1.0%	-0.2%	0.0%
Real Return			
Global Inflation Linked Bonds	3.0%	0.9%	0.0%
Real Asset	16.0%	5.1%	1.1%
Energy and Natural Resources	3.0%	6.6%	0.2%
Commodities	0.0%	1.2%	0.0%
Risk Parity			
Risk Parity	5.0%	6.7%	0.3%
Inflation Expectations			2.2%
Alpha			1.0%
Total	100.0%		8.7%

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

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

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
Menard ISD's proportionate share of the net pension liability:	\$ 1,560,796	\$ 996,161	\$ 525,855

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2016, Menard Independent School District reported a liability of \$996,161 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Menard Independent School District. The amount recognized by Menard Independent School 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 Menard Independent School District were as follows:

District's Proportionate share of the collective net pension liability	\$ 996,161
State's proportionate share that is associated with the District	<u>1,513,468</u>
Total	<u>\$ 2,509,629</u>

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

At August 31, 2015 the employer's proportion of the collective net pension liability was .000028181% which was a .000011896% increase 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

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 measurement period August 31, 2015, Menard Independent School District recognized pension expense of \$215,645 and revenue of \$215,645 for support provided by the State.

At August 31, 2016, Menard Independent School 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 Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual economic experience	\$ 5,595	\$ 38,283
Changes in actuarial assumptions	23,515	35,539
Difference between projected and actual investment earnings	245,332	99,714
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	271,857	299
Contributions paid to TRS subsequent to the measurement date	<u>75,020</u>	
Total	<u>\$ 621,319</u>	<u>\$ 173,835</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:

<u>Year ended August 31:</u>	<u>Pension Expense Amount</u>
2017	\$ 67,482
2018	67,482
2019	67,482
2020	100,720
2021	39,037
Therafter	<u>30,261</u>
Total	<u>\$ 372,464</u>

G. SCHOOL DISTRICT RETIREE HEALTH PLAN

Plan Description. The District contributes to TRS-Care, a cost-sharing multiple-employer defined benefit postemployment health care plan administered by TRS. TRS-Care provides health care coverage for certain persons (and their dependents) who retired under TRS. 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. TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS website at www.trs.state.tx.us under the TRS Publications heading, by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling the TRS Communications Department at 1-800-223-8778.

Funding Policy. Contribution requirements are not actuarially determined, but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. Funding for fee basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. Contribution rates and amounts are shown in the table below for fiscal years 2014-2013.

Contribution Rates and Contribution Amounts

<u>Year</u>	<u>Active Member</u>		<u>State</u>		<u>School District</u>	
	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>
2016	0.65%	\$ 15,879	1.00%	\$ 4,358	0.55%	\$ 13,436
2015	0.65%	\$ 16,052	1.00%	\$ 4,508	0.55%	\$ 13,583
2014	0.65%	\$ 16,548	1.00%	\$ 4,435	0.55%	\$ 14,002

H. MEDICARE PART D – ON BEHALF PAYMENTS

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which became effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (“TRS-Care”) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments must be recognized as equal revenues and expenditures/expenses by the District. These payments totaled \$6,498, \$10,418, and \$9,216 for fiscal years 2016, 2015, and 2014, respectively.

I. HEALTH CARE COVERAGE

The District sponsors a modified self-insurance plan to provide health care benefits to staff during the year ended August 31, 2016, employees of the District were covered by health insurance plan (the Plan). The District paid premiums of \$214 per month per employee to the plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the District and the licensed insurer is renewed September 1, 2016, and terms of coverage and premiums costs are included in the contractual provisions.

J. DUE FROM STATE AGENCIES

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.

<u>Fund</u>	<u>State Entitlement</u>	<u>Federal Grant</u>	<u>Total</u>
General	\$ 55,596	\$ -	\$ 55,596
Special Revenue	-	41,495	41,495
	<u>\$ 55,596</u>	<u>\$ 41,495</u>	<u>\$ 97,091</u>

K. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Property Taxes	\$ 1,678,428	\$ -	\$ -	\$ 1,678,428
Penalties & Interest and Other				
Tax -related Income	31,136	-	-	31,136
Investment Income	1,972	113	-	2,085
Tuition & Fees	14,564	-	-	14,564
Food Sales	-	23,278	-	23,278
Shared Service Arrangement	-	444,989	-	444,989
Co-curricular Student Activities	24,127	-	-	24,127
Other	54,401	1,038	-	55,439
	<u>\$ 1,804,628</u>	<u>\$ 469,418</u>	<u>\$ -</u>	<u>\$ 2,274,046</u>

L. SHARED SERVICE ARRANGEMENT

The District is the fiscal agent for a Shared Services Arrangement (“SSA”) for special education with six other school districts. All services are provided by the fiscal agent. The member districts provide the funds to the fiscal agent. According to guidance provided in TEA’s Resource Guide, the District has accounted for the fiscal agent’s activities of the SSA in a special revenue fund using Model 3 in the SSA section of the Resource Guide. Expenditures of the SSA are summarized below:

Member Districts

Menard Independent School District - Fiscal Agent	\$ 51,531
Junction Independent School District	109,932
Rocksprings Independent School District	46,378
Crockett County Consolidated Common School District	101,344
Irion County Independent School District	37,789
Bront Independent School District	42,942
Schleicher County Independent School District	77,296
	<u>\$ 467,212</u>

In addition to the above, it was agreed to by the member districts that any excess contributions would be payable back to the individual member districts based upon their percentage participation for that year. Below is the total amounts payable back to the member districts as of August 31, 2016

Member Districts

Menard Independent School District - Fiscal Agent	\$ 70,935
Junction Independent School District	141,988
Rocksprings Independent School District	58,835
Crockett County Consolidated Common School Dist	132,578
Irion County Independent School District	47,195
Bront Independent School District	77,164
Schleicher County Independent School District	78,364
	<u>\$ 607,059</u>

M. SIGNIFICANT 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 collectability of any related receivable at August 31, 2016 may be impaired. In the opinion of the District, there were no significant contingent liabilities relating to compliance with rules and regulations governing the respective grants, therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

N. UNFAVORABLE BUDGET VARIANCES

The District had an unfavorable budget variance in the General Fund – Function 71 and 72. The District failed to budget for debt service payments on a new note.

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REQUIRED SUPPLEMENTARY INFORMATION

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

Data Control Codes	Budgeted Amounts		
	Original	Final	
REVENUES:			
5700	Total Local and Intermediate Sources	\$ 1,669,255	\$ 1,713,969
5800	State Program Revenues	1,372,797	1,373,541
5900	Federal Program Revenues	-	-
5020	Total Revenue	<u>3,042,052</u>	<u>3,087,510</u>
EXPENDITURES:			
Current:			
0011	Instruction	\$ 1,519,318	1,512,408
0012	Instructional Resources and Media Services	7,090	7,090
0013	Curriculum and Instructional Staff Development	9,000	9,000
0023	School Leadership	235,076	237,076
0031	Guidance Counseling and Evaluation Services	69,811	69,811
0032	Social Work Services	200	200
0033	Health Services	6,005	6,005
0034	Student (Pupil) Transportation	119,306	164,020
0036	Extracurricular Activities	233,128	232,782
0041	General Administration	240,790	240,790
0051	Facilities Maintenance and Operations	346,404	346,404
0053	Data Processing Services	94,854	94,854
Debt Service:			
0071	Principal on Long Term Debt	-	-
0072	Interest on Long Term Debt	-	-
Capital Outlay:			
Intergovernmental:			
0081	Facilities Acquisition and Construction	40,000	152,104
0093	Payments to Fiscal Agent/Member Districts of SSA	54,000	54,000
0099	Other Intergovernmental Charges	105,000	103,000
6030	Total Expenditures	<u>3,079,982</u>	<u>3,229,544</u>
1100	Excess (Deficiency) Revenues Over Expenditures	<u>(37,930)</u>	<u>(142,034)</u>
OTHER FINANCING SOURCES (USES):			
7914	Non Current Loan Proceeds	-	357,059
8911	Transfers Out	(20,000)	(28,000)
7080	Total Other Financing Sources (Uses)	<u>(20,000)</u>	<u>329,059</u>
1200	Net Change in Fund Balances	(57,930)	187,025
0100	Fund Balance - September 1 (Beginning)	1,172,696	1,172,696
3000	Fund Balance - August 31 (Ending)	<u>\$ 1,114,766</u>	<u>\$ 1,359,721</u>

The accompanying notes are an integral part of this statement.

EXHIBIT G-1

Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
\$ 1,804,628	\$ 90,659
1,449,157	75,616
-	-
<u>3,253,785</u>	<u>166,275</u>
\$ 1,461,298	51,110
5,043	2,047
3,625	5,375
234,705	2,371
68,803	1,008
-	200
4,681	1,324
138,096	25,924
222,972	9,810
227,647	13,143
315,232	31,172
94,320	534
22,765	(22,765)
445	(445)
119,354	32,750
49,082	4,918
98,141	4,859
<u>3,066,209</u>	<u>163,335</u>
<u>187,576</u>	<u>329,610</u>
244,955	112,104
(26,982)	1,018
<u>217,973</u>	<u>113,122</u>
405,549	442,732
1,172,696	-
<u>\$ 1,578,245</u>	<u>\$ 442,732</u>

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

	<u>2016</u>	<u>2015</u>
Districts Proportion of the Net Pension Liability (Asset)	0.000028181	0.000016285
Districts Proportionate Share of the Net Pension Liability (Asset)	\$ 996,161	\$ 434,995
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	1,513,468	1,406,356
Total	<u>\$ 2,509,629</u>	<u>\$ 1,841,351</u>
District's Covered-Employee Payroll	\$ 2,469,452	\$ 2,545,781
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of covered-Employee Payroll	40.34%	17.09%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.43%	83.25%

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

	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 75,020	\$ 83,444
Contribution in Relation to the Contractually Required Contribution	(75,020)	(83,444)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
District's Covered-Employee Payroll	\$ 2,442,959	\$ 2,469,452
Contributions as a percentage of covered-Employee Payroll	3.07%	3.38%

**MENARD 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 measurement of the total pension liability since the prior measurement period:

Economic Assumptions

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

Mortality Assumptions

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

Other Demographic Assumptions

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

REQUIRED TEA SCHEDULES

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

For Years Ended August 31	(1) Tax Rates		(2)	(3)	(10)
	Maintenance	Debt Service	Assessed/Appraised Value For School Tax Purposes	Beginning Balance 9/1/2015	
2007 and prior years	Various	Various	Various	\$	9,574.71
2008	1.37000	-	102,980,204		1,077.60
2009	1.04000	-	118,161,135		1,023.98
2010	1.04000	-	132,663,950		1,412.26
2011	1.04000	-	160,798,879		3,572.08
2012	1.04000	-	162,506,918		2,608.50
2013	1.04000	-	175,358,630		5,773.25
2014	1.04000	-	175,998,406		15,219.36
2015	1.04000	-	182,405,485		58,309.98
2016 (School year under audit)	1.04000	-	160,310,276		
1000 TOTALS				\$	<u>98,571.72</u>

EXHIBIT J-1

(20) Current Year's Total Levy	(31) Maintenance Total Collections	(32) Debt Service Total Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2016
	\$ 7.40	\$ -	\$ 7.00	\$ 9,560.31
	0.17	-	-	1,077.43
	152.88	-	-	871.10
	73.97	-	10.82	1,327.47
	586.20	-	176.70	2,809.18
	740.22	-	183.77	1,684.51
	2,657.96	-	190.84	2,924.45
	6,757.48	-	190.84	8,271.04
	43,097.51	-	187.31	15,025.16
<u>1,667,226.85</u>	<u>1,624,354.07</u>	<u>-</u>	<u>585.46</u>	<u>42,287.32</u>
<u><u>\$1,667,226.85</u></u>	<u><u>\$1,678,427.86</u></u>	<u><u>\$0.00</u></u>	<u><u>\$1,532.74</u></u>	<u><u>\$ 85,837.97</u></u>

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

Data Control Codes		Budgeted Amounts	
		Original	Final
	REVENUES:		
5700	Total Local and Intermediate Sources	\$ 26,050	\$ 26,050
5800	State Program Revenues	4,903	4,903
5900	Federal Program Revenues	121,667	121,667
5020	Total Revenue	<u>152,620</u>	<u>152,620</u>
	EXPENDITURES:		
	Current:		
0035	Food Services	172,620	180,620
6030	Total Expenditures	<u>172,620</u>	<u>180,620</u>
1100	Excess (Deficiency) Revenues Over Expenditures	<u>(20,000)</u>	<u>(28,000)</u>
	OTHER FINANCING SOURCES (USES):		
7915	Operating Transfers In	20,000	28,000
	Total Other Financing Sources (Uses)	<u>20,000</u>	<u>28,000</u>
1200	Net Change in Fund Balances	<u>-</u>	<u>-</u>
0100	Fund Balance - September 1 (Beginning)	1,272	1,272
1300	Cumulative Effect - Change in Accounting	-	-
3000	Fund Balance - August 31 (Ending)	<u>\$ 1,272</u>	<u>\$ 1,272</u>

The accompanying notes are an integral part of this statement.

Actual Amounts (Budgetary Basis) (See Notes A)	Variance With Final Budget Favorable (Unfavorable)
\$ 23,278	\$ (2,772)
4,268	(635)
<u>120,912</u>	<u>(755)</u>
<u>148,458</u>	<u>(4,162)</u>
<u>175,441</u>	<u>5,179</u>
<u>175,441</u>	<u>5,179</u>
<u>(26,983)</u>	<u>1,017</u>
<u>26,982</u>	<u>(1,018)</u>
<u>26,982</u>	<u>(1,018)</u>
<u>(1)</u>	<u>(1)</u>
1,272	-
-	-
<u>\$ 1,271</u>	<u>\$ (1)</u>

OVERALL COMPLIANCE, INTERNAL CONTROLS
AND FEDERAL AWARDS SECTION

EDE & COMPANY, LLC

Certified Public Accountants

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Donna Ede Jones

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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 *GOVERNMENTAL AUDITING STANDARDS*

Independent Auditor's Report

Board of Trustees
Menard Independent School District
P. O. Box 729
Menard, TX 76859

Members of the Board:

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 Menard Independent School District, as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise Menard Independent School District's basic financial statements, and have issued our report thereon dated November 16, 2016.

Internal Control Over Financial Reporting

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


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

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

Compliance and Other Matters

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

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.



Ede & Company, LLC
Certified Public Accountants
Knippa, Texas

November 16, 2016

EDE & COMPANY, LLC

Certified Public Accountants

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

Board of Trustees
Menard Independent School District
P. O. Box 729
Menard, TX 76859

Members of the Board:

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

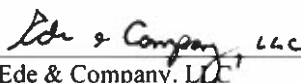
Report on Internal Control Over Compliance

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

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

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

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


Ede & Company, LLC
Certified Public Accountants
Knippa, Texas

November 16, 2016

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

I. Summary of the Auditor's Results:

- a. We have issued an unqualified opinion on the financial statements of the Menard Independent School District.
- b. No significant deficiencies or material weaknesses in internal controls were disclosed by the audit of the financial statements.
- c. Our audit disclosed no instances of noncompliance which were material to the financial statements of the Menard Independent School District.
- d. Our audit disclosed no significant deficiencies or material weaknesses in internal control over major programs.
- e. We have issued an unqualified opinion on the Districts compliance with laws and regulations for major programs.
- f. Our audit disclosed no findings which we are required to report under the GAS/SA Audit Guide paragraph 23.38 and 2 CFR section 200.516(a).
- g. The following programs were identified as major programs:

<u>Special Education Cluster (IDEA Part B)</u>	
CFDA #84.027A	SSA IDEA, Part B Formula
CFDA #84.173A	SSA IDEA, Part B Preschool
- h. The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.00
- i. The Menard Independent School District qualifies as a low-risk auditee.

II. Findings Relating to the Financial Statements Which are Required To Be Reported in Accordance with Generally Accepted Government Auditing Standards.

- a. There were no findings of material irregularities, illegal acts, other noncompliance and reportable conditions in internal control, which need to be reported in accordance with Generally Accepted Government Auditing Standards.

III. Findings and Questioned Costs For Federal Awards Including Audit Findings as Described in If Above

- a. There were no findings or questioned costs involving Federal programs.

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

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Direct Programs</u>			
Title VI, Part B REAP	84.358A	S358A153447	\$ 5,408
Total Direct Programs			<u>\$ 5,408</u>
 <u>Passed through State Dept. of Education</u>			
ESEA Title I, Part A, Improving Basis Programs	84.010	16610101164901	\$ 152,663
ESEA Title I, Part A, Improving Basis Programs	84.010	17610101164901	8,628
Total CFDA Number 84.010			<u>161,291</u>
* SSA IDEA Part B Formula	84.027A	166600011649016600	629,851
* SSA IDEA Part B Formula	84.027A	176600011649016600	22,605
Total CFDA Number 84.027A			<u>652,456</u>
* SSA IDEA Part B Preschool	84.173A	166610011649016610	15,322
Total CFDA Number 84.173A			<u>15,322</u>
ESEA Title II, Part A Teacher & Principal Training	84.367A	16694501164901	24,800
ESEA Title II, Part A Teacher & Principal Training	84.367A	17694501164901	1,591
Total CFDA Number 84.367A			<u>26,391</u>
Total Passed Through State Dept. of Education			<u>\$ 855,460</u>
TOTAL DEPARTMENT OF EDUCATION			<u><u>\$ 860,868</u></u>
 U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through State Dept. of Education</u>			
* National School & Breakfast Program Cash	10.553	71400901	\$ 112,498
* Non Cash Assistance Lunch & Breakfast Programs	10.553	71400901	8,414
Total Passed Through State Dept. of Education			<u>120,912</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>\$ 120,912</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 981,780</u></u>

* Clustered Programs as required by Compliance Supplement March 2001.

**MENARD INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2016**

1. For all Federal programs, the District utilizes the fund types specified in the 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.
2. The accounting and financial reporting treatment applied to a fund determined by its measurement focus. The governmental Fund types and Expendable Trust Fund are accounted for using a current financial resources measurement focus. All federal grant funds were accounted for in the Special Revenue Fund which is a Governmental Fund type. With this measurement focus, only current assets and current liabilities generally 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 a expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as deferred revenues until earned.

3. 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 in Section H. Period Availability of Federal Funds, Part 3, *OMB Circular A-133 Compliance Supplement-Provisional 6/97*.
4. CFDA number 10.550 pertains to food commodities distributed by USDA under the following categorical programs (as applicable): the National School Lunch Program (CFDA 10.555), the Child and Adult Care Food Program (CFDA 10.558), the Summer Food Service Program (CFDA 10.559), the Commodity Supplemental Food Program (CFDA 10.565), and the Food Distribution Program on Indian Reservations (CFDA 10.567). USDA deleted this number from the CFDA on May 6, 2008. The audit covering Menard Independent School District fiscal year beginning September 1, 2011, and future audits, will therefore identify commodity assistance by the CFDA numbers of the programs under which USDA donated the commodities.

SCHOOLS FIRST QUESTIONNAIRE

MENARD INDEPENDENT SCHOOL DISTRICT

Fiscal Year 2016

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreements at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teacher Retirement System(TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Programs (FSP) funds as a result of a financial?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year end..	N/A
SF11	Net Pension Assets (1920) at fiscal year end.	N/A
SF12	Net Pension Liabilities (2540) at fiscal year end.	\$996,161
SF13	Net Pension Expense (6147) at fiscal year end.	\$174,082