

**LA PRYOR INDEPENDENT SCHOOL DISTRICT**  
**ANNUAL FINANCIAL REPORT**  
**YEAR ENDED AUGUST 31, 2016**



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

TABLE OF CONTENTS

---

	<u>Page</u>	<u>Exhibit</u>
<b>INTRODUCTORY SECTION</b>		
Certificate of the Board .....	3	
<b>FINANCIAL SECTION</b>		
<u>Independent Auditor's Report</u> .....	5	
Management Discussion and Analysis (Required Supplementary Information).....	7	
<u>Basic Financial Statements:</u>		
Government-wide Financial Statements:		
Statement of Net Position .....	14	A-1
Statement of Activities .....	15	B-1
Government Fund Financial Statements:		
Balance Sheet – Governmental Funds .....	16	C-1
Reconciliation of the Government Funds Balance Sheet to the Statement of Net Position .....	18	C-2
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	20	C-3
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	22	C-4
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Position – Fiduciary Funds .....	23	E-1
Notes to the Financial Statements .....	24	
<u>Required Supplementary Information:</u>		
General Fund – Budget Comparison Schedule.....	42	G-1
Schedule of the District’s Proportionate Share of the Net Pension Liability(TRS.....	44	G-2
Schedule of District Contributions to TRS .....	45	G-3
Notes to the Required Supplementary Information .....	47	
<u>Required TEA Schedules:</u>		
Schedule of Delinquent Taxes Receivable.....	48	J-1
Budgetary Comparison Schedules Required by the Texas Education Agency		
National School Breakfast and Lunch Program.....	50	J-4
Debt Service Fund .....	52	J-5

OVERALL COMPLIANCE, INTERNAL CONTROLS AND FEDERAL AWARDS SECTION

Report on Internal Controls Over Financial Reporting and Compliance Based on and Audit of Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i> .....	55
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with the Uniform Guidance .....	57
Schedule of Findings and Questioned Costs.....	59
Summary Schedule of Prior Audit Findings .....	61
Schedule of Expenditures of Federal Awards.....	63
Notes on Accounting Policies for Federal Awards .....	65
Schools First Questionnaire .....	66

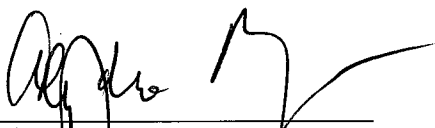
CERTIFICATE OF BOARD

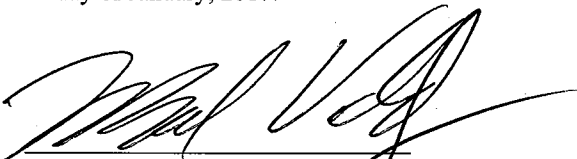
La Pryor Independent School District  
Name of School District

Zavala  
County

254-902  
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 24<sup>th</sup> day of January, 2017.

  
\_\_\_\_\_  
Signature of Board Secretary

  
\_\_\_\_\_  
Signature of Board President

If the board of trustees disapproved of the auditor's report, the reason(s) for disapproving it is(are):

(attach list as necessary)

THIS PAGE INTENTIONALLY LEFT BLANK

# EDE & COMPANY, LLC

Certified Public Accountants

Eric Ede  
Donna Ede Jones

P. O. Box 219  
Knippa, Texas 78870  
Telephone (830) 934-2148  
Fax (830) 934-2799  
Email: edecpa@hotmail.com

## UNMODIFIED OPINIONS ON BASIC FINANCIAL STATEMENTS ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION AND OTHER INFORMATION

### Independent Auditor's Report

Board of Trustees  
La Pryor Independent School District  
P. O. Box 519  
La Pryor, TX 78872-0519

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

### *Other Information*

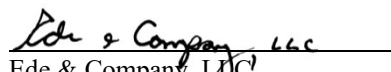
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the La Pryor Independent School District's basic financial statements. The exhibits identified in the Table of Contents as J-1 through J-5 are presented for purposes of additional analysis 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 through J-5 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2017, on our consideration of the La Pryor 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 La Pryor Independent School District's internal control over financial reporting and compliance.

  
Ede & Company, LLC  
Certified Public Accountants  
Knippa, Texas

January 18, 2017



## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of La Pryor 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 \$4,670.5 at August 31, 2016.
- During the year, the District's income was \$658,337 more than the \$7,506,930 generated in taxes and other revenues for governmental activities.
- The general fund reported a fund balance this year of \$2,201,449.

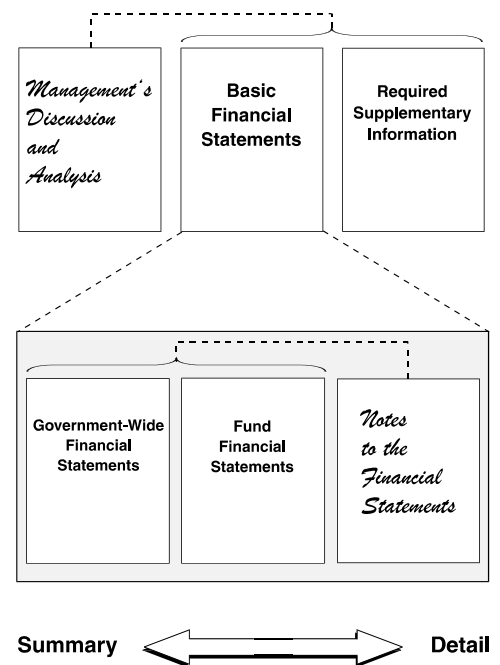
### OVERVIEW OF THE FINANCIAL STATEMENTS

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 was \$9,866.5 thousand at August 31, 2016. (See Table A-1).

**Table A-1**

La Pryor Independent School District's Position  
(in thousands dollars)

	Governmental Activities		Percentage Change
	2016	2015	2016-2015
Current assets:			
Cash and cash equivalents	\$ 2,042.7	\$ 1,081.9	88.8%
Property taxes receivable	260.5	219.3	18.8%
Allowance for uncollectible taxes	(15.6)	(13.2)	18.2%
Due from other governments	628.2	721.7	-13.0%
Internal balances	56.8	68.0	-16.5%
Other receivables	59.1	-	100.0%
Inventories	6.1	6.1	0.0%
Prepayments	2.4	(63.2)	-103.8%
Total current assets	<u>3,040.2</u>	<u>2,020.6</u>	<u>0.5</u>

Noncurrent assets:			
Capital Assets	13,084.0	13,058.4	0.2%
Less accumulated depreciation	<u>(6,257.6)</u>	<u>(5,898.6)</u>	<u>6.1%</u>
Total noncurrent assets	<u>6,826.4</u>	<u>7,159.8</u>	<u>-4.7%</u>
Total Assets	<u>9,866.5</u>	<u>9,180.5</u>	<u>7.5%</u>
Deferred Outflows of Resources			
Deferred Outflow on Refunding	43.2	170.0	-74.6%
Deferred Outflow - Pensions	<u>582.9</u>	<u>170.0</u>	<u>242.9%</u>
Total Deferred Outflows of Resources	<u>626.1</u>	<u>340.0</u>	<u>100.0%</u>
Current liabilities:			
Accounts payable and accrued liabilities	154.6	78.5	96.9%
Accrued wages payable	200.1	181.5	10.2%
Due to student groups	-	11.4	100.0%
Accrued expenses	4.1	4.0	2.5%
Unearned revenue	<u>68.2</u>	<u>-</u>	<u>100.0%</u>
Total current liabilities	<u>427.0</u>	<u>275.4</u>	<u>55.0%</u>
Long-term liabilities:			
Bonds and Capital Leases	3,556.3	4,010.8	-11.3%
Unamortized Premium (Discount)	297.7	63.2	371.0%
Net Pension Liability	<u>1,261.7</u>	<u>809.2</u>	<u>55.9%</u>
Total current liabilities	<u>5,115.7</u>	<u>4,883.2</u>	<u>4.8%</u>
Total Liabilities	<u>5,542.7</u>	<u>5,158.6</u>	<u>7.4%</u>
Deferred Inflows of Resources			
Deferred Inflow - Pensions	<u>279.4</u>	<u>247.5</u>	<u>12.9%</u>
Total Deferred Outflows of Resources	<u>279.4</u>	<u>247.5</u>	<u>12.9%</u>
Net Position:			
Invested in capital assets	2,128.9	3,085.8	-31.0%
Restricted for federal & state programs	101.0	98.1	3.0%
Restricted for debt service	158.8	182.8	-13.1%
Unrestricted	<u>2,281.8</u>	<u>641.0</u>	<u>256.0%</u>
Total Net Position	<u>\$ 4,670.5</u>	<u>\$ 4,007.7</u>	<u>16.5%</u>

Approximately \$158.8 thousand of the District's restricted net position represent proceeds from local taxes. These proceeds when spent are restricted for Debt Service. The \$2,281.8 thousand of unrestricted net position represents the sources available to fund the programs of the District next year.

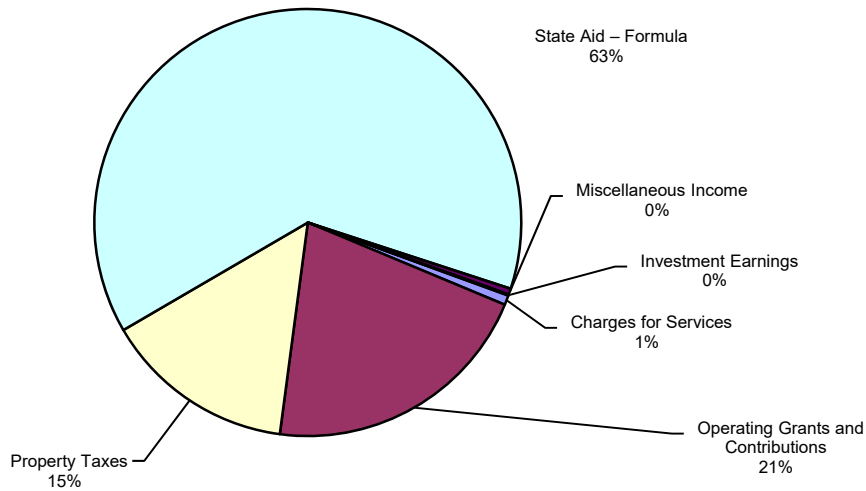
Changes in net position. The District's total revenues were \$7,506.9 thousand. A significant portion, 15 percent, of the District's revenue comes from taxes. (See Figure A-3.) 63 percent comes from state aid – formula grants, while only 1 percent relates to charges for services.

The total cost of all programs and services was \$6,848.6 thousand; 51 percent of these costs are for instructional and student services.

### Governmental Activities

- Property tax rates did not change from 2015 however, property tax values increased 11.75% over last year's values. These changes resulted in an increase in tax revenues from \$962.2 thousand to \$1,089.0 thousand.

**Figure A-3 2016 Revenue Sources**



**Table A-2**  
Changes in La Pryor Independent School District's Net Position  
(In thousands dollars)

	Governmental Activities		Percentage Change 2016-2015
	2016	2015	
Program Revenues:			
Charges for Services	\$ 55.1	\$ 45.1	22.2%
Operating Grants and Contributions	1,561.8	1,502.2	4.0%
General Revenue			
Property Taxes	1,089.0	962.2	13.2%
State Aid - Formula	4,761.0	4,694.9	1.4%
Investment Earnings	6.1	3.2	90.6%
Other	33.9	21.6	56.9%
<b>Total Revenue</b>	<b>7,506.9</b>	<b>7,229.2</b>	<b>3.8%</b>
Instruction	3,510.3	3,465.5	1.3%
Instructional Resources and Media Services	31.8	7.2	341.7%
Curriculum and Instructional Staff Development	47.5	30.1	57.8%
Instructional Leadership	138.8	119.8	15.9%
School Leadership	279.6	300.5	-7.0%
Guidance Counseling and Evaluation Services	88.2	159.3	-44.6%
Social Work	75.9	22.5	237.3%
Health Services	44.1	41.1	7.3%
Student (Pupil) Transportation	144.2	128.8	12.0%
Food Services	435.2	405.9	7.2%
Cocurricular/Extracurricular Activities	486.1	451.7	7.6%
General Administration	455.8	660.1	-30.9%
Plant Maintenance and Operations	699.1	824.8	-15.2%
Security and Monitoring Services	-	21.0	100.0%
Data Processing Service	125.8	137.0	-8.2%
Community Service	35.3	26.2	1.0%
Debt Service - Interest on long-term debt	225.8	199.7	1.0%
Other Intergovernmental Charges	25.1	-	100.0%
<b>Total Expense</b>	<b>6,848.6</b>	<b>7,001.2</b>	<b>-2.2%</b>
Excess (Deficiency) Before Other Resources, Uses & Transfers	658.3	228.0	188.7%
Other Resources (Uses)	-	-	0.0%
<b>Increase ( Decrease) in Net Position</b>	<b>658.3</b>	<b>228.0</b>	<b>188.7%</b>

**2016 Expenses by Function**

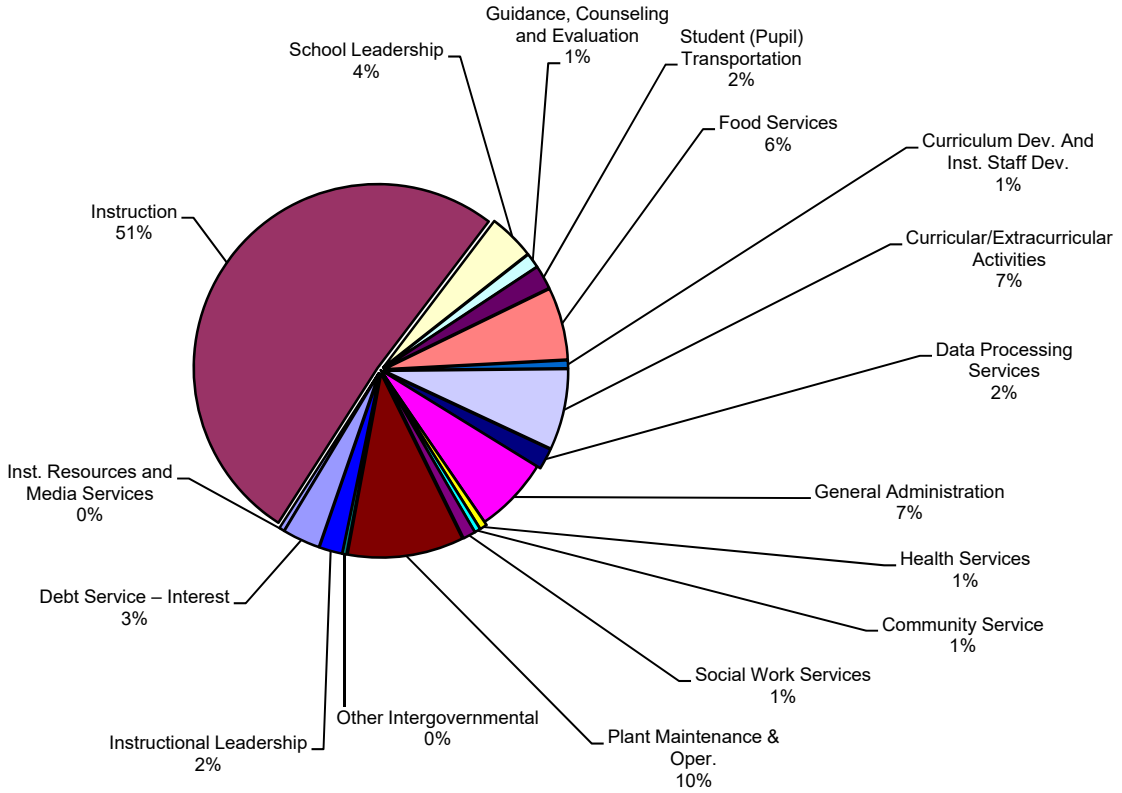


Table A-3 presents the cost of each of the District's largest functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

- The cost of all *governmental* activities this year was \$6,848.6 thousand.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$1,089.0 thousand.
- Some of the cost was paid by those who directly benefited from the programs \$55.1 thousand, or
- By grants and contributions \$1,561.8 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	\$ 3,510.3	\$ 3,465.5	1.3%	\$ 2,678.6	\$ 2,648.6	1.1%
Plant Maintenance & Operations	699.1	824.8	-15.2%	677.2	804.1	-15.8%
General Administration	455.8	660.1	-30.9%	434.5	638.8	-32.0%

## General Fund Budgetary Highlights

Over the course of the year, the District revised its budget many times. Even with these adjustments, actual expenditures were \$1,090,230 below final budget amounts. Resources available were \$87,137 less than the final budgeted amount.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2016, the District had invested \$13,084.4 thousand in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.) This amount represents a net increase (including additions and deductions) of 2.6 percent over last year.

**Table A-4**  
District's Capital Assets  
(in thousands of dollars)

	Governmental Activities		Percentage Change 2016-2015
	2016	2015	
Land	\$ 97.1	\$ 97.1	0.0%
Building and Improvements	11,603.1	11,603.1	0.0%
Furniture & Equipment	1,383.9	1,358.3	1.9%
Construction in Progress	-	-	0.0%
Totals at historical cost	13,084.1	13,058.5	0.2%
Total Accumulated Depreciation	(6,257.7)	(5,898.6)	6.1%
Net Capital Assets	\$ 6,826.4	\$ 7,159.9	-4.7%

### Debt Administration

At the end of the year the district had one bond issues, and three loans still outstanding. Bonds were reduced by \$130.0 thousand during the year. The Bond issue that existed at the beginning of the year was refunded by issuing a new bond in the amount of \$2,130.0 thousand. Loans were reduced by \$239.5 thousand during the year.

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

- Appraised value used for the 2017 budget preparation are up over 2016 values.
- Tax rates increased in 2017 to \$1.288
- 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 \$6.1 million.

Expenditures are budgeted remain constant at approximately \$6.36 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 balance is expected to remain the same by the close of 2017

**Contacting the District's Financial Management:** This financial report is designed for customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Superintendent of Schools.

## BASIC FINANCIAL STATEMENTS

LA PRYOR INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
AUGUST 31, 2016

1

Data Control Codes	Governmental Activities
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 2,042,714
1220 Property Taxes Receivable (Delinquent)	260,451
1230 Allowance for Uncollectible Taxes (Credit)	(15,627)
1240 Due from Other Governments	628,241
1260 Internal Balances	56,762
1290 Other Receivables	59,063
1310 Inventories, at Cost	6,133
1410 Prepayments	2,359
Capital Assets:	
1510 Land	97,095
1520 Buildings (Net)	6,360,570
1530 Furniture & Fixtures (Net)	368,722
1000 Total Assets	<u>9,866,483</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
1996 Deferred Charge on Refunding	43,214
1705 Deferred Outflows - Pension	582,886
1700 Total Deferred Outflow of Resources	<u>626,100</u>
<b>LIABILITIES</b>	
2110 Accounts Payable	\$ 154,596
2160 Accrued Wages Payable	200,093
2200 Accrued Expenses	4,085
2300 Unearned Revenue	68,177
Noncurrent Liabilities:	
2501 Due Within One Year	341,501
2502 Due in More Than One Year	3,214,784
2516 Unamortized Premium (Discount) on Bonds	297,675
2540 Net Pension Liability	1,261,735
2000 Total Liabilities	<u>5,542,646</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
2605 Deferred Inflows - Pension	279,421
1700 Total Deferred Inflow of Resources	<u>279,421</u>
<b>NET POSITION</b>	
3200 Invested in Capital Assets, Net of Related Debt Restricted:	2,128,941
3820 Restricted for Federal & State Programs	100,977
3850 Restricted for Debt Service	158,779
3900 Unrestricted	2,281,819
3000 Total Net Position	<u>\$ 4,670,516</u>

The accompanying notes are an integral part of this statement.



LA PRYOR INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
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	
<b>Primary Government:</b>					
GOVERNMENTAL ACTIVITIES:					
11	Instruction	\$ 3,510,318	\$ 4,442	\$ 827,245	\$ (2,678,631)
12	Instructional Resources and Media Services	31,741	-	1,497	(30,244)
13	Curriculum and Instructional Staff Development	47,525	-	21,516	(26,009)
21	Instructional Leadership	138,830	-	115,464	(23,366)
23	School Leadership	279,560	-	27,086	(252,474)
31	Guidance Counseling and Evaluation Services	88,225	-	6,623	(81,602)
32	Social Work Services	75,866	-	72,902	(2,964)
33	Health Services	44,120	-	5,064	(39,056)
34	Student (Pupil) Transportation	144,201	-	6,332	(137,869)
35	Food Services	435,159	23,898	377,003	(34,258)
36	Cocurricular/Extracurricular Activities	486,106	26,806	16,286	(443,014)
41	General Administration	455,835	-	21,354	(434,481)
51	Plant Maintenance and Operations	699,108	-	21,894	(677,214)
53	Data Processing Services	125,789	-	7,216	(118,573)
61	Community Service	35,337	-	34,366	(971)
72	Debt Service - Interest on long-term debt	225,767	-	-	(225,767)
99	Other Intergovernmental Charges	25,106	-	-	(25,106)
TG	TG Total governmental activities	<u>\$ 6,848,593</u>	<u>\$ 55,146</u>	<u>\$ 1,561,848</u>	<u>\$ (5,231,599)</u>
Data					
Control	General revenues:				
Codes	Taxes:				
MT	Property taxes, levied for general purposes				1,000,646
DT	Property taxes, levied for debt service				88,303
SF	State aid-formula grants				4,761,030
IE	Investment earnings				6,063
MI	Miscellaneous local and intermediate revenue				33,894
TR	Total general revenues, and transfers				<u>5,889,936</u>
CN			Change in net position		658,337
NB	Net position—beginning				4,012,179
	Prior Period Adjustment				-
NE	Net position—ending				<u>\$ 4,670,516</u>

The accompanying notes are an integral part of this statement.

LA PRYOR INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2016

Data Control Codes	10 General Fund	20 Special Revenue Funds
<b>ASSETS</b>		
1110 Cash and Temporary Investments (market)	\$ 1,826,740	\$ (34,943)
1220 Property Taxes - Delinquent	239,331	-
1230 Allowance for Uncollectible Taxes (Credit)	(14,360)	-
1240 Due from Other Governments	573,448	54,793
1260 Due from Other Funds	184,154	-
1290 Other Receivables	59,063	-
1310 Inventories, at Cost	6,133	-
1410 Deferred Expenditures	2,359	-
1000 Total Assets	<u>\$ 2,876,868</u>	<u>\$ 19,850</u>
<b>LIABILITIES &amp; FUND BALANCES</b>		
Liabilities:		
2110 Accounts Payable	\$ 146,427	\$ 8,169
2160 Accrued Wages Payable	196,820	3,273
2170 Due to Other Funds	35,254	-
2190 Due to Student Groups	-	-
2200 Accrued Expense	3,771	314
2300 Unearned Revenue	68,176	-
2000 Total Liabilities	<u>450,448</u>	<u>11,756</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
2601 Unavailable Revenue- Property Taxes	224,971	-
2600 Total Deferred Inflows of Resources	<u>224,971</u>	<u>-</u>
<b>FUND BALANCE</b>		
Restricted Fund Balance:		
3450 Federal or State Funds Grant Restrictions	92,883	8,094
3470 Capital Acquisition and Construction Obligations	-	-
3480 Retirement of Long-Term Debt	-	-
Committed Fund Balance:		
3590 Other Assigned Fund Balance	-	-
Unassigned Fund Balance:		
3600 Unassigned Fund Balance	2,108,566	-
3000 Total Fund Balances	<u>2,201,449</u>	<u>8,094</u>
4000 Total Liabilities, Deferred Inflows, & Fund Balances	<u>\$ 2,876,868</u>	<u>\$ 19,850</u>

The accompanying notes are an integral part of this statement.

50 Debt Service Fund	98 Total Governmental Funds
\$ 250,917	\$ 2,042,714
21,120	260,451
(1,267)	(15,627)
-	628,241
720	184,874
-	59,063
-	6,133
-	2,359
<u>\$ 271,490</u>	<u>\$ 3,168,208</u>
\$ -	\$ 154,596
-	200,093
92,858	128,112
-	-
-	4,085
-	68,176
<u>92,858</u>	<u>555,062</u>
19,853	244,824
<u>19,853</u>	<u>244,824</u>
-	100,977
-	-
158,779	158,779
-	-
-	2,108,566
<u>158,779</u>	<u>2,368,322</u>
<u>\$ 271,490</u>	<u>\$ 3,168,208</u>

LA PRYOR INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
August 31, 2016

<b>Total Fund Balances - Governmental Funds</b>	\$ 2,368,322
<p><b>1</b> Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$13,058,440 and accumulate depreciation was \$5,898,661. In addition, long-term liabilities including bonds payable are not due and payable in the current period, and therefore are not reported as liabilities in the funds. The long -term debt was \$4,073,972. The net effect of including the beginning balances for the capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.</p>	3,085,807
<p><b>2</b> Current year capital outlays and long-term debt principal payments are expended 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 District also incurred new debt during the year. The net effect of including the 2016 capital outlays and debt principal payments is to increase net position.</p>	276,093
<p><b>3</b> Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of 1,261,735, a Deferred Resource Inflow related to TRS in the amount of 279,421, and a Deferred Resource Outflow related to TRS in the amount of 582,886. This amounted to a decrease in Net Position in the amount of \$958,270.</p>	(958,270)
<p><b>4</b> The 2016 depreciation expense increased accumulate Depreciation. The net effect on the current year's depreciation is to decrease net position.</p>	(358,982)
<p><b>5</b> Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.</p>	257,546
<b>19 Net Positions of Governmental Activities</b>	\$ 4,670,516

The accompanying notes are an integral part of this statement.

THIS PAGE INTENTIONALLY LEFT BLANK

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

Data Control Codes	10 General Fund	20 Special Revenue Funds
<b>REVENUES:</b>		
5700 Total Local and Intermediate Sources	\$ 1,055,074	\$ 22,728
5800 State Program Revenues	4,981,364	61,900
5900 Federal Program Revenues	439,141	650,838
5020 Total Revenue	<u>6,475,579</u>	<u>735,466</u>
<b>EXPENDITURES:</b>		
Current:		
0011 Instruction	2,726,053	460,326
0012 Instructional Resources and Media Services	30,935	-
0013 Curriculum and Instructional Staff Development	25,125	21,516
0021 Instructional Leadership	19,891	113,764
0023 School Leadership	266,943	2,596
0031 Guidance Counseling and Evaluation Services	85,035	-
0032 Social Work Services	-	72,902
0033 Health Services	39,518	1,398
0034 Student (Pupil) Transportation	108,675	255
0035 Food Services	413,207	5,616
0036 Cocurricular/Extracurricular Activities	382,571	27,296
0041 General Administration	427,675	-
0051 Plant Maintenance and Operations	705,891	-
0053 Data Processing Services	122,324	-
0061 Community Service	-	34,366
Debt Service:		
0071 Debt Service - Principal on long-term debt	239,497	-
0072 Debt Service - Interest on long-term debt	62,663	-
Capital Outlay:		
0081 Facilities Acquisition and Construction	-	-
Intergovernmental:		
0099 Other Intergovernmental Charges	25,106	-
6030 Total Expenditures	<u>5,681,109</u>	<u>740,035</u>
1100 Excess (Deficiency) Revenues Over Expenditures	<u>794,470</u>	<u>(4,569)</u>
<b>OTHER FINANCING SOURCES (USES):</b>		
7915 Operating Transfers In	30,000	-
7901 Refunding Bonds Issued	-	-
7916 Premium or Discount on Issuance of Bonds	-	-
8911 Operating Transfers Out	(30,000)	-
8940 Payment to bond refunding escrow agent	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balances	794,470	(4,569)
0100 Fund Balance - September 1 (Beginning)	1,406,979	12,663
3000 Fund Balance - August 31 (Ending)	<u>\$ 2,201,449</u>	<u>\$ 8,094</u>

The accompanying notes are an integral part of this statement.

50	98
Debt Service Fund	Total Governmental Funds
\$ 87,022	\$ 1,164,824
75,838	5,119,102
-	1,089,979
<u>162,860</u>	<u>7,373,905</u>
-	3,186,379
-	30,935
-	46,641
-	133,655
-	269,539
-	85,035
-	72,902
-	40,916
-	108,930
-	418,823
-	409,867
-	427,675
-	705,891
-	122,324
-	34,366
130,000	369,497
175,827	238,490
-	-
-	25,106
<u>305,827</u>	<u>6,726,971</u>
<u>(142,967)</u>	<u>646,934</u>
-	30,000
2,130,000	2,130,000
249,369	249,369
-	(30,000)
<u>(2,260,375)</u>	<u>(2,260,375)</u>
<u>118,994</u>	<u>118,994</u>
(23,973)	765,928
182,752	1,602,394
<u>\$ 158,779</u>	<u>\$ 2,368,322</u>

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

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$ 765,928
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2016 capital outlays and debt principal payments is to increase net position.	276,093
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.	(358,982)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position.	46,868
Current year changes due to GASB 68 required credits to revenue in the amount of 315,441, debits to revenue in the amount of 216,561, credits to expenses in the amount of \$373,699 and debits to expenses in the amount of \$544,149 resulting in an decrease in the change in ending net position of \$71,570.	(71,570)
<b>Change in Net Position of Governmental Activities</b>	\$ 658,337

The accompanying notes are an integral part of this statement.



LA PRYOR INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
YEAR ENDED AUGUST 31, 2016

	Agency Funds
<b>ASSETS:</b>	
Cash & Cash Equivalents	\$ 117,077
Due From Other Funds	-
Total Assets	\$ 117,077
<b>LIABILITIES:</b>	
Accounts Payable	\$ -
Accrued Payroll Expenses	33,630
Due to Other Funds	56,763
Due to Student Groups	26,684
Total Liabilities	\$ 117,077

The accompanying notes are an integral part of this statement.

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

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

La Pryor Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in *Statement on Auditing Standards No. 69* of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

**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 La Pryor 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. *Business-type activities* include operations that rely to a significant extent on fees and charges for support.

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

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. 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 [GASB 2300.106a(2) and 1600.108], 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 [GASB 2300.106a(2) and 1600.108].

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 some times require the District to refund all or part of the unused amount [GASB 2300.106a(2) and 1600.108].

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. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements [GASB 2300.106a(7) and P80.104-107]. 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. The fund equity is segregated into invested in capital assets net of related debt, restricted net position, and unrestricted 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. Debt Service Funds** – The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.

- 3. 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. OTHER ACCOUNTING POLICIES**

1. For purposes of the statement of cash flows for proprietary and similar fund-types, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.
2. Inventories of supplies on the balance sheet, supplies such as consumable maintenance, instructional, office, athletic, and transportation items are stated at cost. Supplies are recorded as expenditures when they are consumed. Inventories of food commodities are recorded at market values supplied by the Texas Department of Agriculture. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Agriculture and recorded as inventory and deferred revenue when received. When requisitioned, inventory and deferred revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount.
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 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.
5. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

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

6. 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 capital assets are recorded at estimated fair market value at the date of donation.

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

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Building Improvements	40
Vehicles	7
Office Equipment	5
Computer Equipment	5

7. Risk Management - The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During the fiscal year, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.
8. In the fund financial statements, governmental funds report designations for restrictions, commitments, assignments and non-spendable reserves of fund balance of amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance have been eliminated from the government-wide financial statements. The unassigned fund balance represents that portion of the fund balance that is available for budgeting in future periods. Commitments and assignments of fund balance may only be done by a resolution of the Board of Trustees. Commitments and assignments may only be relieved by incurring expenditures for that purpose or by Board resolution. Fund balance amounts that are restricted, committed, or assigned are considered to have been spent when the expenditure is incurred for the purpose for which the fund balance was restricted, committed, or assigned. If an expenditure 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.

## **II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

### **A. BUDGETARY DATA**

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund and the Food Service Fund (which is included in 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 two reports are in Exhibit J-4 and J-5.

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.

### **III. 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. La Pryor Independent School District is in substantial compliance with the requirements of the Act and with local policies.

As of August 31, 2016, La Pryor Independent School District had the following investments.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>		<u>Credit Rating</u>
		<u>(in years)</u>		
		<u>Less Than 1</u>		
Lone Star Investment	\$ 801,771	\$ 801,772		1
	<u>\$ 801,771</u>	<u>\$ 801,772</u>		

Additional polices and contractual provisions governing deposits and investments for La Pryor 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 and Debt Service Funds 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 consisted of the following individual fund balances:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund:		
Within Fund	34,907	34,907
Trust and Agency Fund	56,387	-
Special Revenue Fund	-	
Debt Service Fund	92,858	345
Total General Fund	<u>184,153</u>	<u>35,252</u>
Debt Service Fund:		
General Fund	345	92,858
Trust and Agency Fund	375	-
Total Debt Service Fund	<u>720</u>	<u>92,858</u>
Trust and Agency Fund:		
General Fund	-	56,387
Debt Service Fund		375
Total Trust and Agency Fund	<u>-</u>	<u>56,763</u>
Special Revenue Fund		
General Fund	<u>-</u>	<u>-</u>
Total Special Revenue Fund	<u>-</u>	<u>-</u>
TOTAL	<u><u>\$ 184,873</u></u>	<u><u>\$ 184,873</u></u>

The District had not cleared all interfund receivables and payables at the end of the year. All amounts are scheduled to be repaid within one year.

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

	<u>Transfer From Other Funds</u>	<u>Transfer To Other Funds</u>
General Fund:		
Within Fund	<u>30,000</u>	<u>30,000</u>
Total General Fund	<u>30,000</u>	<u>30,000</u>
TOTAL	<u><u>\$ 30,000</u></u>	<u><u>\$ 30,000</u></u>



## E. CAPITAL ASSET ACTIVITY

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

	Beginning Balances	Increases	Decreases	Ending Balances
<b><u>Governmental activities:</u></b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 97,095	\$ -	\$ -	\$ 97,095
Construction in Progress	-	-	-	-
Total capital assets not being depreciated	<u>97,095</u>	<u>-</u>	<u>-</u>	<u>97,095</u>
<i>Capital assets being depreciated:</i>				
Buildings and Improvements	11,603,071	-	-	11,603,071
Furniture and Equipment	1,358,274	25,590	-	1,383,864
Total capital assets being depreciated	<u>12,961,345</u>	<u>25,590</u>	<u>-</u>	<u>12,986,935</u>
Less accumulated depreciation for:				
Buildings and Improvements	4,966,052	276,449	-	5,242,501
Furniture and Equipment	932,609	82,533	-	1,015,142
Total accumulated depreciation	<u>5,898,661</u>	<u>358,982</u>	<u>-</u>	<u>6,257,643</u>
Total capital assets being depreciated, net	<u>7,062,684</u>	<u>(333,392)</u>	<u>-</u>	<u>6,729,292</u>
Governmental activities capital assets, net	<u>\$ 7,159,779</u>	<u>\$ (333,392)</u>	<u>\$ -</u>	<u>\$ 6,826,387</u>

Depreciation was charged to functions as follows:

Instruction	\$ 220,803
Health Services	1,704
Student (Pupil) Transportation	32,770
Food Services	6,145
Cocurricular/Extracurricular Activities	68,272
General Administration	19,440
Plant Maintenance and Operations	9,850
	<u>\$ 358,984</u>

## F. BONDS PAYABLE

Bonded indebtedness of the District is reflected in the General Long-Term Debt Account Group, and current requirements for principal and interest expenditures are accounted for in the Debt Service Fund. The bonds mature serially through the year 2036. Interest rates vary from 2.0% to 4.0%.

### Advanced Refunding of Debt

On July 7, 2016, the District issued \$2,130,000 Unlimited Tax Refunding Bonds, Series 2016 to refund debt callable on August 15, 2016 of the Unlimited Tax School Building Bonds, Series 2006 and to pay costs relating to the issuance of the bonds. The interest rate on the bonds is range from 2.0% to 4.0% with a final maturity due August 15, 2036. The economic gain resulting from this refunding is \$286,982. (based upon NPV from delivery date.) The difference in cash flow requirements to service the old debt of \$3,153,562 and the cash flows to service the new debt of \$2,918,879 is \$234,683.

Changes in long-term obligations for the year ended August 31, 2016 are as follows:

	Interest Rates	Original Issue	Beginning Balance	Issued	Retired	Ending Balance	Amounts Due Within One Year
<u>Governmental Activities</u>							
Bonds Payable:							
Series 2006	2.75%-5.0%	2,735,000	2,310,000	-	2,310,000	-	-
Series 2016 - Refunding	2.0%-4.0%	2,130,000	-	2,130,000	35,000	2,095,000	95,000
Total Bonds Payable		<u>4,865,000</u>	<u>2,310,000</u>	<u>2,130,000</u>	<u>2,345,000</u>	<u>2,095,000</u>	<u>95,000</u>

Debt Service Requirements

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

Year Ending August 31	Bonds Payable	
	Principal	Interest
2017	95,000	73,000
2018	100,000	71,100
2019	100,000	68,100
2020	105,000	65,100
2021	110,000	61,950
2022-2026	605,000	257,850
2027-2031	625,000	140,600
2032-2036	355,000	43,400
Totals	<u>\$ 2,095,000</u>	<u>\$ 781,100</u>

**G. LONG TERM LOANS PAYABLE**

Changes in long-term loans payable for the year ended August 31, 2016 are as follows:

Purpose/Lawful Authority	Fund Payable From/ Interest Rate	Current Years Interest	Beginning Balance	Amount Issued	Amount Retired	Ending Balance	Amounts Due Within One Year
<u>Building</u>							
Improvements TEC 45.018	General Fund 4.93%	\$ 47,662	\$ 966,782	\$ -	\$ 101,497	\$ 865,285	\$ 106,501
<u>Maintenance</u>							
Improvements TEC 45.018	General Fund 2.75%	6,394	264,000	-	63,000	201,000	65,000
<u>Maintenance</u>							
Improvements TEC 45.018	General Fund 1.99%	8,607	470,000	-	75,000	395,000	75,000
Total Notes Payable		<u>\$ 62,663</u>	<u>\$ 1,700,782</u>	<u>\$ -</u>	<u>\$ 239,497</u>	<u>\$ 1,461,285</u>	<u>\$ 246,501</u>

### Debt Service Requirements

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

Year Ending	Long Term Loans Payable		
	Principal	Interest	Total
<u>August 31</u>			
2017	246,501	54,407	300,907
2018	258,751	45,799	304,550
2019	266,260	36,827	303,087
2020	203,041	28,506	231,547
2021	129,107	20,052	149,159
2021-2022	357,625	21,492	379,116
Totals	<u>\$ 1,461,286</u>	<u>\$ 207,081</u>	<u>\$ 1,668,367</u>

### **H. DEFINED BENEFIT PENSION PLAN**

**Plan Description.** La Pryor 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 83<sup>rd</sup> Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. 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 83<sup>rd</sup> 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%
La Pryor ISD 2015 Employer Contributions	\$	105,693
La Pryor ISD 2015 Member Contributions	\$	104,883
La Pryor ISD 2015 NECE On-Behalf Contributions	\$	185,504

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:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Real Return Geometric Basis</b>	<b>Long-Term Expected Portfolio Real Rate of Return*</b>
<b>Global Equity</b>			
U.S.	18.0%	4.6%	10%
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%
<b>Stable Value</b>			
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%
<b>Real Return</b>			
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%
<b>Risk Parity</b>			
Risk Parity	5.0%	6.7%	0.3%
Inflation Expectations			2.2%
Alpha			10%
<b>Total</b>	<b>100.0%</b>		<b>8.7%</b>

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

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

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
La Pryor ISD's proportionate share of the net pension liability:	\$ 1,976,902	\$ 1,261,735	\$ 666,046

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.** At August 31, 2016, La Pryor Independent School District reported a liability of \$1,261,735 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to La Pryor Independent School District. The amount recognized by La Pryor 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 La Pryor Independent School District were as follows:

District's Proportionate share of the collective net pension liability	\$ 1,261,735
State's proportionate share that is associated with the District	<u>2,213,869</u>
Total	<u>\$ 3,475,604</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 .000035694% which was a .000005401% 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, La Pryor Independent School District recognized pension expense of \$315,441 and revenue of \$315,441 for support provided by the State.

At August 31, 2016, La Pryor 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	\$ 10,407	\$ 48,490
Changes in actuarial assumptions	43,743	-
Difference between projected and actual investment earnings	310,737	185,486
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	123,535	432
Contributions paid to TRS subsequent to the measurement date	94,464	-
Total	<u>\$ 582,886</u>	<u>\$ 234,408</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	\$ 31,824
2018	31,824
2019	31,824
2020	93,652
2021	15,320
Therafter	<u>4,557</u>
Total	<u>\$ 209,001</u>

## I. 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](http://www.trs.state.tx.us) under the TRS Publications heading, by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling the TRS Communications Department at 1-800-223-8778.

**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 2016-2014.

### 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%	\$ 21,842	1.00%	\$ 3,601	0.55%	\$ 18,483
2015	0.65%	\$ 23,279	1.00%	\$ 3,198	0.55%	\$ 19,698
2014	0.65%	\$ 24,587	1.00%	\$ 4,371	0.55%	\$ 20,803

## J. 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 \$13,436, \$16,515, and \$9,927 for fiscal years 2016, 2015, and 2014, respectively.



**K. 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 \$338 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 annually and the terms of coverage and costs are included in the contractual provisions.

**L. LITIGATION**

The District is occasionally involved in litigation in the general course of business. Attorneys for the District indicate that the La Pryor Independent School District has pending or threatened litigation as of August 31, 2016. No provision has been made in the financial statements regarding these matters.

**M. 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.

FUND	STATE ENTITLEMENT	FEDERAL GRANT	TOTAL
General	\$ 573,448	\$ -	\$ 573,448
Debt Service	-	-	-
Special Revenue	-	54,793	54,793
	<u>\$ 573,448</u>	<u>\$ 54,793</u>	<u>\$ 628,241</u>

**N. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES**

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

	General Fund	Special Revenue Fund	Debt Service Fund	Total
Property Taxes	\$ 969,257	\$ -	\$ 85,547	\$ 1,054,804
Penalties & Interest and Other				
Tax -related Income	13,793	-	1,124	14,917
Investment Income	5,712	-	351	6,063
Food Sales	23,898	-	-	23,898
Co-curricular Student Activities	25,671	22,728	-	48,399
Other	16,743	-	-	16,743
	<u>\$ 1,055,074</u>	<u>\$ 22,728</u>	<u>\$ 87,022</u>	<u>\$ 1,164,824</u>

## **O. 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.

REQUIRED SUPPLEMENTARY INFORMATION

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

Data Control Codes		Budgeted Amounts	
		Original	Final
REVENUES:			
5700	Total Local and Intermediate Sources	\$ 1,184,975	\$ 1,247,613
5800	State Program Revenues	4,506,567	4,902,296
5900	Federal Program Revenues	340,700	412,807
5020	Total Revenue	<u>6,032,242</u>	<u>6,562,716</u>
EXPENDITURES:			
Current:			
0011	Instruction	3,010,788	2,949,039
0012	Instructional Resources and Media Services	24,447	63,790
0013	Curriculum and Instructional Staff Development	17,675	67,765
0021	Instructional Leadership	19,428	72,254
0023	School Leadership	323,648	370,085
0031	Guidance Counseling and Evaluation Services	83,116	128,945
0032	Social Work Services	-	10,000
0033	Health Services	37,280	90,042
0034	Student (Pupil) Transportation	125,684	173,168
0035	Food Services	423,221	438,898
0036	Cocurricular/Extracurricular Activities	441,577	458,101
0041	General Administration	505,037	514,923
0051	Plant Maintenance and Operations	778,992	876,331
0052	Security and Monitoring Services	-	5,000
0053	Data Processing Services	153,616	145,966
Debt Service:			
0071	Debt Service - Principal on long-term debt	239,497	239,497
0072	Debt Service - Interest on long-term debt	61,413	62,664
Capital Outlay:			
0081	Facilities Acquisition and Construction		79,765
Intergovernmental:			
0099	Other Intergovernmental Charges	27,130	30,000
6030	Total Expenditures	<u>6,272,549</u>	<u>6,776,233</u>
1100	Excess (Deficiency) Revenues Over Expenditures	<u>(240,307)</u>	<u>(213,517)</u>
OTHER FINANCING SOURCES (USES):			
7915	Operating Transfers In	45,000	30,000
8911	Operating Transfers Out	(45,000)	(30,000)
7080	Total Other Financing Sources (Uses)	-	-
1200	Net Change in Fund Balances	(240,307)	(213,517)
0100	Fund Balance - September 1 (Beginning)	1,406,979	1,406,979
	Prior Period Adjustment	-	-
3000	Fund Balance - August 31 (Ending)	<u>\$ 1,166,672</u>	<u>\$ 1,193,462</u>

The accompanying notes are an integral part of this statement.

Actual Amounts (Budgetary Basis) (See Notes A)	Variance With Final Budget Positive (Negative)
\$ 1,055,074	\$ (192,539)
4,981,364	79,068
439,141	26,334
<u>6,475,579</u>	<u>(87,137)</u>
2,726,053	222,986
30,935	32,855
25,125	42,640
19,891	52,363
266,943	103,142
85,035	43,910
-	10,000
39,518	50,524
108,675	64,493
413,207	25,691
382,571	75,530
427,675	87,248
705,891	170,440
-	5,000
122,324	23,642
-	-
239,497	-
62,663	1
-	79,765
25,106	4,894
<u>5,681,109</u>	<u>1,090,230</u>
<u>794,470</u>	<u>1,003,093</u>
30,000	-
<u>(30,000)</u>	<u>-</u>
-	-
794,470	1,003,093
1,406,979	-
-	-
<u>\$ 2,201,449</u>	<u>\$ 1,003,093</u>

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

---

	2016	2015
Districts Proportion of the Net Pension Liability (Asset)	0.000035694	0.000030293
Districts Proportionate Share of the Net Pension Liability (Asset)	\$ 1,261,735	\$ 809,168
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	2,213,869	2,023,900
Total	\$ 3,475,604	\$ 2,833,068
District's Covered-Employee Payroll	\$ 3,581,435	\$ 3,782,539
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of covered-Employee Payroll	35.23%	21.39%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.43%	83.25%

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

---

	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 94,464	\$ 76,801
Contribution in Relation to the Contractually Required Contribution	(94,464)	(76,801)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
District's Covered-Employee Payroll	\$ 3,360,328	\$ 3,782,539
Contributions as a percentage of covered-Employee Payroll	2.81%	2.03%

**LA PRYOR 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 T.E.A. SCHEDULES

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

For Years Ended August 31	(1)	(2)	(3)	(10)
	Tax Rates		Assessed/Appraised Value For School Tax Purposes	Beginning Balance 9/1/2015
	Maintenance	Debt Service		
2006 and prior years	Various	Various	Various	\$36,815.92
2007	1.17000	0.16000	39,814,409	3,318.74
2008	1.17000	0.16000	39,924,478	4,615.85
2009	1.17000	0.11000	43,530,314	4,518.95
2010	1.17000	0.11000	43,728,172	6,953.78
2011	1.17000	0.11000	48,171,685	13,226.55
2012	1.17000	0.10000	53,312,720	28,769.40
2013	1.17000	0.10000	61,915,155	31,141.82
2014	1.13320	0.10000	79,454,750	89,967.22
2015 (School year under audit)	1.13320	0.10000	88,790,332	
1000 TOTALS				<u>\$ 219,328.23</u>

(20) Current Year's Total Levy	(30) Maintenance Total Collections	(30) Debt Service Total Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2016
	\$2,749.30	\$182.55	\$0.00	\$33,884.07
	245.90	33.63	-	3,039.21
	928.44	126.95	2.10	3,558.36
	525.22	49.37	33.60	3,910.76
	2,736.27	257.25	(194.37)	4,154.63
	2,905.78	273.20	(265.92)	10,313.49
	6,403.94	547.32	(263.78)	22,081.92
	5,991.93	528.78	(805.77)	25,426.88
	32,696.59	2,885.38	529.76	53,855.49
<u>1,094,962.38</u>	<u>914,073.69</u>	<u>80,662.99</u>	<u>0.00</u>	<u>100,225.70</u>
<u>\$ 1,094,962.38</u>	<u>\$969,257.06</u>	<u>\$85,547.42</u>	<u>(\$964.38)</u>	<u>\$ 260,450.51</u>

LA PRYOR INDEPENDENT SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE  
 CHILD NUTRITION PROGRAM  
 YEAR ENDED AUGUST 31, 2016

Data Control Codes	Budgeted Amounts		
	Original	Final	
<b>REVENUES:</b>			
5700	Total Local and Intermediate Sources	\$ 29,500	\$ 29,500
5800	State Program Revenues	11,021	51,021
5900	Federal Program Revenues	343,866	328,377
5020	Total Revenue	<u>384,387</u>	<u>408,898</u>
<b>EXPENDITURES:</b>			
Current:			
0035	Food Services	394,150	438,898
0051	Plant Maintenance and Operations	-	-
0053	Data Processing Services	-	-
6030	Total Expenditures	<u>394,150</u>	<u>438,898</u>
1100	Excess (Deficiency) Revenues Over Expenditures	<u>(9,763)</u>	<u>(30,000)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
7915	Operating Transfers In	10,000	30,000
8911	Operating Transfers Out	-	-
7080	Total Other Financing Sources (Uses)	<u>10,000</u>	<u>30,000</u>
1200	Net Change in Fund Balances	237	-
0100	Fund Balance - September 1 (Beginning)	85,484	85,484
1300	Cumulative Effect - Change in Accounting	-	-
3000	Fund Balance - August 31 (Ending)	<u>\$ 85,721</u>	<u>\$ 85,484</u>

Actual Amounts (Budgetary Basis) (See Notes A)	Variance With Final Budget Favorable (Unfavorable)
\$ 23,898	\$ (5,602)
1,750	(49,271)
<u>354,711</u>	<u>26,334</u>
<u>380,359</u>	<u>(28,539)</u>
402,960	35,938
-	-
<u>402,960</u>	<u>35,938</u>
<u>(22,601)</u>	<u>7,399</u>
30,000	-
<u>-</u>	<u>-</u>
30,000	-
7,399	7,399
85,484	-
<u>-</u>	<u>-</u>
<u>\$ 92,883</u>	<u>\$ 7,399</u>

LA PRYOR INDEPENDENT SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE  
 DEBT SERVICE FUND  
 YEAR ENDED AUGUST 31, 2016

Data	Budgeted Amounts		
Control	Original	Final	
Codes			
<b>REVENUES:</b>			
5700	Total Local and Intermediate Sources	\$ 81,554	\$ 88,104
5800	State Program Revenues	65,659	89,838
5900	Federal Program Revenues	-	-
5020	Total Revenue	<u>147,213</u>	<u>177,942</u>
<b>EXPENDITURES:</b>			
Current:			
0071	Debt Service - Principal on long-term debt	95,000	95,000
0171	Debt Service - Interest on long-term debt	95,179	244,904
6030	Total Expenditures	<u>190,179</u>	<u>339,904</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
7901	Refunding Bonds Issued	-	2,130,000
7916	Premium or Discount on Issuance of Bonds	-	249,371
8940	Payment to bond refunding escrow agent	-	(2,260,375)
7080	Total Other Financing Sources (Uses)	<u>-</u>	<u>118,996</u>
1200	Net Change in Fund Balances	(42,966)	(42,966)
0100	Fund Balance - September 1 (Beginning)	182,752	182,752
1300	Cumulative Effect - Change in Accounting	-	-
3000	Fund Balance - August 31 (Ending)	<u>\$ 139,786</u>	<u>\$ 139,786</u>

Actual Amounts (Budgetary Basis) (See Notes A)	Variance With Final Budget Favorable (Unfavorable)
\$ 87,022	\$ (1,082)
75,838	(14,000)
-	-
<u>162,860</u>	<u>(15,082)</u>
130,000	(35,000)
175,827	69,077
<u>305,827</u>	<u>34,077</u>
2,130,000	-
249,369	2
<u>(2,260,375)</u>	<u>-</u>
<u>118,994</u>	<u>2</u>
(23,973)	18,995
182,752	-
-	-
<u>\$ 158,779</u>	<u>\$ 18,995</u>

REPORTS ON INTERNAL CONTROLS, COMPLILANCE  
AND FEDERAL AWARDS



# EDE & COMPANY, LLC

Certified Public Accountants

Eric Ede  
Donna Ede Jones

P. O. Box 219  
Knippa, Texas 78870  
Telephone (830) 934-2148  
Fax (830) 934-2799  
Email: edecpa@hotmail.com

## 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  
La Pryor Independent School District  
P. O. Box 519  
La Pryor, TX 78872-0519

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 La Pryor Independent School District, as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise La Pryor Independent School District's basic financial statements, and have issued our report thereon dated January 18, 2017.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered La Pryor 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 La Pryor Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of La Pryor Independent School District's internal control.

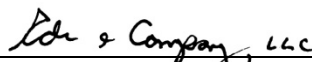
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination 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 La Pryor 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

January 18, 2017

# EDE & COMPANY, LLC

Certified Public Accountants

Eric Ede  
Donna Ede Jones

P. O. Box 219  
Knippa, Texas 78870  
Telephone (830) 934-2148  
Fax (830) 934-2799  
Email: edecpa@hotmail.com

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

Board of Trustees  
La Pryor Independent School District  
P. O. Box 519  
La Pryor, TX 78872-0519

Members of the Board:

### Report on Compliance for Each Major Federal Program

We have audited La Pryor 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 La Pryor Independent School District's major federal programs for the year ended August 31, 2016. La Pryor 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 La Pryor 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 La Pryor 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 La Pryor Independent School District's compliance.

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

In our opinion, La Pryor 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.

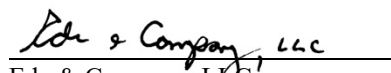
## Report on Internal Control Over Compliance

Management of La Pryor 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 La Pryor 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 La Pryor 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

January 18, 2017

**LA PRYOR 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 unmodified opinion on the financial statements of the La Pryor Independent School District.
- b. No significant deficiencies 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 La Pryor Independent School District.
- d. Our audit disclosed no significant deficiencies in internal control over major programs.
- e. We have issued an unmodified opinion on the District's compliance with laws and regulations for major programs.
- f. Our audit disclosed no findings which we are required to report under section .510(a).
- g. The following program was identified as a major programs:
  - CFDA # 84.010A ESEA Title I, Part A
- h. The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.00.
- i. The La Pryor Independent School District qualifies as a low-risk auditee.

r  
II. Findings relating to the Financial Statements which are required to be reported in accordance with Generally Accepted Government Auditing Standards.

None

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

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

**2016.01.** CFDA 84.367A ESEA Title II, Part A

**Allowable Cost/ Cost Principles**

**Criteria** – OMB Uniform Guidance requires recipients to ensure that funds received are spent only for reasonable and necessary costs of the program and not used for general expenses required to carry out other responsibilities of the District.

**Condition** – During expenditure testing, we identified an expenditure which did not appear to be reasonable and necessary in regard to ESEA Title II, Part A.

**Cause** – District personnel failed to understand the expenditure requirements of the program.

**Questioned Cost** – The District incurred questioned cost in the amount of \$4,759.43.

**Recommendations** – The District should insure the personnel understand what types of expenditures are allowable for each specific program

**Managements Response** – The District will insure the all personnel who participle in the purchase and payment of goods and services are properly trained in the specific cost requirements of the program.

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

**2015.01**

**Finding**

The District's expenditures exceeded the amount budgeted in the General Fund.

**Recommendation**

We recommend that the District assign an employee to monitor expenditures and prepare budget amendments for the Board's approval, whenever needed.

**Current Status**

The District has implemented procedures that have resulted in no expenditures in excess of budget in the General Fund.

**LA PRYOR INDEPENDENT SCHOOL DISTRICT  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED AUGUST 31, 2016**

**Finding 2016.01**

**Condition:** During expenditure testing, we identified an expenditure which did not appear to be reasonable and necessary in regard to ESEA Title II, Part A.

**Criteria:** OMB Uniform Guidance requires recipients to ensure that funds received are spent only for reasonable and necessary costs of the program and not used for general expenses required to carry out other responsibilities of the District.

**Cause:** District personnel failed to understand the expenditure requirements of the program.

**Recommendation:** The District should insure the personnel understand what types of expenditures are allowable for each specific program. The District should submit an amended final completion report to the Texas Education Agency, and should refund the questioned costs in the amount of \$4,759.43.

**Current Status**

1. Corrective action is being implemented

Contact persons for the above corrective action plan is Matthew McHazlett.

Anticipated completion of the corrective action plan is January 31, 2016.



LA PRYOR 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>U.S. DEPARTMENT OF EDUCATION</u>			
<u>Passed through State Dept. of Education</u>			
ESEA Title I, Part A, 1003(A) Priority & Focus School	84.010A	15610112254902101	11,048
ESEA Title I, Part A, Improving Basis Programs	84.010A	16610101254902	237,579
ESEA Title I, Part A, Improving Basis Programs	84.010A	17610101254902	3,586
ESEA Title I, Part A, 1003(A) Priority & Focus School	84.010A	16610112254902000	118,459
Total CFDA Number 84.010A			<u>370,672</u>
ESEA Title 1, Part C, Migrant	84.011A	16615001254902	114,319
Total CFDA Number 84.011A			<u>114,319</u>
* IDEA Part B, Formula	84.027A	166600012549026600	89,380
Total CFDA Number 84.027A			<u>89,380</u>
* IDEA Part B, Preschool	84.173A	166610012549026610	3,141
Total CFDA Number 84.173A			<u>3,141</u>
Total Special Education Cluster (IDEA)			<u>92,521</u>
ESEA Title II, Part A Teacher & Principal Training	84.367A	16694501254902	24,679
Total CFDA Number 84.367A			<u>24,679</u>
TOTAL DEPARTMENT OF EDUCATION			<u>602,190</u>
U.S DEPARTMENT OF HEALTH & HUMAN SERVICES			
Passed Through Advance San Antonio			
Head Start	93.600	06CH7059/02	43,031
Total Passed Through Advance San Antonio			<u>43,031</u>
TOTAL U.S. DEPARTMENT OF HEALTH & HUMAN SERVICE			<u>43,031</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through State Dept. of Education			
National School & Breakfast Program *	10.553	71301301	292,756
Training Assistance Grant	10.553	71301301	2,500
Non Cash Assistance Lunch & Breakfast Program	10.553	71301301	22,461
Total Passed Through State Dept. of Education			<u>317,716</u>

LA PRYOR 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
Passed Through Texas Department of Agriculture Child and Adult Care Food Program	10.558	71301301	36,994
Total Passed Through Texas Department of Agriculture			<u>36,994</u>
Passed Through Texas Dept. of Human Services Summer Feeding Program	10.559	71301301	5,616
Total Passed Through State Dept. Of Human Services			<u>5,616</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>360,327</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,005,548</u>

\* Clustered Programs as required by Compliance Supplement March 2001.

**LA PRYOR 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, a component of the 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, the Expendable Trust Fund, and Agency Funds. 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 La Pryor Independent School District fiscal year beginning September 1 2009, and future audits, will therefore identify commodity assistance by the CFDA numbers of the programs under which USDA donated the commodities.

## SCHOOLS FIRST QUESTIONNAIRE

LA PRYOR 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.	\$1,261,735
SF12	Net Pension Expense (6147) at fiscal year end.	\$166,034