

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

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

TABLE OF CONTENTS

<u>Exhibit</u>	<u>Page</u>
CERTIFICATE OF BOARD	1
Independent Auditors' Report	2-4
Management's Discussion and Analysis	5-11
<u>Basic Financial Statements</u>	
Government Wide Statements:	
A-1 Statement of Net Position	12
B-1 Statement of Activities	13-14
Governmental Fund Financial Statements:	
C-1 Balance Sheet	15
C-2 Reconciliation for C-1	16
C-3 Statement of Revenues, Expenditures, and Changes in Fund Balance	17
C-4 Reconciliation for C-3	18
Proprietary Fund Financial Statements:	
D-1 Statement of Net Position	19
D-2 Statement of Revenues, Expenses, and Changes in Fund Net Position	20
D-3 Statement of Cash Flows	21
Fiduciary Fund Financial Statements:	
E-1 Statement of Fiduciary Net Position	22
Notes to the Financial Statements	23-46
<u>Required Supplementary Information</u>	
G-1 Budgetary Comparison Schedule - General Fund	47
G-6 Schedule of the District's Proportionate Share of the Net Pension Liability (TRS)	48
G-7 Schedule of District Contributions to TRS	49
Notes to Required Supplementary Information	50
<u>Combining and Other Schedules</u>	
Nonmajor Governmental Funds:	
H-1 Combining Balance Sheet	51-54
H-2 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	55-58
<u>Required TEA Schedules</u>	
J-1 Schedule of Delinquent Taxes	59-60
J-2 Budgetary Comparison Schedule – Food Service Fund	61
J-3 Budgetary Comparison Schedule - Debt Service Fund	62
<u>Reports on Compliance, Internal Control, and Federal Awards</u>	
Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	63-64
Report on Compliance for Each Major Program and on Internal Control over Compliance Required by Uniform Guidance	65-66
Schedule of Findings and Questioned Costs	67
Schedule of Status of Prior Findings	68
Corrective Action Plan	69
K-1 Schedule of Expenditures of Federal Awards	70
Notes to Schedule of Expenditures of Federal Awards	71

CERTIFICATE OF BOARD

Lindale Independent School District
Name of School District

Smith
County

212-903
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 12 of December, 2016.



Signature of Board Secretary



Signature of Board President

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

**UNQUALIFIED OPINION ON BASIC FINANCIAL STATEMENTS
ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION AND OTHER
SUPPLEMENTARY INFORMATION INCLUDING THE
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Independent Auditor's Report

Board of Trustees
Lindale Independent School District
505 Pierce Street
Lindale, TX 75771

Members of the Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lindale Independent School District (the District) as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-11, budgetary comparison information on page 47, schedule of the District's proportionate share of the net pension liability (TRS) on page 48 and schedule of District contributions to TRS on page 49 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 Lindale Independent School District's basic financial statements. The combining financial statements 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 combining financial statements and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Texas Education Agency requires school districts to include certain information in the Annual Financial and Compliance Report in conformity with laws and regulations of the State of Texas. This information is in Exhibits identified in the Table of Contents as J-1 through J-3. 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 Reporting Required by *Government Auditing Standards*

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



WILF & HENDERSON, P.C.
Certified Public Accountants
Texarkana, Texas

December 5, 2016

LINDALE INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the 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

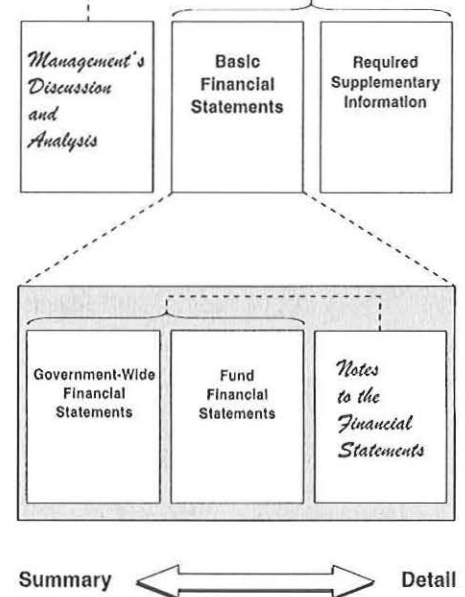
- The District's total combined net position was \$27,414,964 at August 31, 2016.
- The total cost of the District's governmental activities increased by approximately \$2,096,223 from the prior year. The increase is primarily a result of the growth in enrollment of the school district and employee salary increases.
- During the year, the District's total General Fund balance increased by \$195,331 due to conservative budgeting, increases in state funding formula allotments, increased enrollment, and cost saving practices.
- The District's M&O tax rate remained the same at \$1.08 and I&S rate remained the same at \$0.32.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements, notes to those statements, and other 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 Fund Statements tell how general government services were financed in the short term as well as what remains for future spending.
 - Proprietary Fund Statements offer financial information about the internal service fund used to report activities that provide services to organizations within the District.
 - 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.

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



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 on page 5 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2 (below) summarizes the major features of the District's financial statements, including the portion of the District's government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

**FIGURE A-2
MAJOR FEATURES OF THE DISTRICT'S GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

<i>Type of Statement</i>	Government-Wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
<i>Scope</i>	Entire District's government (except fiduciary funds) and the District's component units	The activities of the District that are not proprietary or fiduciary	Activities the District operates similar to private businesses: self-insurance	Instances in which the District is the trustee or agent for someone else's resources
<i>Required financial statements</i>	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
<i>Type of flow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

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, you need to consider additional non-financial 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 three types 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.
- **Proprietary funds**—Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information.
 - We use internal service funds to report activities that provide supplies and services for the District's other programs and activities—such as the District's Workers Compensation Fund.
- **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

Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental activities.

Net position. The District's combined net position was \$27,414,964 at August 31, 2016. The \$8,717,010 unrestricted net position represents resources available to fund the programs of the District next year.

Table I
Lindale Independent School District
NET POSITION

	Governmental Activities 2016	Governmental Activities 2015	Total \$ Change	Total % Change
Current and other assets	\$ 16,798,062	\$ 15,988,558	\$ 809,504	5.06%
Capital assets	72,335,123	71,518,493	816,630	1.14%
Total assets	<u>89,133,185</u>	<u>87,507,051</u>	<u>1,626,134</u>	<u>1.86%</u>
Deferred outflows of resources	<u>3,414,133</u>	<u>810,440</u>	<u>2,603,693</u>	<u>321.27%</u>
Other liabilities	2,275,548	1,664,300	611,248	36.73%
Long-term liabilities outstanding	56,828,982	58,646,235	(1,817,253)	-3.10%
TRS net pension liability	<u>5,610,399</u>	<u>2,365,213</u>	<u>3,245,186</u>	<u>137.20%</u>
Total liabilities	<u>64,714,929</u>	<u>62,675,748</u>	<u>2,039,181</u>	<u>3.25%</u>
Deferred inflows of resources	<u>417,425</u>	<u>723,526</u>	<u>(306,101)</u>	<u>-42.31%</u>
Net position:				
Net investment in capital assets	15,959,790	13,388,015	2,571,775	19.21%
Restricted	2,738,164	2,711,130	27,034	1.00%
Unrestricted	<u>8,717,010</u>	<u>8,819,072</u>	<u>(102,062)</u>	<u>-1.16%</u>
Total net position	<u>\$ 27,414,964</u>	<u>\$ 24,918,217</u>	<u>\$ 2,496,747</u>	<u>10.02%</u>

Changes in net position. As shown on the following table, the District's total revenues were \$41,553,382. A significant portion of the District's revenue comes from taxes and state aid. The total cost of all programs and services was \$39,056,635.

Governmental Activities

- Revenues from governmental fund types totaled \$41,553,382, an increase of 5.71% over the preceding year. The increase is primarily a result of the increases in the state revenue funding formulas and the increase in student average daily attendance.
- Property tax assessment increased by 1.26 % to \$1,224,077,071 with a rate of \$1.08 for maintenance and operation and a rate of \$0.32 for interest and sinking.
- The cost of all governmental activities this year was \$39,056,635.
- The amount that our taxpayers paid for these activities through property taxes was \$17,068,847.
- Some of the cost was paid by those who directly benefited from the programs of \$973,874, by operating grants and contributions of \$4,104,426 or by capital grants and contributions of \$83,731.

Table II
Lindale Independent School District
CHANGES IN NET POSITION

	Governmental Activities 2016	Governmental Activities 2015	Total Change	Total % Change
Revenues:				
Program Revenues:				
Charges for services	\$ 973,874	\$ 1,180,977	\$ (207,103)	-17.54%
Operating grants and contributions	4,104,426	4,334,925	(230,499)	-5.32%
Capital grants and contributions	83,731	-	83,731	100.00%
General Revenues:				
Property taxes levied for General Purposes	13,161,081	13,348,379	(187,298)	-1.40%
Property taxes levied for Debt Service	3,907,766	3,964,720	(56,954)	-1.44%
Grants & contributions not restricted	18,346,645	16,058,956	2,287,689	14.25%
Investments earnings	134,714	39,673	95,041	239.56%
Other general revenues	893,438	363,088	530,350	146.07%
Gain (Loss) on Sale of Capital Assets	(52,293)	18,806	(71,099)	-378.07%
Total Revenues	41,553,382	39,309,524	2,243,858	5.71%
Expenses:				
Instruction	21,515,025	19,996,656	1,518,369	7.59%
Instructional Resources and Media Services	417,092	387,108	29,984	7.75%
Curriculum and Staff Development	293,242	198,359	94,883	47.83%
Instructional and School Leadership	2,216,737	1,927,674	289,063	15.00%
Guidance, Counseling and Evaluation Services	1,211,147	965,125	246,022	25.49%
Social Work Services	9,611	62,906	(53,295)	-84.72%
Health Services	368,892	328,583	40,309	12.27%
Student (Pupil) Transportation	1,539,344	1,453,601	85,743	5.90%
Food Services	1,925,797	1,855,301	70,496	3.80%
Cocurricular/Extracurricular Activities	2,137,354	1,978,092	159,262	8.05%
General Administration	1,015,520	966,951	48,569	5.02%
Plant Maintenance and Operations	3,890,619	3,634,342	256,277	7.05%
Security and Monitoring Services	211,562	213,331	(1,769)	-0.83%
Data Processing Services	149,619	157,932	(8,313)	-5.26%
Community Service	14,556	-	14,556	100.00%
Debt Service	1,831,470	2,557,492	(726,022)	-28.39%
Payments to Fiscal Agents/Member Districts of SSA	45,086	33,681	11,405	33.86%
Payments to Juvenile Justice Alternative Ed. Prg.	5,601	-	5,601	100.00%
Other Intergovernmental Charges	258,361	243,278	15,083	6.20%
Total Expenses	39,056,635	36,960,412	2,096,223	5.67%
Increase (Decrease) in Net Position	2,496,747	2,349,112	147,635	6.28%
Net Position Beginning of Year	24,918,217	22,569,105	2,349,112	10.41%
Net Position End of Year	<u>\$27,414,964</u>	<u>\$24,918,217</u>	<u>\$ 2,496,747</u>	<u>10.02%</u>

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Our analysis focuses on the net changes in fund balances (Table III) of the District's governmental funds.

Table III
Lindale Independent School District
NET CHANGES IN FUND BALANCES

	Governmental Funds 2016	Governmental Funds 2015	Total \$ Change	Total % Change
Revenues:				
Local and Intermediate Sources	\$ 19,061,895	\$ 19,002,498	\$ 59,397	0.3%
State Program Revenues	18,878,418	17,635,985	1,242,433	7.0%
Federal Program Revenues	2,909,041	2,757,896	151,145	5.5%
Total Revenues	<u>40,849,354</u>	<u>39,396,379</u>	<u>1,452,975</u>	<u>3.7%</u>
Expenditures:				
Instruction	20,452,547	18,719,535	1,733,012	9.3%
Instructional resources & media services	375,831	356,574	19,257	5.4%
Curriculum and instructional staff development	294,028	197,860	96,168	48.6%
Instructional and school leadership	2,113,312	1,903,585	209,727	11.0%
Guidance, counseling & evaluation services	1,157,942	965,150	192,792	20.0%
Social work and health services	363,328	391,783	(28,455)	-7.3%
Student (pupil) transportation	1,355,145	1,326,733	28,412	2.1%
Food services	1,794,070	2,112,858	(318,788)	-15.1%
Extracurricular activities	1,542,680	1,393,705	148,975	10.7%
General administration	955,805	949,358	6,447	0.7%
Facilities maintenance & operations	3,720,732	3,567,298	153,434	4.3%
Security & monitoring services	199,707	248,586	(48,879)	-19.7%
Data processing services	139,482	154,548	(15,066)	-9.7%
Community service	13,396	-	13,396	100.0%
Debt service	4,679,055	4,805,716	(126,661)	-2.6%
Facilities acquisition and construction	2,208,121	116,454	2,091,667	1796.1%
Payments to fiscal agent/member of SSA	45,086	33,681	11,405	33.9%
Payments to juvenile justice alternative ed. prg.	5,601	-	5,601	100.0%
Other intergovernmental charges	258,361	243,278	15,083	6.2%
Total Expenditures	<u>41,674,229</u>	<u>37,486,702</u>	<u>4,187,527</u>	<u>11.2%</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(824,875)	1,909,677	(2,734,552)	-143.2%
Other Financing Sources (Uses)	1,087,901	133,448	954,453	715.2%
Special Item - Lease of mineral rights	-	18,806	(18,806)	-100.0%
Net Change in Fund Balances	263,026	2,061,931	(1,798,905)	-87.2%
Fund Balance - Beginning of Year	<u>13,035,034</u>	<u>10,973,103</u>	<u>2,061,931</u>	<u>18.8%</u>
Fund Balance - End of Year	<u>\$ 13,298,060</u>	<u>\$ 13,035,034</u>	<u>\$ 263,026</u>	<u>2.0%</u>

General Fund Budgetary Highlights

Over the course of the year, the District increased its budgeted expenditures several times. The District's General Fund balance increased \$195,331 during the year ended August 31, 2016. This increase is largely due to conservative budgeting, increases in state funding formula allotments, increased enrollment, and cost saving practices.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2016, the District had \$72,335,123 invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This amount represents a net increase of \$816,630 due to capital asset additions being more than depreciation.

More detailed information about the District's capital asset activity is presented in Note H to the financial statements.

Long Term Debt

At year-end, the District had \$51,519,275 in bonds outstanding versus \$54,384,275 last year. The decrease is due to the maturity and payment of several bond issues during the year ended August 31, 2016. Proceeds from the bonds issued in prior years have been and will continue to be used to construct school facilities.

More detailed information about the District's long-term liabilities is presented in Notes I and J to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Net taxable property values used for the 2016-2017 budget preparation increased 4.6% over the prior year values. The maintenance and operations tax rate and the interest and sinking tax rate remained constant at \$1.08 and \$0.32, respectively.
- The District's 2016-2017 refined average daily attendance is expected to increase slightly by approximately 3%.

These indicators were taken into account when adopting the General Fund budget for 2016-2017. Amounts available for appropriation in the General Fund budget are \$33,069,507, a decrease of \$1,938,859 over the final 2015-2016 budget. The decrease is due to a building expansion which was done in 2014-2015 and no such expansion will be done in 2016-2017. Property tax revenue will increase due to increased property values. State revenue will increase due to increases in student refined average daily attendance. The largest expenditure increases will be for employee pay raises.

If these estimates are realized, the District's budgetary General Fund balance is expected to increase slightly at the close of 2016-2017. The Board of Trustees has carefully planned to maintain the three month operating costs fund balance as suggested by TEA.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Business Services Office at (903) 881-4000.

BASIC FINANCIAL STATEMENTS

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

EXHIBIT A-1

Data Control Codes	Primary Government
	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 15,137,233
1220 Property Taxes Receivable (Delinquent)	867,193
1230 Allowance for Uncollectible Taxes	(3,045)
1240 Due from Other Governments	615,034
1290 Other Receivables, Net	135,352
1300 Inventories	36,764
1410 Prepayments	9,531
Capital Assets:	
1510 Land	2,117,879
1520 Buildings and Improvements, Net	66,794,147
1530 Furniture and Equipment, Net	1,843,261
1550 Leased Property Under Capital Leases, Net	1,579,836
1000 Total Assets	89,133,185
DEFERRED OUTFLOWS OF RESOURCES	
1701 Deferred Charge for Refunding	306,379
1705 Deferred Outflow Related to TRS	3,107,754
1700 Total Deferred Outflows of Resources	3,414,133
LIABILITIES	
2110 Accounts Payable	499,819
2140 Accrued Interest Payable	69,573
2160 Accrued Wages Payable	1,439,848
2180 Due to Other Governments	168,147
2200 Accrued Expenses	31,348
2300 Unearned Revenue	66,813
Noncurrent Liabilities	
2501 Due Within One Year	3,412,292
2502 Due in More Than One Year	53,416,690
2540 Net Pension Liability (District's Share)	5,610,399
2000 Total Liabilities	64,714,929
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS	417,425
2600 Total Deferred Inflows of Resources	417,425
NET POSITION	
3200 Net Investment in Capital Assets	15,959,790
3820 Restricted for Federal and State Programs	317,380
3850 Restricted for Debt Service	2,365,962
3890 Restricted for Other Purposes	54,822
3900 Unrestricted	8,717,010
3000 Total Net Position	\$ 27,414,964

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

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

Data Control Codes	1	Program Revenues		
		3	4	
	Expenses	Charges for Services	Operating Grants and Contributions	
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11	Instruction	\$ 21,515,025	\$ 36,169	\$ 2,299,813
12	Instructional Resources and Media Services	417,092	22,609	17,083
13	Curriculum and Staff Development	293,242	-	10,123
21	Instructional Leadership	430,648	-	21,888
23	School Leadership	1,786,089	-	89,300
31	Guidance, Counseling and Evaluation Services	1,211,147	-	179,185
32	Social Work Services	9,611	-	-
33	Health Services	368,892	-	21,267
34	Student (Pupil) Transportation	1,539,344	-	78,310
35	Food Services	1,925,797	552,593	1,140,823
36	Extracurricular Activities	2,137,354	362,503	44,149
41	General Administration	1,015,520	-	39,795
51	Facilities Maintenance and Operations	3,890,619	-	113,672
52	Security and Monitoring Services	211,562	-	8,330
53	Data Processing Services	149,619	-	5,869
61	Community Services	14,556	-	5,550
72	Debt Service - Interest on Long Term Debt	1,827,420	-	1,269
73	Debt Service - Bond Issuance Cost and Fees	4,050	-	-
93	Payments related to Shared Services Arrangements	45,086	-	28,000
95	Payments to Juvenile Justice Alternative Ed. Prg.	5,601	-	-
99	Other Intergovernmental Charges	258,361	-	-
	[TP] TOTAL PRIMARY GOVERNMENT:	\$ 39,056,635	\$ 973,874	\$ 4,104,426

Data Control Codes	General Revenues:
	Taxes:
MT	Property Taxes, Levied for General Purposes
DT	Property Taxes, Levied for Debt Service
GC	Grants and Contributions not Restricted
IE	Investment Earnings
MI	Miscellaneous Local and Intermediate Revenue
S1	Loss on Sale of Capital Assets
TR	Total General Revenues and Special Items
CN	Change in Net Position
NB	Net Position - Beginning
NE	Net Position - Ending

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

		Net (Expense) Revenue and Changes in Net Position	
5		6	
Capital Grants and Contributions		Governmental Activities	
\$	83,731	\$	(19,095,312)
	-		(377,400)
	-		(283,119)
	-		(408,760)
	-		(1,696,789)
	-		(1,031,962)
	-		(9,611)
	-		(347,625)
	-		(1,461,034)
	-		(232,381)
	-		(1,730,702)
	-		(975,725)
	-		(3,776,947)
	-		(203,232)
	-		(143,750)
	-		(9,006)
	-		(1,826,151)
	-		(4,050)
	-		(17,086)
	-		(5,601)
	-		(258,361)
\$	<u>83,731</u>		<u>(33,894,604)</u>

13,161,081

3,907,766

18,346,645

134,714

893,438

(52,293)36,391,351

2,496,747

24,918,217\$ 27,414,964

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

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 11,757,339	\$ 2,399,525	\$ 435,395	\$ 14,592,259
1220 Property Taxes - Delinquent	664,718	202,475	-	867,193
1230 Allowance for Uncollectible Taxes (Credit)	(2,334)	(711)	-	(3,045)
1240 Receivables from Other Governments	358,918	2,693	253,423	615,034
1260 Due from Other Funds	-	-	27,525	27,525
1290 Other Receivables	120,852	-	14,500	135,352
1300 Inventories	-	-	36,764	36,764
1410 Prepayments	9,531	-	-	9,531
1000 Total Assets	<u>\$ 12,909,024</u>	<u>\$ 2,603,982</u>	<u>\$ 767,607</u>	<u>\$ 16,280,613</u>
LIABILITIES				
2110 Accounts Payable	\$ 376,538	\$ 300	\$ 7,886	\$ 384,724
2160 Accrued Wages Payable	1,303,067	-	136,781	1,439,848
2170 Due to Other Funds	27,525	-	-	27,525
2180 Due to Other Governments	-	168,147	-	168,147
2200 Accrued Expenditures	22,123	-	9,225	31,348
2300 Unearned Revenues	18,252	-	48,561	66,813
2000 Total Liabilities	<u>1,747,505</u>	<u>168,447</u>	<u>202,453</u>	<u>2,118,405</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	662,384	201,764	-	864,148
2600 Total Deferred Inflows of Resources	<u>662,384</u>	<u>201,764</u>	<u>-</u>	<u>864,148</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3410 Inventories	-	-	36,764	36,764
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	317,380	317,380
3480 Retirement of Long-Term Debt	-	2,233,771	-	2,233,771
3490 Other Restricted Fund Balance	-	-	18,058	18,058
Committed Fund Balance:				
3530 Capital Expenditures for Equipment	300,000	-	-	300,000
3545 Other Committed Fund Balance	-	-	192,952	192,952
Assigned Fund Balance:				
3550 Construction	2,000,000	-	-	2,000,000
3590 Other Assigned Fund Balance	25,641	-	-	25,641
3600 Unassigned Fund Balance	8,173,494	-	-	8,173,494
3000 Total Fund Balances	<u>10,499,135</u>	<u>2,233,771</u>	<u>565,154</u>	<u>13,298,060</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 12,909,024</u>	<u>\$ 2,603,982</u>	<u>\$ 767,607</u>	<u>\$ 16,280,613</u>

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

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

Total Fund Balances - Governmental Funds	\$ 13,298,060
1 The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.	429,879
2 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 \$102,126,057 and the accumulated depreciation was (\$30,607,564). 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. At the beginning of the year, these long-term liabilities totaled (\$58,646,235). The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.	12,872,258
3 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2016 capital outlays and debt principal payments is to increase net position.	6,718,613
4 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 (\$5,610,399), a Deferred Resource Inflow related to TRS in the amount of (\$417,425) and a Deferred Resource Outflow related to TRS in the amount of \$3,107,754. This amounted to a decrease in Net Position in the amount of (\$2,920,070).	(2,920,070)
5 The 2016 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(2,788,015)
6 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position.	(195,761)
19 Net Position of Governmental Activities	<u>\$ 27,414,964</u>

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

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

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 14,222,481	\$ 3,963,171	\$ 876,243	\$ 19,061,895
5800 State Program Revenues	18,126,521	562,696	189,201	18,878,418
5900 Federal Program Revenues	390,355	-	2,518,686	2,909,041
5020 Total Revenues	<u>32,739,357</u>	<u>4,525,867</u>	<u>3,584,130</u>	<u>40,849,354</u>
EXPENDITURES:				
Current:				
0011 Instruction	18,913,790	-	1,538,757	20,452,547
0012 Instructional Resources and Media Services	350,702	-	25,129	375,831
0013 Curriculum and Instructional Staff Development	291,045	-	2,983	294,028
0021 Instructional Leadership	414,961	-	37	414,998
0023 School Leadership	1,674,689	-	23,625	1,698,314
0031 Guidance, Counseling and Evaluation Services	1,039,604	-	118,338	1,157,942
0032 Social Work Services	7,950	-	-	7,950
0033 Health Services	355,378	-	-	355,378
0034 Student (Pupil) Transportation	1,355,145	-	-	1,355,145
0035 Food Services	38,846	-	1,755,224	1,794,070
0036 Extracurricular Activities	1,506,321	-	36,359	1,542,680
0041 General Administration	952,488	-	3,317	955,805
0051 Facilities Maintenance and Operations	3,720,164	-	568	3,720,732
0052 Security and Monitoring Services	198,318	-	1,389	199,707
0053 Data Processing Services	139,482	-	-	139,482
0061 Community Services	-	-	13,396	13,396
Debt Service:				
0071 Principal on Long Term Debt	165,237	2,865,000	83,731	3,113,968
0072 Interest on Long Term Debt	18,638	1,541,130	1,269	1,561,037
0073 Bond Issuance Cost and Fees	-	4,050	-	4,050
Capital Outlay:				
0081 Facilities Acquisition and Construction	2,208,121	-	-	2,208,121
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	17,086	-	28,000	45,086
0095 Payments to Juvenile Justice Alternative Ed. Prg.	5,601	-	-	5,601
0099 Other Intergovernmental Charges	258,361	-	-	258,361
6030 Total Expenditures	<u>33,631,927</u>	<u>4,410,180</u>	<u>3,632,122</u>	<u>41,674,229</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(892,570)	115,687	(47,992)	(824,875)
OTHER FINANCING SOURCES (USES):				
7913 Capital Leases	1,087,901	-	-	1,087,901
1200 Net Change in Fund Balances	195,331	115,687	(47,992)	263,026
0100 Fund Balance - September 1 (Beginning)	10,303,804	2,118,084	613,146	13,035,034
3000 Fund Balance - August 31 (Ending)	<u>\$ 10,499,135</u>	<u>\$ 2,233,771</u>	<u>\$ 565,154</u>	<u>\$ 13,298,060</u>

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

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

Total Net Change in Fund Balances - Governmental Funds	\$	263,026
The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to decrease net position.		(78,287)
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.		6,718,613
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.		(2,788,015)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position.		(1,360,501)
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 8/31/2015 caused the change in the ending net position to increase in the amount of \$506,408. Contributions made before the measurement date and during the 2015 FY were also expended and recorded as a reduction in the net pension liability for the district. This also caused a increase in the change in net position in the amount of (\$236,438). The District recorded their proportionate share of the pension expense during the measurement period as part of the net pension liability. The net position expense decreased the change in net position by (\$528,059). The impact of all of these is to decrease the change in net position by (\$258,089).		(258,089)
Change in Net Position of Governmental Activities	<u>\$</u>	<u>2,496,747</u>

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

LINDALE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AUGUST 31, 2016

	Governmental Activities -
	Internal Service Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 544,974
Total Assets	544,974
LIABILITIES	
Current Liabilities:	
Accounts Payable	115,095
Total Liabilities	115,095
NET POSITION	
Unrestricted Net Position	429,879
Total Net Position	\$ 429,879

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

LINDALE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2016

	Governmental Activities -
	Internal Service Fund
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 2,514
Total Operating Revenues	2,514
OPERATING EXPENSES:	
Professional and Contracted Services	80,801
Total Operating Expenses	80,801
Operating Income (Loss)	(78,287)
Total Net Position - September 1 (Beginning)	508,166
Total Net Position - August 31 (Ending)	\$ 429,879

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

LINDALE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2016

	Governmental Activities -
	Internal Service Fund
<hr/>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 2,514
Cash Payments for Insurance Claims	(50,060)
Net Cash Used for Operating Activities	<u>(47,546)</u>
Net Decrease in Cash and Cash Equivalents	(47,546)
Cash and Cash Equivalents at Beginning of Year	<u>592,520</u>
Cash and Cash Equivalents at End of Year	<u>\$ 544,974</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>Used for Operating Activities:</u>	
Operating Income (Loss):	\$ (78,287)
Effect of Increases and Decreases in Current Assets and Liabilities:	
Increase (decrease) in Accounts Payable	<u>30,741</u>
Net Cash Used for Operating Activities	<u>\$ (47,546)</u>

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

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

	Agency Funds
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 228,242
Total Assets	<u>\$ 228,242</u>
LIABILITIES	
Due to Student Groups	\$ 228,242
Total Liabilities	<u>\$ 228,242</u>

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

LINDALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2016

Note A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Lindale Independent School District (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 (Board), which are elected by eligible registered voters. The District prepares its basic financial statements in conformity with United States generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in *AU Section 411 "The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles"* of the American Institute of Certified Public Accountants, and it complies with the requirements of the appropriate version of Texas Education Agency's (TEA) *Financial Accountability System Resource Guide* (Resource Guide) and the requirements of contracts and grants of agencies from which it receives funds.

1. REPORTING ENTITY

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 GASB in its Statement No. 14, "The Financial Reporting Entity." There are no component units that are material to the reporting entity, and none are included in the financial statements.

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

In 2015, Lindale Independent School District implemented Governmental Accounting Standards Board (GASB) Number 68 *Accounting and Reporting for Pensions* to assume its proportionate share of the Net Pension Liability of the Teachers Retirement System of Texas (TRS).

As of August 31, 2016, Lindale Independent School District retrospectively/prospectively applied Governmental Accounting Standards Board ("GASB") Statement No. 72, *Fair Value Measurement and Application*. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the District's non-fiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants, and other intergovernmental revenues.

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. Direct expenses are those that are specifically associated with a program or function, and therefore, are clearly identifiable to a particular function. Program revenues include "charges for services" and "grants and contributions." The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include tuition paid by students not residing in the District, school lunch charges, etc. The "grants and contributions" column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. Non-program revenues are considered general revenue available to support all of the

LINDALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2016

District's functions. Taxes are always general revenues. In the government-wide statements, indirect expenses (like depreciation) are allocated to functions based on the character of the expense.

Interfund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due froms 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. For the most part, the effect of interfund activity has been removed from the government-wide statements, although interfund services provided and used are not eliminated in the process of consolidation.

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.

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

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

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the proprietary fund and fiduciary fund financial statements. Agency funds, however, are unlike all types of other funds, reporting only assets and liabilities. Therefore, agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible to accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

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

LINDALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2016

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position.

4. FUND ACCOUNTING

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

The District reports the following major governmental funds:

- **General Fund** - This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund. Major revenue sources include local property taxes, state funding under the Foundation School Program, and Medicaid reimbursement. Expenditures include all costs associated with the daily operations of the District except for specific programs funded by the federal or state government, food service, debt service, and capital projects. The General Fund is a budgeted fund, and any fund balances are considered resources available for current operations.
- **Debt Service Fund** - The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund which is a budgeted fund. Revenues include collections on property taxes and earnings on investments of the fund. The fund balance represents amounts that will be used for retirement of bonds and payment of interest in the future.

Additionally, the District reports the following fund types:

Governmental Funds:

- **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 are accounted for in a special revenue fund. Sometimes unused balances must be returned to the grantor at the close of specified project periods.

Proprietary Funds:

- **Internal Service Funds** - These funds are used to account for revenues and expenses related to services provided to parties inside the District. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. Because the principal users of the internal services are the District's governmental activities, this fund type is included in the "Governmental Activities" column of the government-wide financial statements. The District's Internal Service Fund is Workers' Compensation and is not a budgeted fund.

Fiduciary Funds:

- **Agency Funds** - The District accounts for resources held for others in a custodial capacity in agency funds. Fiduciary funds are reported in the fiduciary fund financial statements. However, because these assets are not available to support District programs, these funds are not included in the government-wide statements. The District's agency funds include the Student Activity Fund and the Lindale Education Foundation.

LINDALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2016

5. FUND BALANCE CLASSIFICATION

During fiscal year ending 2011, the District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications, as reported on Exhibit C-1, describe the relative strength of the spending constraints:

Nonspendable fund balance – amounts that are not in spendable form (such as inventory) or are required to be maintained intact.

Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance – amounts constrained to specific purposes by the Board, using its highest level of decision-making authority. To be reported as committed, amounts cannot be used for any other purpose unless the Board takes the same highest level action to remove or change the constraint. The District has committed \$300,000 for equipment as of August 31, 2016.

Assigned fund balance – amounts the Board intends to use for a specific purpose. Intent can be expressed by the Superintendent or Director of Finance, through which the Board has delegated the authority. The District has assigned \$2,000,000 for future land purchase, roof repairs and A/C unit replacements expenditures and \$25,641 for encumbrances as of August 31, 2016.

Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

The Board establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). When it is appropriate for fund balance to be assigned, (such as for the purchase of fixed assets, construction, debt service, or for other purposes), the Board designated the authority to the Superintendent and Director of Finance.

In the General Fund, the District's goal is to maintain sufficient working capital and a margin of safety to address local and regional emergencies without borrowing. The District strives to maintain a yearly fund balance in the General Fund in which the total fund balance is equal to the unassigned fund balance plus the committed fund balance. The unassigned fund balance shall be equal to at least two months of the total operating expenditures. The ending unassigned fund balance as of August 31, 2016, exceeds two months of total operating expenditures.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

6. CASH AND CASH EQUIVALENTS

The District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased. See Note C for more detail on deposits and investments.

7. INVENTORIES

Inventories of supplies on the balance sheet are stated at weighted average cost, while inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Inventory items are recorded as expenditures when they are consumed. Supplies are used for almost all functions of activity, while food commodities are used only in the food service program.

LINDALE INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 AUGUST 31, 2016

Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded as inventory and deferred revenue when received. When requisitioned, inventory and deferred revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

8. LONG-TERM DEBT

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable premiums and discounts. Bond issuance costs are expensed as incurred.

In the governmental fund financial statements, bond premiums and discounts are recognized during the current period. The face amount of debt issued and any premiums received are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

9. USE OF ESTIMATES

The preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

10. CAPITAL ASSETS

Capital assets, which include land, buildings, furniture, and equipment, are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of \$5,000 and more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Land and construction in progress, if any, are not depreciated.

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

Asset Class	Estimated Useful Lives (in years)
Buildings and Expansions	50
Building Improvements	20
Vehicles	8
Office Equipment	5
Computer Equipment	5
Large Equipment	12

11. COMPENSATED ABSENCES

It is the District's policy to permit some employees to accumulate earned but unused sick pay benefits. The liability for accumulated unpaid sick leave benefits is reported as a Noncurrent Liability in the Statement of Net Position. See Note I for a summary of changes in the accumulated sick leave liability.

LINDALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2016

12. INTERNAL SERVICE FUND

Since Internal Service Funds support the operations of governmental funds, they are consolidated with the governmental funds in the government-wide financial statements. The expenditures of governmental funds that create the revenues of internal service funds are eliminated to avoid "grossing up" the revenues and expenses of the District as a whole.

13. GRANT REVENUE

The District has reported restricted assets in the instance of grants received for restricted purposes.

14. INTERFUND TRANSACTIONS

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

15. ENCUMBRANCE ACCOUNTING

The District employs encumbrance accounting, whereby encumbrances for goods or purchased services are documented by purchase orders and contracts. An encumbrance represents a commitment of Board appropriation related to unperformed contracts for goods and services. The issuance of a purchase order or the signing of a contract creates an encumbrance but does not represent an expenditure for the period, only a commitment to expend resources. Appropriations lapse at August 31 and encumbrances outstanding at that time are either canceled or appropriately provided for in the subsequent year's budget.

16. RESTRICTED AND UNRESTRICTED ASSETS

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

17. DATA CONTROL CODES

The Data Control Codes refer to the account code structure prescribed by TEA in the *Resource Guide*. TEA requires school districts to display these codes in the financial statements filed with TEA in order to insure accuracy in building a statewide database for policy development and funding plans.

18. FUNCTIONS

School Districts are required to report all expenses by function, except certain indirect expenses. General administration, data processing service and other intergovernmental charges functions (Data control codes 41, 53 and 99, respectively) include expenses that are indirect expenses of other functions. These indirect expenses are not allocated to other functions.

LINDALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2016

19. DEERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

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

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

NOTE B. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position - Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net position for governmental activities as reported in the government-wide statement of net position.

One element of the reconciliation explains that capital assets 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 \$102,126,057 and the accumulated depreciation was (\$30,607,564). In addition, long-term liabilities, including bonds payable, are not due and payable in the current period therefore are not reported as liabilities in the funds. At the beginning of the year, these long-term liabilities totaled (\$58,646,235). The net effect of including the beginning balances for capital assets (net of accumulated depreciation) and long-term debt in the governmental activities is to increase net position by \$12,872,258.

Another element of the reconciliation explains that current year capital outlays and long-term debt principal payments are reflected as expenditures in the fund financial statements, but is shown as increases in capital assets and reductions in long-term debt in the government-wide statement. This element affects both the balance of net position and the changes in net position. The net effect of including the current year capital outlay additions of \$3,656,938, net disposal of fixed assets of (\$52,293), current year bond principal payments of \$2,865,000 and capital lease principal payments of \$248,968 is to increase net position by \$6,718,613.

Another element of the reconciliation explains that items related to debit is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of (\$5,610,399), a Deferred Resource Inflow related to TRS in the amount of (\$417,425) and a Deferred Resource Outflow related to TRS in the amount of \$3,107,754. This amounted to a decrease in net position in the amount of (\$2,920,070).

Another element of the reconciliation explains that current year depreciation expense is not reflected as expenditures in the fund financial statements, but is shown as increases in accumulated depreciation in the government -wide statement of net position. This element affects both the balance of net position and the changes in net position. The net effect of including the current year depreciation expense is to decrease assets by (\$2,788,015).

The final element of the reconciliation describes various other assets and liabilities recognitions, reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to the full accrual basis of accounting. The details for this element are as follows:

LINDALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2016

	Amount	Adjustments to Net Position
<u>Adjustments to Revenue and Unavailable Revenue</u>		
Taxes collected from prior year levies	520,197	
Uncollected taxes (assumed collectible) from current year levy	343,951	
Total Adjustments to Net Position		864,148
<u>Adjustments Associated with Long-Term Debt</u>		
(Increase) in compensated absences	(15,195)	
Interest accrued on bonds payable for current year	(69,573)	
Amortization of accretion on bond payable, net of payment	(425,361)	
Amortization of premium/discount for current year	231,742	
Deferred charge on refunding, beginning of year	383,682	
Amortization of deferred charge on refunding for current year	(77,303)	
Proceeds for current year capital lease	(1,087,901)	
Total Adjustments to Net Position		(1,059,909)
Net Adjustments to Net Position - (Decrease)		(195,761)

Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities - Exhibit C-4 provides a reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net position of governmental activities as reported on the government-wide statement of activities.

One element of the reconciliation explains that current year capital outlays and long-term debt principal payments are reflected as expenditures in the fund financial statements, but is shown as increases in capital assets and reductions in long-term debt in the government-wide statement. This element affects both the balance of net position and the changes in net position. The net effect of removing the current year capital outlay additions of \$3,656,938, net disposal of fixed assets of (\$52,293), current year bond principal payments of \$2,865,000 and capital lease principal payments of \$248,968 is to increase net position by \$6,718,613.

Another element of the reconciliation explains that the implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date caused the change in ending net position to increase in the amount of \$506,408. The District recorded their proportionate share of the pension expense during the measurement period as part of the net pension liability. The amounts expensed and de-expended caused a decrease in the change in net position of (\$764,497). The impact of all of these is to decrease the change in net position by (\$258,089).

Another element of the reconciliation explains that current year depreciation expense is not reflected as expenditures in the fund financial statements, but is shown as depreciation expense in the government-wide statement of activities. This element affects both the balance of net position and the changes in net position. The net effect of including the current year depreciation expense is to decrease assets by (\$2,788,015).

The final element of the reconciliation describes various other assets and liabilities recognitions, reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to the full accrual basis of accounting. The details for this element are as follows:

LINDALE INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 AUGUST 31, 2016

	Amount	Adjustments to Changes in Net Position
<u>Adjustments to Revenue and Unavailable Revenue</u>		
Taxes collected from prior year levies	(334,973)	
Uncollected taxes (assumed collectible) from current year levy	343,951	
Total Adjustments to Changes in Net Position		8,978
 <u>Adjustments Associated with Long-Term Debt</u>		
(Increase) in compensated absences	(15,195)	
Decrease in accrued interest payable	4,539	
Interest expense accreted on CAB bonds for current year	(425,361)	
Amortization of premium/discount for current year	231,742	
Amortization of deferred charge on refunding for current year	(77,303)	
Proceeds for current year capital lease	(1,087,901)	
Total Adjustments to Changes in Net Position		<u>(1,369,479)</u>
Net Adjustments to Changes in Net Position - (Decrease)		<u><u>(1,360,501)</u></u>

NOTE C. DEPOSITS AND INVESTMENTS

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

The District's cash deposits at August 31, 2016 and during the year were entirely covered by FDIC insurance or pledged securities purchased by the depository bank in the District's name.

The Public Funds Investment Act (Government Code Chapter 2256) (the Act) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the 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 District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

LINDALE INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 AUGUST 31, 2016

As of August 31, 2016, Lindale Independent School District had the following investments:

<u>Investment Type</u>	Investment Maturities (in years)				
	Fair Value*	Less than 1	1-5	6-10	More than 10
Investment Pools **					
Lone Star ***	2,282,825	2,282,825	-	-	-
Total	2,282,825	2,282,825	-	-	-

*Fair value is the amount at which a security could be exchanged in a current transaction between willing parties, other than in a forced liquidation. Under GASB 31, all investments are recorded at fair value.

**Local government investment pools operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Local government investment pools use amortized cost rather than market value to report net position to compute share prices. Accordingly, the fair value of the position in these pools is the same as the value of the shares in each pool.

***Investments in local government pool are based upon a contract and not the security itself. The above investment pools, which are regulated by the Securities and Exchange Commission, have as one of their objectives the maintenance of a stable net asset value of \$1.00.

Lone Star Investment Pool (Pool) was organized in 1991 in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The Pool is administered by First Public, formerly known as Texas Association of School Boards Financial Services. The Pool is governed by an 11-member board, all of whom are participants in the Pool.

Policies Governing Deposits and Investments

In compliance with the Act, the District has adopted a deposit and investment policy. That policy addresses the following risks:

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 does not have any deposits or investments denominated in a foreign currency.

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 requires investments to be made in a manner that ensures the preservation of capital in the overall portfolio, and offsets during the 12-month period any market price losses resulting from interest-rate fluctuations by income received from the balance of the portfolio.

Interest Rate Risk: To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires any internally created pool fund group of the District to have a maximum dollar weighted maturity of 180 days. The maximum allowable stated maturity of any other individual investment owned by the District may not exceed one year from the time of purchase. All of the District's investments at August 31, 2015, had a maturity of one year or less.

Other Credit Risk: There is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. To minimize credit risk, the Pool invests only in investments authorized under the Act. As of August 31, 2016, the Pool's investments credit quality rating was AAA (Standard & Poor's).

LINDALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2016

NOTE D. PROPERTY TAXES

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 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 when they become due or past due and receivable within the current period.

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. At August 31, 2016, the District reported an allowance for uncollectible property taxes of \$3,045.

NOTE E. DELINQUENT TAXES RECEIVABLE

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

NOTE F. INTERFUND BALANCES

Interfund balances at August 31, 2016, consisted of the following amounts. All interfund balances are expected to be repaid within one year.

Due to Non-major Governmental Funds (Special Revenue) -	
Food Service Fund from General Fund	<u>\$ 27,525</u>
Total	<u>\$ 27,525</u>

These interfund balances resulted from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and/or payments between funds are made.

NOTE G. DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

Receivables at August 31, 2016, were as follows:

	Property Taxes	Other Governments	Due from Other Funds	Other Receivables	Total Receivables
Governmental Activities:					
General Fund	664,718	358,918	-	120,852	1,144,488
Debt Service	202,475	2,693	-	-	205,168
Nonmajor Governmental Funds (Special Revenue)	-	253,423	27,525	14,500	295,448
Total - Governmental Activities	867,193	615,034	27,525	135,352	1,645,104
Amounts not scheduled for collection during the subsequent year	(3,045)	-	-	-	(3,045)

LINDALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2016

Payables at August 31, 2016, were as follows:

	Accounts	Accrued Wages Payable	Due to Other Funds	Other Governments	Total Payables
Governmental Activities:					
General Fund	376,538	1,325,190	27,525	-	1,729,253
Debt Service Fund	300	-	-	168,147	168,447
Nonmajor Governmental Funds (Special Revenue)	7,886	146,006	-	-	153,892
Total - Governmental Activities	384,724	1,471,196	27,525	168,147	2,051,592

NOTE H. CAPITAL ASSET ACTIVITY

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

	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Governmental Activities:				
Land	2,117,879	-	-	2,117,879
Building and Improvements	91,232,752	2,208,121	-	93,440,873
Furniture and Equipment	6,752,877	360,916	(230,203)	6,883,590
Assets under capital lease	2,022,549	1,087,901	-	3,110,450
Totals at Historic Cost	102,126,057	3,656,938	(230,203)	105,552,792
Less Accumulated Depreciation for:				
Buildings and Improvements	24,507,449	2,139,277	-	26,646,726
Furniture and Equipment	4,730,816	487,423	(177,910)	5,040,329
Assets under capital lease	1,369,299	161,315	-	1,530,614
Total Accumulated Depreciation	30,607,564	2,788,015	(177,910)	33,217,669
Governmental Activities, Net:				
Land	2,117,879	-	-	2,117,879
Building and Improvements, Net	66,725,303	68,844	-	66,794,147
Furniture and Equipment, Net	2,022,061	(126,507)	(52,293)	1,843,261
Assets under capital lease Net	653,250	926,586	-	1,579,836
Capital Assets, Net	71,518,493	868,923	(52,293)	72,335,123

During the year the District purchased several capital assets, including a cafeteria walk-in freezer, an embroidery machine, a washer and base, a SANS virtual communication system for the Special Education program, a band instrument and an upgrade to network switches. The District also purchased 2 buses and 3 vehicles. The District entered into a capital lease with Apple, Inc. for the purchase of new Ipads. The District entered into a construction contract with Jackson Construction Company, Inc. for additions and renovations to the Early Childhood Center in the amount of \$2,220,843 during the year. The contract price decreased by \$183,983 due to change orders made during the project. Total cost of the construction, including engineering fees and other costs, amounted to \$2,208,121.

LINDALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2016

Depreciation expense was charged to governmental functions as follows:

Instruction	1,552,336
Instructional Resources and Media Services	30,563
Instructional Leadership	438
School Leadership	25,160
Student (Pupil) Transportation	323,844
Food Services	112,611
Cocurricular/Extracurricular Activities	619,240
General Administration	9,343
Plant Maintenance and Operations	103,342
Security and Monitoring Services	4,577
Data Processing Services	<u>6,561</u>
Total Depreciation Expense	<u><u>2,788,015</u></u>

NOTE I. LONG-TERM OBLIGATIONS

The District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District. There are a number of limitations and restriction contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions at August 31, 2016.

The following is a summary of changes in long-term obligation activity for governmental activities for the year ended August 31, 2016:

	Beginning Balance	Additions	Reductions	Ending Balance
Bonds payable	\$54,384,275	\$ -	(\$2,865,000)	\$51,519,275
Capital leases	338,700	1,087,901	(248,968)	1,177,633
CAB accreted interest	2,475,572	425,361	-	2,900,933
Premium and discount on issuance costs	1,315,613	-	(231,742)	1,083,871
Compensated absences	<u>132,075</u>	<u>15,195</u>	<u>-</u>	<u>147,270</u>
Total	<u>\$58,646,235</u>	<u>\$ 1,528,457</u>	<u>(\$3,345,710)</u>	<u>\$56,828,982</u>

Bonds Payable

Bonded indebtedness of the District is reflected in the Statement of Net Position. The following is a summary of bonds payable outstanding at August 31, 2016:

Title of Issue	Maturity Date	Interest Rates	Amount Outstanding
Series 2005 Capital Appreciation Bond	2/15/2019	0.00%	\$119
Series 2007 Tax School Building Bonds	2/15/2018	3.45-3.90%	2,590,000
Series 2010 Tax School Building and Refunding Bonds	2/15/2040	2.00-5.40%	34,635,000
Series 2011 Unlimited Tax School Building CAB Bond	2/15/2030	0.00%	5,659,156
Series 2015 Tax School Refunding Bonds	2/15/2023	2.00%	<u>8,635,000</u>
Total			<u>\$51,519,275</u>

LINDALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2016

In the governmental fund financial statements, the current expenditures for principal and interest expenditures are accounted for in the Debt Service Fund in the Statement of Revenues, Expenditures and Changes in Fund Balance. During the year ended August 31, 2016, the District paid \$2,865,000 in principal, \$1,541,130 in interest, and \$4,050 in fees.

In the government-wide financial statements, bonded indebtedness of the District is reflected in the Statement of Net Position. Premium/discount on issuance of bonds, net of accumulated amortization, totaled \$1,083,871 at August 31, 2016. Bond premium/discount proceeds are deferred and amortized over the life of the bonds. Amortization of \$231,742 is reflected in the Statement of Activities for the year ended August 31, 2016. Interest expense accreted of \$425,361 on the CAB Bonds is reflected in the Statement of Activities for the year ended August 31, 2016.

The deferred charge on refunding bonds, net of accumulated amortization, totaled \$306,379 at August 31, 2016. Amortization of \$77,303 is reflected in the Statement of Activities for the year ended August 31, 2016.

Rebatable Arbitrage Payable

The Tax Reform Act of 1986 requires that the excess interest earned on tax-exempt bond proceeds over interest cost must be remitted to the federal government. These arbitrage interest earnings are paid from the Capital Projects Funds, if applicable, and must be remitted every five years from the date of issue. During the fiscal year ended August 31, 2016, no arbitrage payments were made to the IRS. Furthermore, there was no rebatable arbitrage liability at August 31, 2016.

Direct Subsidy – Build America Bonds

Certain Series 2010 bonds include an irrevocable election to receive directly from the United States Department of the Treasury a tax credit equal to 35% of the interest paid on the Securities by the Issuer, which election is based on the Securities' qualification as "Build America Bonds" under section 54AA of the Internal Revenue Code of 1986, as amended (Code) and as "qualified bonds" under subsection 54AA(g) of the Code, and the Issuer's irrevocable election to treat the Securities as such at the time of their issuance. This tax credit is recorded as a direct offset to the payment of interest expense. The District was notified from the Internal Revenue Service during fiscal year 2016 that the tax credit was being reduced by 6.87%. As of August 31, 2016, the net amount of the tax credit received amounted to \$497,362.

Direct Subsidy – Qualified School Construction Bonds

Certain Series 2010 bonds include an irrevocable election to receive directly from the United States Department of the Treasury a tax credit equal to the amount of interest which would have been payable on the Securities by the Issuer if such interest were determined at the credit rate determined under section 54A(b)(3) of the Code (which credit rate applicable to the Bonds is 5.35% per annum), which election is based on the Securities' qualification as "Qualified School Construction Bonds" under section 54F of the Code and as "qualified bonds" under subsection 6431(f)(1)(A) of the Code, and the Issuer's irrevocable election to treat the Securities as such at the time of their issuance. The District was notified from the Internal Revenue Service during fiscal year 2016 that the tax credit was being reduced by 6.87%. As of August 31, 2016, the net amount of the tax credit received amounted to \$278,036.

Bonds Payable

Bonded indebtedness of the District is reflected in the Statement of Net Position. The annual debt service requirements for principal and interest on the bonds are as follows:

LINDALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2016

Year Ended	General Obligation Bonds		
	Principal	Interest	Total Requirements
<u>August 31</u>			
2017	2,985,000	2,194,952	5,179,952
2018	3,025,000	2,073,996	5,098,996
2019	1,635,100	3,424,896	5,059,996
2020	3,145,000	1,919,721	5,064,721
2021	2,940,000	1,826,349	4,766,349
2022-2026	13,789,165	9,709,055	23,498,220
2027-2031	9,560,010	8,648,867	18,208,877
2032-2036	7,250,000	3,416,629	10,666,629
2037-2040	7,190,000	927,419	8,117,419
	<u>51,519,275</u>	<u>34,141,884</u>	<u>85,661,159</u>

NOTE J. CAPITAL LEASES

On June 2, 2016, the District executed a lease purchase agreement of \$1,087,901 for the purchase of Apple I pads. The lease is payable in one initial payment of \$85,000 and four equal payments of \$255,082 beginning September 30, 2016. The lease has an interest rate of 0.99%. In the governmental fund financial statements for the year ended August 31, 2016, the lease purchase agreement proceeds of \$1,087,901 were accounted for in General Fund as Other Financing Sources.

In the governmental fund statements for the year ended August 31, 2016, the expenditures were accounted for in the General Fund, Function 71 - Capital Lease Obligation Principal \$165,237 and Function 72 – Capital Lease Obligation Interest \$18,638. The expenditures were also accounted for in the Other Governmental Funds – Special Revenue Fund 270, Function 71 – Capital Lease Obligation Principal \$83,731 and Function 72 – Capital Lease Obligation Interest \$1,269.

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

Description	Stated Interest Rate	Amounts Outstanding 9/1/15	Additions	Reductions	Amounts Outstanding 8/31/16
Energy System	5.43%	338,700	-	165,237	173,463
Apple iPad	0.99%	-	1,087,901	83,731	1,004,170
Total		<u>338,700</u>	<u>1,087,901</u>	<u>248,968</u>	<u>1,177,633</u>

The annual debt service requirements for principal and interest for the capital leases are as follows:

Year Ended	Capital Lease		
	Principal	Interest	Total Requirements
<u>August 31</u>			
2017	427,292	11,665	438,957
2018	247,654	7,428	255,082
2019	250,105	4,977	255,082
2020	<u>252,582</u>	<u>2,500</u>	<u>255,082</u>
Total	<u>1,177,633</u>	<u>26,570</u>	<u>1,204,203</u>

LINDALE INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 AUGUST 31, 2016

NOTE K. DEFINED BENEFIT PENSION PLAN

Plan Description. Lindale 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 2015 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	(128,538,706,212)
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.

LINDALE INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 AUGUST 31, 2016

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

Contribution Rates

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Member (Employees)	7.2%	6.7%	6.4%
Non-Employer Contributing Entity (State)	6.8%	6.8%	6.8%
Employer (District)	6.8%	6.8%	6.8%
LISD Member Contributions	1,547,660	1,359,324	1,222,251
LISD NECE On-Behalf Contributions	1,214,101	1,153,481	1,094,992
LISD Employer Contributions	506,408	469,964	224,492

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, there are two additional surcharges an employer is subject to.

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

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

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%

LINDALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2016

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

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

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

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

LINDALE INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 AUGUST 31, 2016

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

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
LISD's proportionate share of the net pension liability	8,790,438	5,610,399	2,961,625

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2016, Lindale ISD reported a liability of \$5,610,399 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Lindale ISD. The amount recognized by Lindale ISD 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 Lindale ISD were as follows:

District's proportionate share of the collective net pension liability	\$ 5,610,399
State's proportionate share that is associated with the District	<u>13,766,068</u>
Total	<u>\$ 19,376,467</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 0.0158716%, which was an increase (decrease) of 0.0070169% 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 tale for active employees. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.

LINDALE INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 AUGUST 31, 2016

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 terminative 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 idle 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 survivor annuity option.

Actuarial Methods and Policies

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

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

For the year ended August 31, 2015, Lindale ISD recognized pension expense of \$1,961,443 and revenue of \$1,961,443 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 30,422	\$ 215,613
Changes in actuarial assumptions	127,861	200,154
Difference between projected and actual investment earnings	839,537	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	1,603,526	1,658
Total as of August 31, 2015 measurement date	\$ 2,601,346	\$ 417,425
Contributions paid to TRS subsequent to the measurement date (to be calculated by employer)	506,408	-
Total	\$ 3,107,754	\$ 417,425

LINDALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2016

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

Year ended August 31:	Pension Expense Amount
2017	\$ 397,658
2018	397,658
2019	397,660
2020	578,386
2021	231,058
Thereafter	181,501
	\$ 2,183,921

NOTE L. SCHOOL DISTRICT RETIREE HEALTH PLAN (TRS)

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

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

Contribution rates and amounts are shown in the table below for fiscal years 2016-2014.

Year	Active Member		State		School District	
	Rate	Amount	Rate	Amount	Rate	Amount
2016	0.65%	\$139,720	1.00%	\$202,072	0.55%	\$118,223
2015	0.65%	\$131,875	1.00%	\$191,252	0.55%	\$111,587
2014	0.65%	\$124,134	1.00%	\$190,975	0.55%	\$110,558

LINDALE INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 AUGUST 31, 2016

NOTE M. MEDICARE PART D (TRS)

Federal Government Retiree Drug Subsidy - The Medicare Modernization Act of 2003 (MMA) created an outpatient prescription drug benefit program (known as Medicare Part D) and a Retiree Drug Subsidy (RDS) program which were made available in 2006. The Texas Public School Retired Employee Group Insurance Program (TRS-Care) is offering a Medicare Part D Plan and is participating in the Retiree Drug Subsidy plan for eligible TRS-Care participants. Under Medicare Part D and the RDS program, TRS-Care receives payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. On-behalf payments must be recognized as equal revenues and expenditures/expenses by each reporting entity.

The allocation of these on-behalf payments is based on the ratio of a reporting entity's covered payroll to the entire covered payroll reported by all participating reporting entities. TRS based this allocation percentage on the "completed" report submission by reporting entities for the month of May. Any questions about payroll amounts should be directed to a reporting entity's payroll contact.

Contribution amounts are as follows: State Contributions for Medicare Part D made on behalf of Lindale Independent School District's employees were \$64,098 for the year ended August 31, 2016. State Contributions for Medicare Part D made on behalf of Lindale Independent School District's employees were \$60,344 for the year ended August 31, 2015. State Contributions for Medicare Part D made on behalf of Lindale Independent School District's employees were \$51,124 for the year ended August 31, 2014.

NOTE N. EMPLOYEE HEALTH CARE COVERAGE

During the year ended August 31, 2016 employees of Lindale Independent School District were covered by a uniform statewide health care program for public education employees. The District contributed \$267 per month towards employee health insurance, which includes the \$75 which is reimbursed by the state, per employee. Employees, at their option, may authorize payroll withholdings to pay the remaining balance of the premium for employee coverage and/or dependents. All premiums were paid to the statewide health care program based on the coverages selected by the employee. The Plan was authorized by House Bill 3343 and is administered by the Teacher Retirement System of Texas (TRS). The TRS board approved the selection of Aetna as the health plan administrator and Caremark as the pharmacy benefits manager for TRS-ActiveCare. The minimum contribution allowed by the state is \$225 per month.

NOTE O. WORKERS' COMPENSATION

In 2011-2012, the District began participating in a fully funded workers' compensation plan with the Texas Association of School Boards Risk Management Fund, a public entity risk pool currently operating a workers' compensation risk management and insurance program for the 2015-2016 school year. In prior years, the District participated in Claims Administrative Services, Inc. plan for worker' compensation.

A reconciliation of the change in the liability for claims for the current and previous fiscal year is presented below:

	Year Ended <u>August 31, 2016</u>	Year Ended <u>August 31, 2015</u>
Unpaid claims at September 1	\$ 81,134	\$ 89,792
Incurred claims (including incurred but not reported)	85,915	32,929
Total Payments	<u>(54,672)</u>	<u>(41,587)</u>
Total Unpaid Claims at August 31	<u>\$ 112,377</u>	<u>\$ 81,134</u>

LINDALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2016

NOTE P. UNEARNED REVENUE

Unearned revenue at year end consisted of ticket sales related to football games, money received from students related to lunches, and funds received for textbooks which have not been received.

	General Fund	Other Funds	Total
Athletic receipts	18,252	-	18,252
Food service receipts	-	48,301	48,301
Textbook allotment	-	260	260
	<u>18,252</u>	<u>48,561</u>	<u>66,813</u>

NOTE Q. DUE FROM OTHER GOVERNMENTS

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

<u>Fund</u>	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>Local Agency</u>	<u>Total</u>
Governmental Activities:				
Due From Other Governments:				
General Fund	348,108	-	10,810	358,918
Debt Service Fund	-	-	2,693	2,693
Nonmajor Governmental Funds (Special Revenue)	3,316	250,107	-	253,423
Total	<u>351,424</u>	<u>250,107</u>	<u>13,503</u>	<u>615,034</u>
Due to Other Governments:				
Debt Service Fund	168,147	-	-	168,147
Total	<u>168,147</u>	<u>-</u>	<u>-</u>	<u>168,147</u>

Note R. General Fund Federal Source Revenues

<u>Program or Source</u>	<u>Amount</u>
School Health and Related Services (SHARS)	390,355
	<u>390,355</u>

LINDALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2016

NOTE S. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

During the current year, revenues from local and intermediate sources as reported on Exhibit C-3 of the Funds Statements consisted of the following:

<u>Revenue Sources</u>	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Governmental Funds Total
Property taxes & related income	13,316,197	3,950,697	-	17,266,894
Investment income	118,620	12,474	3,620	134,714
Rent	3,762	-	-	3,762
Tuition	1,505	-	-	1,505
Operating grants	-	-	68,293	68,293
Insurance recovery	24,898	-	-	24,898
Food service revenue	-	-	552,593	552,593
Athletics/Cocurricular	133,899	-	251,214	385,113
E Rate Rebate	412,954	-	-	412,954
Sale of Ipads	120,852	-	-	120,852
Other local and intermediate sources	89,794	-	523	90,317
	<u>14,222,481</u>	<u>3,963,171</u>	<u>876,243</u>	<u>19,061,895</u>

NOTE T. 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 fiscal year 2016 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.

NOTE U. COMMITMENTS AND CONTINGENCIES

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

NOTE V. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 5, 2016 the date on which the financial statements were available to be issued. The District has purchased 109 acres of land for future school building site when needed in the amount of \$872,800.

REQUIRED SUPPLEMENTARY INFORMATION

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

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 13,568,871	\$ 14,181,847	\$ 14,222,481	\$ 40,634
5800	State Program Revenues	16,833,937	16,833,937	18,126,521	1,292,584
5900	Federal Program Revenues	225,000	304,817	390,355	85,538
5020	Total Revenues	30,627,808	31,320,601	32,739,357	1,418,756
EXPENDITURES:					
Current:					
0011	Instruction	17,186,770	19,140,982	18,913,790	227,192
0012	Instructional Resources and Media Services	379,991	379,891	350,702	29,189
0013	Curriculum and Instructional Staff Development	266,146	347,361	291,045	56,316
0021	Instructional Leadership	460,500	439,281	414,961	24,320
0023	School Leadership	1,707,492	1,705,696	1,674,689	31,007
0031	Guidance, Counseling and Evaluation Services	975,490	1,059,848	1,039,604	20,244
0032	Social Work Services	77,462	21,462	7,950	13,512
0033	Health Services	341,626	372,626	355,378	17,248
0034	Student (Pupil) Transportation	1,908,134	1,433,134	1,355,145	77,989
0035	Food Services	84,000	84,000	38,846	45,154
0036	Extracurricular Activities	1,256,777	1,571,777	1,506,321	65,456
0041	General Administration	1,104,356	1,100,356	952,488	147,868
0051	Facilities Maintenance and Operations	3,991,004	4,033,892	3,720,164	313,728
0052	Security and Monitoring Services	235,000	232,000	198,318	33,682
0053	Data Processing Services	178,560	178,560	139,482	39,078
Debt Service:					
0071	Principal on Long Term Debt	184,500	165,237	165,237	-
0072	Interest on Long Term Debt	-	19,263	18,638	625
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	2,427,000	2,208,121	218,879
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	20,000	20,000	17,086	2,914
0095	Payments to Juvenile Justice Alternative Ed. Prg.	-	6,000	5,601	399
0099	Other Intergovernmental Charges	270,000	270,000	258,361	11,639
6030	Total Expenditures	30,627,808	35,008,366	33,631,927	1,376,439
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(3,687,765)	(892,570)	2,795,195
OTHER FINANCING SOURCES (USES):					
7913	Capital Leases	-	1,105,329	1,087,901	(17,428)
1200	Net Change in Fund Balances	-	(2,582,436)	195,331	2,777,767
0100	Fund Balance - September 1 (Beginning)	10,303,804	10,303,804	10,303,804	-
3000	Fund Balance - August 31 (Ending)	\$ 10,303,804	\$ 7,721,368	\$ 10,499,135	\$ 2,777,767

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

EXHIBIT G-6

	2016	2015
District's Proportion of the Net Pension Liability (Asset)	0.0158716%	0.0088547%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 5,610,399	\$ 2,365,213
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	13,766,068	11,561,315
Total	\$ 19,376,467	\$ 13,926,528
District's Covered-Employee Payroll	\$ 20,288,559	\$ 19,953,165
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	27.65%	11.85%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.43%	83.25%

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

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

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

EXHIBIT G-7

	2016	2015
Contractually Required Contribution	\$ 506,408	\$ 469,964
Contribution in Relation to the Contractually Required Contribution	(506,408)	(469,964)
Contribution Deficiency (Excess)	\$ -0-	\$ -0-
District's Covered-Employee Payroll	\$ 21,495,276	\$ 20,288,559
Contributions as a Percentage of Covered-Employee Payroll	2.36%	2.32%

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

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

**LINDALE 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 the summary of changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period:

- The inflation assumption was decreased from 3.00% to 2.50%
- The ultimate merit assumption for long-service employees was decreased from 1.25% to 1.00%
- In accordance with the observed experience, there were small adjustments in the service-based promotional/longevity component of the salary scale.
- The payroll growth assumption was lowered from 3.50% to 2.50%
- 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.
- 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.
- 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.
- 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 terminative 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.
- 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 end of the year to the beginning to match the actual pattern in the data.
- Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
- 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.
- For members that become disabled in the future, it is assumed 20% of them will choose a 100% joint survivor annuity option.
- The method of using celled data in the valuation process was changed to now using individual data records to allow for better reporting of some items, such as actuarial gains and losses by source.

COMBINING SCHEDULES

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

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
ASSETS			
1110 Cash and Cash Equivalents	\$ (39,138)	\$ (50,210)	\$ -
1240 Receivables from Other Governments	75,443	107,587	1,658
1260 Due from Other Funds	-	-	-
1290 Other Receivables	-	-	-
1300 Inventories	-	-	-
1000 Total Assets	<u>\$ 36,305</u>	<u>\$ 57,377</u>	<u>\$ 1,658</u>
LIABILITIES			
2110 Accounts Payable	\$ -	\$ -	\$ -
2160 Accrued Wages Payable	33,111	52,327	1,512
2200 Accrued Expenditures	3,194	5,050	146
2300 Unearned Revenues	-	-	-
2000 Total Liabilities	<u>36,305</u>	<u>57,377</u>	<u>1,658</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3410 Inventories	-	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3490 Other Restricted Fund Balance	-	-	-
Committed Fund Balance:			
3545 Other Committed Fund Balance	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ 36,305</u>	<u>\$ 57,377</u>	<u>\$ 1,658</u>

EXHIBIT H-1 (Cont'd)

240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	289 Other Federal Special Revenue Funds	385 Visually Impaired SSVI	410 State Textbook Fund	427 State Funded SR Funds
\$ 323,727	\$ -	\$ (6,954)	\$ (10,342)	\$ -	\$ -	\$ 260	\$ 6,463
39,493	-	15,584	10,342	-	-	-	-
27,525	-	-	-	-	-	-	-
14,500	-	-	-	-	-	-	-
36,764	-	-	-	-	-	-	-
<u>\$ 442,009</u>	<u>\$ -</u>	<u>\$ 8,630</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 260</u>	<u>\$ 6,463</u>
\$ 7,307	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
38,720	-	7,860	-	-	-	-	-
-	-	770	-	-	-	-	-
48,301	-	-	-	-	-	260	-
<u>94,328</u>	<u>-</u>	<u>8,630</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>260</u>	<u>-</u>
36,764	-	-	-	-	-	-	-
310,917	-	-	-	-	-	-	6,463
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>347,681</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,463</u>
<u>\$ 442,009</u>	<u>\$ -</u>	<u>\$ 8,630</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 260</u>	<u>\$ 6,463</u>

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

Data Control Codes	429 Other State Special Revenue Funds	461 Campus Activity Funds	481 Boylan Grants	482 CATE
ASSETS				
1110	\$ -	\$ 193,531	\$ 17,458	\$ 600
1240	3,316	-	-	-
1260	-	-	-	-
1290	-	-	-	-
1300	-	-	-	-
1000	<u>\$ 3,316</u>	<u>\$ 193,531</u>	<u>\$ 17,458</u>	<u>\$ 600</u>
LIABILITIES				
2110	\$ -	\$ 579	\$ -	\$ -
2160	3,251	-	-	-
2200	65	-	-	-
2300	-	-	-	-
2000	<u>3,316</u>	<u>579</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3410	-	-	-	-
Restricted Fund Balance:				
3450	-	-	-	-
3490	-	-	17,458	600
Committed Fund Balance:				
3545	-	192,952	-	-
3000	<u>-</u>	<u>192,952</u>	<u>17,458</u>	<u>600</u>
4000	<u>\$ 3,316</u>	<u>\$ 193,531</u>	<u>\$ 17,458</u>	<u>\$ 600</u>

499 Other Local Special Revenue Funds	Total Nonmajor Governmental Funds
\$ -	\$ 435,395
-	253,423
-	27,525
-	14,500
-	36,764
<u>\$ -</u>	<u>\$ 767,607</u>
\$ -	\$ 7,886
-	136,781
-	9,225
-	48,561
<u>-</u>	<u>202,453</u>
-	36,764
-	317,380
-	18,058
<u>-</u>	<u>192,952</u>
<u>-</u>	<u>565,154</u>
<u>\$ -</u>	<u>\$ 767,607</u>

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

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
REVENUES:			
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-
5900 Federal Program Revenues	<u>539,388</u>	<u>732,427</u>	<u>7,262</u>
5020 Total Revenues	<u>539,388</u>	<u>732,427</u>	<u>7,262</u>
EXPENDITURES:			
Current:			
0011 Instruction	434,364	685,563	7,262
0012 Instructional Resources and Media Services	-	-	-
0013 Curriculum and Instructional Staff Development	-	-	-
0021 Instructional Leadership	-	-	-
0023 School Leadership	-	-	-
0031 Guidance, Counseling and Evaluation Services	99,474	18,864	-
0035 Food Services	-	-	-
0036 Extracurricular Activities	-	-	-
0041 General Administration	-	-	-
0051 Facilities Maintenance and Operations	-	-	-
0052 Security and Monitoring Services	-	-	-
0061 Community Services	5,550	-	-
Debt Service:			
0071 Principal on Long Term Debt	-	-	-
0072 Interest on Long Term Debt	-	-	-
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	-	28,000	-
6030 Total Expenditures	<u>539,388</u>	<u>732,427</u>	<u>7,262</u>
1200 Net Change in Fund Balance	-	-	-
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	289 Other Federal Special Revenue Funds	385 Visually Impaired SSVI	410 State Textbook Fund	427 State Funded SR Funds
\$ 554,799	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11,638	-	-	-	-	4,200	163,584	6,463
1,107,322	37,277	78,519	14,265	2,226	-	-	-
<u>1,673,759</u>	<u>37,277</u>	<u>78,519</u>	<u>14,265</u>	<u>2,226</u>	<u>4,200</u>	<u>163,584</u>	<u>6,463</u>
-	36,052	78,519	14,265	2,226	4,200	78,584	-
-	-	-	-	-	-	-	-
-	1,225	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,755,224	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	83,731	-
-	-	-	-	-	-	1,269	-
-	-	-	-	-	-	-	-
<u>1,755,224</u>	<u>37,277</u>	<u>78,519</u>	<u>14,265</u>	<u>2,226</u>	<u>4,200</u>	<u>163,584</u>	<u>-</u>
(81,465)	-	-	-	-	-	-	6,463
429,146	-	-	-	-	-	-	-
<u>\$ 347,681</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,463</u>

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

Data Control Codes	429 Other State Special Revenue Funds	461 Campus Activity Funds	481 Boylan Grants	482 CATE
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ 253,151	\$ 40,147	\$ 7,400
5800 State Program Revenues	3,316	-	-	-
5900 Federal Program Revenues	-	-	-	-
5020 Total Revenues	<u>3,316</u>	<u>253,151</u>	<u>40,147</u>	<u>7,400</u>
EXPENDITURES:				
Current:				
0011 Instruction	3,412	153,766	28,714	11,830
0012 Instructional Resources and Media Services	-	18,710	6,419	-
0013 Curriculum and Instructional Staff Development	-	1,758	-	-
0021 Instructional Leadership	-	37	-	-
0023 School Leadership	-	23,625	-	-
0031 Guidance, Counseling and Evaluation Services	-	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	7,189	16,270	-
0041 General Administration	-	3,317	-	-
0051 Facilities Maintenance and Operations	-	568	-	-
0052 Security and Monitoring Services	-	1,389	-	-
0061 Community Services	-	-	-	-
Debt Service:				
0071 Principal on Long Term Debt	-	-	-	-
0072 Interest on Long Term Debt	-	-	-	-
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	-	-
6030 Total Expenditures	<u>3,412</u>	<u>210,359</u>	<u>51,403</u>	<u>11,830</u>
1200 Net Change in Fund Balance	(96)	42,792	(11,256)	(4,430)
0100 Fund Balance - September 1 (Beginning)	<u>96</u>	<u>150,160</u>	<u>28,714</u>	<u>5,030</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ 192,952</u>	<u>\$ 17,458</u>	<u>\$ 600</u>

499 Other Local Special Revenue Funds	Total Nonmajor Governmental Funds
\$ 20,746	\$ 876,243
-	189,201
-	2,518,686
<u>20,746</u>	<u>3,584,130</u>
-	1,538,757
-	25,129
-	2,983
-	37
-	23,625
-	118,338
-	1,755,224
12,900	36,359
-	3,317
-	568
-	1,389
7,846	13,396
-	83,731
-	1,269
-	28,000
<u>20,746</u>	<u>3,632,122</u>
-	(47,992)
-	613,146
<u>\$ -</u>	<u>\$ 565,154</u>

REQUIRED T.E.A. SCHEDULES

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

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2007 and prior years	Various	Various	\$ Various
2008	1.040000	0.220000	969,735,873
2009	1.060000	0.245000	1,034,280,383
2010	1.060000	0.245000	1,110,722,066
2011	1.060000	0.415000	1,129,057,182
2012	1.060000	0.395000	1,150,096,897
2013	1.060000	0.395000	1,163,724,271
2014	1.080000	0.355000	1,234,017,931
2015	1.080000	0.355000	1,208,876,794
2016 (School year under audit)	1.080000	0.320000	1,224,077,071
1000 TOTALS			

(10) Beginning Balance 9/1/2015	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2016
\$ 96,026	\$ -	\$ 5,020	\$ 835	\$ (16,546)	\$ 73,625
20,621	-	1,333	282	(1,698)	17,308
25,644	-	2,970	686	(2,416)	19,572
33,565	-	6,359	1,470	(1,463)	24,273
52,630	-	10,121	3,962	(1,550)	36,997
62,793	-	12,371	4,610	1,941	47,753
89,884	-	27,161	10,122	5,708	58,309
150,472	-	49,066	16,128	5,625	90,903
326,601	-	129,135	42,447	(517)	154,502
-	17,137,079	12,910,468	3,825,323	(57,338)	343,950
<u>\$ 858,237</u>	<u>\$ 17,137,079</u>	<u>\$ 13,154,004</u>	<u>\$ 3,905,865</u>	<u>\$ (68,254)</u>	<u>\$ 867,193</u>

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

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 684,000	\$ 684,000	\$ 554,799	\$ (129,201)
5800 State Program Revenues	10,000	10,000	11,638	1,638
5900 Federal Program Revenues	1,076,000	1,076,000	1,107,322	31,322
5020 Total Revenues	1,770,000	1,770,000	1,673,759	(96,241)
EXPENDITURES:				
0035 Food Services	1,770,000	1,770,000	1,755,224	14,776
6030 Total Expenditures	1,770,000	1,770,000	1,755,224	14,776
1200 Net Change in Fund Balances	-	-	(81,465)	(81,465)
0100 Fund Balance - September 1 (Beginning)	429,146	429,146	429,146	-
3000 Fund Balance - August 31 (Ending)	\$ 429,146	\$ 429,146	\$ 347,681	\$ (81,465)

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

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 3,972,090	\$ 3,972,090	\$ 3,963,171	\$ (8,919)
5800	State Program Revenues	358,790	358,790	562,696	203,906
5020	Total Revenues	4,330,880	4,330,880	4,525,867	194,987
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	2,865,000	2,865,000	2,865,000	-
0072	Interest on Long Term Debt	1,544,448	1,544,448	1,541,130	3,318
0073	Bond Issuance Cost and Fees	7,000	7,000	4,050	2,950
6030	Total Expenditures	4,416,448	4,416,448	4,410,180	6,268
1200	Net Change in Fund Balances	(85,568)	(85,568)	115,687	201,255
0100	Fund Balance - September 1 (Beginning)	2,118,084	2,118,084	2,118,084	-
3000	Fund Balance - August 31 (Ending)	\$ 2,032,516	\$ 2,032,516	\$ 2,233,771	\$ 201,255

FEDERAL AWARDS SECTION

**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
Lindale Independent School District
505 Pierce Street
Lindale, TX 75571

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

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "Wilf & Henderson, P.C." with a stylized ampersand.

WILF & HENDERSON, P.C.
Certified Public Accountants
Texarkana, Texas

December 5, 2016

**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY UNIFORM GUIDANCE**

Independent Auditor's Report

Board of Trustees
Lindale Independent School District
505 Pierce Street
Lindale, TX 75771

Members of the Board:

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

This purpose of this report in 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.



WILF & HENDERSON, P.C.
Certified Public Accountants
Texarkana, Texas

December 5, 2016

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

I. Summary of the Auditor's Results:

- a. The type of report issued on the financial statements of the Lindale Independent School District was an unmodified opinion.
- b. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the report on internal control over financial reporting and on compliance and other matters required by the GAO's *Government Auditing Standards*.
- c. No instance of noncompliance material to the financial statements of the Lindale Independent School District was disclosed during the audit.
- d. No significant deficiency or material weakness relating to the audit of the major federal award programs are reported in the report on internal control over compliance required by Uniform Guidance.
- e. The type of report the auditor issued on compliance for major programs was an unmodified opinion.
- f. No audit findings relative to the major federal awards programs were disclosed by the audit that were required to be reported under Section 510(a) of Uniform Guidance.
- g. The program tested as major programs was:

IDEA - Part B, Formula	CFDA# 84.027
IDEA - Part B, Preschool	CFDA# 84.173

- h. The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- i. Lindale Independent School District was determined to be a low-risk auditee.

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

No findings were required to be reported.

III. Findings and Questioned Costs for Federal Awards Including Audit Findings as Described in I.f above.

No findings were required to be reported.

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

There were no prior year audit findings or questioned costs.

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

There were no current year audit findings or questioned costs.

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

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
ENTER NAME OF DEPARTMENT			
<u>Direct Programs</u>			
Summer School LEP	84.369A	69551502	\$ 2,226
Total Direct Programs			\$ 2,226
TOTAL ENTER NAME OF DEPARTMENT			\$ 2,226
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	16-610101212903	\$ 503,083
ESEA, Title I, Part A - Improving Basic Programs	84.010A	17-610101212903	36,305
Total CFDA Number 84.010A			539,388
*IDEA - Part B, Formula	84.027	16-6600012129036600	675,050
*IDEA - Part B, Formula	84.027	17-6600012129036600	57,377
Total CFDA Number 84.027			732,427
*IDEA - Part B, Preschool	84.173	16-6610012129036610	5,604
*IDEA - Part B, Preschool	84.173	17-6610012129036610	1,658
Total CFDA Number 84.173			7,262
Total Special Education Cluster (IDEA)			739,689
Career and Technical - Basic Grant	84.048	16-420006212903	37,277
Title III, Part A - English Language Acquisition	84.365A	16-671001212903	14,265
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	16-694501212903	69,888
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	17-694501212903	8,631
Total CFDA Number 84.367A			78,519
Total Passed Through State Department of Education			\$ 1,409,138
TOTAL U.S. DEPARTMENT OF EDUCATION			\$ 1,409,138
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program - Cash Assistance	10.553	N/A	\$ 215,842
School Breakfast Program - Non-Cash Assistance	10.553	N/A	22,639
Total CFDA Number 10.553			238,481
*National School Lunch Program - Cash Assistance	10.555	N/A	772,329
*National School Lunch Prog. - Non-Cash Assistance	10.555	N/A	96,512
Total CFDA Number 10.555			868,841
Total Child Nutrition Cluster			1,107,322
Total Passed Through the State Department of Agriculture			\$ 1,107,322
TOTAL U.S. DEPARTMENT OF AGRICULTURE			\$ 1,107,322
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 2,518,686

*Clustered Programs Required by Compliance Supplement June 2016.

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

1. For all Federal programs, the District uses the fund types specified in Texas Education Agency's *Financial Accountability System Resource Guide*. Special revenue funds are used to account for resources restricted or committed to 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 is determined by its measurement focus. The Governmental Fund types and Expendable Trust Funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

The modified accrual basis of accounting is used for the Governmental Fund types, the Expendable Trust Funds, 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 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 of Availability of Federal Funds, Part 3, Uniform Guidance.
4. Nonmonetary assistance received from the Commodity Supplemental Food Program is recorded in fair market value of the commodities received and disbursed. The revenue and expense are reported in the Food Service Special Revenue Fund.

A reconciliation of federal program revenues and expenditures is as follows:

General Fund	390,355
Other Special Revenue Funds	<u>2,518,686</u>
Sub -total	2,909,041
Less Medicaid Arrangements Payments:	
SSA - School Health & Related Services (SHARS)	<u>(390,355)</u>
Total Federal Program Expenditures	<u>2,518,686</u>