

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
Annual Financial Report
Year Ended June 30, 2016

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CERTIFICATE OF THE BOARD

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
Name of School District

REAGAN
County

192-901
County -
District
Number

We, the undersigned, certify that the attached annual financial report of the above-named School District was reviewed and X approved _____ disapproved for the year ended June 30, 2016, at a meeting of the Board of Trustees of such School District on the _____ day of _____, 20__.

(Check One)

Jed Hruska
Signature of Board Secretary

Mark D. Noland
Signature of Board President

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

FINANCIAL SECTION



A Limited Liability Partnership

Michael E. Oliphant, CPA
Calvin Featherston, CPA
Wayne Barr, CPA
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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Reagan County Independent School District
1111 Twelfth Street
Big Lake, TX 76932-3599

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Reagan County Independent School District as of and for the year ended June 30, 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 risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Reagan County Independent School District as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and net pension liability and contributions information for the Teacher Retirement System of Texas on pages 4 through 8, 38, and 39 through 40, respectively, 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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Reagan County Independent School District's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

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

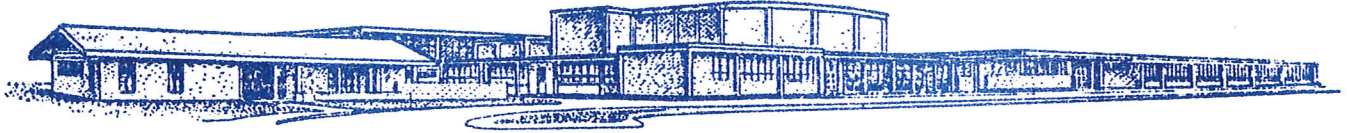
Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2016, on our consideration of the Reagan County 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 Reagan County Independent School District's internal control over financial reporting and compliance.

Eckert & Company, LLP

October 11, 2016

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT



Steve Long
Superintendent

1111 TWELFTH STREET
BIG LAKE, TEXAS 76932-3599

Phone 325-884-3705
Fax 325-884-3021

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Reagan County Independent School District's financial performance provides an overview of the District's financial activities for the year ended June 30, 2016. It should be read in conjunction with the District's basic financial statements and independent auditor's report.

Financial Highlights

The District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the end of the current year by \$31,768,384 (net position). Of this amount, \$7,580,688 (unrestricted) may be used to meet the District's ongoing obligations.

The District's total net position increased by \$2,066,828 or 7%. This amount consists of a \$1,535,514 increase attributable to current year operations and a \$531,314 increase attributable to prior period adjustments described in Note IV., I. to the financial statements. The District's statement of activities shows total revenues of \$37,968,686 and total expenses of \$36,433,172.

The total fund balance of the General Fund is \$11,094,279 which is an increase of \$1,217,809 or 12% compared to the prior year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

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

The statement of net position presents information on all of the District's assets/deferred outflows of resources and liabilities/deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Overview of the Financial Statements - Continued

The statement of activities presents information showing how the District's net position changed during the current year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future years.

The governmental activities of the District include all activities related to public elementary and secondary education within the jurisdiction of the District.

The District has no component units.

Fund Financial Statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the current year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Capital Projects Fund, both of which are considered to be major funds. Data from other governmental funds are combined into a single, aggregated presentation.

The District adopts an annual appropriated budget for its General Fund, Food Service Special Revenue Fund, and Debt Service Fund. A budgetary comparison statement has been provided for each of these funds to demonstrate compliance with the budget for each fund.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

MANAGEMENT’S DISCUSSION AND ANALYSIS - Continued

Government-Wide Financial Analysis

Net Position - A summary of the District’s net position is presented below:

NET POSITION

	Governmental Activities	
	June 30,	
	2016	2015
Current and Other Assets	\$ 23,145,759	\$ 25,333,141
Capital Assets	43,452,812	42,859,245
Total Assets	\$ 66,598,571	\$ 68,192,386
Deferred Outflows of Resources	\$ 1,045,271	\$ 278,273
Long-Term Liabilities Outstanding	\$ 26,073,773	\$ 26,526,361
Other Liabilities	9,640,228	11,917,206
Total Liabilities	\$ 35,714,001	\$ 38,443,567
Deferred Inflows of Resources	\$ 161,457	\$ 325,536
Net Position		
Net Investment in Capital Assets	\$ 22,722,940	\$ 22,473,673
Restricted	1,464,756	1,240,642
Unrestricted	7,580,688	5,987,241
Total Net Position	\$ 31,768,384	\$ 29,701,556

A large portion of the District's net position (\$22,722,940) reflects the District's investment in capital assets, less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide public elementary and secondary education within the jurisdiction of the District; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District’s net position (\$1,464,756) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$7,580,688) may be used to meet the District’s ongoing obligations.

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Government-Wide Financial Analysis - Continued

Governmental Activities - Governmental activities increased the District's net position by \$1,535,514 and \$1,680,694 for the fiscal years ended June 30, 2016 and 2015, respectively. Key elements of these increases are as follows:

CHANGES IN NET POSITION

	Governmental Activities	
	Year Ended June 30,	
	2016	2015
Revenues		
Program Revenues		
Charges for Services	\$ 470,559	\$ 395,586
Operating Grants and Contributions	1,622,195	1,397,713
General Revenues		
Maintenance and Operations Taxes	29,886,629	33,388,947
Debt Service Taxes	2,555,273	3,036,527
State Aid - Formula Grants	2,422,708	360,055
Investment Earnings	105,327	42,205
Miscellaneous Local and Intermediate	188,659	178,053
	\$ 37,251,350	\$ 38,799,086
Expenses		
Instruction and Instructional-Related Services	\$ 7,771,343	\$ 6,692,222
Instructional and School Leadership	1,065,234	971,408
Support Services - Student (Pupil)	2,430,149	2,136,735
Administrative Support Services	688,051	539,231
Support Services - Nonstudent Based	2,092,239	2,232,506
Ancillary Services	90,276	83,547
Debt Service	774,868	814,924
Intergovernmental Charges	21,521,012	23,647,819
	\$ 36,433,172	\$ 37,118,392
Change in Net Position Before Special Item	\$ 818,178	\$ 1,680,694
Special Item - Oil and Gas Lease	717,336	0
Change in Net Position	\$ 1,535,514	\$ 1,680,694
Net Position - Beginning	29,701,556	29,404,594
Prior Period Adjustments	531,314	(1,383,732)
Net Position - Ending	\$ 31,768,384	\$ 29,701,556

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Financial Analysis of the District's Funds

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

The District's governmental funds reported combined ending fund balances of \$12,805,936, a decrease of \$424,549 or 3% in comparison with the prior year. These fund balances are reported in various governmental funds as follows:

General Fund \$11,094,279. Of this balance \$92,532 is committed for future construction, \$60,190 is nonspendable prepaid expenditures, and \$400,000 is assigned for future construction.

Special Revenue Funds \$32,335. Of this balance \$24,520 is restricted for use in the Food Service Fund, and \$7,815 is committed for campus activities.

Debt Service Fund \$1,679,322. This balance is restricted for payment of long-term debt principal and interest.

General Fund Budget

The original budget for the General Fund was \$30,000,915, and the final amended budget was \$34,596,716 which represents a \$4,595,801 increase in appropriations. Variances between the original budget and the final amended budget are reflected in Exhibit E-1 in the required supplementary information section of the audit report.

The District has adopted a budget for the General Fund in the amount of \$23,299,190 for the fiscal year 2017, which is a decrease of \$11,297,526 from the fiscal year 2016.

Capital Assets and Debt

Capital Assets - Financial statement footnote III., D. discloses the District's capital asset activity for the year ended June 30, 2016.

Long-Term Debt - Financial statement footnote III., H. discloses the District's debt activity for the year ended June 30, 2016.

Requests for Information

The financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Steve Long, Superintendent, Reagan County Independent School District, 1111 Twelfth Street, Big Lake, TX 76932-3599.

Basic Financial Statements

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016

EXHIBIT A-1

Data Control Codes	Primary Government
	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 21,820,755
1220 Property Taxes - Delinquent	1,296,013
1230 Allowance for Uncollectible Taxes	(272,551)
1240 Due from Other Governments	241,258
1290 Other Receivables, Net	94
1410 Prepayments	60,190
Capital Assets:	
1510 Land	226,997
1520 Buildings, Net	41,686,710
1530 Furniture and Equipment, Net	1,539,105
1000 Total Assets	66,598,571
DEFERRED OUTFLOWS OF RESOURCES	
1701 Deferred Loss on Refunding	30,765
1705 Deferred Outflow Related to TRS	1,014,506
1700 Total Deferred Outflows of Resources	1,045,271
LIABILITIES	
2110 Accounts Payable	12,837
2140 Interest Payable	323,867
2150 Payroll Deductions and Withholdings	142,182
2160 Accrued Wages Payable	868,017
2180 Due to Other Governments	7,824,857
2300 Unearned Revenue	468,468
Noncurrent Liabilities	
2501 Due Within One Year	1,490,000
2502 Due in More Than One Year	22,414,141
2540 Net Pension Liability (District's Share)	2,169,632
2000 Total Liabilities	35,714,001
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS	161,457
2600 Total Deferred Inflows of Resources	161,457
NET POSITION	
3200 Net Investment in Capital Assets	22,722,940
3820 Restricted for Federal and State Programs	24,520
3850 Restricted for Debt Service	1,440,236
3900 Unrestricted	7,580,688
3000 Total Net Position	\$ 31,768,384

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

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
Codes	Expenses	3	4	6
Codes	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 7,341,536	\$ 84,720	\$ 914,758	\$ (6,342,058)
12 Instructional Resources and Media Services	238,854	-	14,160	(224,694)
13 Curriculum and Instructional Staff Development	190,953	-	8,343	(182,610)
21 Instructional Leadership	262,841	-	17,126	(245,715)
23 School Leadership	802,393	-	51,197	(751,196)
31 Guidance, Counseling, and Evaluation Services	360,342	-	24,515	(335,827)
33 Health Services	66,587	-	13,587	(53,000)
34 Student (Pupil) Transportation	232,958	2,229	8,065	(222,664)
35 Food Services	761,844	134,352	358,030	(269,462)
36 Extracurricular Activities	1,008,418	54,318	60,077	(894,023)
41 General Administration	688,051	7,803	30,122	(650,126)
51 Facilities Maintenance and Operations	1,929,556	170,527	55,586	(1,703,443)
52 Security and Monitoring Services	750	-	-	(750)
53 Data Processing Services	161,933	10,033	4,629	(147,271)
61 Community Services	90,276	6,577	57,478	(26,221)
72 Debt Service - Interest on Long-Term Debt	770,351	-	4,523	(765,828)
73 Debt Service - Bond Issuance Cost and Fees	4,517	-	-	(4,517)
91 Contracted Instructional Services Between Schools	21,245,421	-	-	(21,245,421)
99 Other Intergovernmental Charges	275,591	-	-	(275,591)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 36,433,172	\$ 470,559	\$ 1,622,195	(34,340,418)

Data Control Codes	General Revenues:		
	Taxes:		
MT	Property Taxes, Levied for General Purposes		29,886,629
DT	Property Taxes, Levied for Debt Service		2,555,273
SF	State Aid - Formula Grants		2,422,708
IE	Investment Earnings		105,327
MI	Miscellaneous Local and Intermediate Revenue		188,659
SI	Special Item - Oil and Gas Lease		717,336
TR	Total General Revenues and Special Items		35,875,932
CN	Change in Net Position		1,535,514
NB	Net Position - Beginning		29,701,556
PA	Prior Period Adjustment		531,314
NE	Net Position--Ending		\$ 31,768,384

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

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
ASSETS			
1110 Cash and Cash Equivalents	\$ 20,186,529	\$ 1,634,226	\$ 21,820,755
1220 Property Taxes - Delinquent	1,187,898	108,115	1,296,013
1230 Allowance for Uncollectible Taxes	(249,217)	(23,334)	(272,551)
1240 Due from Other Governments	105,827	135,431	241,258
1260 Due from Other Funds	2,610	-	2,610
1290 Other Receivables	94	-	94
1410 Prepayments	60,190	-	60,190
1000 Total Assets	<u>\$ 21,293,931</u>	<u>\$ 1,854,438</u>	<u>\$ 23,148,369</u>
LIABILITIES			
2110 Accounts Payable	\$ 12,837	\$ -	\$ 12,837
2150 Payroll Deductions and Withholdings Payable	129,629	12,553	142,182
2160 Accrued Wages Payable	825,180	42,837	868,017
2170 Due to Other Funds	-	2,610	2,610
2180 Due to Other Governments	7,824,857	-	7,824,857
2300 Unearned Revenue	468,468	-	468,468
2000 Total Liabilities	<u>9,260,971</u>	<u>58,000</u>	<u>9,318,971</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	938,681	84,781	1,023,462
2600 Total Deferred Inflows of Resources	<u>938,681</u>	<u>84,781</u>	<u>1,023,462</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3430 Prepaid Items	60,190	-	60,190
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	24,520	24,520
3480 Retirement of Long-Term Debt	-	1,679,322	1,679,322
Committed Fund Balance:			
3510 Construction	92,532	-	92,532
3545 Other Committed Fund Balance	-	7,815	7,815
Assigned Fund Balance:			
3550 Construction	400,000	-	400,000
3600 Unassigned Fund Balance	10,541,557	-	10,541,557
3000 Total Fund Balances	<u>11,094,279</u>	<u>1,711,657</u>	<u>12,805,936</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 21,293,931</u>	<u>\$ 1,854,438</u>	<u>\$ 23,148,369</u>

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

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2016

Total Fund Balances - Governmental Funds	\$	12,805,936
1 Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net position.		15,948,949
2 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including capital outlays and debt principal payments is to increase (decrease) net position.		3,476,556
3 Depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(1,658,095)
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, a Deferred Resource Inflow related to TRS, and a Deferred Resource Outflow related to TRS. The net effect of these adjustments is to increase (decrease) net position.		171,576
5 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.		1,023,462
19 Net Position of Governmental Activities	\$	31,768,384

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

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 30,728,813	\$ 2,695,056	\$ 33,423,869
5800 State Program Revenues	2,836,025	95,414	2,931,439
5900 Federal Program Revenues	37,537	837,417	874,954
5020 Total Revenues	<u>33,602,375</u>	<u>3,627,887</u>	<u>37,230,262</u>
EXPENDITURES:			
Current:			
0011 Instruction	5,435,116	755,230	6,190,346
0012 Instructional Resources and Media Services	196,486	-	196,486
0013 Curriculum and Instructional Staff Development	163,353	2,497	165,850
0021 Instructional Leadership	212,652	-	212,652
0023 School Leadership	647,758	-	647,758
0031 Guidance, Counseling, and Evaluation Services	291,205	-	291,205
0033 Health Services	55,234	-	55,234
0034 Student (Pupil) Transportation	543,859	-	543,859
0035 Food Services	8,188	677,841	686,029
0036 Extracurricular Activities	853,385	29,248	882,633
0041 General Administration	590,300	-	590,300
0051 Facilities Maintenance and Operations	1,939,657	-	1,939,657
0052 Security and Monitoring Services	47,710	-	47,710
0053 Data Processing Services	151,871	1,638	153,509
0061 Community Services	14,874	59,173	74,047
Debt Service:			
0071 Principal on Long-Term Debt	-	1,450,000	1,450,000
0072 Interest on Long-Term Debt	-	891,194	891,194
0073 Bond Issuance Cost and Fees	-	1,720	1,720
Capital Outlay:			
0081 Facilities Acquisition and Construction	78,373	1,579,204	1,657,577
Intergovernmental:			
0091 Contracted Instructional Services Between Schools	21,245,421	-	21,245,421
0099 Other Intergovernmental Charges	275,591	-	275,591
6030 Total Expenditures	<u>32,751,033</u>	<u>5,447,745</u>	<u>38,198,778</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>851,342</u>	<u>(1,819,858)</u>	<u>(968,516)</u>
OTHER FINANCING SOURCES (USES):			
7912 Sale of Real and Personal Property	8,737	-	8,737
7915 Transfers In	-	177,500	177,500
8911 Transfers Out (Use)	(177,500)	-	(177,500)
7080 Total Other Financing Sources (Uses)	<u>(168,763)</u>	<u>177,500</u>	<u>8,737</u>
1200 Net Change in Fund Balances	682,579	(1,642,358)	(959,779)
0100 Fund Balance - July 1 (Beginning)	9,876,470	3,354,015	13,230,485
1300 Increase (Decrease) in Fund Balance	535,230	-	535,230
3000 Fund Balance - June 30 (Ending)	<u>\$ 11,094,279</u>	<u>\$ 1,711,657</u>	<u>\$ 12,805,936</u>

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

REAGAN COUNTY 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 JUNE 30, 2016

Total Net Change in Fund Balances - Governmental Funds	\$	(959,779)
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 capital outlays and debt principal payments is to increase (decrease) net position.		3,476,556
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.		(1,658,095)
Current year changes required by GASB 68 include amortization of deferred resource inflows and outflows related to the District's pension liability. The District's current pension expense was also adjusted for items related to the difference between the District's fiscal year end and the measurement date used for pension liability reporting by the plan. The amount of state contributions made on behalf of plan participants reported in the Statement of Activities included additional expense not reported in the governmental funds statements. The impact of all of these is to increase (decrease) net position.		167,660
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the 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, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.		509,172
Change in Net Position of Governmental Activities	\$	1,535,514

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

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016

	Agency Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 56,061
Total Assets	<u>\$ 56,061</u>
LIABILITIES	
Due to Student Groups	\$ 56,061
Total Liabilities	<u>\$ 56,061</u>

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

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Reagan County Independent School District is a public educational agency operating under the applicable laws and regulations of the State of Texas. The District prepares its basic financial statements in conformity with accounting principles generally accepted in the United States of America applicable to state and local governments. Additionally, the District complies with the requirements of the Texas Education Agency's *Financial Accountability System Resource Guide* (the *Resource Guide*) and the requirements of contracts and grants of agencies from which it receives funds.

A. Reporting Entity

The District is governed by the Board of Trustees, a seven-member group, which is elected by the public and has governance responsibilities, including fiscal accountability, over all activities related to public elementary and secondary education within the jurisdiction of the Reagan County Independent School District (the primary government). There are no component units included within the reporting entity.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities include programs supported primarily by taxes, State foundation funds, grants, and other intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges for services - payments from parties that purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment of the District and (2) grants and contributions - payments from organizations outside the District that are restricted to meeting the operational or capital requirements of a particular function or segment of the District. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

All interfund transactions between governmental funds are eliminated in the government-wide financial statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due froms on the government-wide statement of net position.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other funds.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using 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 in the balance sheet. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
June 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued

pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, revenues received from the state, and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

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 unearned revenue until related and authorized expenditures have been made.

The government reports the following major governmental fund:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Additionally, the government reports the following fund type:

Agency Funds account for the activities of funds which are the property of student groups.

D. Interfund Receivables and Payables

Activity between individual funds may result in amounts owed between funds which are classified as Due To and From Other Funds. Other than amounts due to or from fiduciary funds these balances are eliminated in the statement of net position.

E. Receivables and Payables

Receivables are stated at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

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

F. Capital Assets

Capital assets are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 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 estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
June 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

F. Capital Assets - Continued

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	10-40
Vehicles	7-10
Furniture and Equipment	5-10

G. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of any applicable bond premium or discount.

In the fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

H. Pensions

In accordance with accounting guidance prescribed by GASB Statement No. 68, 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.

I. Compensated Absences

The District's policy does not permit employees to accumulate unused vacation and sick leave to be paid to the employees upon separation from service.

J. Net Position on the Statement of Net Position

Net position on the statement of net position includes the following:

Net Investment in Capital Assets - This component of net position represents the difference between capital assets net of accumulated depreciation and the outstanding balance of debt, excluding any unspent debt proceeds, which is directly attributable to the acquisition, construction, or improvement of those assets.

Restricted for Federal and State Programs - This component of net position represents the balance of the Child Nutrition Program.

Restricted for Debt Service - This component of net position represents the difference between assets and liabilities of the Debt Service Fund that consists of assets with constraints placed on their use by creditors.

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
June 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

J. Net Position on the Statement of Net Position - Continued

Unrestricted - This is the difference between assets/deferred outflows of resources and liabilities/deferred inflows of resources that is not reported as Net Investment in Capital Assets, Restricted for Federal and State Programs, or Restricted for Debt Service.

K. Fund Balances

In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable - Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

Restricted - Amounts that can be spent only for specific purposes because usage restraints have been imposed by external sources such as creditors (through a debt covenant), grantors, contributors, or laws or regulations of other governments.

Committed - Amounts that can be used only for specific purposes determined by a formal action of the Board of Trustees, the District's highest level of decision-making authority. Commitments may be modified or rescinded only through formal action by the Board of Trustees.

Assigned - Amounts that are intended for a specific purpose but do not meet the definition of restricted or committed. The intent can be expressed by the Board of Trustees or by a Board designee.

Unassigned - Amounts that have not been assigned to other funds or restricted, committed, or assigned to a specific purpose within the General Fund.

The details of the fund balances are included in the governmental funds balance sheet.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds and then unassigned funds, as needed, unless the Board of Trustees has provided otherwise in its commitment or assignment actions.

In the General Fund, the District strives to maintain a yearly fund balance in the general operating fund in which the total fund balance is forty percent of total operating expenditures.

L. Property Tax Revenue

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

The District recognizes as tax revenues those taxes that are measurable and available. Measurable means the amount can be determined, and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as available if they are collected within the current period.

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
June 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

L. Property Tax Revenue - Continued

Taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectibles are based upon historical experience. 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.

M. Interfund Transfers

Permanent relocations of resources between funds of the reporting entity are classified as interfund transfers. For purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budget

Formal budgetary accounting is employed for all required governmental fund types and is presented on the modified accrual basis of accounting consistent with generally accepted accounting principles.

The official school budget is prepared for adoption for required governmental fund types prior to June 20 of the preceding fiscal year for the subsequent fiscal year beginning July 1. The budget is formally adopted by the Board of Trustees at a public meeting held at least ten days after public notice has been given.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, the Debt Service Fund, and the Food Service Special Revenue Fund. The remaining Special Revenue Funds and the Capital Projects Fund adopt project-length budgets which do not correspond to the District's fiscal year. Each annual budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles. The budget was amended throughout the year by the Board of Trustees. Such amendments are before the fact and are reflected in the official minutes of the Board.

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit. 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, and (10) 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.

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
June 30, 2016

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

A. Deposits and Investments - Continued

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy.

Custodial Credit Risk - Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits and investments in certificates of deposit may not be returned to it. The District's policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments, other than the following: The State of Texas requires that a financial institution secure deposits and investments made by state and local governments by pledging securities in excess of the highest cash balance of the government. The District is not exposed to custodial credit risk for its deposits since they are covered by depository insurance and pledged securities held by a third party in the District's name.

Concentration of Credit Risk: The investment policy of the District contains no limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent five percent or more of the total entity investments represent a concentration risk. The District is not exposed to this risk as described in the preceding paragraph.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At June 30, 2016, the District was not significantly exposed to credit risk.

Interest Rate Risk: Not applicable

Foreign Currency Risk: Not applicable

At June 30, 2016, the District's investments with respective maturities and credit ratings consisted of the following:

	<u>Fair Value</u>	<u>Percent</u>	<u>Weighted Average Maturity</u>	<u>Credit Rating</u>
<u>Public Funds Investment Pools</u>				
Lone Star				
Corporate Overnight Fund	<u>\$ 19,544,962</u>	<u>100%</u>	43 Days	AAAm

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the Pool and other persons who do not have a business relationship with the Pool and are qualified to advise the Pool; 2) maintain a continuous rating of no lower than AAA or AAAM or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The District's investment in Pools is reported at an amount determined by the fair value per share of the Pool's underlying portfolio, unless the Pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940.

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
June 30, 2016

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

B. 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 other governments are summarized as follows:

	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>Other</u>	<u>Total</u>
General Fund	\$ 47,885	\$ 0	\$ 57,942	\$ 105,827
Special Revenue Funds	0	130,439	0	130,439
Debt Service Fund	<u>0</u>	<u>0</u>	<u>4,992</u>	<u>4,992</u>
Totals	<u>\$ 47,885</u>	<u>\$ 130,439</u>	<u>\$ 62,934</u>	<u>\$ 241,258</u>

C. Interfund Balances and Transfers

1. The following is a summary of amounts due from and due to other funds:

	<u>Due From</u>	<u>Due To</u>	<u>Purpose</u>
General Fund			
Nonmajor Governmental Funds	\$ 2,610	\$ 0	Reallocation of Tax Receipts
Nonmajor Governmental Funds			
General Fund	<u>0</u>	<u>2,610</u>	Reallocation of Tax Receipts
Totals	<u>\$ 2,610</u>	<u>\$ 2,610</u>	

All amounts due are expected to be repaid within one year.

2. Interfund transfers consist of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Nonmajor Governmental Funds	\$ 7,500	Subsidize Operations
General Fund	Nonmajor Governmental Funds	<u>170,000</u>	Subsidize Food Services
	Total	<u>\$ 177,500</u>	

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
June 30, 2016

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

D. Capital Assets

Capital asset activity for the year ended June 30, 2016, was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclassifications</u>	<u>Ending Balance</u>
Capital Assets					
Land	\$ 199,015	\$ 27,982	\$ 0	\$ 0	\$ 226,997
Buildings and Improvements	43,971,816	129,863	0	12,733,337	56,835,016
Furniture and Equipment	3,446,465	559,445	241,736	36,470	3,800,644
Construction in Progress	11,210,091	1,559,716	0	12,769,807	0
Total Capital Assets	<u>\$ 58,827,387</u>	<u>\$ 2,277,006</u>	<u>\$ 241,736</u>	<u>\$ 25,539,614</u>	<u>\$ 60,862,657</u>
Less Accumulated Depreciation					
Buildings and Improvements	\$ (13,831,126)	\$ (1,317,180)	\$ 0	\$ 0	\$ (15,148,306)
Furniture and Equipment	(2,137,016)	(340,915)	(216,392)	0	(2,261,539)
Total Accumulated Depreciation	<u>\$ (15,968,142)</u>	<u>\$ (1,658,095)</u>	<u>\$ (216,392)</u>	<u>\$ 0</u>	<u>\$ (17,409,845)</u>
Governmental Activities Capital Assets, Net	<u>\$ 42,859,245</u>	<u>\$ 618,911</u>	<u>\$ 25,344</u>	<u>\$ 25,539,614</u>	<u>\$ 43,452,812</u>

Depreciation expense was charged to governmental activities functions as follows:

Instruction	\$ 949,724
Instructional Resources and Media Services	34,603
Curriculum and Instructional Staff Development	21,353
Instructional Leadership	40,828
School Leadership	125,518
Guidance, Counseling, and Evaluation Services	55,851
Health Services	9,368
Student (Pupil) Transportation	18,668
Food Services	61,488
Extracurricular Activities	102,335
General Administration	78,906
Facilities Maintenance and Operations	138,420
Data Processing Services	8,289
Community Services	12,744
Total	<u>\$ 1,658,095</u>

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
June 30, 2016

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

E. Deferred Outflows and Inflows of Resources

The financial statements report separate sections for deferred outflows and inflows of resources. Deferred outflows represent an acquisition of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. Deferred inflows represent an acquisition of fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

The District has the following items that qualify for reporting in these categories:

Deferred Outflows (Statement of Net Position)

Deferred loss on bond refunding, which is amortized over the life of the refunding bonds.

District's proportionate share of Teacher Retirement System of Texas (TRS) deferred outflows as detailed in financial statement footnote IV., A.

Deferred Inflows (Statement of Net Position)

District's proportionate share of Teacher Retirement System of Texas (TRS) deferred inflows as detailed in financial statement footnote IV., A.

Deferred Inflows (Balance Sheet - Governmental Funds)

Unavailable revenue - property taxes.

F. Unearned Revenue

Unearned revenue at year end consisted of the following:

	<u>General Fund</u>
State Grants	<u>\$ 468,468</u>

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
June 30, 2016

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

G. Commitments Under Noncapitalized Leases

Commitments under operating lease agreements for equipment provide for minimum future rental payments as of June 30, 2016, as follows:

<u>Year Ending June 30,</u>	
2017	\$ 41,025
2018	42,473
2019	42,473
2020	25,392
2021	8,691
2022-2026	<u>1,448</u>
Total Minimum Rentals	<u>\$ 161,502</u>

Rental expenditures during the year ended June 30, 2016, were \$33,782.

H. Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2016:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Unlimited Tax School					
Building Bonds	\$ 14,545,000	\$ 0	\$ 1,450,000	\$ 13,095,000	\$ 1,160,000
Unlimited Tax					
Refunding Bonds	9,520,000	0	0	9,520,000	330,000
Bond Premium	<u>1,397,179</u>	<u>0</u>	<u>108,038</u>	<u>1,289,141</u>	<u>0</u>
Totals	<u>\$ 25,462,179</u>	<u>\$ 0</u>	<u>\$ 1,558,038</u>	<u>\$ 23,904,141</u>	<u>\$ 1,490,000</u>

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
June 30, 2016

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

H. Long-Term Debt - Continued

The District's outstanding bond issues are as follows:

Reagan County Independent School District Unlimited Tax School Building Bonds, Series 2010. Issued for school building construction, improvements, equipment, acquisition of any necessary sites, purchase of new school buses, and payment of the costs associated with the issuance of the bonds in the original amount of \$4,999,999. The issue consisted of \$4,910,000 of current interest bonds and \$89,999 of premium capital appreciation bonds. Due in variable installments through February 15, 2025, with interest rates of 0% to 4%.	\$ 1,555,000
Reagan County Independent School District Unlimited Tax Refunding Bonds, Series 2012. Issued to refund the Unlimited Tax School Building Bonds, Series 2010. Issued in the original amount of \$9,520,000. Due in variable installments through February 1, 2027, with interest rates of 2% to 3%.	9,520,000
Reagan County Independent School District Unlimited Tax School Building Bonds, Series 2014. Issued for school buildings construction, acquisition, renovation, and equipment, the purchase of sites for school buildings, the purchase of new school buses, and to pay the costs associated with the issuance of the bonds in the original amount of \$13,530,000. Due in variable installments through February 15, 2029, with interest rates of 2% to 5%.	<u>11,540,000</u>
Total Bonds Payable	<u><u>\$ 22,615,000</u></u>

The combined annual debt service requirements are as follows:

Year Ending June 30,	Unlimited Tax School Building Bonds		Unlimited Tax Refunding Bonds		Total
	Principal	Interest	Principal	Interest	
2017	\$ 1,160,000	\$ 583,544	\$ 330,000	\$ 273,750	\$ 2,347,294
2018	680,000	555,344	855,000	267,150	2,357,494
2019	700,000	536,544	870,000	250,050	2,356,594
2020	725,000	517,044	895,000	223,950	2,360,994
2021	755,000	485,068	920,000	197,100	2,357,168
2022-2026	3,205,000	1,974,626	5,050,000	553,500	10,783,126
2027-2029	5,870,000	626,250	600,000	18,000	7,114,250
Totals	<u>\$ 13,095,000</u>	<u>\$ 5,278,420</u>	<u>\$ 9,520,000</u>	<u>\$ 1,783,500</u>	<u>\$ 29,676,920</u>

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
June 30, 2016

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

I. Outstanding Encumbrances

There were no outstanding encumbrances that were provided for in the subsequent year's budget.

J. Revenues from Local and Intermediate Sources

Local and intermediate source revenues consists of the following:

	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Total
Property Taxes	\$ 29,511,067	\$ 0	\$ 2,522,876	\$ 0	\$ 32,033,943
Other Local Sources	1,187,618	806	8,991	1,723	1,199,138
Cocurricular, Enterprising Services, or Activities	30,128	160,660	0	0	190,788
Totals	<u>\$ 30,728,813</u>	<u>\$ 161,466</u>	<u>\$ 2,531,867</u>	<u>\$ 1,723</u>	<u>\$ 33,423,869</u>

K. General Fund Federal Source Revenues

<u>Program or Source</u>	<u>CFDA Number</u>	<u>Amount</u>
E-Rate School and Library Program	--	\$ 28,918
Medicaid Administrative Claiming Program (MAC)	93.778	<u>8,619</u>
Total		<u>\$ 37,537</u>

IV. OTHER INFORMATION

A. Defined Benefit Pension Plan

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

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
June 30, 2016

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

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, Texas 78701-2698; or by calling (512)542-6592. The information provided in the notes 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	<u>(128,538,706,212)</u>
Net Pension Liability	<u>\$ 35,348,668,960</u>
Net Position as Percentage of Total Pension Liability	78.43%

Benefits Provided - TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3% (multiplier) times the average of the 5 highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered; for those the 3 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.

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
June 30, 2016

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

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

Contribution Rates		
	<u>2015</u>	<u>2016</u>
Member	6.7%	7.2%
Non-Employer Contributing Entity (State)	6.7%	6.7%
Employers	6.8%	6.8%
District's 2016 Employer Contributions		\$ 187,227
District's 2016 Member Contributions		452,782
District's 2015 NECE On-Behalf Contributions		315,039

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 sources 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 Insurance (OASDI) program for certain employees, it 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.

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
June 30, 2016

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

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

Valuation Date	August 31, 2015
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.0%
Long-Term Expected Investment Rate of Return	8.0%
Inflation	2.5%
Salary Increases Including Inflation	3.5% to 9.5%
Payroll Growth Rate	2.5%
Benefit Changes During the Year	None
Ad hoc Post Employment Benefit Changes	None

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

Discount Rate - The discount rate used to measure the total pension liability was 8%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. 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

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
June 30, 2016

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

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 System's target asset allocation as of August 31, 2015, are summarized below:

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

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

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
June 30, 2016

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

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

	1% Decrease in Discount Rate (7%)	Discount Rate (8%)	1% Increase in Discount Rate (9%)
District's Proportionate Share of the Net Pension Liability	\$ 3,399,402	\$ 2,169,631	\$ 1,145,307

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016, the Reagan County Independent School District reported a net pension liability of \$2,169,631 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's Proportionate Share of the Collective Net Pension Liability	\$ 2,169,631
State's Proportionate Share that is Associated with the District	3,759,796
Total	\$ 5,929,427

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 through August 31, 2015.

At August 31, 2015, the employer's proportion of the collective net pension liability was 0.000061378% which was an increase of 0.000021538% 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% to 2.5%.
2. The ultimate merit assumption for long-service employees was decreased from 1.25% to 1%.
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 3.5% to 2.5%.

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
June 30, 2016

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

Mortality Assumptions

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

Other Demographic Assumptions

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

Actuarial Methods and Policies

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

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

For the measurement period August 31, 2015, the Reagan County Independent School District recognized pension expense of \$535,710 and revenue of \$535,710 for support provided by the State.

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
June 30, 2016

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

At June 30, 2016, the Reagan County Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 13,688	\$ 83,381
Changes in Actuarial Assumptions	57,529	77,403
Difference Between Projected and Actual Investment Earnings	290,389	-
Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions	492,252	673
Contributions Paid to TRS Subsequent to the Measurement Date	160,648	0
Totals	\$ 1,014,506	\$ 161,457

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 Ending June 30,	Pension Expense Amount
2017	\$ 122,716
2018	122,716
2019	122,716
2020	204,030
2021	69,590
Thereafter	50,633

B. Retiree Health Plan

Plan Description - The Reagan County Independent School District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas (TRS). TRS-Care 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. TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by 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.

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
June 30, 2016

IV. OTHER INFORMATION - Continued

B. Retiree Health Plan - Continued

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 contribution amounts for fiscal years 2016-2014 are shown in the table below:

Fiscal Year	Active Member		State On-Behalf		District	
	Rate	Amount	Rate	Amount	Rate	Amount
2016	0.65%	\$ 41,338	1.0%	\$ 63,597	0.55%	\$ 34,978
2015	0.65%	39,679	1.0%	61,045	0.55%	33,575
2014	0.65%	37,568	1.0%	57,797	0.55%	31,788

The Medicare Modernization Act of 2003 which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for Texas Public School Retired Employee Group Insurance Program (TRS-Care), administered by TRS, to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. Medicare Part D payments made on behalf of the District for fiscal years 2016-2014 are shown in the table below:

Fiscal Year	Medicare Part D
2016	\$ 24,998
2015	24,995
2014	15,891

C. Health Care Coverage

During the year ended June 30, 2016, employees of the District were covered by a health insurance plan (the Plan) through the TRS - Active Care Program administered by the Teacher Retirement System. The District contributed \$500 of the premium per month, and employees, at their option, authorized payroll withholdings to pay contributions for the remainder of the premium. Under the Plan, the District is not liable for costs incurred beyond the premiums paid.

D. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters, for which the District participated in a public entity risk pool. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding coverage for each of the past three fiscal years.

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
June 30, 2016

IV. OTHER INFORMATION - Continued

E. Property and Liability Programs

During the year ended June 30, 2016, the District participated in the Texas Association of Public Schools Property and Liability Fund (the Fund) programs.

The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for the Fund. The terms and limits of the stop-loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves.

For the year ended June 30, 2016, the Fund anticipates that the District has no additional liability beyond the contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in November of the following year. The Fund's audited financial statements as of August 31, 2015, are available at the TAPS' offices.

F. Unemployment Compensation Coverage

During the year ended June 30, 2016, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop-loss coverage for the Unemployment Compensation pool. For the year ended June 30, 2016, the Fund anticipates that the District has no additional liability beyond the contractual obligations for payment of contributions.

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

G. Workers' Compensation Insurance

During the year ended June 30, 2016, the District met its statutory workers' compensation obligations through participation in the Deep East Texas Self Insurance Fund (the Fund), a public entity risk pool, which is self-sustained through member premiums. The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Workers' Compensation Program is authorized by Chapter 504, of the Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members and their injured employees.

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
June 30, 2016

IV. OTHER INFORMATION - Continued

G. Workers' Compensation Insurance - Continued

The Fund and its members are protected against higher than expected claim costs through the purchase of stop-loss coverage for any claims in excess of the Fund's self-insured retention of \$1,000,000. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of June 30, 2016, the Fund carries a discounted reserve of \$7,106,733 for future development on reported claims and claims that have been incurred but not yet reported. For the year ended June 30, 2016, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on June 30. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of June 30, 2015, are available at the Fund's offices.

H. Contingencies

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

I. Adjustments to Net Position/Fund Balances

The financial statements reflect the following prior period adjustments:

	Net Position <u>Exhibit B-1</u>	Fund Balances <u>Exhibit C-3</u>
General Fund		
Foundation Adjustment	\$ 535,435	\$ 535,435
Miscellaneous Adjustments	<u>(205)</u>	<u>(205)</u>
Total General Fund	\$ 535,230	<u>\$ 535,230</u>
Pension Expense Adjustment	<u>(3,916)</u>	
Total	<u>\$ 531,314</u>	

J. Subsequent Events

During the fiscal year ended June 30, 2016, the District's buildings received extensive roof damage due to turbulent weather. Subsequent to year end the District received \$1,089,909 from insurance claims to replace the damaged roofs.

The District's management has evaluated subsequent events through October 11, 2016, the date which the financial statements were available for issue.

Required Supplementary Information

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 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	\$ 26,561,833	\$ 31,572,790	\$ 30,728,813	\$ (843,977)
5800	State Program Revenues	3,433,582	3,018,426	2,836,025	(182,401)
5900	Federal Program Revenues	5,500	5,500	37,537	32,037
5020	Total Revenues	30,000,915	34,596,716	33,602,375	(994,341)
EXPENDITURES:					
Current:					
0011	Instruction	5,221,918	5,624,417	5,435,116	189,301
0012	Instructional Resources and Media Services	187,741	237,841	196,486	41,355
0013	Curriculum and Instructional Staff Development	162,337	212,337	163,353	48,984
0021	Instructional Leadership	150,437	300,437	212,652	87,785
0023	School Leadership	672,171	697,171	647,758	49,413
0031	Guidance, Counseling, and Evaluation Services	344,166	344,166	291,205	52,961
0033	Health Services	65,898	115,898	55,234	60,664
0034	Student (Pupil) Transportation	469,147	746,483	543,859	202,624
0035	Food Services	-	30,000	8,188	21,812
0036	Extracurricular Activities	786,550	986,550	853,385	133,165
0041	General Administration	482,223	732,223	590,300	141,923
0051	Facilities Maintenance and Operations	1,825,888	1,950,888	1,939,657	11,231
0052	Security and Monitoring Services	10,000	85,000	47,710	37,290
0053	Data Processing Services	113,703	238,703	151,871	86,832
0061	Community Services	14,800	44,800	14,874	29,926
Debt Service:					
0071	Principal on Long-Term Debt	29,000	29,000	-	29,000
0072	Interest on Long-Term Debt	1,000	1,000	-	1,000
Capital Outlay:					
0081	Facilities Acquisition and Construction	306,000	291,000	78,373	212,627
Intergovernmental:					
0091	Contracted Instructional Services Between Schools	18,727,936	21,308,802	21,245,421	63,381
0099	Other Intergovernmental Charges	255,000	295,000	275,591	19,409
6030	Total Expenditures	29,825,915	34,271,716	32,751,033	1,520,683
1100	Excess of Revenues Over Expenditures	175,000	325,000	851,342	526,342
OTHER FINANCING SOURCES (USES):					
7912	Sale of Real and Personal Property	-	-	8,737	8,737
8911	Transfers Out (Use)	(175,000)	(325,000)	(177,500)	147,500
7080	Total Other Financing Sources (Uses)	(175,000)	(325,000)	(168,763)	156,237
1200	Net Change in Fund Balances	-	-	682,579	682,579
0100	Fund Balance - July (Beginning)	9,876,470	9,876,470	9,876,470	-
1300	Increase (Decrease) in Fund Balance	-	-	535,230	535,230
3000	Fund Balance - June 30 (Ending)	\$ 9,876,470	\$ 9,876,470	\$ 11,094,279	\$ 1,217,809

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED JUNE 30, 2016

EXHIBIT E-2

	<u>2016</u>	<u>2015</u>
District's Proportion of the Net Pension Liability (Asset)	0.000061378%	0.00003984%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 2,169,632	\$ 1,064,182
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	3,759,796	3,130,644
Total	<u>\$ 5,929,428</u>	<u>\$ 4,194,826</u>
District's Covered-Employee Payroll	\$ 6,154,430	\$ 5,800,859
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	35.25%	18.34%
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."

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DISTRICT'S CONTRIBUTIONS
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR FISCAL YEAR 2016

EXHIBIT E-3

	2016	2015
Contractually Required Contribution	\$ 187,227	\$ 167,986
Contribution in Relation to the Contractually Required Contribution	(187,227)	(167,986)
Contribution Deficiency (Excess)	\$ -0-	\$ -0-
District's Covered-Employee Payroll	\$ 6,359,664	\$ 6,104,512
Contributions as a Percentage of Covered-Employee Payroll	2.94%	2.75%

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."

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
Notes to the Required Supplementary Information
June 30, 2016

Note A - Net Pension Liability

Changes of Benefit Terms

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

Changes of Assumptions

The following are changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period:

Economic Assumptions

1. The inflation assumption was decreased from 3% to 2.5%.
2. The ultimate merit assumption for long-service employees was decreased from 1.25% to 1%.
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 3.5% to 2.5%.

Mortality Assumptions

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

Other Demographic Assumptions

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

Actuarial Methods and Policies

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

Other Supplementary Information

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED JUNE 30, 2016

Last 10 Years Ended	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2007 and prior years	Various	Various	\$ Various
2008	0.920000	0.240000	1,315,961,402
2009	0.926000	0.165000	1,662,461,798
2010	0.970000	0.165000	1,501,300,062
2011	0.940000	0.150000	1,787,093,380
2012	0.930000	0.140000	1,992,447,900
2013	1.100000	0.100000	2,470,855,265
2014	1.100000	0.100000	2,489,069,386
2015	1.100000	0.100000	2,993,911,809
2016 (School year under audit)	1.170000	0.100000	2,624,223,202
1000 TOTALS			

2016 Adjustments represents \$780,126 of discounts for early payment of taxes.

(10) Beginning Balance 7/1/2015	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 6/30/2016
\$ 76,268	\$ -	\$ 404	\$ 15	\$ (13,283)	\$ 62,566
18,416	-	394	103	-	17,919
38,031	-	1,117	199	-	36,715
30,019	-	693	120	-	29,206
21,106	-	1,388	221	-	19,497
31,345	-	2,476	373	-	28,496
58,430	-	8,528	775	-	49,127
104,896	-	19,970	1,896	-	83,030
340,122	-	127,251	11,662	(16,283)	184,926
-	33,327,635	29,260,776	2,502,202	(780,126)	784,531
<u>\$ 718,633</u>	<u>\$ 33,327,635</u>	<u>\$ 29,422,997</u>	<u>\$ 2,517,566</u>	<u>\$ (809,692)</u>	<u>\$ 1,296,013</u>

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
 FOR THE YEAR ENDED JUNE 30, 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	\$ 133,000	\$ 133,000	\$ 134,352	\$ 1,352
5800	State Program Revenues	4,244	4,244	2,818	(1,426)
5900	Federal Program Revenues	298,190	298,190	348,406	50,216
5020	Total Revenues	435,434	435,434	485,576	50,142
EXPENDITURES:					
0035	Food Services	610,434	700,434	675,451	24,983
6030	Total Expenditures	610,434	700,434	675,451	24,983
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(175,000)	(265,000)	(189,875)	75,125
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	175,000	265,000	170,000	(95,000)
1200	Net Change in Fund Balances	-	-	(19,875)	(19,875)
0100	Fund Balance - July (Beginning)	44,395	44,395	44,395	-
3000	Fund Balance - June 30 (Ending)	\$ 44,395	\$ 44,395	\$ 24,520	\$ (19,875)

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - DEBT SERVICE FUND
 FOR THE YEAR ENDED JUNE 30, 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	\$ 2,463,500	\$ 2,663,500	\$ 2,531,867	\$ (131,633)
5800	State Program Revenues	-	-	4,523	4,523
5020	Total Revenues	2,463,500	2,663,500	2,536,390	(127,110)
EXPENDITURES:					
Debt Service:					
0071	Principal on Long-Term Debt	1,550,000	1,750,000	1,450,000	300,000
0072	Interest on Long-Term Debt	913,500	911,750	891,194	20,556
0073	Bond Issuance Cost and Fees	-	1,750	1,720	30
6030	Total Expenditures	2,463,500	2,663,500	2,342,914	320,586
1200	Net Change in Fund Balances	-	-	193,476	193,476
0100	Fund Balance - July (Beginning)	1,485,846	1,485,846	1,485,846	-
3000	Fund Balance - June 30 (Ending)	\$ 1,485,846	\$ 1,485,846	\$ 1,679,322	\$ 193,476

COMPLIANCE AND INTERNAL CONTROLS SECTION



A Limited Liability Partnership

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
Reagan County Independent School District
1111 Twelfth Street
Big Lake, TX 76932-3599

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Reagan County Independent School District as of and for the year ended June 30, 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 October 11, 2016.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during the 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 Reagan County Independent School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eckert & Company, LLP

October 11, 2016



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

Board of Trustees
Reagan County Independent School District
1111 Twelfth Street
Big Lake, TX 76932-3599

Report on Compliance for Each Major Federal Program

We have audited the Reagan County Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Reagan County Independent School District's major federal programs for the year ended June 30, 2016. The Reagan County Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

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

Opinion of Each Major Federal Program

In our opinion, the Reagan County 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 June 30, 2016.

Report on Internal Control Over Compliance

Management of the Reagan County 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 Reagan County Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our 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 a 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.

Purpose of This Report

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

Eckert & Company, LLP

October 11, 2016

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2016

A. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unmodified

Internal Control Over Financial Reporting

Material weaknesses identified? ___ Yes X No

Significant deficiencies identified that are not considered to be material weaknesses? ___ Yes X None Reported

Noncompliance material to financial statements noted? ___ Yes X No

Federal Awards

Internal Control Over Major Programs

Material weaknesses identified? ___ Yes X No

Significant deficiencies identified that are not considered to be material weaknesses? ___ Yes X None Reported

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

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? ___ Yes X No

Identification of Major Programs

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
	Special Education Cluster
84.027	IDEA - Part B, Formula
84.173	IDEA - Part B, Preschool

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

Auditee qualified as low-risk auditee? X Yes ___ No

B. Findings - Financial Statements Audit

None

C. Findings and Questioned Costs - Major Federal Award Programs Audit

None

D. Findings - State Compliance

None

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	15 - 610112192901041	\$ 9,357
ESEA, Title I, Part A - Improving Basic Programs	84.010A	16 - 610112192901001	143,127
ESEA, Title I, Part A - Improving Basic Programs	84.010A	15 - 610112192901101	1,980
ESEA, Title I, Part A - Improving Basic Programs	84.010A	16 - 610101192901	79,081
Total CFDA Number 84.010A			233,545
*IDEA - Part B, Formula	84.027	16 - 660001192901660	203,972
*IDEA - Part B, Preschool	84.173	16 - 661001192901600	8,551
Total Special Education Cluster (IDEA)			212,523
Career and Technical - Basic Grant	84.048	16 - 420006192901	2,362
Title III, Part A - English Language Acquisition	84.365A	16 - 16671001165950	1,045
ESEA, Title II, Part A - Teacher/Principal Training	84.367A	16 - 16694501192901	37,147
Total Passed Through State Department of Education			\$ 486,622
TOTAL U.S. DEPARTMENT OF EDUCATION			\$ 486,622
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through Texas Dept of Human Services</u>			
Medicaid Administrative Claiming Program - MAC	93.778	16-192901	\$ 8,618
Total Passed Through Texas Dept of Human Services			\$ 8,618
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ 8,618
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	16-192901	\$ 108,871
*National School Lunch Program - Cash Assistance	10.555	16-192901	204,940
*National School Lunch Prog. - Non-Cash Assistance	10.555	16-192901	34,594
Total CFDA Number 10.555			239,534
*Summer Feeding Program - Cash Assistance	10.559	16-192901	2,390
Total Child Nutrition Cluster			350,795
Total Passed Through the State Department of Agriculture			\$ 350,795
TOTAL U.S. DEPARTMENT OF AGRICULTURE			\$ 350,795
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 846,035

*Clustered Programs

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2016

Note A - Summary of Significant Accounting Policies

The District utilizes the fund types specified in the Texas Education Agency's *Financial Accountability System Resource Guide*.

Federal and state awards generally are accounted for in a Special Revenue Fund, a component of the governmental fund types. A Special Revenue Fund is used to account for resources restricted to, or committed for, specific purposes by a grantor.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds represent increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for these 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 liability is incurred, if measurable, except for 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 unearned revenues until earned. Generally, unused balances are returned to the grantor at the close of specified project periods.

Note B - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the District under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the 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). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note C - Reconciliation to Basic Financial Statements

The following is a reconciliation of expenditures of federal awards programs per the schedule of expenditures of federal awards and federal revenues reported on Exhibit C-3:

Total Expenditures of Federal Awards	\$ 846,035
E-Rate School and Library Program	<u>28,919</u>
Federal Program Revenues Per Exhibit C-3	<u><u>\$ 874,954</u></u>