

**TATUM  
INDEPENDENT SCHOOL DISTRICT**

*ANNUAL FINANCIAL REPORT*

*FOR THE YEAR ENDED AUGUST 31, 2017*



Tatum Independent School District  
Annual Financial Report  
For The Year Ended August 31, 2017

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*Introductory Section*

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CERTIFICATE OF BOARD

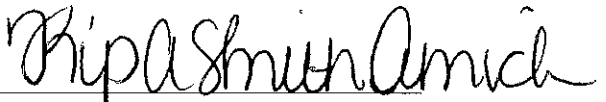
Tatum Independent School District  
Name of School District

Rusk  
County

201-910  
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one)  approved  disapproved for the year ended August 31, 2017, at a meeting of the board of trustees of such school district on the 8th day of January, 2018.

  
Signature of Board Secretary

  
Signature of Board President

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

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*Financial Section*

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# Morgan LaGrone, CPA, PLLC

## Certified Public Accountant

Telephone: 903.657.0240  
Fax: 903.655.1324

116 S Marshall  
Henderson TX 75654

### Independent Auditor's Report

To the Board of Trustees  
Tatum Independent School District  
P.O. Box 808  
Tatum, Texas 75691

#### **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 Tatum Independent School District ("the District") as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

#### **Management's Responsibility for the Financial Statements**

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

#### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 Tatum Independent School District as of August 31, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**MEMBER**

*AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS AND TEXAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS*

## Other Matters

### *Required Supplementary Information*

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

### *Other Information*

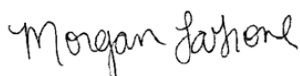
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Tatum Independent School District's basic financial statements. The introductory section and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not required parts 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 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 accompanying other supplementary information is presented for purposes of additional analysis and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and 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 combining and individual nonmajor fund financial statements and other supplementary 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 January 4, 2018 on our consideration of Tatum 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 Tatum Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,



Morgan LaGrone, CPA, PLLC  
Henderson, TX  
January 4, 2018

# TATUM INDEPENDENT SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2017

This section of Tatum Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended August 31, 2017. Please read it in conjunction with the District's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

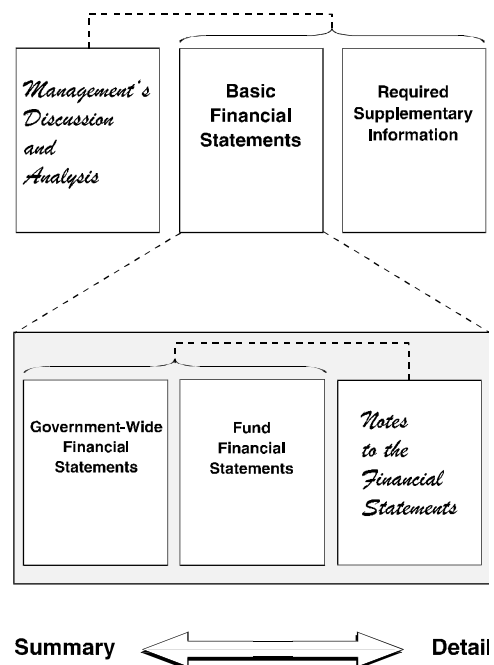
- The District's total combined net position was \$46,227,262 at August 31, 2017.
- During the year, the District's expenses were \$21,430,120, and the District generated \$23,700,764 in taxes and other revenues for governmental activities.
- The total cost of the District's programs decreased by 4.94%.
- The General Fund reported a fund balance this year of \$7,056,226, of which \$2,430,255 was committed by the Board of Trustees for construction projects and \$4,625,971 was unassigned.
- The District refunded its 2012 bonds in order to reduce debt payments over the next 15 years. The result was a savings of \$2,765,988.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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



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

# TATUM INDEPENDENT SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2017

### Government-wide Statements

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

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

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

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

### Fund Financial Statements

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

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

The District has the following kinds of funds:

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

# TATUM INDEPENDENT SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2017

### FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position. The District's combined net position was \$46,227,262 at August 31, 2017.

Table A-1  
Tatum Independent School District  
Net Position

	<u>2017</u>	<u>2016</u>	Increase/ (Decrease) <u>2016-2017</u>	Percentage Change <u>2016-2017</u>
Current and Other Assets	\$ 17,521,890	\$ 13,865,598	\$ 3,656,292	26.37%
Capital Assets	52,260,299	55,132,400	(2,872,101)	(5.21%)
Total Assets	\$ 69,782,189	\$ 68,997,998	\$ 784,191	1.14%
Deferred Outflow - Pension	\$ 1,481,050	\$ 1,552,600	\$ (71,550)	(4.61%)
Total Deferred Outflows of Resources	\$ 1,481,050	\$ 1,552,600	\$ (71,550)	(4.61%)
Long-Term Liabilities Outstanding	\$ 23,871,807	\$ 25,216,895	\$ (1,345,088)	(5.33%)
Other Liabilities	718,149	1,104,460	(386,311)	(34.98%)
Total Liabilities	\$ 24,589,956	\$ 26,321,355	\$ (1,731,399)	(6.58%)
Deferred Inflow - Pension	\$ 225,124	\$ 272,628	\$ (47,504)	(17.42%)
Deferred Revenue	220,897	-	220,897	n/a
Total Deferred Inflows of Resources	\$ 446,021	\$ 272,628	\$ 173,393	63.60%
Net Position:				
Net Investment in Capital Assets	\$ 32,116,301	\$ 33,961,091	\$ (1,844,790)	(5.43%)
Restricted	232,678	356,691	(124,013)	(34.77%)
Unrestricted	13,878,283	9,638,834	4,239,449	43.98%
Total Net Position	\$ 46,227,262	\$ 43,956,616	\$ 2,270,646	5.17%

\$15,064 of the District's restricted net position is restricted for food service, \$44,883 is restricted for capital projects, and \$22,026 is restricted for campus activities, \$150,705 is restricted for shared services arrangements. The \$13,878,283 of unrestricted net position represents resources available to fund the programs of the District next year.

Table A-2  
Tatum Independent School District  
Change in Net Position

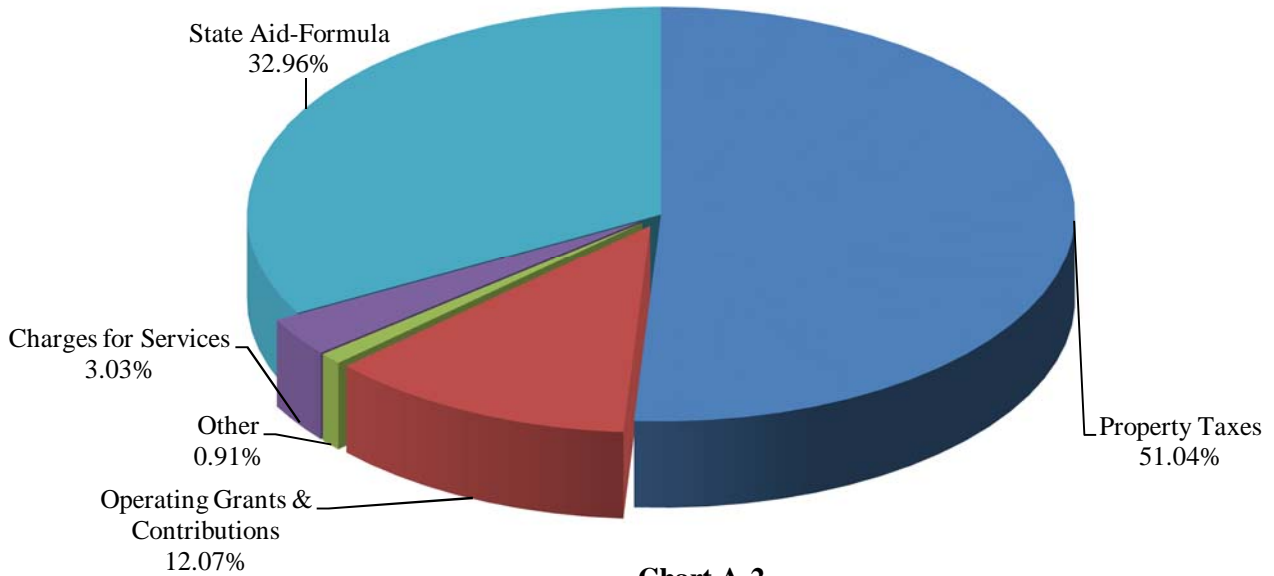
	<u>2017</u>	<u>2016</u>	Increase/ (Decrease) <u>2016-2017</u>	Percentage Change <u>2016-2017</u>
Program Revenues:				
Charges for Services	\$ 718,384	\$ 927,512	\$ (209,128)	(22.55%)
Operating Grants & Contributions	2,860,187	3,266,810	(406,623)	(12.45%)
General Revenues:				
Property Taxes	12,096,059	13,905,690	(1,809,631)	(13.01%)
State Aid-Formula	7,811,426	3,943,301	3,868,125	98.09%
Other	214,708	214,720	(12)	(0.01%)
Total Revenues	\$ 23,700,764	\$ 22,258,033	\$ 1,442,731	6.48%
Functions/Programs:				
Instructional and Instructional-Related Services	\$ 10,640,844	\$ 11,200,304	\$ (559,460)	(5.00%)
Instruction and School Leadership	1,338,220	1,456,095	(117,875)	(8.10%)
Support Services - Student	4,167,592	4,193,404	(25,812)	(0.62%)
Administrative Support Services	846,598	752,851	93,747	12.45%
Support Services - Non-Student Based	2,545,905	2,857,733	(311,828)	(10.91%)
Ancillary Services	40,275	38,978	1,297	3.33%
Debt Service	594,486	750,861	(156,375)	(20.83%)
Capital Outlay	400	-	400	n/a
Intergovernmental Charges	1,255,800	1,292,580	(36,780)	(2.85%)
Total Expenses	\$ 21,430,120	\$ 22,542,806	\$ (1,112,686)	(4.94%)
Increase/(Decrease) in Net Position	\$ 2,270,644	\$ (284,773)	\$ 2,555,417	897.35%

# TATUM INDEPENDENT SCHOOL DISTRICT

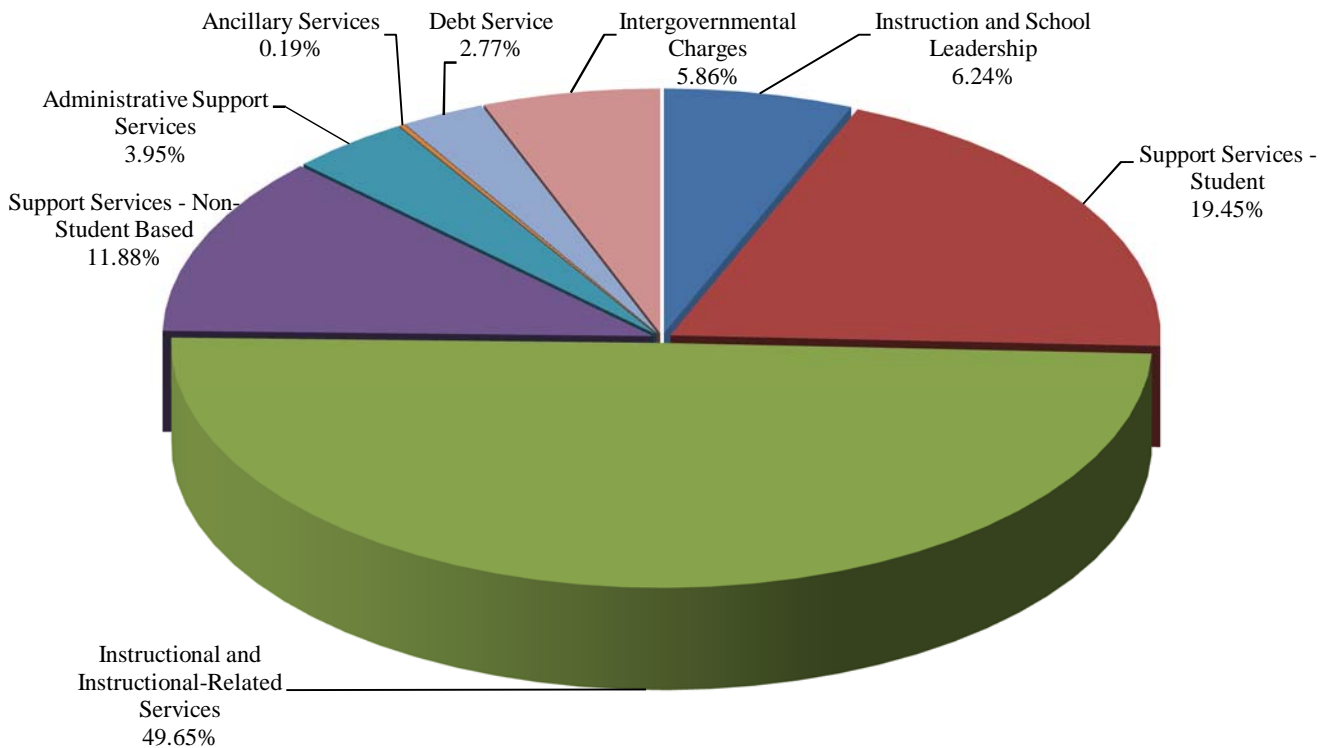
## MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2017

**Chart A-1**  
**Tatum Independent School District**  
**Revenues for the Year Ended August 31, 2017**



**Chart A-2**  
**Tatum Independent School District**  
**Expenses for the Year Ended August 31, 2017**





# TATUM INDEPENDENT SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2017

Change in net position. The District's total revenues were \$23,700,764. A significant portion, 51.04%, of the District's revenue comes from taxes, 32.96% comes from state aid – formula grants, 12.07% is from operating grants and contributions, 3.03% relates to charges for services, and .91% is from investment earnings and miscellaneous. The total cost of all programs and services was \$21,430,120; 69.10% of these costs are for instructional and student services and 5.86% are for intergovernmental charges, including Chapter 41 payments.

The total property tax rate was \$1.20 per \$100 valuation, with an M&O rate of \$1.01 per \$100 valuation and an I&S rate of \$0.1893 per \$100.

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

- The cost of all governmental activities this year was \$21,430,120.
- The amount that our taxpayers paid for these activities through property taxes was \$12,096,059.
- Some of the cost was paid by those who directly benefited from the programs, \$718,384, or by grants and contributions, \$2,860,187.

Table A-3  
Tatum Independent School District  
Net Cost of Selected District Functions

	Total Cost of Services			Net Cost of Services		
	2017	2016	% Change	2017	2016	% Change
Instruction	\$ 9,880,275	\$ 10,441,879	(5.38%)	\$ 8,686,213	\$ 9,228,176	(5.87%)
School Leadership	1,034,885	1,136,944	(8.98%)	886,614	981,772	(9.69%)
Food Services	1,241,679	1,229,184	1.02%	317,721	246,452	28.92%
Extracurricular Activities	937,014	967,207	(3.12%)	849,235	880,404	(3.54%)
General Administration	846,598	752,851	12.45%	763,999	686,103	11.35%
Plant Maintenance & Operations	2,198,923	2,489,300	(11.67%)	2,113,551	2,407,528	(12.21%)
Contracted Instructional Services						
Between Schools (WADA)	874,300	830,682	5.25%	874,048	830,446	5.25%

### FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$17,794,662, a decrease of \$968,872 from the preceding year. State revenue increased by \$3,484,627. Revenue from federal grants increased \$153,822. Because a large tax-paying entity did not pay its property taxes as of the end of the fiscal year, local revenues decreased by \$4,607,321. Expenditures decreased by \$292,973 due to a reduction in capital outlay expenditures.

#### General Fund Budgetary Highlights

During the year, the District revised its budget. Considering the adjustments, actual expenditures were \$564,968 below final budget amounts. This positive variance resulted from a large cost savings in instruction and instructional related services as well as intergovernmental charges.

Available general fund revenues were \$506,513 less than the budgeted amounts due to the previously mentioned tax-paying entity not paying its taxes for the year ended August 31, 2017.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

At the end of 2017, the District had invested \$86,358,230 in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.)

**TATUM INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
AUGUST 31, 2017

Table A-4  
Tatum Independent School District  
Capital Assets

	<u>Governmental Activities</u>		Increase/ (Decrease) <u>2016-2017</u>	Percentage Change <u>2016-2017</u>
	<u>2017</u>	<u>2016</u>		
	Land	\$ 1,018,454		
Buildings and Improvements	79,689,741	79,689,741	-	0.00%
Vehicles and Equipment	5,650,036	5,750,927	(100,891)	(1.75%)
Total Capital Assets	\$ 86,358,230	\$ 86,459,122	\$ (100,891)	(0.12%)
Less: Accumulated Depreciation	(34,097,930)	(31,326,720)	(2,771,210)	8.85%
Net Capital Assets	\$ 52,260,300	\$ 55,132,402	\$ (2,872,101)	(5.21%)

More detailed information about the District's capital assets is presented in Note E to the financial statements.

**Long Term Debt**

At year-end the District had \$23,871,808 in long-term debt outstanding as shown in Table A-5. More detailed information about the District's debt is presented in Note G to the financial statements.

Table A-5  
Tatum Independent School District  
Long-Term Debt

	<u>Governmental Activities</u>		Increase/ (Decrease) <u>2016-2017</u>	Percentage Change <u>2016-2017</u>
	<u>2017</u>	<u>2016</u>		
	General Obligation Bonds	\$ 17,955,000		
Add: Premium on Issuance of Bonds	2,012,984	2,188,995	(176,011)	(8.04%)
Net Pension Liability	3,903,824	3,662,900	240,924	6.58%
Total Long-Term Debt	\$ 23,871,808	\$ 25,216,895	\$ (1,345,087)	(5.33%)

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

- Appraised value used for the 2018 budget preparation is down \$111,005,490 or 10.38%, with an M&O rate of \$1.04 per \$100 valuation and an I&S rate of \$0.167 per \$100 valuation for a total tax rate of \$1.20 per \$100 valuation.
- General operating fund spending per student decreases in the 2018 budget from \$8,700 to \$7,934. This is an 8.8% increase.
- The District's 2017 refined average daily attendance is expected to be 1,649, up by approximately 41 students.

These indicators were taken into account when adopting the general fund budget for 2018. Amounts available for appropriation in the general fund budget are \$12,577,642, a decrease of \$1,882,021 from the final 2017 budget of \$14,459,663. Property tax collections will decrease slightly due to a lower property valuation. State revenue will decrease as the student population decreases. There will be no Chapter 41 payments for the District in the 2018 fiscal year.

# **TATUM INDEPENDENT SCHOOL DISTRICT**

## ***MANAGEMENT'S DISCUSSION AND ANALYSIS***

*AUGUST 31, 2017*

The District has added no major new programs or initiatives to the 2018 budget.

If these estimates are realized, the District's General Fund budgetary fund balance is expected to remain about the same by the close of 2018.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT STAFF**

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

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*Basic Financial Statements*

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**TATUM INDEPENDENT SCHOOL DISTRICT**

## STATEMENT OF NET POSITION

AUGUST 31, 2017

Data Control Codes	1	Governmental Activities
<b>ASSETS:</b>		
1110	<i>Cash and Cash Equivalents</i>	\$ 1,418,883
1120	<i>Current Investments</i>	492,157
1225	<i>Property Taxes Receivable (Net)</i>	9,714,304
1240	<i>Due from Other Governments</i>	5,854,206
1250	<i>Accrued Interest</i>	1,353
1490	<i>Other Current Assets</i>	40,987
Capital Assets:		
1510	<i>Land</i>	1,018,454
1520	<i>Buildings and Improvements, Net</i>	49,953,819
1530	<i>Furniture and Equipment, Net</i>	1,288,026
1000	Total Assets	<u>69,782,189</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
1705	<i>Deferred Outflow Related to Pensions</i>	1,481,050
1700	Total Deferred Outflows of Resources	<u>1,481,050</u>
<b>LIABILITIES:</b>		
2110	<i>Accounts Payable</i>	64,249
2140	<i>Interest Payable</i>	31,805
2165	<i>Accrued Liabilities</i>	580,732
2180	<i>Due to Other Governments</i>	31,002
2300	<i>Unearned Revenue</i>	10,361
Noncurrent Liabilities:		
2501	<i>Due Within One Year</i>	885,000
2502	<i>Due in More Than One Year</i>	19,082,983
2540	<i>Net Pension Liability</i>	3,903,824
2000	Total Liabilities	<u>24,589,956</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
	<i>Deferred Revenue</i>	220,897
2605	<i>Deferred Inflow Related to Pensions</i>	225,124
2600	Total Deferred Inflows of Resources	<u>446,021</u>
<b>NET POSITION:</b>		
3200	Net Investment in Capital Assets	32,116,301
Restricted For:		
3820	State and Federal Programs	15,064
3860	Capital Projects	44,883
3870	Campus Activities	22,026
3890	Shared Service Arrangements	150,705
3900	Unrestricted	13,878,283
3000	Total Net Position	<u>\$ 46,227,262</u>

The accompanying notes are an integral part of this statement.

## TATUM INDEPENDENT SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	Functions/Programs	1 Expenses	Program Revenues		4 Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
			3 Charges for Services	Governmental Activities		
	Governmental Activities:					
11	Instruction	\$ 9,880,275	\$ 119,725	\$ 1,074,337	\$ (8,686,213)	
12	Instructional Resources and Media Services	517,468	--	32,099	(485,369)	
13	Curriculum and Staff Development	243,101	--	56,114	(186,987)	
21	Instructional Leadership	303,335	123,710	19,245	(160,380)	
23	School Leadership	1,034,885	112,671	35,600	(886,614)	
31	Guidance, Counseling, & Evaluation Services	1,155,300	16,933	572,769	(565,598)	
33	Health Services	157,577	--	157,402	(175)	
34	Student Transportation	676,022	--	13,071	(662,951)	
35	Food Service	1,241,679	204,903	719,055	(317,721)	
36	Cocurricular/Extracurricular Activities	937,014	48,054	39,635	(849,325)	
41	General Administration	846,598	52,459	30,140	(763,999)	
51	Facilities Maintenance and Operations	2,198,923	39,929	45,443	(2,113,551)	
52	Security and Monitoring Services	46,654	--	359	(46,295)	
53	Data Processing Services	300,328	--	43,338	(256,990)	
61	Community Services	40,275	--	63	(40,212)	
72	Interest on Long-term Debt	434,798	--	5,727	(429,071)	
73	Bond Issuance Costs and Fees	159,688	--	--	(159,688)	
81	Capital Outlay	400	--	--	(400)	
91	Contracted Instructional Services between Schools	874,300	--	252	(874,048)	
92	Incremental Costs Related to WADA	16,740	--	--	(16,740)	
93	Payments Related to Shared Services Arrangements	136,062	--	15,538	(120,524)	
99	Other Intergovernmental Charges	228,698	--	--	(228,698)	
TG	Total Governmental Activities	21,430,120	718,384	2,860,187	(17,851,549)	
TP	Total Primary Government	\$ 21,430,120	\$ 718,384	\$ 2,860,187	(17,851,549)	
	General Revenues:					
MT	Property Taxes, Levied for General Purposes				10,168,266	
DT	Property Taxes, Levied for Debt Service				1,927,793	
IE	Investment Earnings				60,226	
GC	Grants and Contributions Not Restricted to Specific Programs				7,811,426	
MI	Miscellaneous				154,482	
TR	Total General Revenues				20,122,193	
CN	Change in Net Position				2,270,644	
NB	Net Position - Beginning				43,956,618	
NE	Net Position - Ending				\$ 46,227,262	

The accompanying notes are an integral part of this statement.



**TATUM INDEPENDENT SCHOOL DISTRICT**

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2017

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds	
<b>ASSETS:</b>					
1110	Cash and Cash Equivalents	\$ 1,005,801	\$ 4,554	\$ 408,526	\$ 1,418,881
1120	Current Investments	492,157	--	--	492,157
1225	Taxes Receivable, Net	8,064,300	1,650,004	--	9,714,304
1240	Due from Other Governments	5,806,546	--	47,660	5,854,206
1250	Accrued Interest	1,353	--	--	1,353
1260	Due from Other Funds	300,000	--	--	300,000
1490	Other Current Assets	40,987	--	--	40,987
1000	Total Assets	<u>15,711,144</u>	<u>1,654,558</u>	<u>456,186</u>	<u>17,821,888</u>
<b>LIABILITIES:</b>					
Current Liabilities:					
2110	Accounts Payable	\$ 10,925	\$ --	\$ --	\$ 10,925
2160	Accrued Wages Payable	495,367	--	78,486	573,853
2170	Due to Other Funds	53,324	--	300,000	353,324
2180	Due to Other Governments	31,002	--	--	31,002
2200	Accrued Expenditures	--	--	6,879	6,879
2300	Unearned Revenue	8,064,300	1,660,365	--	9,724,665
2000	Total Liabilities	<u>8,654,918</u>	<u>1,660,365</u>	<u>385,365</u>	<u>10,700,648</u>
<b>FUND BALANCES:</b>					
Nonspendable Fund Balances:					
3430	Prepaid Items	40,987	--	--	40,987
Restricted Fund Balances:					
3490	Other Restrictions of Fund Balance	--	--	210,652	210,652
Committed Fund Balances:					
3510	Construction	2,430,255	--	--	2,430,255
3545	Other Committed Fund Balance	--	--	22,026	22,026
3600	Unassigned	4,584,984	(5,807)	--	4,579,177
Unassigned, Reported in Nonmajor:					
3610	Special Revenue Funds	--	--	(161,857)	(161,857)
3000	Total Fund Balances	<u>7,056,226</u>	<u>(5,807)</u>	<u>70,821</u>	<u>7,121,240</u>
4000	Total Liabilities and Fund Balances	<u>\$ 15,711,144</u>	<u>\$ 1,654,558</u>	<u>\$ 456,186</u>	<u>\$ 17,821,888</u>

The accompanying notes are an integral part of this statement.

**TATUM INDEPENDENT SCHOOL DISTRICT**

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
AUGUST 31, 2017

Total fund balances - governmental funds balance sheet	\$ 7,121,240
Amounts reported for governmental activities in the Statement of Net Position ("SNP") are different because:	
Capital assets used in governmental activities are not reported in the funds.	52,260,298
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	9,714,304
Payables for bond principal which are not due in the current period are not reported in the funds.	(17,955,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(31,804)
The unamortized deferred amount on the bond refunding is not reported in the funds.	(220,897)
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(3,903,824)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(225,124)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	1,481,050
Bond premiums are amortized in the SNA but not in the funds.	(2,012,983)
Rounding difference	<u>2</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 46,227,262</u>

The accompanying notes are an integral part of this statement.

**TATUM INDEPENDENT SCHOOL DISTRICT**

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES

## IN FUND BALANCES - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
<b>REVENUES:</b>				
5700 Local and Intermediate Sources	\$ 5,590,827	\$ 1,040,466	\$ 747,041	\$ 7,378,334
5800 State Program Revenues	8,210,411	5,727	171,366	8,387,504
5900 Federal Program Revenues	151,912	--	1,876,912	2,028,824
5020 Total Revenues	<u>13,953,150</u>	<u>1,046,193</u>	<u>2,795,319</u>	<u>17,794,662</u>
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	7,054,160	--	939,094	7,993,254
0012 Instructional Resources and Media Services	405,563	--	16,996	422,559
0013 Curriculum and Staff Development	152,788	--	50,398	203,186
0021 Instructional Leadership	128,161	--	113,947	242,108
0023 School Leadership	823,211	--	--	823,211
0031 Guidance, Counseling, & Evaluation Services	291,108	--	636,348	927,456
0033 Health Services	123,397	--	--	123,397
0034 Student Transportation	486,514	--	107,408	593,922
0035 Food Service	--	--	1,080,168	1,080,168
0036 Cocurricular/Extracurricular Activities	833,199	--	--	833,199
0041 General Administration	676,264	--	49,367	725,631
0051 Facilities Maintenance and Operations	1,771,246	--	227,533	1,998,779
0052 Security and Monitoring Services	68,683	--	360	69,043
0053 Data Processing Services	211,564	--	41,068	252,632
0061 Community Services	33,682	--	--	33,682
0071 Principal on Long-term Debt	--	1,325,000	--	1,325,000
0072 Interest on Long-term Debt	--	641,263	--	641,263
0073 Bond Issuance Costs and Fees	--	159,688	--	159,688
0081 Capital Outlay	--	--	400	400
0091 Contracted Instructional Services				
0091 Between Public Schools	874,300	--	--	874,300
0092 Incremental Costs Related to WADA	16,740	--	--	16,740
0093 Payments to Shared Service Arrangements	118,062	--	18,000	136,062
0099 Other Intergovernmental Charges	228,698	--	--	228,698
6030 Total Expenditures	<u>14,297,340</u>	<u>2,125,951</u>	<u>3,281,087</u>	<u>19,704,378</u>
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	<u>(344,190)</u>	<u>(1,079,758)</u>	<u>(485,768)</u>	<u>(1,909,716)</u>
Other Financing Sources and (Uses):				
7911 Capital-Related Debt Issued (Regular Bonds)	--	8,380,000	--	8,380,000
7915 Transfers In	--	730,512	--	730,512
7916 Premium or Discount on Issuance of Bonds	--	1,124,223	--	1,124,223
8911 Transfers Out	(730,512)	--	--	(730,512)
8949 Other Uses	--	(9,343,572)	--	(9,343,572)
7080 Total Other Financing Sources and (Uses)	<u>(730,512)</u>	<u>891,163</u>	<u>--</u>	<u>160,651</u>
1200 Net Change in Fund Balances	<u>(1,074,702)</u>	<u>(188,595)</u>	<u>(485,768)</u>	<u>(1,749,065)</u>
0100 Fund Balances - Beginning	8,130,928	182,788	556,589	8,870,305
3000 Fund Balances - Ending	<u>\$ 7,056,226</u>	<u>\$ (5,807)</u>	<u>\$ 70,821</u>	<u>\$ 7,121,240</u>

The accompanying notes are an integral part of this statement.

**TATUM INDEPENDENT SCHOOL DISTRICT**

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2017*

Net change in fund balances - total governmental funds	\$ (1,749,065)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	126,009
The depreciation of capital assets used in governmental activities is not reported in the funds.	(2,998,109)
Prior years' collections are revenue in the funds were reported in a prior period in the SOA.	(150,394)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	5,936,361
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	1,325,000
(Increase) decrease in accrued interest from beginning of period to end of period.	5,701
The amortization of bond premiums are reported in the SOA but not in the funds.	200,765
Debt proceeds are placed in escrow.	9,343,572
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	(8,380,000)
Bond premiums are reported in the funds but not in the SOA.	(1,124,223)
Contributions made before the measurement date and during the previous FY were expended.	(328,233)
Pension contributions made after the measurement date but in current FY were de-expended and reduced NP	334,261
The proportionate share of the TRS pension expense was recorded in the SOA.	(270,998)
Rounding difference	<u>(2)</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ 2,270,644</u>

The accompanying notes are an integral part of this statement.

**TATUM INDEPENDENT SCHOOL DISTRICT**  
STATEMENT OF NET POSITION  
INTERNAL SERVICE FUND  
AUGUST 31, 2017

Data Control Codes		Nonmajor Internal Service Fund	Worker's Compensation
	<b>ASSETS:</b>		
	Current Assets:		
	Receivables:		
1260	Due from Other Funds	\$ 53,324	
	Total Current Assets	<u>53,324</u>	
1000	Total Assets	<u>53,324</u>	
	<b>LIABILITIES:</b>		
	Current Liabilities:		
2110	Accounts Payable	\$ 53,324	
	Total Current Liabilities	<u>53,324</u>	
2000	Total Liabilities	<u>53,324</u>	
	<b>NET POSITION:</b>		
3000	Total Net Position	<u>\$ --</u>	

The accompanying notes are an integral part of this statement.

**TATUM INDEPENDENT SCHOOL DISTRICT**  
*STATEMENT OF REVENUES, EXPENSES, AND CHANGES*  
*IN FUND NET POSITION - INTERNAL SERVICE FUND*  
*FOR THE YEAR ENDED AUGUST 31, 2017*

Data Control Codes		<u>Nonmajor Internal Service Fund</u>
<u>Codes</u>		<u>Worker's Compensation</u>
	<b>OPERATING REVENUES:</b>	
5700	<i>Local and Intermediate Sources</i>	\$ 16,252
5020	Total Revenues	<u>16,252</u>
	<b>OPERATING EXPENSES:</b>	
6100	<i>Payroll Costs</i>	<u>16,252</u>
6030	Total Expenses	<u>16,252</u>
1300	Change in Net Position	--
0100	Total Net Position - Beginning	--
3300	Total Net Position - Ending	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

**TATUM INDEPENDENT SCHOOL DISTRICT**

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE YEAR ENDED AUGUST 31, 2017

	Internal Service Funds
<b>Cash Flows from Operating Activities:</b>	
<i>Operating Transactions with Other Funds</i>	\$ 53,324
<i>Cash Payments to Other Suppliers for Goods and Services</i>	(53,324)
Net Cash Provided (Used) by Operating Activities	<u>          --</u>
<b>Cash Flows from Non-capital Financing Activities:</b>	
Net Cash Provided (Used) by Non-capital Financing Activities	<u>          --</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>          --</u>
<b>Cash Flows from Investing Activities:</b>	
Net Cash Provided (Used) for Investing Activities	<u>          --</u>
Net Increase (Decrease) in Cash and Cash Equivalents	--
Cash and Cash Equivalents at Beginning of Year	--
Cash and Cash Equivalents at End of Year	<u>\$          --</u>
<b>Reconciliation of Operating Income to Net Cash     Provided by Operating Activities:</b>	
Operating Income (Loss)	\$ --
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Change in Assets and Liabilities:	
<i>Decrease (Increase) in Receivables</i>	(3,413)
<i>Increase (Decrease) in Accounts Payable</i>	3,413
Total Adjustments	<u>          --</u>
Net Cash Provided (Used) by Operating Activities	<u>\$          --</u>

The accompanying notes are an integral part of this statement.

**TATUM INDEPENDENT SCHOOL DISTRICT**

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

AUGUST 31, 2017

Data Control Codes	Private-purpose Trust Funds	
<u>ASSETS:</u>	Irene Allen Poole Scholarship	Agency Funds
1110 <i>Cash and Cash Equivalents</i>	\$ 25,526	\$ 115,279
1120 <i>Current Investments</i>	--	1,217,946
1000 Total Assets	<u>25,526</u>	<u>1,333,225</u>
<u>LIABILITIES:</u>		
Current Liabilities:		
2190 <i>Due to Student Groups</i>	\$ --	\$ 93,515
2400 <i>Payable from Restricted Assets</i>	--	1,239,710
2000 Total Liabilities	<u>--</u>	<u>1,333,225</u>
<u>NET POSITION:</u>		
3800 <i>Held in Trust</i>	25,526	--
3000 Total Net Position	<u>\$ 25,526</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.



**TATUM INDEPENDENT SCHOOL DISTRICT**  
*STATEMENT OF CHANGES IN FIDUCIARY NET POSITION*  
*FIDUCIARY FUNDS*  
*FOR THE YEAR ENDED AUGUST 31, 2017*

	Private- Purpose Trusts
<b>Additions:</b>	
Investment Income	\$ 188
Total Additions	<u>188</u>
<b>Deductions:</b>	
Scholarship Awards	--
Total Deductions	<u>--</u>
<b>Change in Net Position</b>	188
Net Position-Beginning of the Year	25,338
Net Position-End of the Year	<u>\$ 25,526</u>

The accompanying notes are an integral part of this statement.

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# TATUM INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2017

### A. Summary of Significant Accounting Policies

The basic financial statements of Tatum Independent School District (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") applicable to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide ("Resource Guide"). The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

#### 1. Reporting Entity

The Board of School Trustees ("Board"), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental reporting entity and there are no component units included within the District's reporting entity.

#### 2. Basis of Presentation, Basis of Accounting

##### a. Basis of Presentation

**Government-wide Financial Statements:** The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**Fund Financial Statements:** The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The District reports the following major governmental funds:

**General Fund:** This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

## TATUM INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2017

Debt Service Fund: This fund accounts for the accumulation of resources for the retirement of the District's bonded debt.

In addition, the District reports the following fund types:

Internal Service Funds: These funds are used to account for revenues and expenses related to services provided to parties inside the District. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. Because the principal users of the internal services are the District's governmental activities, this fund type is included in the "Governmental Activities" column of the government-wide financial statements.

Private-Purpose Trust Funds: These funds are used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments not reported in other fiduciary fund types.

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

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

b. Measurement Focus, Basis of Accounting

Government-wide, Proprietary, and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

# TATUM INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2017

### 3. Financial Statement Amounts

#### a. Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

#### b. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property 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. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

#### c. Inventories and Prepaid Items

The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory in accordance with the Resource Guide.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

#### d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	45
Building Improvements	20
Vehicles	5-7
Equipment	5-15

#### e. Deferred Outflows and Inflows of Resources

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

In addition to liabilities, the statements of financial position will sometimes report a separate

## TATUM INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2017

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

f. Receivable and Payable Balances

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.

There are no significant receivables which are not scheduled for collection within one year of year end.

g. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

h. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

i. Data Control Codes

Data Control Codes appear in the rows and above the columns of certain financial statements. The TEA requires the display of these codes in the financial statements filed with TEA in order to ensure accuracy in building a statewide database for policy development and funding plans.

j. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

**Nonspendable Fund Balance** - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

**Restricted Fund Balance** - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

**Committed Fund Balance** - represents amounts that can only be used for a specific purpose because of a formal action by the District's Board of Trustees. Committed amounts cannot be used for any other purpose unless the Board of Trustees removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Board of Trustees. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

**Assigned Fund Balance** - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board of Trustees or by an official or body to which the Board of Trustees

## TATUM INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2017

delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

#### k. Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

#### l. Fund Balance Flow Assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

### 4. Pensions

The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS' 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.

### 5. New Accounting Standards Adopted

In fiscal year 2016, the District adopted three new statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

- Statement No. 72, *Fair Value Measurement and Application*
- Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Government*
- Statement No. 77, *Tax Abatement Disclosures*

- a. Statement No. 72 requires state and local governments to measure investments at fair value using a consistent definition and valuation techniques; also defines what assets and liabilities governments should measure at fair value and expands fair value disclosures in financial disclosure notes. While the Statement

# TATUM INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2017

generally requires restatement of prior period balances in the year of implementation, the nature of the District's investments was such that their carrying amount was not affected.

- b. The GAAP hierarchy prioritizes guidance governments follow when preparing U.S. GAAP financial statements. Statement No. 76 reduces authoritative GAAP hierarchy from four categories to two and lists the order of priority for pronouncements to which a government should look for guidance.
- c. Statement No. 77 requires governments granting tax abatements to individuals and businesses to disclose program information in the notes to the financial statements through the agreement's duration and also requires disclosures about tax abatements entered into by other governments that reduce the reporting government's tax revenue. Prior year balances were not restated because there are no tax abatements associated with the District or any other government which affect the District's tax revenue.

### B. Compliance and Accountability

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, the Food Service Special Revenue Fund and the Debt Service Fund. All annual appropriations lapse at fiscal year end. Expenditures may not exceed budgeted appropriations at the function level. (Instruction, Instructional Resources and Media Services, Curriculum and Staff Development, Instructional Leadership, School Leadership, etc.) The budget is amended only by approval of the Board of Trustees. Proposed amendments are presented to the Board of Trustees in a public meeting, and each amendment must have Board of Trustees approval. During the year, the budget was amended as necessary.

### C. Deposits and Investments

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

#### 1. Cash Deposits:

At August 31, 2017, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$1,559,688 and the bank balance was \$1,614,237. The District's cash deposits at August 31, 2017 and during the year ended August 31, 2017, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

#### 2. Investments:

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, 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.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.



# TATUM INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2017

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

The District's investments at August 31, 2017 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Moody Rating</u>
<u>Governmental Activities:</u>			
Certificate of Deposit	10/31/17	\$ 246,061	n/a
Certificate of Deposit	1/11/18	246,096	n/a
Investments - Governmental Funds		<u>\$ 492,157</u>	
<u>Agency Funds:</u>			
RBC Branch Sweep Program - Cash Balance	n/a	\$ 37,740.00	n/a
Money Markets/Mutual Funds	n/a	744,944.00	n/a
<u>Taxable Municipal Bonds:</u>			
Houston ISD GO Bonds	02/15/28	31,970.67	Aaa
McKinney, TX	08/15/32	27,622.23	Aa1
Addison, TX	02/15/33	27,279.56	Aa1
San Antonio ISD	08/15/40	56,074.16	Aaa
<u>Taxable Domestic Bonds:</u>			
Bank of America Corp	09/01/17	41,200.00	Baa1
<u>Tax-Exempt Government Bonds:</u>			
Stafford Texas Municipal School District	08/15/36	53,907.22	Aaa
<u>US Equities:</u>			
American Electric Power	n/a	29,452.00	Baa1
AMGEN Inc.	n/a	17,777.00	Baa1
Apple Inc.	n/a	39,360.00	Aa1
AT&T Inc.	n/a	7,492.00	Baa1
Chevron Corporation	n/a	26,905.00	Aa2
Dominion Energy Inc.	n/a	7,877.00	Baa2
Eli Lilly Co	n/a	8,129.00	A2
Exxon Mobil Corp	n/a	3,816.50	Aaa
Intel Corp	n/a	7,014.00	A1
Kinder Morgan Inc.	n/a	6,881.48	Baa3
Kraft Heinz Company	n/a	2,664.75	Baa3
Merck & Co. Inc.	n/a	6,386.00	A1
Pfizer Inc.	n/a	3,392.00	A1
Proctor & Gamble Co.	n/a	5,074.85	Aa3
Texas Instruments Incorporated	n/a	9,110.20	A1
Verizon Communications	n/a	9,594.00	Baa1
<u>Trusts:</u>			
Annaly Capital Management Inc.	n/a	1,250.00	N/A
SPDR Gold Tr	n/a	5,033.00	N/A
Investments - Agency Funds		<u>\$ 1,217,947</u>	
Total Investments		<u>\$ 1,710,104</u>	

### 3. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

# TATUM INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2017

a. 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 year end, the District was not significantly exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

At year end, the District was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

Investment Accounting Policy

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

D. Property Taxes Receivable

	General Fund	Debt Service Fund	Total
Property Tax Year 2016 (FY2017)	\$ 5,516,792	\$ 1,033,772	\$ 6,550,564
Prior Tax Years	<u>3,443,541</u>	<u>799,566</u>	<u>4,243,107</u>
Total	8,960,333	1,833,338	10,793,671
Less: Allowance for Uncollectible Taxes	<u>(896,033)</u>	<u>(183,334)</u>	<u>(1,079,367)</u>
Net Taxes Receivable	<u>\$ 8,064,300</u>	<u>\$ 1,650,004</u>	<u>\$ 9,714,304</u>

**TATUM INDEPENDENT SCHOOL DISTRICT**

*NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2017*

**E. Capital Assets**

Capital asset activity for the year ended August 31, 2017, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<i>Governmental activities:</i>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,018,454	\$ --	\$ --	\$ 1,018,454
Total capital assets not being depreciated	<u>1,018,454</u>	<u>--</u>	<u>--</u>	<u>1,018,454</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	79,689,741	--	--	79,689,741
Equipment	5,750,928	126,009	226,901	5,650,036
Total capital assets being depreciated	<u>85,440,669</u>	<u>126,009</u>	<u>226,901</u>	<u>85,339,777</u>
Less accumulated depreciation for:				
Buildings and improvements	(27,145,889)	(2,590,032)	--	(29,735,921)
Equipment	(4,180,831)	(408,079)	(226,901)	(4,362,009)
Total accumulated depreciation	<u>(31,326,720)</u>	<u>(2,998,111)</u>	<u>(226,901)</u>	<u>(34,097,930)</u>
Total capital assets being depreciated, net	54,113,949	(2,872,102)	--	51,241,847
Governmental activities capital assets, net	<u>\$ 55,132,403</u>	<u>\$ (2,872,102)</u>	<u>\$ --</u>	<u>\$ 52,260,301</u>

Depreciation was charged to functions as follows:

Instruction	\$ 1,671,347
Instructional Resources and Media Services	84,723
Curriculum and Staff Development	33,105
Instructional Leadership	52,600
School Leadership	187,185
Guidance, Counseling, & Evaluation Services	187,801
Health Services	30,085
Student Transportation	179,453
Food Services	140,716
Extracurricular Activities	92,186
General Administration	100,762
Plant Maintenance and Operations	190,474
Data Processing Services	41,108
Community Services	6,566
	<u>\$ 2,998,111</u>

**F. Interfund Balances and Activities**

**1. Due To and From Other Funds**

Balances due to and due from other funds at August 31, 2017, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
Internal Service Fund	General Fund	\$ 53,324	Workers' Compensation
General Fund	Child Nutrition Fund	300,000	Short-term loan
	Total	<u>\$ 353,324</u>	

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

# TATUM INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2017

### 2. Transfers To and From Other Funds

Transfers to and from other funds at August 31, 2017, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General fund	Athletic Fund*	\$ 286,507	Supplement athletics
General fund	Debt Service Fund	<u>730,512</u>	Supplement revenue
	Total	<u>\$ 1,017,019</u>	

\*The Athletic Fund is included in the General Fund for reporting purposes and the transfer is not shown on the statement of revenues, expenditures, and changes in fund balances.

### G. Long-Term Obligations

The District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

#### 1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2017, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>Governmental activities:</b>					
2012 School Building Bonds	\$ 19,365,000	\$ --	\$ 9,595,000	\$ 9,770,000	\$ 885,000
Add: Premium on issuance	2,188,995	--	1,241,064	947,931	--
2016 Refunding Bonds	--	8,380,000	195,000	8,185,000	--
Add: Premium on Issuance	--	1,124,223	59,170	1,065,053	--
Net Pension Liability	<u>3,662,900</u>	<u>569,157</u>	<u>328,233</u>	<u>3,903,824</u>	<u>--</u>
Total governmental activities	<u>\$ 25,216,895</u>	<u>\$ 10,073,380</u>	<u>\$ 11,418,467</u>	<u>\$ 23,871,808</u>	<u>\$ 885,000</u>

\* Other long-term liabilities

The interest rate on general obligation bonds ranges from 3.0%-5.0%.

#### 2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2017, are as follows:

Year Ending August 31,	Governmental Activities		
	Principal	Interest	Total
2018	\$ 885,000	678,925	\$ 1,563,925
2019	910,000	652,000	1,562,000
2020	940,000	619,550	1,559,550
2021	980,000	581,150	1,561,150
2022	1,020,000	541,150	1,561,150
2023-2027	5,895,000	1,918,825	7,813,825
2028-2032	<u>7,325,000</u>	<u>617,800</u>	<u>7,942,800</u>
Totals	<u>\$ 17,955,000</u>	<u>\$ 5,609,400</u>	<u>\$ 23,564,400</u>

# TATUM INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2017

### 3. Advance Refunding of Debt

On November 29, 2016, The District issued \$8,380,000 unlimited tax refunding bonds to advance refund a portion of the District's Series 2012 Unlimited Tax School Building Bonds. \$9,343,572 was deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the 2012 bonds. As a result, those bonds are considered to be defeased and the liability for those bonds has been removed from the District's Government-wide Statement of Net Position.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$220,897. This difference, reported in the accompanying financial statements as deferred outflows of resources and as unamortized deferred amount on refunding is being charged to operations through the year 2031 on a straight-line basis. The District completed the advance refunding to reduce its total debt service payments over the next 15 years by \$2,765,988 and to obtain an economic gain (difference between the present value of the old and new debt service payments) of \$1,528,440.

GASB Statement No. 7, "Advance Refundings Resulting in Defeasance of Debt," provides that refunded debt and assets placed in escrow for the payment of related debt service be excluded from the financial statements. As of August 31, 2017, outstanding balances of bond issues that have been refunded and defeased in-substance by placing existing assets and the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments are as follows.

<u>Bond Issue</u>	<u>Amount</u>
2012 Unlimited Tax School Building Bonds	\$ 8,465,000

### H. Commitments Under Noncapitalized Leases

Commitments under operating (noncapitalized) lease agreements for facilities and equipment provide for minimum future rental payments as of August 31, 2017, as follows:

<u>Year Ending August 31,</u>	
2018	\$ 57,355
2019	65,419
Total Minimum Rentals	<u>\$ 122,774</u>
Rental Expenditures in 2017	<u>\$ 57,658</u>

### I. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2017, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

### J. Pension Plan

#### 1. Plan Description

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

# TATUM INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2017

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.

### 2. Pension Plan Fiduciary Net Position

Detail 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 [https://www.trs.texas.gov/TRS%20Documents/cafr\\_2016.pdf](https://www.trs.texas.gov/TRS%20Documents/cafr_2016.pdf); by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

### 3. Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs, can be granted by the Texas Legislature as noted in the Plan description in (1.) above.

### 4. Contributions

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

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

#### **Contribution Rates**

	2016	2017
Member	7.2%	7.7%
Non-Employer Contributing Entity (NECE - State)	6.8%	6.8%
Employers	6.8%	6.8%
District's 2017 Employer Contributions	\$ 334,261	
District's 2017 Member Contributions	\$ 739,544	
NECE 2016 On-Behalf Contributions to District	\$ 450,814	

# TATUM INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2017

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools and state agencies including TRS. In each respective role, 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 and junior colleges, 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 (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical 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, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

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

### 5. Actuarial Assumptions

The total pension liability in the August 31, 2016 actuarial evaluation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2016
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8%
Long-term expected Investment Rate of Return	8%
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 ending August 31, 2014 and adopted on September 24, 2015.

# TATUM INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2017

### 6. 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 of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2016 are summarized below:

<b>Teacher Retirement System of Texas</b>			
<b>Asset Allocation and Long-Term Expected Real Rate of Return</b>			
<b>As of August 31, 2016</b>			
<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-term Expected Geometric Real Rate of Return</b>	<b>Expected Contribution to Long-term Portfolio Returns *</b>
<b>Global Equity</b>			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
<b>Stable Value</b>			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
<b>Real Return</b>			
Global Inflation Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy & Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
<b>Risk Parity</b>			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
<b>Total</b>	<b>100%</b>		<b>8.7%</b>

\* The expected contribution to returns incorporates the volatility drag resulting from the conversion between arithmetic and geometric mean returns.



**TATUM INDEPENDENT SCHOOL DISTRICT**

*NOTES TO THE FINANCIAL STATEMENTS*

*FOR THE YEAR ENDED AUGUST 31, 2017*

7. 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 Net Pension Liability.

	1% Decrease in Discount Rate <u>7%</u>	Discount Rate 8%	1% Increase in Discount Rate <u>9%</u>
District's proportionate share of the net pension liability	\$ 6,041,804	\$ 3,903,824	\$ 2,090,384

8. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At August 31, 2017, the District reported a liability of \$3,903,824 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	\$ 3,903,824
State's proportionate share that is associated with District	<u>5,351,097</u>
Total	<u>\$ 9,254,921</u>

The net pension liability was measured as of August 31, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2015 through August 31, 2016.

At August 31, 2016 the employer's proportion of the collective net pension liability was 0.0103307%, which was an increase (decrease) of 0.0103307% from its proportion measured as of August 31, 2015.

**Changes Since the Prior Actuarial Valuation - There were no changes to the actuarial assumptions of other inputs that affected measurement of the total pension liability since the prior measurement period:**

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

For the year ended August 31, 2017, the District recognized pension expense of \$555,316 and revenue of \$555,316 for support provided by the State.

# TATUM INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2017

At August 31, 2017, the District reported its proportionate share of the TRS' 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	\$ 61,211	\$ 116,566
Changes in actuarial assumptions	118,982	108,209
Difference between projected and actual investment earnings	330,568	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	636,028	349
Contributions paid to TRS subsequent to the measurement date	<u>334,261</u>	<u>--</u>
Total	<u>\$ 1,481,050</u>	<u>\$ 225,124</u>

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

Year Ended August 31	Pension Expense Amount
2018	\$ 157,284
2019	\$ 157,284
2020	\$ 368,136
2021	\$ 141,085
2022	\$ 80,364
Thereafter	\$ 17,513

### K. Retiree Health Care Plans

#### 1. TRS-Care

##### a. Plan Description

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

##### b. 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

# TATUM INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2017

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. The State of Texas contribution rate was 1% for fiscal years 2015 and 2014, and 0.5% for fiscal year 2013. The active public school employee contributions rates were 0.65% of public school payroll, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2017, 2016 and 2015. For the years ended August 31, 2017, 2016, and 2015, the State's contributions to TRS-Care were \$96,050, \$97,180, and \$90,861, respectively, the active member contributions were \$62,432, \$63,167, and \$59,060, respectively, and the District's contributions were \$52,827, \$53,449, and \$49,974, respectively, which equaled the required contributions each year.

### 2. Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, and 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 the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2017, 2016, and 2015, the subsidy payments received by TRS-Care on behalf of the District were \$28,827, \$37,168, and \$37,485, respectively.

### L. Employee Health Care Coverage

During the year ended August 31, 2017, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$341 per pay period per employee to the Plan. All premiums were paid to a self-funded pool. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

### M. Commitments and Contingencies

#### 1. Contingencies

The District participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the 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 basic financial statements for such contingencies.

#### 2. Litigation

No reportable litigation was pending against the District at August 31, 2017.

# TATUM INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2017

### N. Shared Services Arrangements

#### Shared Services Arrangement - Fiscal Agent

The District is the fiscal agent for a Shared Services Arrangement ("SSA") which provides special education services to the member districts listed below. All services are provided by the fiscal agent. Funding is provided by and IDEA-B and IDEA-B Preschool federal grants. According to guidance provided in TEA's Resource Guide, the District has accounted for the fiscal agent's activities of the SSA Special Revenue Funds No. 313 and 314 and will be accounted for using Model 2 in the SSA section of the Resource Guide.

#### Member Districts

Overton ISD  
 Tatum ISD - Fiscal Agent  
 Mt. Enterprise ISD  
 Carlisle ISD  
 Leverett's Chapel ISD  
 Laneville ISD  
 West Rusk CCISD

#### Shared Services Arrangement - Fiscal Agent

The District is the fiscal agent for a Shared Services Arrangement ("SSA") which provides special education services to the member districts listed below. All services are provided by the fiscal agent. The member districts provide the funds to the fiscal agent. According to guidance provided in TEA's Resource Guide, the District has accounted for the fiscal agent's activities of the SSA in special revenue fund 437 and will be accounted for using Model 2 in the SSA section of the Resource Guide. Expenditures of the SSA are summarized below:

<u>Member Districts</u>	<u>Distribution Percentage</u>	<u>Allocated Expenditures</u>
Overton ISD	7 %	\$ 20,647
Tatum ISD - Fiscal Agent	36	99,941
Mt. Enterprise ISD	11	30,447
Carlisle ISD	11	31,948
Leverett's Chapel ISD	3	9,702
Laneville ISD	6	16,644
West Rusk CCISD	26	71,729
Total	<u>100 %</u>	<u>\$ 281,058</u>

#### Shared Services Arrangement - Membership

The District participates in a shared services arrangement ("SSA") for The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in capital assets purchased by the fiscal agent, Union Grove ISD nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

## *Required Supplementary Information*

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

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**TATUM INDEPENDENT SCHOOL DISTRICT**

**EXHIBIT G-1**

GENERAL FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	1		2		3		Variance with Final Budget Positive (Negative)
	Budgeted Amounts				Actual		
	Original		Final				
<b>REVENUES:</b>							
5700	Local and Intermediate Sources	\$ 11,988,090	\$ 12,013,090	\$ 5,590,827	\$ (6,422,263)		
5800	State Program Revenues	2,401,573	2,401,573	8,210,411	5,808,838		
5900	Federal Program Revenues	45,000	45,000	151,912	106,912		
5020	Total Revenues	<u>14,434,663</u>	<u>14,459,663</u>	<u>13,953,150</u>	<u>(506,513)</u>		
<b>EXPENDITURES:</b>							
Current:							
Instruction & Instructional Related Services:							
0011	Instruction	7,245,447	7,245,447	7,054,160	191,287		
0012	Instructional Resources and Media Services	368,000	406,500	405,563	937		
0013	Curriculum and Staff Development	153,319	153,319	152,788	531		
	Total Instruction & Instr. Related Services	<u>7,766,766</u>	<u>7,805,266</u>	<u>7,612,511</u>	<u>192,755</u>		
Instructional and School Leadership:							
0021	Instructional Leadership	128,295	128,295	128,161	134		
0023	School Leadership	847,745	847,745	823,211	24,534		
	Total Instructional & School Leadership	<u>976,040</u>	<u>976,040</u>	<u>951,372</u>	<u>24,668</u>		
Support Services - Student (Pupil):							
0031	Guidance, Counseling and Evaluation Services	287,943	292,043	291,108	935		
0033	Health Services	127,370	127,370	123,397	3,973		
0034	Student (Pupil) Transportation	492,244	492,244	486,514	5,730		
0036	Cocurricular/Extracurricular Activities	767,027	834,172	833,199	973		
	Total Support Services - Student (Pupil)	<u>1,674,584</u>	<u>1,745,829</u>	<u>1,734,218</u>	<u>11,611</u>		
Administrative Support Services:							
0041	General Administration	573,096	677,096	676,264	832		
	Total Administrative Support Services	<u>573,096</u>	<u>677,096</u>	<u>676,264</u>	<u>832</u>		
Support Services - Nonstudent Based:							
0051	Plant Maintenance and Operations	1,768,910	1,772,217	1,771,246	971		
0052	Security and Monitoring Services	68,850	68,850	68,683	167		
0053	Data Processing Services	193,504	212,504	211,564	940		
	Total Support Services - Nonstudent Based	<u>2,031,264</u>	<u>2,053,571</u>	<u>2,051,493</u>	<u>2,078</u>		
Ancillary Services:							
0061	Community Services	35,724	35,724	33,682	2,042		
	Total Ancillary Services	<u>35,724</u>	<u>35,724</u>	<u>33,682</u>	<u>2,042</u>		
Intergovernmental Charges:							
0091	Contracted Instr. Services Between Public Schools	1,318,637	1,109,437	874,300	235,137		
0092	Increment Costs Associated Chapter 41 (WADA)	21,608	21,608	16,740	4,868		
0093	Payments to Fiscal Agent/Member Dist.-SSA	140,237	140,237	118,062	22,175		
0095	Payments to Juvenile Justice Alternative						
0095	Education Programs	37,500	37,500	--	37,500		
0099	Other Intergovernmental Charges	260,000	260,000	228,698	31,302		
	Total Intergovernmental Charges	<u>1,777,982</u>	<u>1,568,782</u>	<u>1,237,800</u>	<u>330,982</u>		
6030	Total Expenditures	<u>14,835,456</u>	<u>14,862,308</u>	<u>14,297,340</u>	<u>564,968</u>		
1100	Excess (Deficiency) of Revenues Over (Under)						
1100	Expenditures	<u>(400,793)</u>	<u>(402,645)</u>	<u>(344,190)</u>	<u>58,455</u>		
Other Financing Sources (Uses):							
7915	Transfers In	189,625	189,625	--	(189,625)		
8911	Transfers Out	<u>(189,625)</u>	<u>(189,625)</u>	<u>(730,512)</u>	<u>(540,887)</u>		
7080	Total Other Financing Sources and (Uses)	<u>--</u>	<u>--</u>	<u>(730,512)</u>	<u>(730,512)</u>		
1200	Net Change in Fund Balance	<u>(400,793)</u>	<u>(402,645)</u>	<u>(1,074,702)</u>	<u>(672,057)</u>		
0100	Fund Balance - Beginning	<u>8,130,928</u>	<u>8,130,927</u>	<u>8,130,928</u>	<u>1</u>		
3000	Fund Balance - Ending	<u>\$ 7,730,135</u>	<u>\$ 7,728,282</u>	<u>\$ 7,056,226</u>	<u>\$ (672,056)</u>		

**TATUM INDEPENDENT SCHOOL DISTRICT**

*SCHEDULE OF THE DISTRICT'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY  
TEACHER RETIREMENT SYSTEM  
LAST TEN FISCAL YEARS \**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's porportion of the net pension liability (asset)	0.0103307%	0.0103622%	0.0075251%
District's proportionate share of the net pension liability (asset)	\$ 3,903,824	\$ 3,662,900	\$ 2,010,058
State's proportionate share of the net pension liability (asset) associated with the District	5,351,097	5,008,879	4,171,021
Total	<u>\$ 9,254,921</u>	<u>\$ 8,671,779</u>	<u>\$ 6,181,079</u>
District's covered-employee payroll	\$ 9,718,033	\$ 9,087,106	\$ 8,554,194
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	40.17%	40.31%	23.50%
Plan fiduciary net position as a percentage of the total pension liability	78.00%	78.43%	83.25%

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.



**TATUM INDEPENDENT SCHOOL DISTRICT***SCHEDULE OF DISTRICT CONTRIBUTIONS**TEACHER RETIREMENT SYSTEM**LAST TEN FISCAL YEARS \**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 334,261	\$ 328,233	\$ 306,811
Contributions in relation to the contractually required contribution	(334,261)	(328,233)	(306,811)
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered-employee payroll	\$ 9,604,987	\$ 9,718,033	\$ 9,087,106
Contributions as a percentage of covered-employee payroll	3.48%	3.38%	3.38%

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

# TATUM INDEPENDENT SCHOOL DISTRICT

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED AUGUST 31, 2017

### Budget

The official budget was prepared for adoption for all Governmental Fund Types. The budget was prepared in accordance with accounting practices generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data.:

- a. Prior to August 21 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
- c. Prior to the beginning of the fiscal year, the budget is legally enacted through passage of a resolution by the Board.

Once a budget is approved, it can be amended at function and fund level only by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings.

Each amendment must have Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board and are not made after fiscal year end as required by law.

Each amendment is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either cancelled or appropriately provided for in the subsequent year's budget. There were no end-of-year outstanding encumbrances that were provided for in the subsequent year's budget.

### Defined Benefit Pension Plan

#### *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*

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

## *Other Supplementary Information*

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

**TATUM INDEPENDENT SCHOOL DISTRICT**

*SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FOR THE YEAR ENDED AUGUST 31, 2017*

Year Ended August 31	Tax Rates		3 Assessed/Appraised Value For School Tax Purposes
	1 Maintenance	2 Debt Service	
2008 and Prior Years	\$ Various	\$ Various	\$ Various
2009	.70	.34	2,070,147,981
2010	.76	.28	2,077,494,615
2011	.9289	.1111	1,933,251,154
2012	.78	.26	1,561,913,750
2013	.855	.315	1,432,057,094
2014	.88	.29	1,320,638,718
2015	.9467	.2233	1,227,404,530
2016	.9467	.2233	1,211,500,513
2017 (School Year Under Audit)	1.0107	.1893	1,056,222,000

1000 Totals

9000 - Portion of Row 1000 for Taxes Paid into Tax Increment Zone Under Chapter 311, Tax Code

10 Beginning Balance 9/1/16	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/17
\$ 203,424	\$ --	\$ 6,529	\$ 555	\$ (3,957)	\$ 192,383
39,479	--	1,371	558	(272)	37,278
43,727	--	1,368	504	(269)	41,586
47,487	--	1,798	223	(248)	45,218
54,825	--	2,174	724	(245)	51,682
73,515	--	4,774	1,789	(450)	66,502
81,145	--	9,555	3,315	(48)	68,227
104,501	--	14,638	3,585	(202)	86,076
3,727,893	--	57,939	14,018	(1,777)	3,654,159
--	12,674,664	5,125,140	981,794	(17,167)	6,550,563
<u>\$ 4,375,996</u>	<u>\$ 12,674,664</u>	<u>\$ 5,225,286</u>	<u>\$ 1,007,065</u>	<u>\$ (24,635)</u>	<u>\$ 10,793,674</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

**TATUM INDEPENDENT SCHOOL DISTRICT**  
*NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM*  
*BUDGETARY COMPARISON SCHEDULE*  
*FOR THE YEAR ENDED AUGUST 31, 2017*

**EXHIBIT J-2**

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
<b>REVENUES:</b>			
5700 <i>Local and Intermediate Sources</i>	\$ 358,027	\$ 298,335	\$ (59,692)
5800 <i>State Program Revenues</i>	5,500	5,308	(192)
5900 <i>Federal Program Revenues</i>	681,836	703,098	21,262
5020 Total Revenues	<u>1,045,363</u>	<u>1,006,741</u>	<u>(38,622)</u>
<b>EXPENDITURES:</b>			
Current:			
Support Services - Student (Pupil):			
0035 <i>Food Services</i>	1,004,363	1,067,794	(63,431)
Total Support Services - Student (Pupil)	<u>1,004,363</u>	<u>1,067,794</u>	<u>(63,431)</u>
Support Services - Nonstudent Based:			
0051 <i>Plant Maintenance and Operations</i>	41,000	--	41,000
Total Support Services - Nonstudent Based	<u>41,000</u>	<u>--</u>	<u>41,000</u>
6030 Total Expenditures	<u>1,045,363</u>	<u>1,067,794</u>	<u>(22,431)</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	--	(61,053)	(61,053)
1200 Net Change in Fund Balance	--	(61,053)	(61,053)
0100 Fund Balance - Beginning	56,348	56,348	--
3000 Fund Balance - Ending	<u>\$ 56,348</u>	<u>\$ (4,705)</u>	<u>\$ (61,053)</u>

**TATUM INDEPENDENT SCHOOL DISTRICT**

**EXHIBIT J-3**

DEBT SERVICE FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
<b>REVENUES:</b>			
5700 <i>Local and Intermediate Sources</i>	\$ 2,716,736	\$ 1,040,466	\$ (1,676,270)
5800 <i>State Program Revenues</i>	--	5,727	5,727
5020 <i>Total Revenues</i>	<u>2,716,736</u>	<u>1,046,193</u>	<u>(1,670,543)</u>
<b>EXPENDITURES:</b>			
Debt Service:			
0071 <i>Principal on Long-Term Debt</i>	1,130,000	1,325,000	(195,000)
0072 <i>Interest on Long-Term Debt</i>	840,000	641,263	198,737
0073 <i>Bond Issuance Costs and Fees</i>	--	159,688	(159,688)
<i>Total Debt Service</i>	<u>1,970,000</u>	<u>2,125,951</u>	<u>(155,951)</u>
6030 <i>Total Expenditures</i>	<u>1,970,000</u>	<u>2,125,951</u>	<u>(155,951)</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>			
1100 <i>Expenditures</i>	<u>746,736</u>	<u>(1,079,758)</u>	<u>(1,826,494)</u>
Other Financing Sources (Uses):			
7911 <i>Capital-Related Debt Issued (Regular Bonds)</i>	--	8,380,000	8,380,000
7915 <i>Transfers In</i>	--	730,512	730,512
7916 <i>Premium or Discount on Issuance of Bonds</i>	--	1,124,223	1,124,223
8949 <i>Other Uses</i>	--	(9,343,572)	(9,343,572)
7080 <i>Total Other Financing Sources and (Uses)</i>	<u>--</u>	<u>891,163</u>	<u>891,163</u>
1200 <i>Net Change in Fund Balance</i>	746,736	(188,595)	(935,331)
0100 <i>Fund Balance - Beginning</i>	182,788	182,788	--
3000 <i>Fund Balance - Ending</i>	<u>\$ 929,524</u>	<u>\$ (5,807)</u>	<u>\$ (935,331)</u>

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# Morgan LaGrone, CPA, PLLC

## Certified Public Accountant

Telephone: 903.657.0240  
Fax: 903.655.1324

116 S Marshall  
Henderson TX 75654

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  
Tatum Independent School District  
P.O. Box 808  
Tatum, Texas 75691

Members of the Board of Trustees:

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 Tatum Independent School District, as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise Tatum Independent School District's basic financial statements and have issued our report thereon dated January 4, 2018.

### Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item(s) 2017-1, to be a material weakness.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Tatum Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and

**MEMBER**

accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item(s) 2017-2.

### **Tatum Independent School District's Response to Findings**

Tatum Independent School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Tatum Independent School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

Respectfully submitted,



Morgan LaGrone, CPA, PLLC

Henderson, TX

January 4, 2018

# Morgan LaGrone, CPA, PLLC

## Certified Public Accountant

Telephone: 903.657.0240  
Fax: 903.655.1324

116 S Marshall  
Henderson TX 75654

### Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Trustees  
Tatum Independent School District  
P.O. Box 808  
Tatum, Texas 75691

Members of the Board of Trustees:

#### **Report on Compliance for Each Major Federal Program**

We have audited the Tatum 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 Tatum Independent School District's major federal program for the year ended August 31, 2017. Tatum Independent School District's major federal program is 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 Tatum 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 Tatum 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 Tatum Independent School District's compliance.

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

In our opinion, the Tatum 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 its major federal program identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended August 31, 2017.

**MEMBER**

## Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2017-4. Our opinion on each major federal program is not modified with respect to these matters.

Tatum Independent School District's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Tatum Independent School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## Report on Internal Control Over Compliance

Management of the Tatum 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 Tatum Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Tatum Independent School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2017-3 to be a material weakness.

Tatum Independent School District's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Tatum Independent School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Respectfully submitted,



Morgan LaGrone, CPA, PLLC

Henderson, TX  
January 4, 2018

**TATUM INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF FINDINGS AND QUESTIONED COSTS*  
*FOR THE YEAR ENDED AUGUST 31, 2017*

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified?  X  Yes      No

One or more significant deficiencies identified that are not considered to be material weaknesses?      Yes  X  None Reported

Noncompliance material to financial statements noted?  X  Yes      No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified?  X  Yes      No

One or more 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200?  X  Yes      No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027/84.173	IDEA-B/IDEA-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. Financial Statement Findings

**2017-1: Financial Reporting**

**Type of Finding: Material Weakness**

Criteria: Management of the District is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP. This includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of the financial

**TATUM INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF FINDINGS AND QUESTIONED COSTS*  
*FOR THE YEAR ENDED AUGUST 31, 2017*

statements that are free from material misstatement.

Condition: The accounting software failed to record certain entries correctly, and the errors were not detected and corrected in a timely manner.

Effect: Adjustments were required to be made to the accounting records subsequent to the start of the audit process to prevent material misstatements.

Cause: There was a flaw in the District's accounting software, and there were no controls in place to detect it and correct it in a timely manner.

Recommendation: We recommend the District develop monthly and year-end processes whereby all significant and key accounts are timely reconciled and independently reviewed by supervisory personnel.

**2017-2: Unfavorable Budget Variances**

**Type of Finding: Noncompliance**

Criteria: Under the law, expenditures from governmental fund types cannot be made without authority of appropriation.

Condition: In funds 240 and 599, actual expenditures exceeded total appropriations for the funds.

Effect: Violation of Texas Education Code Chapter 44 Section 6.

Cause: The budgets for funds 240 and 599 were not monitored during the year. The District refunded bonds in November, resulting in book entry only expenditures and other financing sources and uses that were not budgeted.

Recommendation: The District should more closely monitor its expenditures as they relate to the budget.

**C. Federal Award Findings and Questioned Costs**

**2017-3: Material Weakness in Internal Control over Compliance**

**Type of Finding: Material Weakness**

Criteria: As a condition of receiving Federal awards, non-Federal entities agree to comply with laws, regulations, and the provisions of grant agreements and contracts, and to maintain internal control to provide reasonable assurance of compliance with these requirements.

Condition: The level of local expenditures fell below the amount spent in the preceding year.

Effect: Violation of ED and TEA requirements.

Cause: The District did not monitor its local special education expenditures to ensure that the amount spent did not decrease below the amount spent in the preceding year.

Recommendation: The District should develop specific policies and procedures to ensure compliance with the level of effort requirement.

**TATUM INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF FINDINGS AND QUESTIONED COSTS*  
*FOR THE YEAR ENDED AUGUST 31, 2017*

**2017-4: Noncompliance**

Criteria: As a condition of receiving Federal awards, non-Federal entities agree to comply with laws, regulations, and the provisions of grant agreements and contracts.

The U.S. Department of Education (ED) and the Texas Education Agency (TEA) dictate that funds received cannot be used, except under certain limited circumstances, to reduce the level of expenditures for the education of children with disabilities made by the local education agency (LEA) from local funds, or a combination of State and local funds, below the level of those expenditures for the preceding fiscal year.

Condition: State and local expenditures for Special Education (Program Intent Code 23) decreased from \$688,417 in fiscal year 2016 to \$625,188 in fiscal year 2017. A decrease of \$43,229.

Questioned Costs: \$43,229.

Effect: Violation of ED and TEA requirements.

Cause: The District did not have policies or procedures in place to dictate the monitoring of local special education expenditures.

Recommendation: The District should develop procedures to ensure compliance with the level of effort requirement and then follow those procedures and budget accordingly.

**TATUM INDEPENDENT SCHOOL DISTRICT**  
*SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS*  
*FOR THE YEAR ENDED AUGUST 31, 2017*

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
Not applicable for the year ended August 31, 2017.		



# **TATUM INDEPENDENT SCHOOL DISTRICT**

## *CORRECTIVE ACTION PLAN*

*FOR THE YEAR ENDED AUGUST 31, 2017*

2017-1

TISD will monitor key accounts on a monthly basis. TISD will also complete a software conversion to a product that is supported by TEA state agencies hosted off site. TISD will purchase personal support packages and attend professional development geared to reconcile key components.

2017-2

TISD will evaluate funds 240 and 599 from a budgetary aspect. TISD will insure that the budget amounts are realistic and yearly goals are attainable. If unforeseen circumstances provoke TISD to overspend in a fund, a budget amendment will be brought to the Board for approval. Monthly monitoring will ensure these anticipated over expenditures are discovered.

2017-3

TISD will monitor on a monthly basis the expenditures for special education within our district and our expenditures in fund 437, Rusk County Shared Service Agreement. TISD will evaluate the RCSSA budget and ensure that the budget is realistic and that there is not a huge surplus at the end of the fiscal year.

2017-4

TISD will monitor on a monthly basis the expenditures in program intent code 23 in fund 199. TISD will ensure that special education employees are coded correctly and all special education expenditures are booked to PIC 23.

**TATUM INDEPENDENT SCHOOL DISTRICT**

**EXHIBIT K-1**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2017

(1)	(2)	(2A)	(3)	(3)
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
<b>CHILD NUTRITION CLUSTER:</b>				
<u>U. S. Department of Agriculture</u>				
Passed Through State Department of Education:				
School Breakfast Program	10.553	201-910	\$ --	\$ 160,667
National School Lunch Program	10.555	201-910	--	468,799
National School Lunch Program (Non-cash)	10.555	201-910	--	73,632
Total CFDA Number 10.555			--	542,431
Summer Food Service Program	10.559	201-910	--	10,649
Total Passed Through State Department of Education			--	713,747
Total U. S. Department of Agriculture			--	713,747
Total Child Nutrition Cluster			--	713,747
<b>SPECIAL EDUCATION (IDEA) CLUSTER:</b>				
<u>U. S. Department of Education</u>				
Passed Through State Department of Education:				
SSA IDEA-B Formula	84.027	1766000120191	--	1,004,634
SSA IDEA-B Preschool	84.173	1766100120191	--	25,676
Total Passed Through State Department of Education			--	1,030,310
Total U. S. Department of Education			--	1,030,310
Total Special Education (IDEA) Cluster			--	1,030,310
<b>OTHER PROGRAMS:</b>				
<u>U. S. Department of Education</u>				
Passed Through State Department of Education:				
ESEA Title I Part A - Improving Basic Programs	84.010a	1761010120191	--	124,070
Career and Technical - Basic Grant	84.048	1742000623090	--	4,630
Summer School LEP	84.048	69551602	--	1,165
Total CFDA Number 84.048			--	5,795
Title III Part A English Language Acquisition and Language Enhance	84.365	1767100120191	--	27,835
ESEA Title II Part A - Teacher & Principal Training & Recruiting	84.367a	1769450120191	--	53,231
Total Passed Through State Department of Education			--	210,931
Total U. S. Department of Education			--	210,931
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ --	\$ 1,954,988

The accompanying notes are an integral part of this schedule.

# **TATUM INDEPENDENT SCHOOL DISTRICT**

## *NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED AUGUST 31, 2017*

### 1. General

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Tatum Independent School District and is presented on the modified accrual basis of accounting. 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.

Special Revenue Funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Generally, unused balances are returned to the grantor at the close of specified project periods.

### 2. Basis of Accounting

The accounting and financial reporting treatment applied to Special Revenue Funds is the 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 present increases and decreases in fund balances. The modified accrual basis of accounting recognizes revenues in the accounting period in which they become measurable and available, and expenditures in the accounting period in which the fund liability is incurred, except for unmatured interest on general long-term debt, which is recognized when matured and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financing resources. Federal grant funds are considered to be earned as soon as all eligibility requirements imposed by the provider are met and expenditures have been incurred, and, accordingly, when such funds are received in advance, they are recorded as deferred revenues until earned.

### 3. Availability of Funds

The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in the Uniform Guidance.

### 4. School Health and Related Services (SHARS)

The District received \$151,912 of SHARS revenue during the year. This revenue is recorded in the General Fund. The revenue is not considered federal financial assistance for purposes of the Schedule of Expenditure of Federal Awards.

### 5. Indirect Cost Rate

The District did not elect to use the 10 percent de minimus indirect cost rate.

**TATUM INDEPENDENT SCHOOL DISTRICT**

SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS  
AS OF AUGUST 31, 2017

Data Control Codes		Responses
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds?	Yes
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts and laws related to local, state or federal funds?	Yes
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other governmental agencies?	Yes
SF8	Did the school district <u>not</u> receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	What was the total accumulated accretion on capital appreciation bonds (CABs) included in government-wide financial statements at fiscal year-end?	\$ --
SF11	Net Pension Assets (object 1920) at fiscal year-end.	\$ --
SF12	Net Pension Liabilities (object 2540) at fiscal year-end.	\$ 3,903,824
SF13	Pension Expense (object 6147) at fiscal year-end.	\$

In correspondence to all school administrators dated November 1, 2017, the TEA's Director of Financial Compliance stated "For 2017, and until further notice, no data should be entered in the field for data feed Schedule L-1 question SF13. If the AFR and data feed has been submitted no additional steps need to be taken."