

ONALASKA INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED

AUGUST 31, 2016

CONTENTS

<u>Exhibit</u>		<u>Page</u>
	Certificate of Board	iii
<u>Financial Section</u>		
	Independent Auditor's Report	2
	Management's Discussion and Analysis	5
<u>Basic Financial Statements</u>		
	Government-wide Financial Statements:	
A-1	Statement of Net Position	14
B-1	Statement of Activities	15
	Fund Financial Statements:	
C-1	Balance Sheet - Governmental Funds	16
C-1R	Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	19
C-2	Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	20
C-3	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	22
E-1	Statement of Fiduciary Assets and Liabilities - Fiduciary Fund	23
	Notes to the Financial Statements	24
<u>Required Supplementary Information</u>		
G-1	Schedule of Revenues, Expenditures and Change in Fund Balance – Budget to Actual – General Fund	50
G-2	Schedule of the District's Proportionate Share of the Net Pension Liability of a Cost-Sharing Multiple-Employer Pension Plan (TRS)	51
G-3	Schedule of the District's Contributions to the Teacher Retirement System Pension Plan (TRS)	52
	Notes to the Required Supplementary Information	53
<u>Supplementary Information</u>		
	Combining Funds Financial Statements:	
H-1	Combining Balance Sheet - Nonmajor Governmental Funds – Special Revenue Funds	56
H-2	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds - Special Revenue Funds	58
	Compliance Schedules:	
J-1	Schedule of Delinquent Taxes Receivable	60
J-2	Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – National School Breakfast and Lunch Program	62
J-3	Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Debt Service Fund	63

CONTENTS

<u>Exhibit</u>		<u>Page</u>
	<u>Overall Compliance, Internal Control Section and Federal Awards</u>	
	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	66
	Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by Uniform Guidance	68
	Schedule of Findings and Questioned Costs	71
	Summary Schedule of Prior Audit Findings	72
	Corrective Action Plan	73
K-1	Schedule of Expenditures of Federal Awards	74
	Notes to Schedule of Expenditures of Federal Awards	75
L-1	Schedule of Required Responses to Selected School First Indicators (Supplementary Information)	77

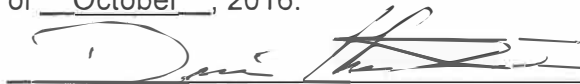
CERTIFICATE OF THE BOARD

Onalaska Independent School District
Name of School District

POLK
County

187-910
Co.-Dist Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and 7 approved 0 disapproved for the year ended August 31, 2016 at a meeting of the Board of Trustees of such school district on the 17th day of October, 2016.



Signature of Board Secretary



Signature of Board President

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

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

The Board of Trustees of
Onalaska Independent School District
P.O. Box 2289
Onalaska, Texas 77360

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 Onalaska Independent School District (District), as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Onalaska Independent School District's basic financial statements. The Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Supplementary Information and the Schedule of Expenditures of Federal Awards are the responsibility of management and was derived from and relates 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 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.

Onalaska Independent School District
October 14, 2016

Page 3

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2016 on our consideration of Onalaska 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 Onalaska Independent School District's internal control over financial reporting and compliance.

Yours truly,

Weaver and Tidwell, L.L.P.

Weaver and Tidwell, L.L.P.

Conroe, Texas
October 14, 2016

Management's Discussion and Analysis

As management of the Onalaska Independent School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended August 31, 2016.

Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$7,623,902 (*net position*). Of this amount, \$4,510,238 (*unrestricted net position*) may be used to meet the District's ongoing obligations to students and creditors.
- The District's total net position increased by \$946,399.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$5,896,784, a decrease of \$7,084,405 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$4,235,533, or 48 percent of total general fund expenditures.
- The District's total bonded debt decreased by \$659,321.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information and supplementary information in addition to the basic financial statements themselves.

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

The *Statement of Net Position (Exhibit A-1)* presents information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference between them reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities (Exhibit B-1)* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and incurred but unpaid interest).

The government-wide financial statements of the District are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the District include *Instruction, Instructional Resources and Media Services, Curriculum and Staff Development, Instructional Leadership, School Leadership, Guidance, Counseling, and Evaluation Services, Health Services, Student Transportation, Food Service, Extracurricular Activities, General Administration, Plant Maintenance and Operations, Security and Monitoring Services, Data Processing Services, Interest on Long-term Debt, Issuance Costs and Fees, Payments Related to Shared Services Arrangements, and Other Intergovernmental Charges*.

The government-wide financial statements can be found as noted in the table of contents of this report.

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

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a District's near-term financing requirements.

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

The District maintained eleven individual governmental funds during the year. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and capital projects fund, which are considered to be major funds. Data from the other eight governmental funds are combined into a single, aggregated presentation titled *other governmental funds*.

The District adopts an annual revenue and appropriations budget for its general fund. Subsequent to adoption, amendments approved by the governing body are reflected in a revised budget. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found as noted in the table of contents of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of students. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the District's own programs. The accounting used for fiduciary funds is similar to the accounting used for proprietary funds.

The basic fiduciary fund financial statements can be found as noted in the table of contents of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found as noted in the table of contents of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report presents required supplementary information and supplementary information, which includes schedules required by the Texas Education Agency. Such information can be found as noted in the table of contents of this report.

Government-wide Financial Analysis

As mentioned earlier, net position may, over time, serve as a useful indicator of a District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$7,623,902 at the close of the most recent fiscal year.

ONALASKA INDEPENDENT SCHOOL DISTRICT'S NET POSITION

	Governmental Activities					
	2016		2015		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Current and Other Assets	\$ 7,979,222	33	\$ 16,953,207	65	\$ (8,973,985)	(53)
Capital Assets	16,459,982	67	9,157,262	35	7,302,720	80
Total Assets	24,439,204	100	26,110,469	100	(1,671,265)	
Total Deferred Outflows of Resources	1,320,029	100	514,287	100	805,742	157
Long-term Liabilities Outstanding	16,712,752	93	16,441,794	84	270,958	2
Other Liabilities	1,260,916	7	3,162,985	16	(1,902,069)	(60)
Total Liabilities	17,973,668	100	19,604,779	100	(1,631,111)	
Total Deferred Inflows of Resources	161,663	100	342,474	-	(180,811)	(53)
Net Position:						
Net Investment in Capital Assets	2,688,660	35	2,652,751	40	35,909	1
Restricted for Grants	80,058	1	46,910	1	33,148	71
Restricted for Debt Service	344,946	5	23,905	-	321,041	1,343
Unrestricted	4,510,238	59	3,953,937	59	556,301	14
Total Net Position	\$ 7,623,902	100	\$ 6,677,503	100	\$ 946,399	

The net position remained stable as a result of the increase in revenues and the increase in expenses were in similar amounts due to the increase in state funding and instruction expenses mirrored the increase in enrollment.

Investment in capital assets (e.g., land and improvements, buildings and improvements, furniture and equipment, and construction in progress), less any related debt used to acquire those assets that are still outstanding represents 35 percent of the District's net position. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's net investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Net position that is restricted for debt service and grants totaled \$425,004 or 6 percent of net position. The largest portion of the District's net position is unrestricted (59 percent). The *unrestricted net position* of \$4,510,238 may be used to meet the District's ongoing obligations to students and creditors.

Governmental activities. Governmental activities increased the District's net position by \$946,399 from current operations. Key elements of this change are as follows:

ONALASKA INDEPENDENT SCHOOL DISTRICT'S CHANGES IN NET POSITION

	Governmental Activities					
	2016		2015		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Revenue:						
Program Revenues:						
Charges for Services	\$ 344,326	3	\$ 283,500	3	\$ 60,826	21
Operating Grants and Contributions	1,683,197	14	1,439,252	13	243,945	17
General Revenues:						
Property Taxes, Levied for General Purpose	5,077,388	42	4,791,345	43	286,043	6
Property Taxes, Levied for Debt Service	1,169,000	9	1,180,476	11	(11,476)	(1)
Grants and Contributions Not Restricted to Specific Programs	4,014,138	32	3,223,640	29	790,498	25
Investment Earnings	57,953	-	74,291	1	(16,338)	(22)
Miscellaneous	21,804	-	101,594	-	(79,790)	(79)
Total Revenues	12,367,806	100	11,094,098	100	1,273,708	
Expenses:						
Instruction	5,675,402	50	4,944,290	51	731,112	15
Instructional Resources and Media Services	33,936	-	39,286	-	(5,350)	(14)
Curriculum and Staff Development	100,697	1	104,215	1	(3,518)	(3)
Instructional Leadership	200,599	2	134,264	1	66,335	49
School Leadership	583,958	5	545,619	5	38,339	7
Guidance, Counseling, and Evaluation Services	190,435	2	156,304	2	34,131	22
Health Services	118,853	1	102,953	1	15,900	15
Student Transportation	529,543	5	493,393	5	36,150	7
Food Service	716,551	6	632,278	6	84,273	13
Extracurricular Activities	439,539	4	376,987	4	62,552	17
General Administration	453,648	4	451,605	4	2,043	-
Plant Maintenance and Operations	1,476,951	13	1,037,975	10	438,976	42
Security and Monitoring Services	1,489	-	1,964	-	(475)	(24)
Data Processing Services	247,270	2	230,559	2	16,711	7
Interest on Long-term Debt	375,240	3	605,112	6	(229,872)	(38)
Issuance Costs and Fees	1,000	-	750	-	250	33
Facilities Repair and Maintenance	125	-	-	-	125	-
Payments Related to Shared Services Arrangements	161,259	1	133,688	1	27,571	21
Other Intergovernmental Charges	114,912	1	114,633	1	279	-
Total Expenses	11,421,407	100	10,105,875	100	1,315,532	
Change in Net Position	946,399		988,223		(41,824)	
Net Position - Beginning	6,677,503		6,957,739		(280,236)	
Prior Period Adjustment - Implement GASB 68 and 71 for Pension (a)	-		(1,268,459)		1,268,459	
Net Position - Beginning, as restated	6,677,503		5,689,280		988,223	
Net Position - Ending	\$ 7,623,902		\$ 6,677,503		\$ 946,399	

(a) The restatement of the beginning net position in fiscal year 2015 is the result of the District Implementing GASB Statement No. 68 and 71 in fiscal year 2015. The implementation is discussed above in MD&A and more information is available in Note IV.C.

Revenues are generated primarily from two sources. Grants and contributions (program and general revenues totaling \$5,697,335) represent 46 percent of total revenues, and property taxes (\$6,246,388) represent 51 percent of total revenues. The remaining 3 percent is generated from investment earnings, charges for services, and miscellaneous revenues. The most significant change in revenues is the increase in state funding, which results from an increase in enrollment.

The primary functional expenses of the District are instruction (\$5,675,402) and plant maintenance and operations (\$1,476,951), which represents 50 percent and 13 percent, respectively, of total expenses. The remaining functional categories of expenses are individually 10 percent or less of total expenditures. The most significant increase in expenses was instruction.

Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$5,896,784 a decrease of \$7,084,405 in comparison with the prior year.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, total fund balance of the general fund was \$5,054,565 and unassigned fund balance was \$4,235,533. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 48 percent of total general fund expenditures, while total fund balance represents 57 percent of the same amount.

The fund balance of the District's general fund increased by \$694,948 during the current fiscal year. The most significant change in the general fund in the current year was due to an increase in property tax revenues due to increased property values.

The debt service fund has a total fund balance of \$890,211, all of which is restricted for the payment of debt service. The net increase in fund balance during the current year in the debt service fund was \$180,990 and was due to a decrease in debt service requirements.

The Capital Projects fund balance decreased \$7,977,109 primarily due to planned expenditures per the bond issue.

General Fund Budgetary Highlights

The District amends the budget as needed throughout the year.

There most significant differences between the originally adopted budget and the final amended budget are as follows:

- Increased state funding \$367,441 due to TRS On-behalf revenues were excluded from the original budget.
- Increase of \$361,741 to appropriate instruction expenses due to TRS On-behalf revenues were excluded from the original budget.

Capital Assets and Long-term Liabilities

Capital assets. The District's investment in capital assets for its governmental type activities as of August 31, 2016, amounts to \$16,459,982 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings and improvements, furniture and equipment, and construction in progress. The total increase in the District's investment in capital assets for the current fiscal year was \$7,302,720.

ONALASKA INDEPENDENT SCHOOL DISTRICT'S CAPITAL ASSETS (net of depreciation)

	Governmental Activities					
	2016		2015		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Land and Improvements	\$ 129,553	1	\$ 129,553	1	\$ -	-
Buildings and Improvements	6,293,254	38	6,571,249	72	(277,995)	(4)
Furniture and Equipment	345,951	2	422,645	5	(76,694)	(18)
Construction in Progress	9,691,224	59	2,033,815	22	7,657,409	377
Totals	\$ 16,459,982	100	\$ 9,157,262	100	\$ 7,302,720	

Major capital asset events during the current fiscal year included the following:

- Construction costs for school campuses \$7,657,409

Additional information on the District's capital assets can be found in notes to the financial statements as noted in the table of contents of this report.

Construction commitments. At the end of the current fiscal year, the District's commitments with construction contractors totaled \$106,214.

Long-term Liabilities. At year-end, the District had the following long-term liabilities:

ONALASKA INDEPENDENT SCHOOL DISTRICT'S LONG-TERM LIABILITIES OUTSTANDING

	Governmental Activities					
	2016		2015		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
General Obligation Bonds (Net)	\$ 14,662,918	88	\$ 15,322,239	93	\$ (659,321)	(4)
Net Pension Liability	2,049,834	12	1,119,555	7	930,279	83
Totals	\$ 16,712,752	100	\$ 16,441,794	100	\$ 270,958	

The District's bonded debt decreased by \$659,321 (4 percent) during the current fiscal year as a result of scheduled debt payments. Pension expense increased primarily due to 1) the actual earnings were less than projected, 2) changes in proportion and differences between District contributions and proportionate share of contributions, and 3) pension costs.

The District's general obligation debt is backed by the full faith and credit of the District and is further guaranteed by the Texas Permanent School Fund Guarantee Program.

State statutes do not limit the tax rate or amount for the support of school districts' bonded indebtedness. However, approval of the Attorney General of the State of Texas is required prior to the sale of bonds.

Additional information on the District's long-term liabilities can be found in the notes to the financial statements as indicated in the table of contents of this report.

Economic Factors and Next Year's Budgets and Rates

- Current enrollment (2016-2017) totals 1,033 students, which is an increase from 958 students in the prior year.
- District staff totals 167 employees in 2015-2016, which includes 74 teachers and 29 teachers' aides and secretaries.
- The District maintains two campuses for instruction.
- The unemployment rate for the County is currently 5.1 percent, which is a decrease from a rate of 5.9 percent a year ago. This compares unfavorably to the state's average unemployment rate of 6.4 percent, which is a decrease from a rate of 4.2 percent a year ago.
- Property values of the District are projected to increase 15.5 percent in the 2016-2017 fiscal year from the prior fiscal year.
- A maintenance and operations tax rate of \$1.04 and a debt service tax rate of \$.0195, a total of \$1.235 were adopted for 2016-2017. Preceding year rates were \$1.2798, \$1.04 and \$.2598, respectively.

All of these factors were considered in preparing the District's budget for the 2016-2017 fiscal year.

During the current fiscal year, unassigned (previously unreserved) fund balance in the general fund decreased to \$4,235,533. The District plans to utilize unassigned fund balance to fund current expenditures prior to collecting the current year tax levy.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Business Manager, Onalaska Independent School District, P.O. Box 2289, Onalaska, Texas, 77360.

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BASIC FINANCIAL STATEMENTS

**ONALASKA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2016**

EXHIBIT A-1

1

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 <i>Cash and Cash Equivalents</i>	\$ 6,162,726
1220 <i>Property Taxes Receivable</i>	880,658
1230 <i>Allowance for Uncollectible Taxes</i>	(44,000)
1240 <i>Due from Other Governments</i>	934,499
1290 <i>Other Receivables</i>	10,589
1300 <i>Inventories</i>	34,750
Capital Assets:	
1510 <i>Land and Improvements</i>	129,553
1520 <i>Buildings and Improvements (Net)</i>	6,293,254
1530 <i>Furniture and Equipment (Net)</i>	345,951
1580 <i>Construction in Progress</i>	9,691,224
1000 Total Assets	<u>24,439,204</u>
DEFERRED OUTFLOWS OF RESOURCES	
1705 <i>Deferred Outflows - Pension</i>	1,082,613
1710 <i>Deferred Charge on Refunding</i>	237,416
1700 Total Deferred Outflows of Resources	<u>1,320,029</u>
LIABILITIES	
2110 <i>Accounts Payable</i>	811,661
2140 <i>Interest Payable</i>	15,136
2160 <i>Accrued Wages Payable</i>	406,823
2180 <i>Due to Other Governments</i>	6,885
2300 <i>Unearned Revenue</i>	20,411
Noncurrent Liabilities:	
2501 <i>Due Within One Year</i>	422,560
2502 <i>Due in More than One Year</i>	14,240,358
2540 <i>Net Pension Liabilities</i>	2,049,834
2000 Total Liabilities	<u>17,973,668</u>
DEFERRED INFLOWS OF RESOURCES	
2605 <i>Deferred Inflows - Pension</i>	161,663
2600 Total Deferred Inflows of Resources	<u>161,663</u>
NET POSITION	
3200 <i>Net Investment in Capital Assets</i>	2,688,660
3820 <i>Restricted for Grants</i>	80,058
3850 <i>Restricted for Debt Service</i>	344,946
3900 <i>Unrestricted</i>	4,510,238
3000 Total Net Position	<u>\$ 7,623,902</u>

The accompanying notes are an integral part of this statement.

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

EXHIBIT B-1

Data Control Codes	Functions/Programs	1	3	4	Net (Expense) Revenue and Changes in Net Position
		Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Governmental Activities
	Primary Government:				
	Governmental Activities:				
0011	Instruction	\$ 5,675,402	\$ 670	\$ 772,180	\$ (4,902,552)
0012	Instructional Resources and Media Services	33,936	-	-	(33,936)
0013	Curriculum and Staff Development	100,697	-	74,555	(26,142)
0021	Instructional Leadership	200,599	-	63,622	(136,977)
0023	School Leadership	583,958	-	36,036	(547,922)
0031	Guidance, Counseling, and Evaluation Services	190,435	-	12,198	(178,237)
0033	Health Services	118,853	-	7,660	(111,193)
0034	Student Transportation	529,543	-	19,474	(510,069)
0035	Food Services	716,551	148,977	577,546	9,972
0036	Extracurricular Activities	439,539	194,679	7,436	(237,424)
0041	General Administration	453,648	-	23,782	(429,866)
0051	Plant Maintenance and Operations	1,476,951	-	33,020	(1,443,931)
0052	Security and Monitoring Services	1,489	-	-	(1,489)
0053	Data Processing Services	247,270	-	14,661	(232,609)
0072	Interest on Long-term Debt	375,240	-	41,027	(334,213)
0073	Issuance Costs and Fees	1,000	-	-	(1,000)
0081	Facilities Repair and Maintenance	125	-	-	(125)
0093	Payments Related to Shared Services Arrangements	161,259	-	-	(161,259)
0099	Other Intergovernmental Charges	114,912	-	-	(114,912)
TG	Total Governmental Activities	<u>11,421,407</u>	<u>344,326</u>	<u>1,683,197</u>	<u>(9,393,884)</u>
TP	Total Primary Government	<u>\$ 11,421,407</u>	<u>\$ 344,326</u>	<u>\$ 1,683,197</u>	<u>(9,393,884)</u>
	General Revenues:				
MT	Property Taxes, Levied for General Purposes				5,077,388
DT	Property Taxes, Levied for Debt Service				1,169,000
GC	Grants and Contributions Not Restricted to Specific Programs				4,014,138
IE	Investment Earnings				57,953
MI	Miscellaneous				21,804
TR	Total General Revenues				<u>10,340,283</u>
CN	Change in Net Position				946,399
NB	Net Position - Beginning				6,677,503
NE	Net Position - Ending				<u>\$ 7,623,902</u>

The accompanying notes are an integral part of this statement.

**ONALASKA INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
AUGUST 31, 2016**

Data Control Codes	199 General Fund	599 Debt Service Fund
ASSETS		
1110 <i>Cash and Cash Equivalents</i>	\$ 4,591,771	\$ 887,456
1220 <i>Property Taxes Receivable</i>	749,607	131,051
1230 <i>Allowance for Uncollectible Taxes</i>	(37,000)	(7,000)
1240 <i>Due from Other Governments</i>	823,134	-
1260 <i>Due from Other Funds</i>	91,030	985
1290 <i>Other Receivables</i>	8,819	1,770
1300 <i>Inventories</i>	-	-
1000 Total Assets	<u>6,227,361</u>	<u>1,014,262</u>
1000a Total Assets and Deferred Outflows of Resources	<u>\$ 6,227,361</u>	<u>\$ 1,014,262</u>
LIABILITIES		
2110 <i>Accounts Payable</i>	\$ 72,793	\$ -
2160 <i>Accrued Wages Payable</i>	386,411	-
2170 <i>Due to Other Funds</i>	985	-
2180 <i>Due to Other Governments</i>	-	-
2300 <i>Unearned Revenue</i>	-	-
2000 Total Liabilities	<u>460,189</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES		
2600 <i>Unavailable Revenue - Property Taxes</i>	<u>712,607</u>	<u>124,051</u>
Total Deferred Inflows of Resources	<u>712,607</u>	<u>124,051</u>
FUND BALANCES		
3450 <i>Restricted - Grant Funds</i>	-	-
3480 <i>Restricted - Debt Service</i>	-	890,211
3545 <i>Committed - Other</i>	-	-
3550 <i>Assigned - Construction</i>	600,000	-
3590 <i>Assigned - Other</i>	219,032	-
3600 <i>Unassigned</i>	<u>4,235,533</u>	<u>-</u>
3000 Total Fund Balances	<u>5,054,565</u>	<u>890,211</u>
4000 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 6,227,361</u>	<u>\$ 1,014,262</u>

The accompanying notes are an integral part of this statement.

EXHIBIT C-1

699 Capital Projects Fund	Total Nonmajor Funds	98 Total Governmental Funds
\$ 546,078	\$ 137,421	\$ 6,162,726
-	-	880,658
-	-	(44,000)
-	111,365	934,499
-	-	92,015
-	-	10,589
-	34,750	34,750
<u>546,078</u>	<u>283,536</u>	<u>8,071,237</u>
\$ 546,078	\$ 283,536	\$ 8,071,237
\$ 738,868	\$ -	\$ 811,661
-	20,412	406,823
-	91,030	92,015
-	6,885	6,885
-	20,411	20,411
<u>738,868</u>	<u>138,738</u>	<u>1,337,795</u>
-	-	<u>836,658</u>
-	-	<u>836,658</u>
-	80,058	80,058
-	-	890,211
-	64,740	64,740
-	-	600,000
-	-	219,032
(192,790)	-	4,042,743
<u>(192,790)</u>	<u>144,798</u>	<u>5,896,784</u>
\$ 546,078	\$ 283,536	\$ 8,071,237

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

EXHIBIT C-1R

Total Fund Balances - Governmental Funds (Exhibit C-1) \$ 5,896,784

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The governmental capital assets at year-end consist of:

Governmental Capital Assets Costs	\$ 23,023,542	
Accumulated Depreciation of Governmental Capital Assets	<u>(6,563,560)</u>	16,459,982

Property taxes receivable, which will be collected subsequent to year-end, but are not available soon enough to pay expenditures and, therefore, are deferred in the funds. 836,658

Long-term liabilities, including bonds payable and net pension liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Liabilities at year-end related to such items consist of:

Bonds Payable, at Original Par	\$ (12,392,605)	
Premium on Bonds Payable	(1,616,133)	
Accreted Interest	(654,180)	
Accrued Interest on the Bonds	(15,136)	
Net Pension Liability	<u>(2,049,834)</u>	(16,727,888)

Deferred charge on refunding is reported as a deferred outflow in the statement of net position and it is not reported in the funds due to it is not a current financial resource available to pay for current expenditures. 237,416

Deferred outflows for pension represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditures) until then. 1,082,613

Deferred inflows for pension represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. (161,663)

Total Net Position - Governmental Activities (Exhibit A-1) \$ 7,623,902

The accompanying notes are an integral part of this statement.

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

Data Control Codes	199 General Fund	599 Debt Service Fund
REVENUES		
5700 <i>Local and Intermediate Sources</i>	\$ 5,135,274	\$ 1,164,408
5800 <i>State Program Revenues</i>	4,295,086	41,027
5900 <i>Federal Program Revenues</i>	<u>88,586</u>	<u>-</u>
5020 Total Revenues	<u>9,518,946</u>	<u>1,205,435</u>
EXPENDITURES		
Current:		
0011 <i>Instruction</i>	5,100,934	-
0012 <i>Instructional Resources and Media Services</i>	29,300	-
0013 <i>Curriculum and Staff Development</i>	25,067	-
0021 <i>Instructional Leadership</i>	139,974	-
0023 <i>School Leadership</i>	548,127	-
0031 <i>Guidance, Counseling, and Evaluation Services</i>	179,168	-
0033 <i>Health Services</i>	109,076	-
0034 <i>Student Transportation</i>	416,428	-
0035 <i>Food Service</i>	690	-
0036 <i>Extracurricular Activities</i>	250,469	-
0041 <i>General Administration</i>	442,497	-
0051 <i>Plant Maintenance and Operations</i>	1,073,844	-
0052 <i>Security and Monitoring Services</i>	100	-
0053 <i>Data Processing Services</i>	232,153	-
Debt Service:		
0071 <i>Principal on Long-term Debt</i>	-	438,985
0072 <i>Interest on Long-term Debt</i>	-	584,460
0073 <i>Issuance Costs and Fees</i>	-	1,000
Capital Outlay:		
0081 <i>Facilities Acquisition and Construction</i>	-	-
Intergovernmental:		
0093 <i>Payments Related to Shared Services Arrangements</i>	161,259	-
0099 <i>Other Intergovernmental Charges</i>	<u>114,912</u>	<u>-</u>
6030 Total Expenditures	<u>8,823,998</u>	<u>1,024,445</u>
1200 Net Change in Fund Balances	694,948	180,990
0100 Fund Balances - Beginning	<u>4,359,617</u>	<u>709,221</u>
3000 Fund Balances - Ending	<u>\$ 5,054,565</u>	<u>\$ 890,211</u>

The accompanying notes are an integral part of this statement.

EXHIBIT C-2

699 Capital Projects Fund	Total Nonmajor Funds	98 Total Governmental Funds
\$ 38,480	\$ 329,063	\$ 6,667,225
-	86,682	4,422,795
-	969,713	1,058,299
<u>38,480</u>	<u>1,385,458</u>	<u>12,148,319</u>
-	375,067	5,476,001
-	-	29,300
-	72,581	97,648
-	50,685	190,659
-	-	548,127
-	-	179,168
-	-	109,076
-	-	416,428
-	691,325	692,015
-	179,034	429,503
-	-	442,497
358,055	-	1,431,899
-	-	100
-	-	232,153
-	-	438,985
-	-	584,460
-	-	1,000
7,657,534	-	7,657,534
-	-	161,259
-	-	114,912
<u>8,015,589</u>	<u>1,368,692</u>	<u>19,232,724</u>
(7,977,109)	16,766	(7,084,405)
<u>7,784,319</u>	<u>128,032</u>	<u>12,981,189</u>
<u>\$ (192,790)</u>	<u>\$ 144,798</u>	<u>\$ 5,896,784</u>

ONALASKA INDEPENDENT SCHOOL DISTRICT **EXHIBIT C-3**
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, 2016

Total Net Changes in Fund Balances - Governmental Funds (Exhibit C-2) **\$ (7,084,405)**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital Assets <i>increased</i>	\$ 7,670,949	
Depreciation Expense	<u>(368,229)</u>	7,302,720

Because some property taxes will not be collected for several months after the District's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues increased (decreased) by this amount this year. 8,246

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 438,985

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due, and includes amortization of related long-term debt accounts. The increase (decrease) in interest expense reported in the statement of activities consists of the following:

Accrued Interest on Current Interest Bonds Payable (<i>increased</i>) decreased	\$ 4,243	
Interest Accreted on the Capital Appreciation Bonds (increased) decreased	(19,562)	
Accreted Interest Paid (increased) decreased	146,016	
Amortization of Bond Premium and Discount (increased) decreased	93,882	
Amortization of Deferred Charge on Refunding	<u>(15,359)</u>	209,220

The net change in net pension liability, deferred outflows, and deferred inflows is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. The net change consists of the following:

Deferred Outflows Increased (Decreased)	\$ 821,101	
Deferred Inflows (Increased) Decreased	180,811	
Net Pension Liability (Increased) Decreased	<u>(930,279)</u>	<u>71,633</u>

Change in Net Position for Governmental Activities (Exhibit B-1) **\$ 946,399**

The accompanying notes are an integral part of this statement.

**ONALASKA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
AUGUST 31, 2016**

EXHIBIT E-1

<u>Data Control Codes</u>		<u>865 Agency Fund</u>
	ASSETS	
1110	<i>Cash and Cash Equivalents</i>	\$ 56,534
1000	Total Assets	<u>\$ 56,534</u>
	LIABILITIES	
2190	<i>Due to Student Groups</i>	\$ 56,534
2000	Total Liabilities	<u>\$ 56,534</u>

The accompanying notes are an integral part of this statement.

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

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government (District). All fiduciary activities are reported only in the fund financial statements. *Governmental activities* normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions.

B. Reporting Entity

The Onalaska Independent School District (District) is governed by a seven-member board of trustees (Board), which has governance responsibilities over all activities related to public, elementary and secondary, education within the District. Members of the Board are elected by the public; have authority to make decisions; appoint management and significantly influence operations; and have primary accountability for fiscal matters; the District is not included in any other governmental reporting entity.

C. Basis of Presentation – Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category—governmental and fiduciary—are presented. 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. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those accounted for in another fund.

The *debt service fund* is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of governmental funds.

The *capital projects fund* accounts for the acquisition and construction of the District's major capital facilities, other than those financed by proprietary funds.

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

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Basis of Presentation – Fund Financial Statements - Continued

Additionally, the District reports the following fund types:

The *agency fund* accounts for assets held by the District for student organizations. The fund is custodial in nature (assets equal liabilities) and does not involve measurement or results of operations.

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as required under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

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

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Measurement Focus and Basis of Accounting - Continued

Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Interest associated with the current fiscal period is considered to be susceptible to accrual and has been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items, including property taxes, are considered to be measurable and available only when cash is received by the District.

The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand and demand or time deposits with original maturities of three months or less from the date of acquisition.

2. Investments

Investments, except for certain investment pools, for the District are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost or net asset value.

3. Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

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

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance - Continued

4. Capital Assets

Capital assets, which include land and improvements, buildings and improvements, furniture and equipment, and construction in progress, are reported in the applicable governmental activities column in the government-wide financial statements. The District's infrastructure includes parking lots and sidewalks associated with various buildings. The cost of the infrastructure was initially capitalized with the building cost and is being depreciated over the same useful life as the building. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000, and an estimated useful life in excess of two years.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the District chose to include all such items regardless of their acquisition date or amount. The District was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the District constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

Land and improvements and construction in progress are not depreciated. The buildings and improvements and furniture and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

<u>Capital Asset Classes</u>	<u>Lives</u>
Buildings and Improvements	10-40
Furniture and Equipment	5-15

5. Deferred Outflows/Inflows of Resources

Deferred outflows of resources represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditures) until then. Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

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

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance – Continued

5. Deferred Outflows/Inflows of Resources - Continued

The components of the deferred outflows of resources and deferred inflows of resources in the government-wide and fund level financial statements are as follows:

	<u>Statement of Net Position</u>	<u>Balance Sheet - Governmental Funds</u>	
	<u>Governmental Activities</u>	<u>General Fund</u>	<u>Debt Service Fund</u>
Deferred Outflows of Resources:			
Deferred Outflows from Pension Activities	\$ 1,082,613	\$ -	\$ -
Deferred Charge on Refunding	237,416	-	-
Total Deferred Outflows of Resources	<u>\$ 1,320,029</u>	<u>\$ -</u>	<u>\$ -</u>
Deferred Inflows of Resources:			
Deferred Inflows from Pension Activities	\$ 161,663	\$ -	\$ -
Unavailable Property Taxes	-	712,607	124,051
Total Deferred Inflows of Resources	<u>\$ 161,663</u>	<u>\$ 712,607</u>	<u>\$ 124,051</u>

Deferred outflows/inflows of resources are amortized as follows:

- Deferred outflows/inflows from pension activities are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan, except for projected and actual earnings differences on investments which are amortized on a closed basis over a 5-year period.
- Deferred charge/gain on refunding is amortized over the shorter of the life of the refunded or refunding debt.
- Property taxes are recognized in the period the amount becomes available.

6. 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 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.

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

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance – Continued

7. 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.

8. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The board of trustees is the highest level of decision-making authority for the District that can, by board action or adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the board action or resolution remains in place until a similar action is taken (the board action or adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The board of trustees (Board) has by policy authorized the superintendent or his designee to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

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

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance - Continued

9. Pension

In government-wide financial statements, pensions are required to be recognized and disclosed using the accrual basis of accounting (see Note IV.C. and the RSI section immediately following the Notes to the Financial Statements), regardless of the amount recognized as pension expenditures on the modified accrual basis of accounting. The District recognizes a net pension liability for the qualified pension plan in which it participates, which represents the excess of the total pension liability over the fiduciary net position of the qualified pension plan, or the District's proportionate share thereof in the case of a cost-sharing multiple-employer plan, measured as of the respective pensions' fiscal year-end. Changes in the net pension liability during the period are recorded as pension expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

G. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property Taxes

Property taxes for the current calendar year are levied on approximately October 1 of each year and are payable by January 31 of the following year. Property tax receivables are recorded as of the date levied. Unpaid taxes become delinquent on February 1 and a tax lien on real property is created as of July 1 of each year.

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

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

G. Revenues and Expenditures/Expenses - Continued

3. *Compensated Absences*

Vacation

The District does not have a liability for unpaid vacation at year-end due to the District's policy does not allow a carryover of vacation not taken by August 31.

Sick Leave

Accumulated sick leave lapses when employees leave the employment of the District and, upon separation from service, no monetary obligation exists.

4. *Use of Estimates*

The presentation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

5. *Data Control Codes*

The Data Control Codes refer to the account code structure prescribed by the Texas Education Agency (TEA) in the *Financial Accountability System Resource Guide*. TEA requires school districts to display these codes in the financial statements filed with the TEA in order to ensure accuracy in building a statewide data base for policy development and funding plans.

NOTE II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, National School Breakfast and Lunch Program special revenue fund, and the debt service fund. All annual appropriations lapse at fiscal year end. The following procedures are followed in establishing the budgetary data reflected in the basic financial statements.

1. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board.

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

NOTE II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information - Continued

The appropriated budget is prepared by fund, function, and campus/department. The District's campus/department heads may make transfers of appropriations within a department. Transfers of appropriations between campus/departments require the approval of the District's management. Transfers of appropriations between functions require the approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the function level within a fund.

B. Encumbrances

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as restricted, committed, or assigned fund balances as appropriate. The encumbrances do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

Significant encumbrances included in governmental fund balances are as follows:

	Encumbrances Included in:	
	Restricted Fund Balance	Assigned Fund Balance
General Fund	-	\$ 219,032
National School Breakfast and Lunch	13,422	-
Total Encumbrances	\$ 13,422	\$ 219,032

NOTE III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Cash Deposits. The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the Texas School Depository Act. The depository bank pledges securities which comply with state law and these securities are held for safekeeping and trust with the District's and the depository banks' agent bank. The pledged securities are approved by the TEA and shall be 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.

Investments. The District's investment policy is in accordance with the Public Funds Investment Act, the Public Funds Collateral Act (PFIA), and federal and state laws. State law and District policy limits credit risk by allowing investing in 1) Obligations of the United States or its agencies which are backed by the full faith and credit of the United States, obligations of the State of Texas or its agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm (NRIRF) not less than A or its equivalent; 2) Certificates of deposit issued by a depository located in Texas which is insured by the FDIC or purchased through a broker who has an office located in Texas; 3) Repurchase agreements secured

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

NOTE III. DETAILED NOTES ON ALL FUNDS - CONTINUED

A. Deposits and Investments - Continued

by obligations of the United States or its agencies not to exceed 90 days to maturity from the date of purchase; 4) Bankers acceptances with a stated maturity of 270 days or fewer which are eligible for collateral for borrowing from a Federal Reserve Bank; 5) No-load money market mutual funds which shall be registered with the Securities and Exchange Commission which have an average weighted maturity of less than two years, investments comply with the Public Funds Investment Act and are continuously rated not less than AAA by at least one NRIRF; 6) A guaranteed investment contract (for bond proceeds only) which meets the criteria and eligibility requirements established by the Public Funds Investment Act; 7) Public funds investment pools which meets the requirements of the Public Funds Investment Act; 8) Commercial paper if it has a stated maturity of 271 days or fewer from the day of its issuance; and is rated not less than A-1 or P-1 or an equivalent rating by at least: two nationally recognized credit ratings agencies; or one nationally recognized agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state; 9) Securities lending program as permitted by Government Code 2256.0115.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of August 31, 2016, the District's deposits at the local bank were insured and collateralized with securities held by the District's agent and in the District's name.

B. Receivables

Tax revenues of the general and debt service fund are reported net of uncollectible amounts. Total uncollectible amounts related to revenues of the current period increased (decreased) revenues as follows:

Uncollectibles Related to General Fund Property Taxes	\$ 1,000
Uncollectibles Related to Debt Service Property Taxes	<u>(1,000)</u>
Total Uncollectibles of the Current Fiscal Year	<u>\$ -</u>

Approximately 72% of the outstanding balance of property taxes receivable is not anticipated to be collected within the next year.

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

NOTE III. DETAILED NOTES ON ALL FUNDS - CONTINUED

C. Interfund Receivables, Payables, and Transfers

1. Receivables/Payables

The composition of interfund receivable/payable balances as of August 31, 2016, is as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 91,030	\$ 985
Debt Service Fund	985	-
Other Governmental Funds - Nonmajor	-	91,030
Total	\$ 92,015	\$ 92,015

Interfund balances consist of short-term lending/borrowing arrangements that result primarily from payroll and other regularly occurring charges that are paid by the general fund and then charged back to the appropriate other fund. Additionally, some lending/borrowing may occur between two or more nonmajor governmental funds.

2. Transfers

Interfund transfers are defined as “flows of assets without equivalent flow of assets in return and without a requirement for repayment.” Transfers are the use of funds collected in one fund and are transferred to finance various programs accounted for in other funds. The summary of the District’s transfers for the year ended August 31, 2016, was as follows:

<u>Transfers Out</u>	<u>Transfer In</u>	<u>Amount</u>
None		\$ -
Total		\$ -

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

NOTE III. DETAILED NOTES ON ALL FUNDS - CONTINUED

D. Capital Assets

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets, not being Depreciated:				
Land and Improvements	\$ 129,553	\$ -	\$ -	\$ 129,553
Construction in Progress	2,033,815	7,657,409	-	9,691,224
Total Capital Assets, not being Depreciated	<u>2,163,368</u>	<u>7,657,409</u>	<u>-</u>	<u>9,820,777</u>
Capital Assets, being Depreciated:				
Buildings and Improvements	11,315,027	-	-	11,315,027
Furniture and Equipment	1,874,198	13,540	-	1,887,738
Total Capital Assets, being Depreciated	<u>13,189,225</u>	<u>13,540</u>	<u>-</u>	<u>13,202,765</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(4,743,778)	(277,995)	-	(5,021,773)
Furniture and Equipment	(1,451,553)	(90,234)	-	(1,541,787)
Total Accumulated Depreciation	<u>(6,195,331)</u>	<u>(368,229)</u>	<u>-</u>	<u>(6,563,560)</u>
Total Capital Assets, being Depreciated, net	<u>6,993,894</u>	<u>(354,689)</u>	<u>-</u>	<u>6,639,205</u>
Governmental Activities Capital Assets, net	<u>\$ 9,157,262</u>	<u>\$ 7,302,720</u>	<u>\$ -</u>	<u>\$ 16,459,982</u>

Depreciation expense charged to functions/programs of the District was as follows:

Governmental Activities:	
11 Instruction	\$ 219,789
12 Instructional Resources and Media Services	4,636
13 Curriculum and Staff Development	841
23 School Leadership	4,819
31 Guidance, Counseling, and Evaluation Services	178
33 Health Services	1,413
34 Student Transportation	92,061
35 Food Service	25,720
36 Extracurricular Activities	6,035
41 General Administration	1,464
51 Plant Maintenance and Operations	9,884
52 Security and Monitoring Services	1,389
Total Depreciation Expense-Governmental Activities	<u>\$ 368,229</u>

Construction Commitments

The District has active construction projects as of August 31, 2016. The projects include the construction and equipment of school facilities. At year-end, the District's commitments with contractors are as follows:

<u>Project</u>	<u>Remaining Commitment</u>
2014 Bond Renovation	\$ 106,214
	<u>\$ 106,214</u>

The commitment for construction and equipment of school facilities is being financed by transfers from the general fund.

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

NOTE III. DETAILED NOTES ON ALL FUNDS - CONTINUED

E. Long-term Liabilities

The District's long-term liabilities consist of bond indebtedness and net pension liability. The current requirements for general obligation bonds principal and interest expenditures are accounted for in the debt service fund. Other long-term liabilities are generally liquidated with resources of the general fund.

Changes in Long-term Liabilities

Long-term liability activity for the year ended August 31, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<i>Governmental Activities:</i>					
Bonds Payable:					
General Obligation Bonds	\$ 12,831,590	\$ -	\$ (438,985)	\$ 12,392,605	\$ 422,560
Premium on Bonds	1,710,015	-	(93,882)	1,616,133	-
Accreted Interest (CAB)	780,634	19,562	(146,016)	654,180	-
Total Bonds Payable, net	<u>15,322,239</u>	<u>19,562</u>	<u>(678,883)</u>	<u>14,662,918</u>	<u>422,560</u>
Net Pension Liability	1,119,555	1,252,728	(322,449)	2,049,834	-
Governmental Activity Long-term Liabilities	<u>\$ 16,441,794</u>	<u>\$ 1,272,290</u>	<u>\$ (1,001,332)</u>	<u>\$ 16,712,752</u>	<u>\$ 422,560</u>

General Obligation Bonds

The District issues general obligation bonds to provide funds for the construction and equipment of school buildings (BLDG) and to refund general obligation bonds (REF).

General obligation bonds are direct obligations and pledge the full faith and credit of the District. These bonds are issued as 14-25 year current interest and capital appreciation bonds (CAB) with various amounts of principal maturing each year.

The following is a summary of changes in the general obligation bonds for the fiscal year:

<u>Series</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Maturity Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
2011 REF CAB	-	\$ 1,887,206	2025	\$ 1,166,590	\$ -	\$ (188,985)	\$ 977,605
2011 REF	4.0-4.2%	2,710,000	2032	2,710,000	-	-	2,710,000
2014 BLDG	2.0-4.0%	9,445,000	2039	8,955,000	-	(250,000)	8,705,000
Totals				<u>\$ 12,831,590</u>	<u>\$ -</u>	<u>\$ (438,985)</u>	<u>\$ 12,392,605</u>

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

NOTE III. DETAILED NOTES ON ALL FUNDS - CONTINUED

E. Long-term Liabilities - Continued

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year Ending August 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2017	\$ 422,560	\$ 600,885	\$ 1,023,445
2018	408,566	612,229	1,020,795
2019	401,725	621,270	1,022,995
2020	396,794	628,101	1,024,895
2021	388,555	632,940	1,021,495
2022	386,817	636,128	1,022,945
2023	386,408	637,687	1,024,095
2024	387,182	637,763	1,024,945
2025	383,998	636,497	1,020,495
2026	680,000	345,795	1,025,795
2027	705,000	318,395	1,023,395
2028	735,000	289,895	1,024,895
2029	760,000	260,195	1,020,195
2030	790,000	229,295	1,019,295
2031	825,000	196,833	1,021,833
2032	860,000	162,835	1,022,835
2033	440,000	136,700	576,700
2034	460,000	119,100	579,100
2035	475,000	103,000	578,000
2036	495,000	84,000	579,000
2037	515,000	64,200	579,200
2038	535,000	43,600	578,600
2039	555,000	22,200	577,200
Totals	\$ <u>12,392,605</u>	\$ <u>8,019,543</u>	\$ <u>20,412,148</u>

In prior years, the District defeased certain previously issued and outstanding bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At August 31, 2016, there were no outstanding defeased bonds.

As of August 31, 2016, the District had \$80,000 authorized but unissued bonds from the May 10, 2014 bond election.

F. Fund Balance

Other committed fund balance includes the following commitments of funds:

Other Governmental Fund - Campus Activity	\$ 64,740
Total Other Committed Fund Balance	\$ <u>64,740</u>

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

NOTE III. DETAILED NOTES ON ALL FUNDS - CONTINUED

G. Revenues from Local and Intermediate Sources

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

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Totals</u>
Property Taxes	\$ 5,078,496	\$ 1,159,646	\$ -	\$ -	\$ 6,238,142
Investment Income	12,753	4,762	38,480	1,958	57,953
Food Sales	-	-	-	148,977	148,977
Extracurricular Activities	16,551	-	-	178,128	194,679
Other	27,474	-	-	-	27,474
Total	\$ 5,135,274	\$ 1,164,408	\$ 38,480	\$ 329,063	\$ 6,667,225

NOTE IV. OTHER INFORMATION

A. Risk Management

Property/Casualty Insurance

The District is exposed to various risks of loss related to property/liability losses for which the District participates in the Texas Association of School Boards Risk Management Fund (Fund) for property/liability insurance. The Fund was created to formulate, develop and administer a program of modified self-funding for the Fund's membership, obtain competitive costs for coverages and develop a comprehensive loss control program. The District pays a premium to the Fund for its property/casualty coverage and transfers the risk of loss to the Fund. The District's agreement with the Fund provides that the Fund will be self-sustaining through member premiums and may provide, through commercial companies, reinsurance contracts. In the event that the Fund was to discontinue operations, the member districts would be responsible for any eligible claims not funded by the Fund. In addition, 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.

Health Insurance

During the year ended August 31, 2016, employees of the District were covered by TRS – Active Care (“the Plan”) a statewide health coverage program of Texas public education employees, implemented by the Teacher Retirement System of Texas (TRS). The District paid premiums of \$150 per month, per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to the TRS. The legislature created the Plan for public school employee group health coverage in 2002-03, requiring all Districts with fewer than 500 employees to participate in the Plan.

Workers' Compensation

The District participates in the Deep East Texas Workers' Compensation Insurance Fund. The Fund was created to formulate, develop and administer a program of modified self-funding for the Fund's membership, obtain competitive costs for workers' compensation coverage and develop a comprehensive loss control program. The District pays an

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

NOTE IV. OTHER INFORMATION - CONTINUED

A. Risk Management - Continued

annual premium to the Fund for its workers' compensation coverage and transfers the risk of loss to the Fund. The District's agreement with the Fund provides that the Fund will be self-sustaining through member premiums and will provide, through commercial companies, reinsurance contracts. The Fund maintains stop loss coverage for any claim in excess of the Fund's self-insured retention of \$1,000,000 per individual. In the event that the Fund was to discontinue operations, the member districts would be responsible for any eligible claims not funded by the Fund. In addition, 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.

B. Contingencies

The District participates in a number of federal and state financial assistance programs. Although the District's grant programs have been audited in accordance with the provisions of the Single Audit Act through August 31, 2016, these programs are subject to financial and compliance audits by the grantor agencies. The District is also subject to audit by the TEA of the attendance data upon which payments from the agency are based. These audits could result in questioned costs or refunds to be paid back to the granting agencies.

C. Defined Benefit Pension Plan

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.

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

Pension Plan Fiduciary Net Position

Detailed information about the TRS's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

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

NOTE IV. OTHER INFORMATION - CONTINUED

C. Defined Benefit Pension Plan - Continued

Benefits Provided

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

Contributions

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

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Member	7.2%	6.7%	6.4%
Non-Employer Contributing Entity (State)	6.8%	6.8%	6.8%
Employers/District	6.8%	6.8%	6.8%

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

NOTE IV. OTHER INFORMATION - CONTINUED

C. Defined Benefit Pension Plan - Continued

The contribution amounts for the District's fiscal year 2016 are as follows:

District Contributions	\$	210,311
Member Contributions		408,916
NECE On-behalf Contributions (State)		301,524

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 and 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.

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

NOTE IV. OTHER INFORMATION - CONTINUED

C. Defined Benefit Pension Plan - Continued

Actuarial Assumptions

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

Valuation Date	August 31, 2015
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term Expected Investment Rate of Return	8.00%
Inflation	2.50%
Salary Increases Including Inflation	3.50% to 9.50%
Payroll Growth Rate	2.50%
Benefit Changes During the Year	None
Ad hoc Post-employment Benefit Changes	None

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

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

NOTE IV. OTHER INFORMATION - CONTINUED

C. Defined Benefit Pension Plan - Continued

Discount Rate

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

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

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

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

NOTE IV. OTHER INFORMATION - CONTINUED

C. Defined Benefit Pension Plan - Continued

The following table presents the District's proportionate share of net pension liability for TRS calculated using the discount rate of 8.0%, as well as the District's proportionate share of the respective net pension liability if it was calculated using a discount rate that is 1-percentage-point lower (7%) or 1-percentage-point higher (9%) than the current rate:

	1% Decrease <u>(7.00%)</u>	Current Discount Rate <u>(8.00%)</u>	1% Increase <u>(9.00%)</u>
TRS	\$ 3,211,703	\$ 2,049,834	\$ 1,082,069

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

At August 31, 2016, the District reported a liability of \$2,049,834 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 are as follows:

District's Proportionate Share of the Net Pension Liability	\$ 2,049,834
State's Proportionate Share of the Net Pension Liability Associated with the District	3,598,759
Total	<u>\$ 5,648,593</u>

The net pension liability was measured as of August 31, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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, 2014 through August 31, 2015.

At August 31, 2015, the employer's proportion of the collective net pension liability was .0057989% which was an increase of .0016076% from its proportion measured as of August 31, 2014.

Changes Since the Prior Actuarial Valuation

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

Economic Assumptions

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

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

NOTE IV. OTHER INFORMATION - CONTINUED

C. Defined Benefit Pension Plan - Continued

Mortality Assumptions

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

Other Demographic Assumptions

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

Actuarial Methods and Policies

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

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

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

NOTE IV. OTHER INFORMATION - CONTINUED

C. Defined Benefit Pension Plan - Continued

For the year ended August 31, 2016, the District recognized pension expense of \$651,443 and revenue of \$512,765 for support provided by the state.

At August 31, 2016, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actuarial Experience	\$ -	\$ 78,777
Changes of Assumptions	-	73,129
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	504,828	-
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions (Cost-Sharing Plan)	367,474	9,757
District Contribution after Measurement Date	210,311	-
Totals	\$ 1,082,613	\$ 161,663

\$210,311 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended August 31, 2016. Other amounts reported as deferred outflows of resources (deferred inflows of resources) related to pensions will be recognized in pension expense as follows:

Year Ending August 31:	
2017	\$ 142,192
2018	142,192
2019	142,192
2020	227,737
2021	36,267
Thereafter	20,058
Total	\$ 710,638

D. School District Retiree Health Plan

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

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

NOTE IV. OTHER INFORMATION - CONTINUED

D. School District Retiree Health Plan - Continued

Funding Policy. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. Contribution rates and amounts are shown in the table below for fiscal years 2016-2014.

Year	Contribution Rates					
	Active Member		State		School District	
	Rate	Amount	Rate	Amount	Rate	Amount
2016	0.65%	\$ 36,916	1.00%	\$ 53,692	0.55%	\$ 31,237
2015	0.65%	\$ 34,526	1.00%	\$ 49,461	0.55%	\$ 29,215
2014	0.65%	\$ 34,441	1.00%	\$ 49,044	0.55%	\$ 29,142

In addition, the State of Texas contributed \$16,837, \$15,513, and \$14,495 in 2016, 2015, and 2014, respectively, for on-behalf payments for Medicare Part D and Early Retiree Reinsurance Program.

For the current fiscal year and each of the past two years, the District's actual contributions were equal to 100 percent of the required contributions. The contributions made by the State are on behalf of the District and have been recorded in the governmental funds' financial statements of the District as both state revenues and expenditures. These contributions are the legal responsibility of the State.

E. Joint Venture-Shared Service Arrangement

The District participates in the following shared service arrangement:

Polk County Special Services Cooperative

The District participates in a shared service arrangement for special education funded under IDEA-B Formula and Preschool and for the education of students with a visual impairment funded under State Supplemental Visually Impaired Funds with other school districts. The District does not account for revenues or expenditures in these programs and does not disclose them in these financial statements. The revenues and expenditures are disclosed in the financial statements of the fiscal agent, Corrigan-Camden I.S.D. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, 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 shared service arrangement.

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

NOTE IV. OTHER INFORMATION - CONTINUED

F. Nonmonetary Transactions

During 2016, the District received textbooks purchased by the State of Texas for the benefit of the District for a purchase price of \$300. The District receives the textbooks as part of state funding for textbook allotment. The textbooks have been recorded in the amount of \$300 in a special revenue fund as both state revenues and expenditures, which represents the amount of consideration given by the State of Texas.

G. Deficit Fund Balance

The capital projects fund reports a deficit fund balance of \$192,790 at August 31, 2016 due to expenditures for construction exceeded the 2014 general obligation bond proceeds at fiscal year end. Upon completion of the project in fiscal year 2016-2017, the District intends to supplement any existing remaining deficit in the capital projects fund with a transfer of funds from the general fund.

REQUIRED SUPPLEMENTARY INFORMATION

**ONALASKA INDEPENDENT SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED AUGUST 31, 2016**

EXHIBIT G-1

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget	
	Original	Final		Positive (Negative)	
REVENUES					
5700	Local and Intermediate Sources	\$ 5,082,408	\$ 5,082,408	\$ 5,135,274	\$ 52,866
5800	State Program Revenues	3,175,319	3,542,760	4,295,086	752,326
5900	Federal Program Revenues	100,000	100,000	88,586	(11,414)
5020	Total Revenues	<u>8,357,727</u>	<u>8,725,168</u>	<u>9,518,946</u>	<u>793,778</u>
EXPENDITURES					
Current:					
0011	Instruction	4,735,899	5,097,640	5,100,934	(3,294)
0012	Instructional Resources and Media Services	40,450	38,450	29,300	9,150
0013	Curriculum and Staff Development	31,922	34,422	25,067	9,355
0021	Instructional Leadership	131,142	140,142	139,974	168
0023	School Leadership	502,546	550,246	548,127	2,119
0031	Guidance, Counseling, and Evaluation Services	153,874	180,634	179,168	1,466
0033	Health Services	111,426	111,426	109,076	2,350
0034	Student Transportation	454,351	454,351	416,428	37,923
0035	Food Service	500	700	690	10
0036	Extracurricular Activities	222,448	253,248	250,469	2,779
0041	General Administration	463,700	463,700	442,497	21,203
0051	Plant Maintenance and Operations	1,039,826	1,075,826	1,073,844	1,982
0052	Security and Monitoring Services	1,200	1,200	100	1,100
0053	Data Processing Services	229,443	236,143	232,153	3,990
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	154,352	-	154,352
Intergovernmental:					
0093	Payments Related to Shared Services Arrangements	120,000	160,000	161,259	(1,259)
0099	Other Intergovernmental Charges	119,000	119,000	114,912	4,088
6030	Total Expenditures	<u>8,357,727</u>	<u>9,071,480</u>	<u>8,823,998</u>	<u>247,482</u>
1200	Net Change in Fund Balance	-	(346,312)	694,948	1,041,260
0100	Fund Balance - Beginning	4,359,617	4,359,617	4,359,617	-
3000	Fund Balance - Ending	<u>\$ 4,359,617</u>	<u>\$ 4,013,305</u>	<u>\$ 5,054,565</u>	<u>\$ 1,041,260</u>

See accompanying notes to the required supplementary information.

**ONALASKA INDEPENDENT SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET
PENSION LIABILITY OF A COST-SHARING MULTIPLE-EMPLOYER
PENSION PLAN
TEACHER RETIREMENT SYSTEM OF TEXAS (TRS)
FOR THE YEARS ENDED AUGUST 31, 2016 AND 2015***

EXHIBIT G-2

	<u>2016</u>	<u>2015</u>
District's Proportion of the Net Pension Liability	0.0057989%	0.0041913%
District's Proportionate Share of the Net Pension Liability	\$ 2,049,834	1,119,555
State's Proportionate Share of the Net Pension Liability Associated with the District	<u>3,598,789</u>	<u>3,161,613</u>
Total	<u>\$ 5,648,623</u>	<u>4,281,168</u>
District's Covered- Employee Payroll	\$ 5,311,762	5,298,625
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	38.59%	21.13%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.43%	83.25%

* The amounts presented for the fiscal year were determined as of the Plan's fiscal year end, August 31 of the prior year.
Ten years of date is not available.

See accompanying notes to the required supplementary information.

**ONALASKA INDEPENDENT SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF DISTRICT CONTRIBUTIONS TO THE
 TEACHER RETIREMENT SYSTEM PENSION PLAN (TRS)
 FOR THE YEARS ENDED AUGUST 31, 2016 AND 2015***

EXHIBIT G-3

	<u>2016</u>	<u>2015</u>
TRS		
Contractually Required Contributions	\$ 210,311	171,426
Contributions in Relation to the Contractually Required Contributions	<u>(210,311)</u>	<u>(171,426)</u>
Contribution Deficiency (Excess)	\$ <u>-</u>	<u>-</u>
District's Covered-Employee Payroll	\$ 5,679,385	5,311,762
Contributions as a Percentage of Covered- Employee Payroll	3.70%	3.23%

*The amounts presented for the fiscal year were determined as of the District's fiscal year end August 31.
 Ten years of data is not available.

See accompanying notes to the required supplementary information.

**ONALASKA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
AUGUST 31, 2016**

NOTE I. BUDGET

A. Budgetary Information

Each school district in Texas is required by law to prepare annually a budget of anticipated revenues and expenditures for the general fund, debt service fund, and the National School Breakfast and Lunch Program special revenue fund. The Texas Education Code requires the budget to be prepared not later than August 20 and adopted by August 31 of each year. The budgets are prepared on a basis of accounting that is used for reporting in accordance with generally accepted accounting principles.

The following procedures are followed in establishing the budgetary data reflected in the fund financial schedules:

1. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
3. Prior to September 1, the budget is formally approved and adopted by the Board.

The appropriated budget is prepared by fund and function. The District's campus/department heads may make transfers of appropriations within a campus or department. Transfers of appropriations between campuses or departments require the approval of the District's management. Increasing any one of the functional spending categories, or revenues object accounts and other resources require the approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the function level within a fund. All annual appropriations lapse at fiscal year end.

B. Variances with Final Budget

The District's general fund budget differs from the original budget due to budget revisions that were made during the fiscal period:

- Amendments approved shortly after the beginning of the new fiscal year period for amounts restricted, committed, or assigned in the prior year,
- amendments in early and late spring to revise estimates for local and state revenues based on the latest information on student attendance numbers and tax collections, and
- amendments during the year for unexpected occurrences.

The most significant differences between the originally adopted budget and the final amended budget are as follows:

- Increased state funding \$367,441 due to TRS On-behalf revenues were excluded from the original budget.
- Increase of \$361,741 to appropriate instruction expenses due to TRS On-behalf revenues were excluded from the original budget.

**ONALASKA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
AUGUST 31, 2016**

NOTE I. BUDGET - CONTINUED

C. Excess of Expenditures Over Appropriations

For the year ended August 31, 2016, expenditures exceeded appropriations in the functions (the legal level of budgetary control) of the following funds:

<u>Fund</u>	<u>Function</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund	Instruction	\$ 5,097,640	\$ 5,100,934	\$ (3,294)
General Fund	Payments Related to SSA	160,000	161,259	(1,259)
National School Breakfast and Lunch Program	Food Service	650,339	691,325	(40,986)

NOTE II. PENSION

TRS

Actuarial Assumptions – The information presented in the preceding table was used in the actuarial valuation for determining the actuarially determined contribution rate. The assumptions are as follows:

Valuation Date	August 31, 2015
Actuarial Cost Method	Ultimate Entry Age Normal
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	33 Years
Asset Valuation Method	5 Year Smoothed Market
Actuarial Assumptions:	
Inflation	2.50%
Salary Increases	3.50% to 9.50% including Inflation
Investment Rate of Return	8.00%
Ad Hoc Post-employment Benefit Changes	None
Benefit Changes During the Year	None

SUPPLEMENTARY INFORMATION

**ONALASKA INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
 AUGUST 31, 2016**

<u>Data Control Codes</u>	211 ESEA Title I Improving Basic Programs	240 National School Breakfast/Lunch Program	244 Career and Tech Basic Grant
ASSETS			
1110 <i>Cash and Cash Equivalents</i>	\$ -	\$ 72,681	\$ -
1240 <i>Due from Other Governments</i>	56,006	20,335	-
1300 <i>Inventories</i>	-	34,750	-
1000 Total Assets	\$ 56,006	\$ 127,766	\$ -
LIABILITIES			
2160 <i>Accrued Wages Payable</i>	\$ -	\$ 20,412	\$ -
2170 <i>Due to Other Funds</i>	56,006	-	-
2180 <i>Due to Other Governments</i>	-	6,885	-
2300 <i>Unearned Revenue</i>	-	20,411	-
2000 Total Liabilities	56,006	47,708	-
FUND BALANCES			
3450 <i>Restricted - Grant Funds</i>	-	80,058	-
3545 <i>Committed - Other</i>	-	-	-
3000 Total Fund Balances	-	80,058	-
4000 Total Liabilities and Fund Balances	\$ 56,006	\$ 127,766	\$ -

EXHIBIT H-1

255	270	410	411	461	Total Nonmajor Funds (See Exhibit C-1)
ESEA Title II Training & Recruiting	Rural and Low-Income Program	State Textbook Fund	Technology Allotment	Campus Activity Funds	
\$ -	\$ -	\$ -	\$ -	\$ 64,740	\$ 137,421
15,936	200	15,258	3,630	-	111,365
-	-	-	-	-	34,750
<u>\$ 15,936</u>	<u>\$ 200</u>	<u>\$ 15,258</u>	<u>\$ 3,630</u>	<u>\$ 64,740</u>	<u>\$ 283,536</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,412
15,936	200	15,258	3,630	-	91,030
-	-	-	-	-	6,885
-	-	-	-	-	20,411
<u>15,936</u>	<u>200</u>	<u>15,258</u>	<u>3,630</u>	<u>-</u>	<u>138,738</u>
-	-	-	-	-	80,058
-	-	-	-	64,740	64,740
-	-	-	-	64,740	144,798
<u>\$ 15,936</u>	<u>\$ 200</u>	<u>\$ 15,258</u>	<u>\$ 3,630</u>	<u>\$ 64,740</u>	<u>\$ 283,536</u>

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

Data Control Codes	211 ESEA Title I Improving Basic Programs	240 National School Breakfast/Lunch Program	244 Career and Tech Basic Grant
REVENUES			
5700 <i>Local and Intermediate Sources</i>	\$ -	\$ 150,566	\$ -
5800 <i>State Program Revenues</i>	-	2,978	-
5900 <i>Federal Program Revenues</i>	<u>353,130</u>	<u>555,084</u>	<u>6,800</u>
5020 Total Revenues	<u>353,130</u>	<u>708,628</u>	<u>6,800</u>
EXPENDITURES			
Current:			
0011 <i>Instruction</i>	267,235	-	6,800
0013 <i>Curriculum and Staff Development</i>	35,210	-	-
0021 <i>Instructional Leadership</i>	50,685	-	-
0035 <i>Food Service</i>	-	691,325	-
0036 <i>Extracurricular Activities</i>	-	-	-
6030 Total Expenditures	<u>353,130</u>	<u>691,325</u>	<u>6,800</u>
1200 Net Change in Fund Balances	-	17,303	-
0100 Fund Balances - Beginning	-	62,755	-
3000 Fund Balances - Ending	<u>\$ -</u>	<u>\$ 80,058</u>	<u>\$ -</u>

EXHIBIT H-2

255	270	410	411	461	Total Nonmajor Funds (See Exhibit C-2)
ESEATitle II Training & Recruiting	Rural and Low-Income Program	State Textbook Fund	Technology Allotment	Campus Activity Funds	
\$ -	\$ -	\$ -	\$ -	\$ 178,497	\$ 329,063
-	-	80,074	3,630	-	86,682
<u>37,371</u>	<u>17,328</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>969,713</u>
<u>37,371</u>	<u>17,328</u>	<u>80,074</u>	<u>3,630</u>	<u>178,497</u>	<u>1,385,458</u>
-	17,328	80,074	3,630	-	375,067
37,371	-	-	-	-	72,581
-	-	-	-	-	50,685
-	-	-	-	-	691,325
-	-	-	-	179,034	179,034
<u>37,371</u>	<u>17,328</u>	<u>80,074</u>	<u>3,630</u>	<u>179,034</u>	<u>1,368,692</u>
-	-	-	-	(537)	16,766
-	-	-	-	65,277	128,032
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 64,740</u>	<u>\$ 144,798</u>

**ONALASKA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2016**

<u>Year Ended August 31</u>	<u>Tax Rates</u>		<u>3 Assessed/Appraised Value For School Tax Purposes</u>
	<u>1</u>	<u>2</u>	
	<u>Maintenance</u>	<u>Debt Service</u>	
2007 and Prior Years	\$ Various	\$ Various	\$ Various
2008	1.0400	0.16180	275,794,808
2009	1.0400	0.16020	300,401,933
2010	1.0400	0.16010	332,946,504
2011	1.0400	0.14000	378,728,814
2012	1.0400	0.12800	386,966,695
2013	1.0400	0.12500	401,325,494
2014	1.0400	0.11600	434,566,349
2015	1.0400	0.25883	447,789,780
2016 (School Year Under Audit)	1.0400	0.23980	480,533,599

1000 Totals

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

EXHIBIT J-1

10 Beginning Balance 9/1/15	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/16
\$ 184,179	\$ -	\$ 5,904	\$ 818	\$ (16,272)	\$ 161,185
42,619	-	2,515	391	(3,554)	36,159
35,033	-	2,709	417	(3,867)	28,040
69,122	-	11,046	1,701	(4,014)	52,361
70,773	-	11,231	1,511	(3,899)	54,132
53,955	-	4,820	593	(3,352)	45,190
63,815	-	9,087	1,092	(3,296)	50,340
116,042	-	30,559	3,409	1,503	83,577
236,874	-	92,215	22,950	(3,129)	118,580
-	6,149,869	4,777,869	1,101,666	(19,240)	251,094
\$ 872,412	\$ 6,149,869	\$ 4,947,955	\$ 1,134,548	\$ (59,120)	\$ 880,658
		\$ -	\$ -		

**ONALASKA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
FOR THE YEAR ENDED AUGUST 31, 2016**

EXHIBIT J-2

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
REVENUES					
5700	<i>Local and Intermediate Sources</i>	\$ 145,150	\$ 145,150	\$ 150,566	\$ 5,416
5800	<i>State Program Revenues</i>	3,600	3,600	2,978	(622)
5900	<i>Federal Program Revenues</i>	456,849	486,849	555,084	68,235
5020	Total Revenues	<u>605,599</u>	<u>635,599</u>	<u>708,628</u>	<u>73,029</u>
EXPENDITURES					
Current:					
0035	<i>Food Service</i>	<u>605,599</u>	<u>650,339</u>	<u>691,325</u>	<u>(40,986)</u>
6030	Total Expenditures	<u>605,599</u>	<u>650,339</u>	<u>691,325</u>	<u>(40,986)</u>
1200	Net Change in Fund Balance	-	(14,740)	17,303	32,043
0100	Fund Balance - Beginning	<u>62,755</u>	<u>62,755</u>	<u>62,755</u>	-
3000	Fund Balance - Ending	<u>\$ 62,755</u>	<u>\$ 48,015</u>	<u>\$ 80,058</u>	<u>\$ 32,043</u>

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

EXHIBIT J-3

Data Control Codes	Budgeted Amounts			Variance with Final Budget Positive (Negative)	
	Original	Final	Actual		
REVENUES					
5700	<i>Local and Intermediate Sources</i>	\$ 1,024,446	\$ 1,024,446	\$ 1,164,408	\$ 139,962
5800	<i>State Program Revenues</i>	-	-	41,027	41,027
5020	Total Revenues	<u>1,024,446</u>	<u>1,024,446</u>	<u>1,205,435</u>	<u>180,989</u>
EXPENDITURES					
Debt Service:					
0071	<i>Principal on Long-term Debt</i>	438,985	438,985	438,985	-
0072	<i>Interest on Long-term Debt</i>	584,460	584,460	584,460	-
0073	<i>Issuance Costs and Fees</i>	<u>1,001</u>	<u>1,001</u>	<u>1,000</u>	<u>1</u>
6030	Total Expenditures	<u>1,024,446</u>	<u>1,024,446</u>	<u>1,024,445</u>	<u>1</u>
1200	Net Change in Fund Balance	-	-	180,990	180,990
0100	Fund Balance - Beginning	<u>709,221</u>	<u>709,221</u>	<u>709,221</u>	-
3000	Fund Balance - Ending	<u>\$ 709,221</u>	<u>\$ 709,221</u>	<u>\$ 890,211</u>	<u>\$ 180,990</u>

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**OVERALL COMPLIANCE, INTERNAL CONTROL SECTION
AND FEDERAL AWARDS**



**INDEPENDENT AUDITORS' 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**

The Board of Trustees of
Onalaska Independent School District
P.O. Box 2289
Onalaska, Texas 77360

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Onalaska Independent School District as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise District's basic financial statements, and have issued our report thereon dated October 14, 2016.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Yours truly,

Weaver and Tidwell, L.L.P.

Weaver and Tidwell, L.L.P.

Conroe, Texas
October 14, 2016



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

The Board of Trustees of
Onalaska Independent School District
P.O. Box 2289
Onalaska, Texas 77360

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 (CFR) 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 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 District's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

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

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

Purpose of this Report

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

Yours truly,

Weaver and Tidwell, L.L.P.

Weaver and Tidwell, L.L.P.

Conroe, Texas
October 14, 2016

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

SECTION I – SUMMARY OF AUDITORS’ RESULTS	
FINANCIAL STATEMENTS	
1. Type of auditors’ report issued	Unmodified
2. Internal Control over Financial Reporting:	
a. Material Weakness(es) identified?	No
b. Significant Deficiency(ies) identified that are not considered to be material weaknesses?	None reported
3. Noncompliance material to Financial Statements noted?	No
FEDERAL AWARDS	
4. Internal control over major programs:	
a. Material Weakness(es) identified?	No
b. Significant Deficiency(ies) identified that are not considered to be material weaknesses?	None reported
5. Type of auditors’ report issued on compliance with major programs	Unmodified
6. Any Audit Findings Disclosed that are Required to be Reported in Accordance with Uniform Guidance	None reported
7. Identification of Major Programs	Child Nutrition Cluster 10.553 and 10.555
8. Dollar Threshold Used to Distinguish Between Type A and Type B Federal Programs	\$750,000
9. Auditee Qualified as a Low-Risk Auditee?	Yes
SECTION II –FINANCIAL STATEMENT FINDINGS	
None reported	
SECTION III –FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS	
None reported	

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

PRIOR YEAR FINDINGS

2015-001 TEACHER CERTIFICATION

Significant Deficiency in Internal Controls

Criteria:

Internal controls should be in place that provide reasonable assurance that individuals perform instructional services in the classroom only after all appropriate certifications are obtained, as set forth in Texas Administrative Code Chapter 231.1(a) and Texas Education Code Chapter 21.003.

Condition:

Onalaska Independent School District employed a teacher who did not meet the certification requirements specified in Texas Administrative Code Chapter 231.1(a) and Texas Education Code Chapter 21.003.

Cause:

Procedures in place were not adequate to ensure that employees had obtained the appropriate certifications applicable to their respective teaching position before beginning their role as an instructor in the classroom.

Effect:

Because of the failure to obtain appropriate teacher certification, an employee performed instructional services in the classroom for Onalaska Independent School District without having the appropriate credentials.

Recommendation:

Procedures should be implemented requiring the verification of teacher certifications by Onalaska Independent School District prior to teachers beginning their job assignments, unless the appropriate permit has been issued.

Current Status:

The District addressed the condition noted above and procedures were implemented to ensure certifications are obtained prior to teachers beginning instructional services as of August 31, 2015.

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

CURRENT YEAR FINDINGS

None reported

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

EXHIBIT K-1

Federal Grantor/ Pass-Through Grantor/ Program Title	(1)	(2) Federal CFDA Number	(2A) Project Number	(3) Federal Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Passed Through State Department of Education:				
<i>ESEA Title I, Part A-Improving Basic Programs</i>		84.010A	16610101187910	\$ 353,130
<i>ESEA Title VI, Part B, Subpart 2 - Rural and Low Income School</i>		84.358B	16696001187910	17,327
<i>ESEA Title II, Part A-Teacher and Principal Training and Recruiting</i>		84.367A	16694501187910	37,371
Passed Through Region VI Education Service Center:				
<i>Carl D Perkins CTE SSA</i>		84.048A	16420006236950	6,800
TOTAL U.S. DEPARTMENT OF EDUCATION				<u>414,628</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Child Nutrition Cluster:				
Passed Through State Department of Agriculture - Non Cash Assistance:				
<i>National School Lunch Program</i>		10.555	00917	41,407
Pass Through State Department of Education- Cash Assistance:				
<i>School Breakfast Program</i>		10.553	71401601	188,334
<i>National School Lunch Program</i>		10.555	71301601	323,271
Total Child Nutrition Cluster				<u>553,012</u>
Passed Through State Department of Agriculture - Cash Assistance:				
<i>NSLP - Training Assistance Grant</i>		10.560	00917	2,073
TOTAL U.S. DEPARTMENT OF AGRICULTURE				<u>555,085</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u>\$ 969,713</u>

The accompanying notes are an integral part of this statement.

**ONALASKA INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2016**

Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Onalaska 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 Single Audit Act Amendments of 1996 and Title 2 U.S. Code of Federal Regulations (CFR) 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. Presented below is a reconciliation of federal revenues:

<i>Total Expenditures of Federal Awards per Exhibit K-1</i>	\$ 969,713
General Fund - Federal Revenue	
School Health and Related Services (SHARS)	<u>88,586</u>
<i>Total Federal Revenues per Exhibit C-2</i>	<u><u>\$ 1,058,299</u></u>

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**ONALASKA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REQUIRED RESPONSES TO
SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2016**

EXHIBIT L-1

<u>Data Control Codes</u>		<u>Responses</u>
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 on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end?	\$ 654,180
SF11	Net Pension Assets (1920) at fiscal year-end.	\$ -
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$ 2,049,834
SF13	Pension Expense (6147) at fiscal year-end, excluding On-Behalf Pension Expense (6144) and Teacher Retirement (6146).	\$ (71,633)