

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

RUTHERFORD, TAYLOR & COMPANY, P.C.  
*Certified Public Accountants*  
2802 Washington Street  
Greenville, Texas 75401  
(903) 455-6252

ANNA INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
YEAR ENDED AUGUST 31, 2016

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CERTIFICATE OF BOARD

Anna Independent School District  
Name of School District

Collin  
County

043-902  
Co.-Dist. Number

We, the undersigned, certify that the attached auditor's report of the above named school district was reviewed and  approved/  disapproved for the year ended August 31, 2016, at a meeting of the board of school trustees of such school district on Dec 15, 2016.

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

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

If the auditor's report was checked above as disapproved, the reasons(s) therefore is/are (attach list if necessary):

## FINANCIAL SECTION

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**INDEPENDENT AUDITOR'S REPORT**

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Members of the Board:

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Anna 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 the Anna Independent School District as of August 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

**Change in Accounting Principle**

As discussed in Note O to the financial statements, in 2016 the District adopted various accounting pronouncements issued by the Governmental Accounting Standards Board. Our opinions are not modified with respect to this matter.

**Other Matters**

*Required Supplementary Information*

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

*Other Information*

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

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

December 9, 2016  
Greenville, Texas

*Rutherford, Taylor & Company, PC*

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

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**Members of the Board:**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Anna 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, and have issued our report thereon dated December 9, 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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which is presented in the accompanying schedule of findings and questioned costs as item 2016-1.

Report on Internal Control – Continued

**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.

December 9, 2016  
Greenville, Texas

*Rutherford, Taylor & Company, PC*



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

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Members of the Board:

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

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

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to each of 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* 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 to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and

Internal Control over Compliance with the Uniform Guidance – Continued

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.

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.

December 9, 2016  
Greenville, Texas

*Rutherford, Taylor & Company, PC*

ANNA INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED AUGUST 31, 2016

**Summary of Auditor's Results (Section I)**

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*Financial Statements –*

Type of auditor's report issued	Unmodified Opinion
Internal Control over Financial Reporting: Material Weaknesses identified	None
Significant deficiencies identified that are not considered to be material weaknesses	None reported
Noncompliance material to the financial statements noted	None

*Federal Awards –*

Internal control over major programs: Material weaknesses identified	None
Significant deficiencies identified that are not considered to be material weaknesses	None reported
Type of Auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance	No
Identification of major programs	ESEA Title I Part A (84.010)  ESEA Title III Part A – Limited English Proficiency (84.357)
Dollar threshold used to distinguish between Type A and Type B programs	\$ 750,000
Entity qualified as a low risk auditee	Yes
Pass-through Entity	Texas Education Agency

ANNA INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED AUGUST 31, 2016

**Financial Statement Findings (Section II)**

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**2016 – 1**

**Expenditures over Appropriations**

Criteria: Texas Education Code, Section 44.002 through 44.006 establishes the legal basis for budget development in school districts. No funds may be expended in any manner other than as provided in the adopted budget. The Texas Education Agency has adopted regulations that require compliance at the functional expenditure level.

Condition Found: The District overexpended Functional expenditure categories during the year and at the year end.

Questioned Costs/Basis: None

Instances/Universe: Expenditures of the legally required budgeted funds are distributed into twenty functional expenditure categories. The District overexpended one of the functional categories.

Effect: The District appears to not have been in compliance with Texas Education Code, Section 44.002 through 44.006.

Recommendation: The District should begin a monthly review of functional categories and anticipate necessary amendments. Management should bring these amendments to the board and request approval for authority to change the budget. Once approved all amendments should be posted to the general ledger to ensure compliance with state statutes.

ANNA INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED AUGUST 31, 2016

**Federal Award Findings and Questioned Costs (Section III)**

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NONE

ANNA INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED AUGUST 31, 2016

**Prior Year Findings (Section IV)**

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**2015-1**

**Expenditures over Appropriations**

The District continues to have expenditure accounts that exceed functional category classifications. The monthly review of budget activity has reduced the amount of overages.

Status: In Progress

ANNA INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED AUGUST 31, 2016

**Corrective Action Plans (Section V)**

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**2016 – 1**

**Expenditures over Appropriations**

The District will continue to monitor and amend the budget where and when needed. A monthly review process has been implemented to ensure budget amendments are made timely to allow for authorized expenditures. Extra emphasis will be made to ensure year end expenditures are accurately reflected in the financial records.

Contact Person: Thomas O'Neal, Assistant Superintendent

ANNA INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED AUGUST 31, 2016

This section of Anna Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the year ended August 31, 2016. Please read it in conjunction with the District's basic financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

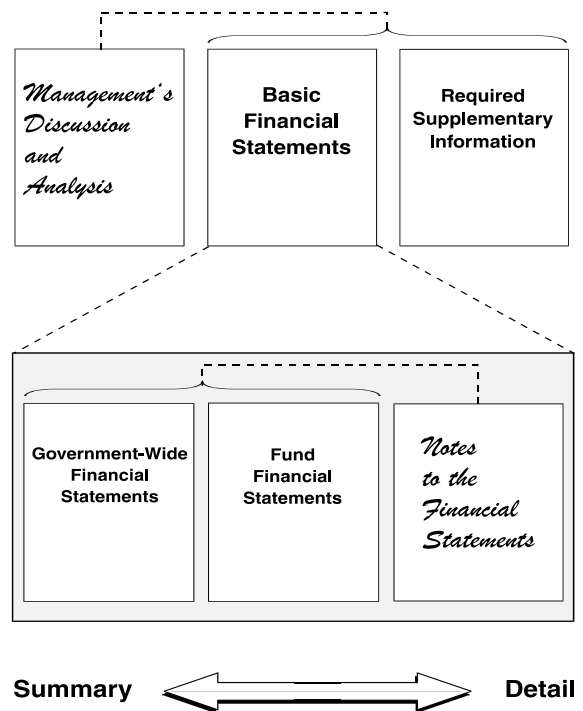
- The District's total combined net position was \$ 2,413,325 at August 31, 2016.
- During the year, the District's expenses were \$ 1,864,991 less than the \$ 36,408,593 generated in local property taxes and other revenues for governmental activities.
- The total cost of the District's programs was increased 13.46% from last year and no new programs were added this year.
- The General Fund reported a fund balance this year of \$ 10,146,860.
- The District issued building and refunding bonded debt during the year totaling \$ 44,405,000 to provide for capital outlay and also reduced debt costs in future years.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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



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



ANNA INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED AUGUST 31, 2016

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

**GOVERNMENT-WIDE STATEMENTS**

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

**Figure A-2. Major Features of the District's Government-wide and Fund Financial Statements**

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

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

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

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

**FUND FINANCIAL STATEMENTS**

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

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

The District has the following kinds of funds:

- Governmental funds—Most of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explain the relationship (or differences) between them.

ANNA INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED AUGUST 31, 2016

- Proprietary funds—Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. We use internal service funds to report activities that provide supplies and services for the District's other programs and activities.
- Fiduciary funds—The District is the trustee, or fiduciary, for certain funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

The District's combined net position was \$ 2,413,325 at August 31, 2016.

Anna Independent School District's Net Position			Table A-1
	Governmental Activities		Total Percentage Change
	2016	2015	2015-2016
<b>Assets:</b>			
Cash and Investments	\$ 44,934,086	\$ 8,075,303	456.44%
Other Assets	1,672,832	982,061	70.34%
Capital Assets less Accumulated Depreciation	98,810,743	91,599,228	7.87%
<b>Total Assets</b>	<b>\$ 145,417,661</b>	<b>\$ 100,656,592</b>	<b>44.47%</b>
<b>Total Deferred Outflows of Resources</b>	<b>\$ 5,508,546</b>	<b>\$ 2,632,706</b>	<b>109.24%</b>
<b>Liabilities:</b>			
Current Liabilities	\$ 4,595,065	\$ 1,288,990	256.49%
Long-term Liabilities	143,570,648	100,928,071	42.25%
<b>Total Liabilities</b>	<b>\$ 148,165,713</b>	<b>\$ 102,217,061</b>	<b>44.95%</b>
<b>Total Deferred Inflows of Resources</b>	<b>\$ 347,169</b>	<b>\$ 523,906</b>	<b>-33.73%</b>
<b>Net Position:</b>			
Net Investment in Capital Assets	\$ (1,259,105)	\$ (53,737)	2243.09%
Restricted	480,761	656,601	-26.78%
Unrestricted	3,191,669	(54,533)	5952.73%
<b>Total Net Position</b>	<b>\$ 2,413,325</b>	<b>\$ 548,331</b>	<b>340.12%</b>

Approximately \$ 192,280 of the District's restricted net position represents funds for debt retirement. These funds are restricted for tax supported debt retirement. The unrestricted net position represents resources available to fund the programs of the District next year.

**CHANGES IN NET POSITION**

The District's total revenues were \$ 36,408,593. 34% of the District's revenue comes from local property taxes (See Table A-2). 63% comes from state aid and federal grants, while only 3% relates to charges for services and other miscellaneous revenues, including investment earnings.

The total cost of all programs and services was \$ 34,543,602. 48% of these costs are for instruction and instructional related staff and student services.

The District's tax collection percentage rate (current and delinquent base tax only) was 100.67%. The total tax collection percentage rate (base tax and penalty and interest) was 101.50%.

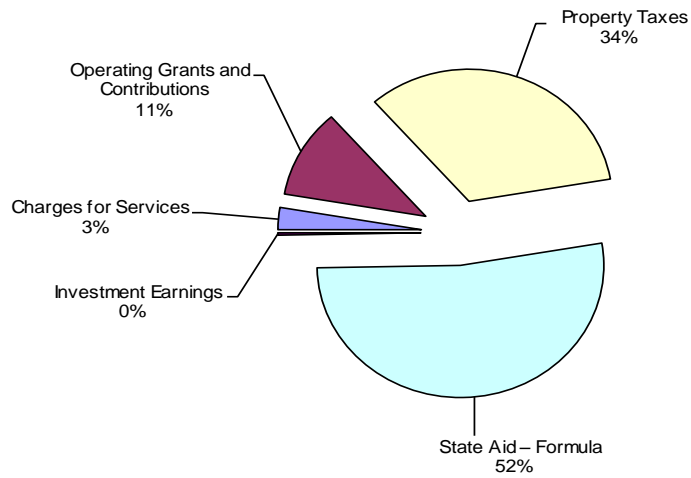
ANNA INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED AUGUST 31, 2016

**GOVERNMENTAL ACTIVITIES**

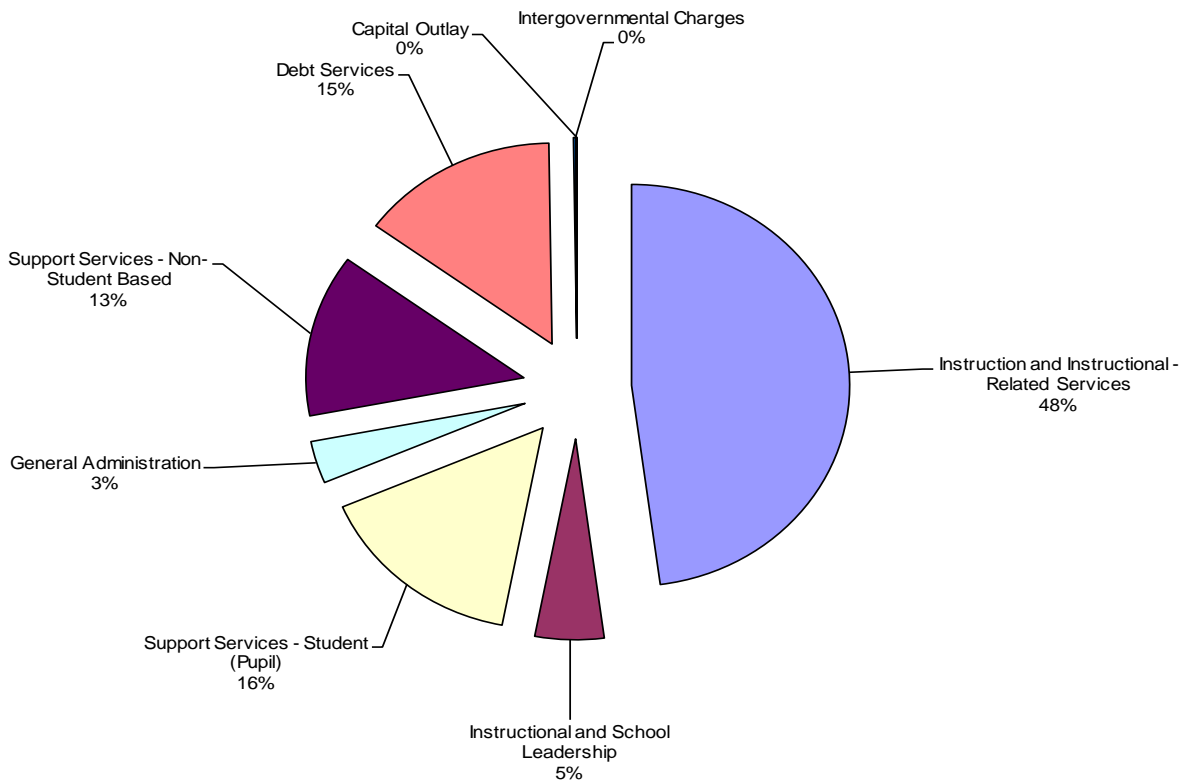
<b>Changes in Anna Independent School District's Net Position</b>			<b>Table A-2</b>
	Governmental Activities		Total Percentage Change
	2016	2015	2015-2016
Program Revenues:			
Charges for Services	\$ 981,065	\$ 974,531	0.67%
Operating Grants and Contributions	3,938,865	4,516,326	-12.79%
General Revenues:			
Property Taxes	12,245,321	9,998,804	22.47%
State Aid – Formula	19,022,087	14,818,126	28.37%
Investment Earnings	106,240	45,450	133.75%
Miscellaneous	115,015	31,888	260.68%
Total Revenues	<u>\$ 36,408,593</u>	<u>\$ 30,385,125</u>	19.82%
Instruction	\$ 16,028,663	\$ 13,735,323	16.70%
Instructional Resources and Media Services	354,101	322,001	9.97%
Curriculum and Staff Development	162,491	131,808	23.28%
Instructional Leadership	189,557	212,975	-11.00%
School Leadership	1,575,234	1,501,013	4.94%
Guidance, Counseling and Evaluation Services	518,595	409,160	26.75%
Health Services	292,896	297,725	-1.62%
Student (Pupil) Transportation	1,540,398	1,314,983	17.14%
Food Services	1,570,698	1,448,238	8.46%
Cocurricular/Extracurricular Activities	1,449,712	996,816	45.43%
General Administration	1,174,058	1,161,719	1.06%
Plant Maintenance and Operations	3,175,834	3,275,837	-3.05%
Security and Monitoring Services	229,816	144,592	58.94%
Data Processing	1,106,859	902,314	22.67%
Debt Service	5,093,291	4,514,953	12.81%
Capital Outlay	21,533	58,171	-62.98%
Payments to Juvenile Justice Alternative Ed. Programs	1,416	13,435	-89.46%
Other Intergovernmental Charges	58,450	3,933	1386.14%
Total Expenses	<u>\$ 34,543,602</u>	<u>\$ 30,444,996</u>	13.46%
Excess (Deficiency) Before Other Resources, Uses and Transfers	<u>\$ 1,864,991</u>	<u>\$ (59,871)</u>	3215.02%
Increase (Decrease) in Net Position	<u>\$ 1,864,991</u>	<u>\$ (59,871)</u>	3215.02%
Net Position - Beginning (September 1)	\$ 548,334	\$ 2,548,646	-78.49%
Prior Period Adjustment	-	(1,940,441)	100.00%
Net Position - Beginning, as Restated	<u>\$ 548,334</u>	<u>\$ 608,205</u>	-9.84%
Net Position - Ending (August 31)	<u>\$ 2,413,325</u>	<u>\$ 548,334</u>	340.12%

ANNA INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED AUGUST 31, 2016

Sources of Revenue for Fiscal Year 2016 - See Table A-2



Functional Expenses for Fiscal Year 2016 - See Table A-2



ANNA INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED AUGUST 31, 2016

- Table A-3 presents the cost of selected functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.
- The cost of all governmental activities this year was \$ 34,543,602.
- However, the amount that our taxpayers paid for these activities through local property taxes was only \$ 12,245,321.
- Some of the cost was paid by those who directly benefited from the programs, \$ 981,065, or
- By grants and contributions, \$ 3,938,865.

<b>Anna Independent School District's Net Cost of Selected District Functions</b>							<b>Table A-3</b>
	Total Cost of Services			%	Net Cost of Services		
	2016	2015	Change		2016	2015	Change
Instruction	\$ 16,028,663	\$ 13,735,323	16.70%	\$ 14,196,546	\$ 12,029,767	18.01%	
School Leadership	1,575,234	1,501,013	4.94%	1,505,971	1,430,190	5.30%	
General Administration	1,174,058	1,161,719	1.06%	1,140,208	1,124,216	1.42%	
Plant Maintenance and Operations	3,175,834	3,275,837	-3.05%	3,109,127	3,210,754	-3.17%	
Debt Service	4,533,536	4,401,894	2.99%	2,742,807	2,626,073	4.45%	

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

Revenues from governmental fund types totaled \$ 35,827,303. This is an increase of \$ 5,443,769 from the prior year. The increase reflects the increased tax collections and additional state funding due to increased enrollment and attendance.

Current year expenditures reported in the governmental fund types totaled \$ 41,761,857. This total is \$ 10,933,811 more than the prior year total expenditures of \$ 30,828,046. This increase represents additional expenditures related to facility improvements in the District.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Over the course of the year, the District revised its General Fund budget several times. With these adjustments, actual expenditures were \$ 692,937 below final General Fund budget amounts. The most significant positive variance resulted from plant maintenance and operations and security and monitoring services.

Resources available were \$ 2,729,437 above the final General Fund budgeted amount. The primary favorable variance was the result of increased state aid from enrollment and attendance exceeding expectations.

ANNA INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED AUGUST 31, 2016

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**CAPITAL ASSETS**

At year end, the District had invested \$ 124,725,084 in a broad range of capital assets, including land, equipment, buildings and vehicles (See Table A-4).

<b>Anna Independent School District's Capital Assets</b>			<b>Table A-4</b>
	Governmental Activities		Total
	2016	2015	Percentage
			Change
			2015-2016
Land	\$ 2,897,199	\$ 2,892,151	0.17%
Construction in Progress	9,702,188	151,809	6291.05%
Buildings and Improvements	109,164,455	108,878,375	0.26%
Vehicles	2,084,389	1,825,315	14.19%
Equipment	876,853	669,523	30.97%
Totals at Historical Cost	\$ 124,725,084	\$ 114,417,173	9.01%
Less Accumulated Depreciation	(25,914,341)	(22,817,945)	13.57%
Net Capital Assets	<u>\$ 98,810,743</u>	<u>\$ 91,599,228</u>	7.87%

**DEBT**

At year end, the District had \$ 138,903,775 in debt outstanding as shown in Table A-5. More detailed information about the District's debt is presented in the notes to the basic financial statements.

**Bond Ratings -**  
The District's bonds presently carry "AAA" ratings.

<b>Anna Independent School District's Debt</b>			<b>Table A-5</b>
	Governmental Activities		Total
	2016	2015	Percentage
			Change
			2015-2016
Bonds Payable	\$ 121,220,024	\$ 88,460,024	37.03%
Capital Leases Payable	95,600	188,302	-49.23%
Other Debt Payable	17,588,151	10,567,092	66.44%
Total Debt Payable	<u>\$ 138,903,775</u>	<u>\$ 99,215,418</u>	40.00%

ANNA INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED AUGUST 31, 2016

**ECONOMIC FACTORS**

The District's property valuation has rebounded significantly due to housing and commercial development in the District. Local property tax rates are restricted by state statute, without local elections, to \$ 1.04 for maintenance and operations. The state funding formula was changed in prior years to provide state funds to replace the lost local property tax revenue. This change in funding and other legislative changes could impact the District's financial operations, including cash flows.

Student population has continued to increase in agreement with housing starts and occupancy rates. The economic outlook for the area is for growth to continue to escalate as the metroplex expands north along US75. Housing is expanding similar to the rate of other north central Texas communities. These economic conditions require the District to monitor funding and staffing levels to ensure educational goals and strategies are achieved.

The State has increased funding levels for the 2015-2017 biennium, which will affect the revenue levels of the District. With these increases in funding, the District anticipates monitoring expenditure levels to ensure financial stability remains strong.

A challenge to the State's funding system resulted in the system being held constitutional. Future legislative sessions could produce minor changes to funding for student populations. The legal process ended the challenges by the various interested parties including the State. State funding will continue under the present system until legislative changes occur.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

## BASIC FINANCIAL STATEMENTS



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

1

Data Control Codes		Governmental Activities
	<b>ASSETS</b>	
1110	Cash and Investments	\$ 44,934,086
1225	Property Taxes Receivable, Net	287,968
1240	Due from Other Governments	1,384,820
1250	Accrued Interest	44
	Capital Assets:	
1510	Land	2,897,199
1520	Buildings and Improvements, Net	84,694,553
1530	Furniture and Equipment, Net	1,516,803
1580	Construction in Progress	9,702,188
<b>1000</b>	<b>Total Assets</b>	<b><u>\$ 145,417,661</u></b>
	<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
1705	Deferred Outflows - Pensions	\$ 2,863,962
1701	Deferred Outflows - Refunding	2,644,584
<b>1700</b>	<b>Total Deferred Outflows of Resources</b>	<b><u>\$ 5,508,546</u></b>
	<b>LIABILITIES</b>	
2110	Accounts Payable	\$ 3,176,500
2140	Interest Payable	427,579
2165	Accrued Liabilities	888,841
2180	Due to Other Governments	10,119
2300	Unearned Revenue	92,026
	Noncurrent Liabilities:	
2501	Due within one year	1,910,600
2502	Due in more than one year	136,993,175
2540	Net Pension Liability	4,666,873
<b>2000</b>	<b>Total Liabilities</b>	<b><u>\$ 148,165,713</u></b>
	<b>DEFERRED INFLOWS OF RESOURCES</b>	
2605	Deferred Inflows - Pensions	\$ 347,169
<b>2600</b>	<b>Total Deferred Inflows of Resources</b>	<b><u>\$ 347,169</u></b>
	<b>NET POSITION</b>	
3200	Net Investment in Capital Assets	\$ (1,259,105)
	Restricted For:	
3820	Federal and State Programs	263,921
3850	Debt Retirement	192,280
3890	Other Purposes	24,560
3900	Unrestricted	3,191,669
<b>3000</b>	<b>Total Net Position</b>	<b><u>\$ 2,413,325</u></b>

The accompanying notes are an integral part of this statement.

ANNA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED AUGUST 31, 2016

Data Control Codes	1 Functions/Programs	3 Expenses	4 Program Revenues		Net (Expense) Revenue and Changes in Net Assets
			Charges for Services	Operating Grants and Contributions	
					Governmental Activities
	Governmental Activities:				
11	Instruction	\$ 16,028,663	\$ 137,497	\$ 1,694,620	\$ (14,196,546)
12	Instructional Resources and Media Services	354,101	-	14,417	(339,684)
13	Curriculum and Staff Development	162,491	-	7,614	(154,877)
21	Instructional Leadership	189,557	-	7,199	(182,358)
23	School Leadership	1,575,234	-	69,263	(1,505,971)
31	Guidance, Counseling and Evaluation Services	518,595	-	24,709	(493,886)
33	Health Services	292,896	-	13,605	(279,291)
34	Student (Pupil) Transportation	1,540,398	-	52,319	(1,488,079)
35	Food Services	1,570,698	573,609	35,092	(961,997)
36	Cocurricular/Extracurricular Activities	1,449,712	269,959	31,840	(1,147,913)
41	General Administration	1,174,058	-	33,850	(1,140,208)
51	Plant Maintenance and Operations	3,175,834	-	66,707	(3,109,127)
52	Security and Monitoring Services	229,816	-	535	(229,281)
53	Data Processing Services	1,106,859	-	96,366	(1,010,493)
72	Interest on Long-term Debt	4,512,003	-	1,790,729	(2,721,274)
73	Debt Issuance Costs and Fees	581,288	-	-	(581,288)
81	Capital Outlay	21,533	-	-	(21,533)
95	Payments to Juvenile Justice Alternative Ed. Programs	1,416	-	-	(1,416)
99	Other Intergovernmental Charges	58,450	-	-	(58,450)
TG	Total Governmental Activities	<u>\$ 34,543,602</u>	<u>\$ 981,065</u>	<u>\$ 3,938,865</u>	<u>\$ (29,623,672)</u>
TP	Total Primary Government	<u>\$ 34,543,602</u>	<u>\$ 981,065</u>	<u>\$ 3,938,865</u>	<u>\$ (29,623,672)</u>
MT	Property Taxes, Levied for General Purposes				\$ 8,571,639
DT	Property Taxes, Levied for Debt Service				3,673,682
IE	Investment Earnings				106,240
GC	Grant and Contributions Not Restricted to Specific Programs				19,022,087
MI	Miscellaneous				115,015
TR	Total General Revenues and Transfers				<u>\$ 31,488,663</u>
CN	Change in Net Position				\$ 1,864,991
NB	Net Position - Beginning (September 1)				548,334
NE	Net Position - Ending (August 31)				<u>\$ 2,413,325</u>

The accompanying notes are an integral part of this statement.

ANNA INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
AUGUST 31, 2016

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects Funds	Other Governmental Funds	98 Total Governmental Funds
<b>ASSETS</b>					
1110 Cash and Investments	\$ 9,818,578	\$ 724,940	\$ 33,816,649	\$ 287,180	\$ 44,647,347
1225 Property Taxes Receivable, Net	199,146	88,822	-	-	287,968
1240 Due from Other Governments	1,172,049	-	-	212,771	1,384,820
1250 Accrued Interest	-	-	-	44	44
<b>1000 Total Assets</b>	<b><u>\$ 11,189,773</u></b>	<b><u>\$ 813,762</u></b>	<b><u>\$ 33,816,649</u></b>	<b><u>\$ 499,995</u></b>	<b><u>\$ 46,320,179</u></b>
<b>LIABILITIES</b>					
Current Liabilities:					
2110 Accounts Payable	\$ 12,780	\$ -	\$ 3,074,698	\$ 1,020	\$ 3,088,498
2140 Interest Payable	-	142,087	-	-	142,087
2150 Payroll Deductions & Withholdings	911	-	-	-	911
2160 Accrued Wages Payable	814,568	-	-	54,947	869,515
2180 Due to Other Governments	-	-	-	10,119	10,119
2200 Accrued Expenses	15,508	-	-	2,907	18,415
2300 Unearned Revenues	-	51,816	-	40,210	92,026
<b>2000 Total Liabilities</b>	<b><u>\$ 843,767</u></b>	<b><u>\$ 193,903</u></b>	<b><u>\$ 3,074,698</u></b>	<b><u>\$ 109,203</u></b>	<b><u>\$ 4,221,571</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
<b>2600 Total Deferred Inflows of Resources</b>	<b><u>\$ 199,146</u></b>	<b><u>\$ 88,822</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 287,968</u></b>
<b>FUND BALANCES</b>					
Restricted Fund Balances:					
3450 Federal/State Funds Grants	\$ -	\$ -	\$ -	\$ 263,921	\$ 263,921
3480 Retirement of Long-Term Debt	-	531,037	-	-	531,037
3490 Other Restrictions of Fund Balance	-	-	30,741,951	24,560	30,766,511
Committed Fund Balances:					
3510 Construction	1,500,000	-	-	-	1,500,000
3545 Other Committed Fund Balance	-	-	-	102,311	102,311
3600 Unassigned	8,646,860	-	-	-	8,646,860
<b>3000 Total Fund Balances</b>	<b><u>\$ 10,146,860</u></b>	<b><u>\$ 531,037</u></b>	<b><u>\$ 30,741,951</u></b>	<b><u>\$ 390,792</u></b>	<b><u>\$ 41,810,640</u></b>
<b>4000 Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b><u>\$ 11,189,773</u></b>	<b><u>\$ 813,762</u></b>	<b><u>\$ 33,816,649</u></b>	<b><u>\$ 499,995</u></b>	<b><u>\$ 46,320,179</u></b>

The accompanying notes are an integral part of this statement.

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

Total fund balances - Balance Sheet (governmental funds)	\$	41,810,640
<p>Amounts reported for governmental activities in the statement  of net position are different because:</p>		
Capital assets used in governmental activities are not reported in the funds.		98,810,743
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.		287,968
The assets and liabilities of internal service funds are included in governmental activities in the SNP.		198,737
Payables for bond principal which are not due in the current period are not reported in the funds.		(121,220,024)
Payables for capital leases which are not due in the current period are not reported in the funds.		(95,599)
Payables for bond interest which are not due in the current period are not reported in the funds.		(285,492)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.		189,739
Other long-term assets are not available to pay for current period expenditures and are deferrd in the funds.		2,644,584
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.		(4,666,873)
Deferred Resource Inflows related to TRS are not reported in the funds.		(347,169)
Deferred Resource Outflows related to TRS are not reported in the funds.		2,863,962
The accumulated accretion of interest on capital appreciation bonds is not reported in the funds.		(8,091,977)
Bond premiums are amortized in the SNA but not in the funds.		<u>(9,685,914)</u>
Net position of governmental activities - Statement of Net Position	\$	<u>2,413,325</u>

The accompanying notes are an integral part of this statement.

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

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects Funds	Other Governmental Funds	98 Total Governmental Funds
<b>REVENUES</b>					
5700 Local and Intermediate Sources	\$ 8,895,724	\$ 3,669,265	\$ 46,218	\$ 771,201	\$ 13,382,408
5800 State Program Revenues	18,440,177	1,790,729	-	271,708	20,502,614
5900 Federal Program Revenues	353,296	-	-	1,588,985	1,942,281
<b>5020 Total Revenues</b>	<b>\$ 27,689,197</b>	<b>\$ 5,459,994</b>	<b>\$ 46,218</b>	<b>\$ 2,631,894</b>	<b>\$ 35,827,303</b>
<b>EXPENDITURES</b>					
Current:					
0011 Instruction	\$ 12,797,431	\$ -	\$ -	\$ 988,201	\$ 13,785,632
0012 Instructional Resources and Media Services	316,263	-	-	33	316,296
0013 Curriculum and Staff Development	140,938	-	-	14,773	155,711
0021 Instructional Leadership	156,397	-	-	-	156,397
0023 School Leadership	1,381,473	-	-	-	1,381,473
0031 Guidance, Counseling and Evaluation Services	446,063	-	-	-	446,063
0033 Health Services	255,662	-	-	-	255,662
0034 Student (Pupil) Transportation	1,470,247	-	-	-	1,470,247
0035 Food Services	-	-	-	1,529,975	1,529,975
0036 Cocurricular/Extracurricular Activities	1,006,049	-	-	181,574	1,187,623
0041 General Administration	993,088	-	-	5,740	998,828
0051 Plant Maintenance and Operations	2,828,022	-	-	-	2,828,022
0052 Security and Monitoring Services	170,094	-	-	-	170,094
0053 Data Processing Services	1,079,633	-	-	610	1,080,243
0071 Principal on Long-term Debt	92,703	1,505,000	-	-	1,597,703
0072 Interest on Long-term Debt	5,682	3,892,011	-	-	3,897,693
0073 Debt Issuance Cost and Fees	-	365,401	215,887	-	581,288
0081 Capital Outlay	981,684	-	8,881,357	-	9,863,041
0095 Payments to Juvenile Justice Alternative Ed. Programs	1,416	-	-	-	1,416
0099 Other Intergovernmental Charges	58,450	-	-	-	58,450
<b>6030 Total Expenditures</b>	<b>\$ 24,181,295</b>	<b>\$ 5,762,412</b>	<b>\$ 9,097,244</b>	<b>\$ 2,720,906</b>	<b>\$ 41,761,857</b>
<b>1100 Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ 3,507,902</b>	<b>\$ (302,418)</b>	<b>\$ (9,051,026)</b>	<b>\$ (89,012)</b>	<b>\$ (5,934,554)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
7911 Capital-Related Debt Issued (Regular Bonds)	\$ -	\$ 5,965,000	\$ 38,440,000	\$ -	\$ 44,405,000
7916 Premium or Discount on Issuance of Bonds	-	5,328,299	1,330,887	-	6,659,186
8949 Other Uses	-	(10,808,835)	-	-	(10,808,835)
<b>7080 Net Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ 484,464</b>	<b>\$ 39,770,887</b>	<b>\$ -</b>	<b>\$ 40,255,351</b>
<b>1200 Net Changes in Fund Balances</b>	<b>\$ 3,507,902</b>	<b>\$ 182,046</b>	<b>\$ 30,719,861</b>	<b>\$ (89,012)</b>	<b>\$ 34,320,797</b>
0100 Fund Balances - Beginning (September 1)	6,638,958	348,991	22,090	479,804	7,489,843
<b>3000 Fund Balances - Ending (August 31)</b>	<b>\$ 10,146,860</b>	<b>\$ 531,037</b>	<b>\$ 30,741,951</b>	<b>\$ 390,792</b>	<b>\$ 41,810,640</b>

The accompanying notes are an integral part of this statement.

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

Net change in fund balances - total governmental funds	\$	34,320,797
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays that are not reported as expenses in the SOA.		10,307,911
The depreciation of capital assets not used in governmental activities is not reported in the funds.		(3,096,397)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.		65,229
Revenues in the SOA not providing current financial resources are not reported as revenues in the funds.		516,060
Expenses not requiring the use of current financial resources are not reported as expenditures in the funds.		10,883,651
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.		1,505,000
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.		92,703
The accretion of interest on capital appreciation bonds is not reported in the funds.		(551,614)
(Increase) decrease in accrued interest expense from beginning of period to end of period.		(137,512)
The net revenue (expense) of internal service funds is reported with governmental activities.		(5,037)
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.		(44,405,000)
Bond premiums are reported in the funds, but not in the SOA.		(6,659,185)
Implementing GASB 68 required certain expenditures to be de-expended and recorded as deferred resource outflows.		390,928
Pension contributions made after the measurement date but in current FY were de-expended and reduced NPO.		36,639
The District's share of the unrecognized deferred inflows and outflows for the pension plan was amortized.		107,741
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.		(1,506,923)
		<u>(1,506,923)</u>
Change in net position of governmental activities - Statement of Activities	\$	<u>1,864,991</u>

The accompanying notes are an integral part of this statement.

ANNA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS  
AUGUST 31, 2016

<u>Data Control Codes</u>	<u>Internal Service Fund</u>
 <b>ASSETS</b>	
Current Assets:	
1110 Cash and Investments	<u>\$ 286,739</u>
<b>Total Current Assets</b>	<b><u>\$ 286,739</u></b>
 <b>LIABILITIES</b>	
Current Liabilities:	
2110 Accounts Payable	<u>\$ 88,002</u>
Total Current Liabilities	<u>\$ 88,002</u>
<b>2000 Total Liabilities</b>	<b><u>\$ 88,002</u></b>
 <b>NET POSITION</b>	
3900 Unrestricted Net Position	<u>\$ 198,737</u>
<b>3000 Total Net Position</b>	<b><u>\$ 198,737</u></b>

The accompanying notes are an integral part of this statement.

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

<u>Data Control Codes</u>	<u>Internal Service Fund</u>
<b>OPERATING REVENUES</b>	
5700 Local and Intermediate Sources	<u>\$ 99,301</u>
<b>5020 Total Operating Revenues</b>	<b><u>\$ 99,301</u></b>
<b>OPERATING EXPENSES</b>	
6400 Other Operating Costs	<u>\$ 104,338</u>
<b>6030 Total Operating Expenses</b>	<b><u>\$ 104,338</u></b>
1300 Change in Net Position	\$ (5,037)
0100 Total Net Position - Beginning (September 1)	<u>203,774</u>
<b>3000 Total Net Position - Ending (August 31)</b>	<b><u><u>\$ 198,737</u></u></b>

The accompanying notes are an integral part of this statement.



ANNA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
YEAR ENDED AUGUST 31, 2016

	Internal Service Fund
Cash Flows from Operating Activities	
Cash Receipts from Quasi-External Operating Transfers	\$ 98,681
Cash Payments for Claims	(38,805)
Cash Payments for Reinsurance and Administration	(72,795)
Net Cash Provided by (Used for) Operating Activities	\$ (12,919)
 Cash Flows from Capital and Other Related Financing Activities	
NONE	
 Cash Flows for Noncapital Financing Activities	
NONE	
 Cash Flows from Investing Activities	
NONE	
Net Increase (Decrease) in Cash and Investments	\$ (12,919)
Cash and Investments - Beginning (September 1)	299,658
<b>Cash and Investments - Ending (August 31)</b>	<b>\$ 286,739</b>
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income (Loss)	\$ (5,037)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Increase (Decrease) in Claims Liability	(7,882)
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>\$ (12,919)</b>

The accompanying notes are an integral part of this statement.

ANNA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS  
YEAR ENDED AUGUST 31, 2016

<u>Data Control Codes</u>	<u>Agency Fund</u>	<u>Student Activity</u>
<b>ASSETS</b>		
1110 Cash and Investments	\$	<u>131,776</u>
<b>1000 Total Assets</b>	<b>\$</b>	<b><u>131,776</u></b>
<b>LIABILITIES</b>		
Current Liabilities:		
2190 Due to Student Groups	\$	<u>131,776</u>
<b>2000 Total Liabilities</b>	<b>\$</b>	<b><u>131,776</u></b>
<b>NET POSITION</b>		
<b>3000 Total Net Position</b>	<b>\$</b>	<b><u><u>-</u></u></b>

The accompanying notes are an integral part of this statement.

ANNA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2016

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

The Board of School Trustees (Board), a seven member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and as a body corporate has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency (Agency) or to the State Board of Education are reserved for the Board, and the Agency may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District is not included in any other governmental "reporting entity" as defined by GASB in its Statement No. 14, "The Financial Reporting Entity."

The District receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities.

2. Basis of Presentation – Basis of Accounting

a. Basis of Presentation

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

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

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

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

ANNA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2016

A. Summary of Significant Accounting Policies (Continued)

The District reports the following major governmental funds:

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

Debt Service Fund – This fund is used to account for the accumulation of resources for, and the payment of general long-term debt principal, interest and related costs.

Capital Projects Fund – This fund is used to account for proceeds of long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions.

In addition, the District reports the following fund types:

Special Revenue Funds – The District accounts for resources restricted to or designated for specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a special revenue fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods. The Board can commit specific types of resources to specific purposes which are included as special revenue funds.

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

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

b. Measurement Focus – Basis of Accounting

*Government-wide, Proprietary and Fiduciary Fund Financial Statements* – These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

*Governmental Fund Financial Statements* – Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available.

ANNA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2016

A. Summary of Significant Accounting Policies (Continued)

The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital lease are reported as other financing sources.

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

Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund accounting," all proprietary funds will continue to follow Financial Accounting Standards Board (FASB) standards issued on or before November 30, 1989. However, from that date forward, proprietary funds will have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements unless they conflict with GASB guidance. The District has chosen not to apply future FASB Standards.

3. Budgetary Data

The official budget was prepared for adoption for the general, food service and debt service funds. The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

- a. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1.
- b. A meeting of the Board is called for the purpose of adopting the proposed budget with public notice given at least 10 days prior to the meeting.
- c. Prior to the expenditure of funds, the budget is adopted by the Board.

After adoption, the budget may be amended through action by the Board. Budget amendments are approved at the functional expenditure level. All amendments are before the fact and reflected in the official minutes of the Board. Budgets are controlled at the function level by personnel responsible for organizational financial reporting. All budget appropriations lapse at the year end. Budget amendments throughout the year were not significant.

4. Encumbrance Accounting

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget.

ANNA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2016

A. Summary of Significant Accounting Policies (Continued)

End-of-year outstanding encumbrances that were provided for in the subsequent year's budget are:

General Fund	\$	-0-
Special Revenue Fund		-0-
Debt Service Fund		-0-
Capital Projects Fund		<u>-0-</u>
Total	\$	<u>-0-</u>

5. Financial Statement Amounts

Cash and Investments

The District pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as a part of the District's cash and temporary investments.

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

Fund Equity

Governmental funds utilize a fund balance presentation for equity. Fund balance is categorized as nonspendable, restricted, committed, assigned or unassigned.

*Nonspendable fund balance* – represents amounts that cannot be spent because they are either not spendable form (such as inventory or prepaids) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

*Restricted fund balance* – represents amounts with external constraints placed on the use of these resources (such as debt covenants, grantors, other governments, etc.) or imposed by enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

*Committed fund balance* – represents amounts that can only be used for specific purposes imposed by a formal action of the District's highest level of decision-making authority, the Board. Committed resources cannot be used for any other purpose unless the Board removes or changes the specific use by taking the same formal action that imposed the constraint originally.

*Assigned fund balance* – represents amounts the District intends to use for specific purposes as expressed by the Board or an official delegated the authority. The Board has delegated the authority to assign fund balances to the Superintendent.

*Unassigned fund balance* – represents the residual classification for the general fund or deficit balances in other funds.

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

ANNA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2016

A. Summary of Significant Accounting Policies (Continued)

The following schedule provides information about the specific fund balance classification by fund:

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental</u>	<u>Total</u>
Restricted					
Child Nutrition Program	\$ -	\$ -	\$ -	\$ 263,921	\$ 263,921
Retirement of Long Term Debt	-	531,037	-	-	531,037
Scholarship Fund	-	-	-	24,560	24,560
Construction	-	-	30,741,951	-	30,741,951
Committed					
Construction	1,500,000	-	-	-	1,500,000
Campus Activity Funds	-	-	-	102,311	102,311
Unassigned	8,646,860	-	-	-	8,646,860
Totals	<u>\$ 10,146,860</u>	<u>\$ 531,037</u>	<u>\$ 30,741,951</u>	<u>\$ 390,792</u>	<u>\$ 41,810,640</u>

Inventories

The purchase method is used to account for inventories of school supplies, athletic equipment and food products. Under this method supplies and materials are debited as expenditures when purchased.

Capital Assets

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and Improvements	15-50
Vehicles	5-10
Other Equipment	3-15

Accretion

Accretion is an adjustment of the difference between the price of a bond issued at an original discount and the par value of the bond. For governmental activities debt, the accreted value is recognized as it accrues by fiscal year.

ANNA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2016

A. Summary of Significant Accounting Policies (Continued)

6. Deferred Outflows and Inflows of Resources

The District implemented GASB Statement Number 68, *Accounting and Financial Reporting for Pensions*. In addition to assets and liabilities, the government-wide Statement of Net Position and governmental fund Balance Sheet report separate sections for deferred outflows and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position/fund balance that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources represent the acquisition of net position/fund balance that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The District reports certain deferred inflows and outflows related to pensions on the government-wide Statement of Net Position. At the governmental fund level, earned but unavailable revenue is reported as a deferred inflow of resources. To the extent practical, this change in accounting principle is required to be reported as an adjustment to prior periods.

The District also implemented GASB Statement Number 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which amends the transition provisions of GASB 68. GASB 71 requires that, at transition, governments recognize a beginning deferred outflow of resources for pension contributions made subsequent to the measurement date of the beginning Net Pension Liability. Implementation is reflected in the financial statements and the prior period adjustment.

7. Receivable and Payable Balances

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

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

8. Interfund Activities

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

9. Vacation, Sick Leave and Other Compensated Absences

District employees are entitled to certain compensated absences based on their length of employment. Sick leave accrues at various rates established by the State and adopted by the Board of Trustees. Sick leave does not vest, but accumulates and is recorded as an expenditure as it is paid.



ANNA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2016

A. Summary of Significant Accounting Policies (Continued)

10. Pensions

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

11. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could vary from these estimates.

12. Data Control Codes

Data control codes refer to the account code structure prescribed by the Agency in the *Guide*. The Agency requires the District to display these codes in its financial statements filed with the Agency in order to ensure accuracy in building a statewide database for policy development and funding plans.

13. Accounting System

In accordance with Texas Education Code, Chapter 44, Subchapter A, the District adopted and implemented an accounting system which at least meets the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. The District's accounting system uses codes and the code structure presented in the accounting code section of the *Guide*. Mandatory codes are utilized in the form provided in that section.

B. Deposits, Securities and Investments

The District's funds are deposited and invested under the terms of a depository contract. The contract requires the depository to pledge approved securities in an amount significant to protect the District's day-to-day balances. The pledge is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. During the year and at August 31, 2016, all District cash deposits appear to have been properly covered by FDIC insurance or by pledged collateral held by the District's agent bank in the name of the District during the year. At year end, all funds were properly covered

The District's investment policies and types of investments are governed by the Public Funds Investment Act. The Act requires specific training, reporting and establishment of local policies. The District appears to have been in substantial compliance with the requirements of the Act.

State statutes and local policy authorize the District to invest in the following types of investment goods:

- a. obligations of the U.S. or its agencies or instrumentalities,
- b. obligations of the State of Texas or its agencies,
- c. obligations guaranteed by the U.S. or State of Texas or their agencies or instrumentalities,
- d. obligations of other states, agencies or political subdivisions having a national investment rating of "A" or greater,
- e. guaranteed or secured certificates of deposit issued by a bank domiciled in the State of Texas, or
- f. fully collateralized repurchase agreements.

ANNA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2016

B. Deposits, Securities and Investments (Continued)

*Texas Short Term Asset Reserve Program (TexSTAR)* has been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. These two acts provide for the creation of public funds investment pools (including TexSTAR) and authorize eligible governmental entities (Participants) to invest their public funds and funds under their control through the investment pools.

J. P. Morgan Investment Management, Inc. (JPMIM) and First Southwest Asset Management, Inc. (FSAM) serve as co-administrators for TexSTAR under an agreement with the TexSTAR board of directors (Board).

JPMIM provides investment services, and FSAM provides participant services and marketing. Custodial, transfer agency, fund accounting and depository services are provided by JPMorgan Chase Bank and/or its subsidiary J.P. Morgan Investor Services Co.

The Board may establish separate Funds within TexSTAR from time to time. Participants choose the Funds in which their deposits are invested. Participants' assets in the Funds are represented by units of beneficial interest (units). The Board may issue an unlimited number of units in each Fund.

TexSTAR is rated AAAM by Standard & Poor's rating agency. This rating and the fund's operational settings allow the fund to comply with the requirement of the Public Funds Investment Act.

The following lists the District's investments at year end:

	<u>Credit Rating</u>	<u>Fair Value</u>
TexSTAR	AAAM	\$ 32,138,721
CDARS Account – Certificates of Deposit	n/a	1,024,219
Certificate of Deposit	n/a	<u>2,070,934</u>
 Total		 <u>\$ 35,233,874</u>

In addition, the following is disclosed regarding coverage of combined cash balances on the date of highest balance:

- a. Name of bank: Independent Bank, Anna, Texas.
- b. Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$ 17,754,709.
- c. Largest cash, savings and time deposit combined account balances amounted to \$ 16,387,388, and occurred during the month of June 2016.
- d. Total amount of FDIC coverage at the time of the highest combined balance was \$ 500,000.

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

a. Credit Risk

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

ANNA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2016

B. Deposits, Securities and Investments (Continued)

b. Custodial Credit Risk

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

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

C. Property Taxes

Property taxes are levied by October 1, in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the October 1 levy date. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed. Property tax revenues are considered available when collected within the current period, or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.

Property taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectibles within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Section 33.05, Property Tax Code, requires the tax collector for the District to cancel and remove from the delinquent tax rolls a tax on real property that has been delinquent for more than 20 years or a tax on personal property that has been delinquent for more than 10 years. Delinquent taxes meeting this criteria may not be canceled if litigation concerning these taxes is pending.

The District levied taxes on property within the District at \$ 1.1700 to fund general operations and \$ 0.5000 for the payment of principal and interest on long term debt. The rates were levied on property assessed totaling \$ 720,037,066.

ANNA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2016

D. Capital Assets

Capital asset activities during the year ended were as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental Activities:</u>				
Capital Assets not being Depreciated:				
Land	\$ 2,892,151	\$ 5,048	\$ -	\$ 2,897,199
Constuction in Progress	151,809	9,550,379	-	9,702,188
Total Capital Assets not being Depreciated	\$ 3,043,960	\$ 9,555,427	\$ -	\$ 12,599,387
Capital Assets being Depreciated:				
Buildings and Improvements	\$ 108,878,375	\$ 286,080	\$ -	\$ 109,164,455
Equipment	669,523	207,330	-	876,853
Vehicles	1,825,315	259,074	-	2,084,389
Total Capital Assets being Depreciated	\$ 111,373,213	\$ 752,484	\$ -	\$ 112,125,697
Less Accumulated Depreciation for :				
Buildings and Improvements	\$ 21,625,039	\$ 2,844,863	\$ -	\$ 24,469,902
Equipment	486,043	55,910	-	541,953
Vehicles	706,863	195,623	-	902,486
Total Accumulated Depreciation	\$ 22,817,945	\$ 3,096,396	\$ -	\$ 25,914,341
Total Capital Assets being Depreciated, Net	\$ 88,555,268	\$ (2,343,912)	\$ -	\$ 86,211,356
Governmental Activities Capital Assets, Net	\$ 91,599,228	\$ 7,211,515	\$ -	\$ 98,810,743

Depreciation was charged to governmental activities functions as follows:

Instruction	\$ 1,612,047
Instructional Resources and Media Services	25,237
Instructional Leadership	25,237
School Leadership	126,195
Guidance, Counseling and Evaluation Services	50,479
Health Services	25,237
Student (Pupil) Transportation	306,481
Food Services	178,476
Cocurricular/Extracurricular Activities	230,242
General Administration	138,385
Plant Maintenance and Operations	319,059
Data Processing Services	59,321
Total	<u>\$ 3,096,396</u>

ANNA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2016

E. Long Term Obligations

Long-Term Obligation Activity

Long-term obligation activities during the year ended were as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Amounts Due Within One Year
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 88,460,024	\$ 44,405,000	\$ 11,645,000	\$121,220,024	\$ 1,815,000
Capital Leases Payable	188,302	-	92,702	95,600	95,600
Accreted Interest	7,540,363	801,613	250,000	8,091,976	-
Unamortized Premium (Discount)	3,026,729	6,659,185	189,739	9,496,175	-
Total Governmental Activities	<u>\$ 99,215,418</u>	<u>\$ 51,865,798</u>	<u>\$ 12,177,441</u>	<u>\$138,903,775</u>	<u>\$ 1,910,600</u>

Bonds

The District has issued various series of general obligation bonds to fund facility construction and improvements. Bonds mature at various times with varying rates of interest. The bonds issued require the District to levy an ad valorem tax annually to retire the current maturities.

The Board approved the order authorizing the issuance of "Anna Independent School District Unlimited Tax School Building and Refunding Bonds, Series 2016," and "Anna Independent School District Unlimited Tax School Building Bonds, Series 2016," totaling \$ 44,405,000. The District will use \$ 35,260,000 of the proceeds from the issuance of the bonds for the purpose of the construction, acquisition, renovation and equipping of school buildings and facilities in the District. The remaining \$ 9,145,000 will be used for the purpose of refunding maturities of the following outstanding Series:

Unlimited Tax School Building Bonds, Series 2007

The bonds are dated July 1, 2016 and were issued July 28, 2016. The proceeds including premium less issuance costs were deposited into an irrevocable trust with an escrow agent to provide for debt service payments on the refunded debt. The refunding meets the requirements of an in-substance defeasance and the debt has been removed from the District's long term debt. The maturities of refunded debt will be called on various dates will all maturities refunded on the final call date of August 15, 2017.

The Board of the District deems it advisable and in the best interest of the District to refund \$ 10,140,000 in outstanding obligations in order to achieve a restructuring of the debt service requirements of the District resulting in a gross debt service savings of \$ 2,091,201, a net present value debt service savings of \$ 1,608,276 and to achieve a restructuring of the District's cash flow position.

ANNA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2016

E. Long Term Obligations (Continued)

The following bonded debt issues are outstanding at year end:

Description	Interest Rate	Original Balances	Outstanding Balances
Unlimited Tax School Building Bonds, Series 1998	5.00%	\$ 7,677,991	\$ 137,991
Unlimited Tax School Building Bonds, Series 2007	6.00%	15,000,000	340,000
Unlimited Tax School Building Bonds, Series 2008	5.50%	9,995,000	9,055,000
Unlimited Tax Refunding Bonds, Series 2009	6.00%	5,355,000	3,215,000
Unlimited Tax School Building Bonds, Series 2009	4.75%	6,250,000	6,250,000
Unlimited Tax School Building Bonds, Series 2010	5.00%	5,800,000	5,800,000
Unlimited Tax School Building Bonds, Series 2010A	4.67%	16,896,583	16,896,583
Unlimited Tax School Building Bonds, Series 2011	5.42%	7,495,450	7,495,450
Unlimited Tax School Building Bonds, Series 2012	4.15%	3,500,000	3,500,000
Unlimited Tax Refunding Bonds, Series 2013	2.85%	8,450,000	8,450,000
Unlimited Tax Refunding Bonds, Series 2014	2.66%	7,440,000	6,955,000
Unlimited Tax Refunding Bonds, Series 2015	2.61%	8,870,000	8,720,000
Unlimited Tax School Building Bonds, Series 2016	5.00%	14,940,000	14,940,000
Unlimited Tax School Building & Refunding Bonds, Series 2016	5.00%	29,465,000	29,465,000
Totals			<u>\$ 121,220,024</u>

Maturity requirements on bonded debt at year end are as follows:

Year Ending August 31	Principal	Interest	Total Requirements
2017	\$ 1,815,000	\$ 4,922,647	\$ 6,737,647
2018	2,195,000	4,705,364	6,900,364
2019	2,735,000	4,637,914	7,372,914
2020	3,245,000	4,560,276	7,805,276
2021	3,370,000	4,470,464	7,840,464
2022-2026	15,896,382	23,298,462	39,194,844
2027-2031	18,607,691	20,365,095	38,972,786
2032-2036	20,402,081	18,416,516	38,818,597
2037-2041	15,100,018	23,250,082	38,350,100
2042-2046	14,580,627	22,726,223	37,306,850
2047-2051	23,273,225	13,425,275	36,698,500
TOTALS	<u>\$ 121,220,024</u>	<u>\$ 144,778,318</u>	<u>\$ 265,998,342</u>

There are a number of limitations and restrictions contained in the general obligation bond indentures. The District appears to be in compliance with all significant limitations and restrictions as of year end.

ANNA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2016

E. Long Term Obligations (Continued)

Capital Leases

The District is obligated under certain leases accounted for as capital leases. The leases recorded here meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

The following schedule lists personal property leased:

Description	Implicit Interest Rate	Date of Agreement	Original Property Value
Government Capital Corporation - School Bus	3.125%	10/11/13	\$ 93,998
Government Capital Corporation - School Buses	3.125%	7/1/14	188,020
Totals			<u>\$ 282,018</u>

The lease terms are for various terms not exceeding three years. The terms call for semi-annual payments over the life of the leases. All agreements are authorized under Texas Education Code Section 34.005.

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of year end, as follows:

<u>Year Ending August 31</u>	<u>Total Requirements</u>
2016	<u>\$ 98,587</u>
Total Minimum Lease Payments	\$ 98,587
Less Amount Representing Interest	<u>(2,987)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 95,600</u>

F. Pension Plan

1. Plan Description

The District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple employer defined benefit pension plan. TRS's defined benefit pension plan operates primarily under the provision of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas State Legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by downloading the report from the TRS internet website, [www.trs.texas.gov](http://www.trs.texas.gov).

ANNA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2016

F. Pension Plan (Continued)

2. Benefits Provided

TRS administers retirement and disability annuities, and death survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. Benefits are established or amended primarily under the authority of the provisions of the Texas Constitution, Article XVI, Section 67 and by the Legislature in the Texas Government Code, Title 8, Subtitle C. The pension's board of trustees does not have the authority to establish or amend benefits. 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 or exceed 80 years. Reduced service retirement is at age 55 with 5 years of credited service and any age below 50 with 30 years of credited service. A member is fully vested after 5 years of creditable service and entitled to any benefit for which eligibility requirements have been met. The plan does not provide automatic cost of living adjustments (COLA's). Ad hoc post-employment benefits changes, including ad hoc COLA's can be granted by the Texas Legislature as noted in the Plan Description above.

3. Contributions

Contribution requirements are established or amended pursuant to the following state laws: (1) Article 16, section 67 of the Texas Constitution requires the 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. Actuarial implications of the funding provided in this manner are determined by the system's actuary. As the non-employer contributing entity, 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 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.



ANNA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2016

F. Pension Plan (Continued)

In addition to the employer contributions listed above, when employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge. Employee contribution rates are set in state statute, Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees effective for fiscal year 2015. The 83<sup>rd</sup> Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2015 and 2016. Contribution amounts are as follows:

		<b>Contributions Required and Made</b>	
2016	Member (Employee)	\$	1,189,489
2015	Non-Employer Contributing Agency (State On Behalf)	\$	825,726
2016	District (Employer)	\$	440,862

Contribution rates for the plan fiscal year (September to August) 2015 and 2016 are as follows:

	<b>Contribution Rates Plan Fiscal Year</b>	
	<b>2015</b>	<b>2016</b>
Member (Employee)	6.7%	7.2%
District (Employer)	6.8%	6.8%
Non-Employer Contributing Agency (State On Behalf)	6.8%	6.8%

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

At August 31, 2015, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$ 4,666,873
State's proportionate share of the net pension liability associated with the District	<u>9,854,522</u>
Total	<u>\$ 14,521,395</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 participating entities. At August 31, 2015, the District's proportion was 0.0132024% which was an increase of 0.0067907% from its proportion measured as of August 31, 2014.

For the year ended August 31, 2015, the District recognized pension expense of \$ 1,404,111 and revenue of \$ 1,404,111 for support provided by the State.

ANNA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2016

F. Pension Plan (Continued)

At August 31, 2015, the District report 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 actual experience	\$ 22,028	\$ 179,352
Changes of actuarial assumptions	92,584	166,494
Net difference between projected and actual earnings on pension plan investments	756,754	-
Changes in proportion and differents between District contributions and proportionate share of contributions	<u>1,551,734</u>	<u>1,323</u>
Total	<u>\$ 2,423,100</u>	<u>\$ 347,169</u>

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>
Total Amounts per August 31, 2015 measurement date	\$ 2,423,100	\$ 347,169
Contribution paid to TRS subsequent to the measurement date	<u>440,862</u>	<u>-</u>
Total Financial Statement Amounts	<u>\$ 2,863,962</u>	<u>\$ 347,169</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending August 31</u>	<u>Amount</u>
2017	\$ 383,723
2018	383,723
2019	383,722
2020	514,586
2021	225,874
Thereafter	184,303

5. Actuarial Assumptions

The total pension liability is determined by an annual actuarial valuation. The active mortality rates were based on the 1994 Group Annuity Mortality Table set back 6 years for both males and females. The Post-retirement mortality rates were based on client specific tables multiplied by 80%. The actuarial assumptions used in the valuation were based on the results of an actuarial experience study for the four-year period ending August 31, 2014 and adopted on September 24, 2015. With the exception of the post-retirement mortality rates for healthy lives and a minor change to the expected retirement age for inactive vested members stemming from the actuarial audit performed in the Summer of 2015, the assumptions and methods are the same as used in the prior valuation. When the mortality assumptions were adopted in 2015 they contained significant erosion of this margin to the point that the margin has been eliminated. Therefore, the post-retirement mortality rate for current and future retirees has decreased to add additional margin for future improvement in mortality in accordance with the Actuarial Standards Practice No. 35.

ANNA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2016

F. Pension Plan (Continued)

The following assumptions were applied to this measurement period:

Valuation Date	August 31, 2015
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	30 years
Asset Valuation Method	5 year Smoothed Market
Actuarial Assumption:	
Discount Rate	8.00%
Long-term expected Investment Rate of Return *	8.00%
Salary Increases *	3.50% to 9.50%
Payroll Growth Rate	2.50%

\* Includes Inflation of 2.50%

6. 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 fiscal 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 new 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 expected rate of return on pension plan investments is 8.0%. The long-term expected rate of return on pension plan investment 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 weighing 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 on the next page:

ANNA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2016

F. Pension Plan (Continued)

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

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

For the year ended August 31, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense was 16.9%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

7. Discount Rate Sensitivity Analysis

The following presents the District's share of the net pension liability of the plan using the discount rate of 8%, as well as what the District's share of the net pension liability would be if it were calculated using a discount rate that is 1 - percentage point lower (7%) or 1 - percentage point higher (9%) than the current rate:

	1% Decrease	Current Rate	1% Increase
District's proportional share of the net pension liability	\$ 7,312,110	\$ 4,666,873	\$ 2,463,554

ANNA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2016

F. Pension Plan (Continued)

8. Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592. The information provided in the Notes to the Financial Statements in the 2014 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2015 and 2014.

<u>Net Pension Liability</u>	<u>August 31, 2015</u>	<u>August 31, 2014</u>
Total Pension Liability	\$ 163,887,375,172	\$ 159,496,075,886
Less: Plan Fiduciary Net Position	(128,538,706,212)	(132,779,243,085)
Net Pension Liability	<u>\$ 35,348,668,960</u>	<u>\$ 26,716,832,801</u>
Net Position as percentage of Total Pension Liability	78.43%	83.25%

G. School District Retiree Health Plan

1. Plan Description

The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit post-employment health care plan administered by the Teacher Retirement System of Texas. TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by writing the Teacher Retirement System of Texas, 1000 Red River Street, Austin, TX 78701-2698 or by calling (800) 223-8778 or by downloading the report from the TRS internet website, [www.trs.texas.gov](http://www.trs.texas.gov), under the TRS publication heading.

2. 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. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2016, 2015 and 2014. Per Texas Insurance Code, Chapters 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 are shown in the table below for fiscal years 2016-2014.

<b>Contribution Rates</b>			
<u>Year</u>	<u>Active Member</u>	<u>State</u>	<u>District</u>
2016	0.65%	1.00%	0.55%
2015	0.65%	1.00%	0.55%
2014	0.65%	1.00%	0.55%

ANNA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2016

G. School District Retiree Health Plan (Continued)

3. On Behalf Payments

In accordance with GASB Statement 24, "Accounting and Financial Reporting for Certain Grants and Other Financial Assistance," on-behalf payments (payments made by the State) of \$ 144,451 are reflected in the basic financial statements for Retiree Health Plan contributions. Additionally, the District benefited from payments made by the State totaling \$ 48,258 for subsidies for Medicare Part D and participation in the Early Retirement Reinsurance Program.

H. Risk Management

Health Care

During the year ended, employees of the Anna Independent School District were covered by a health insurance plan (the Plan). The District paid premiums of \$ 315 per month per employee and employees, at their option, authorized payroll withholdings to provide dependents' coverage under the Plan. All premiums were paid to Teacher Retirement System of Texas (Aetna). The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the Anna Independent School District and Teacher Retirement System of Texas (Aetna) is renewable September 1 of each year and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for Aetna are available for the year ended December 31, 2015 and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

Unemployment Compensation Pool

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

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued each month until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for Unemployment Compensation pool.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2015, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

Workers' Compensation

The District participates in the Texas Public Schools Worker's Compensation Project (SchoolComp). The District is partially self-funded to a loss fund maximum of \$ 68,988 for the 15-16 fiscal year. Additionally, the District incurred fixed costs of \$ 27,711 for their share of claims administration, loss control, record keeping, and cost of excess insurance.

Claims administration is provided by Claims Administrative Services, Inc. Reinsurance is provided for aggregate claim losses exceeding \$ 225,000. The fixed cost charge is based on total payroll paid by the District. Increases or decreases in the fixed costs will adjust subsequent year charges.

ANNA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2016

H. Risk Management (Continued)

The accrued liability for workers compensation self insurance of \$ 28,014 includes \$ 10,711 of incurred but not reported claims. This liability is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," which require that a liability for claims be reported if information indicates that it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. The liability recorded is an undiscounted actuary calculation.

Changes in the workers' compensation claims liability amounts for the periods of 2016 and 2015 are represented below:

	<u>2016</u>	<u>2015</u>
Beginning Claims Liability	\$ 95,884	\$ 49,909
Claims Incurred (Reduced)	(29,065)	119,760
Claims Paid	<u>(38,805)</u>	<u>(73,785)</u>
Ending Claims Liability	<u>\$ 28,014</u>	<u>\$ 95,884</u>

Other Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2016, the District purchased commercial insurance to cover these liabilities. There were not 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.

I. Litigation

The District does not appear to be involved in any litigation as of year end.

J. Revenue from Local and Intermediate Sources

During the year ended the District received revenue from local and intermediate sources consisting of the following:

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental</u>	<u>Totals</u>
Property Tax Collections	\$ 8,527,077	\$ 3,653,015	\$ -	\$ -	\$ 12,180,092
Investment Income	43,548	16,250	46,218	224	106,240
Tuition and Fees	48,127	-	-	-	48,127
Food Service Income	-	-	-	573,608	573,608
Cocurricular/Extracurricular Activities	72,591	-	-	-	72,591
Rent Income	60,563	-	-	-	60,563
Services to Other Districts	89,370	-	-	-	89,370
Other	54,448	-	-	197,369	251,817
Totals	<u>\$ 8,895,724</u>	<u>\$ 3,669,265</u>	<u>\$ 46,218</u>	<u>\$ 771,201</u>	<u>\$ 13,382,408</u>

ANNA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2016

K. Receivables

Receivables at year end for the District's individual major funds and aggregate nonmajor funds, including any applicable allowances for uncollectible accounts are as follows:

	General	Debt Service	Capital Projects	Other Governmental	Totals
Due from Other Governments	\$ 1,172,049	\$ -	\$ -	\$ 212,771	\$ 1,384,820
Property Taxes Receivable	209,627	93,497	-	-	303,124
Less: Allowance for Uncollectible					
Property Taxes	(10,481)	(4,675)	-	-	(15,156)
Interest Receivable	-	-	-	414	414
 Totals	 \$ 1,371,195	 \$ 88,822	 \$ -	 \$ 213,185	 \$ 1,673,202

L. Compliance, Stewardship, and Accountability

Expenditures over Appropriations

The following individual funds incurred expenditures in excess of appropriations at functional expenditure levels:

	Budget	Actual	Excess
Child Nutrition Fund:			
Food Service	\$ 1,330,500	\$ 1,529,974	\$ 199,474

M. Subsequent Events

The District's management has evaluated subsequent events through December 9, 2016, the date which the financial statements were available for use.



ANNA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2016

N. State Aid Reconciliation

The State provides various types of funding for local school districts as provided for in state statute. The following reconciliation presents funding earned by the District in each category presented. Because of the State's delay in reconciling the funding to local districts, the summary below represents an estimate of earnings. The settle-up with the State will occur some 9 to 10 months following the fiscal year end.

Funding is earned for: 1) Available – annual allocation based on prior year enrollment; 2) Foundation – annual allocation based on student attendance, property tax collections and valuations, and special student population; 3) Instructional Facilities Allotment – based on property wealth; and 4) Existing Debt Allotment – based on eligible debt, student attendance and property wealth. Various other sources are received but not reconciled here as these are the major sources of funding.

	Available	Foundation	IFA	EDA
CY Summary of Finances (SOF)	\$ 492,396	\$ 16,758,189	\$ 607,431	\$ 1,172,668
August Instructional Days Change	-	(2,021)	13,941	(3,311)
Prior Period Settle-ups	35,122	174,430	-	-
Financial Statement Earnings	<u>\$ 527,518</u>	<u>\$ 16,930,598</u>	<u>\$ 621,372</u>	<u>\$ 1,169,357</u>
Financial Statement Classifications:				
SOF Receivable (Overpayment) *	\$ -	\$ 416,402	\$ (12,719)	\$ (39,097)
August Instructional Days Receivable	51,454	704,193	-	-

\* Overpayments are reported as Unearned Revenue in the government-wide and governmental fund type.

O. Change in Accounting Principles

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

- Statement No. 72, *Fair Value Measurement and Application*
  - Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Government*
  - Statement No. 77, *Tax Abatement Disclosures*
- a) Statement No. 72 requires state and local governments to measure investments at fair value using a consistent definition and valuation techniques; also defines what assets and liabilities governments should measure at fair value and expands fair value disclosures in financial disclosure notes. While the Statement generally requires restatement of prior period balances in the year of implementation, the nature of the District's investments was such that their carrying amount was not affected.
  - b) The GAAP hierarchy prioritizes guidance governments follow when preparing U.S. GAAP financial statements. Statement No. 76 reduces authoritative GAAP hierarchy from four categories to two and lists the order of priority for pronouncements to which a government should look for guidance.
  - c) Statement No. 77 requires governments granting tax abatements to individuals and businesses to disclose program information in the notes to the financial statements through the agreement's duration and also requires disclosures about tax abatements entered into by other governments that reduce the reporting government's tax revenue. Prior year balances were not restated because there are no tax abatements associated with the District or any other government which affect the District's tax revenue.

REQUIRED SUPPLEMENTARY INFORMATION

ANNA INDEPENDENT SCHOOL DISTRICT  
 GENERAL FUND  
 BUDGETARY COMPARISON SCHEDULE  
 YEAR ENDED AUGUST 31, 2016

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
<b>REVENUES</b>					
5700	Local and Intermediate Sources	\$ 8,371,276	\$ 8,371,276	\$ 8,895,724	\$ 524,448
5800	State Program Revenues	16,410,484	16,410,484	18,440,177	2,029,693
5900	Federal Program Revenues	118,000	178,000	353,296	175,296
<b>5020</b>	<b>Total Revenues</b>	<b>\$ 24,899,760</b>	<b>\$ 24,959,760</b>	<b>\$ 27,689,197</b>	<b>\$ 2,729,437</b>
<b>EXPENDITURES</b>					
Instruction and Instructional Related Services:					
0011	Instruction	\$ 12,856,296	\$ 12,886,296	\$ 12,797,431	\$ 88,865
0012	Instructional Resources and Media Services	288,764	328,764	316,263	12,501
0013	Curriculum and Staff Development	151,250	161,250	140,938	20,312
	Total Instruction and Instr. Related Services	<u>\$ 13,296,310</u>	<u>\$ 13,376,310</u>	<u>\$ 13,254,632</u>	<u>\$ 121,678</u>
Instructional and School Leadership:					
0021	Instructional Leadership	\$ 193,656	\$ 193,656	\$ 156,397	\$ 37,259
0023	School Leadership	1,392,188	1,392,188	1,381,473	10,715
	Total Instructional and School Leadership	<u>\$ 1,585,844</u>	<u>\$ 1,585,844</u>	<u>\$ 1,537,870</u>	<u>\$ 47,974</u>
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	\$ 358,424	\$ 458,424	\$ 446,063	\$ 12,361
0033	Health Services	271,979	286,979	255,662	31,317
0034	Student (Pupil) Transportation	1,341,175	1,491,175	1,470,247	20,928
0036	Cocurricular/Extracurricular Activities	777,947	1,016,347	1,006,049	10,298
	Total Support Services - Student (Pupil)	<u>\$ 2,749,525</u>	<u>\$ 3,252,925</u>	<u>\$ 3,178,021</u>	<u>\$ 74,904</u>
Administrative Support Services:					
0041	General Administration	\$ 1,097,367	\$ 1,027,367	\$ 993,088	\$ 34,279
	Total Administrative Support Services	<u>\$ 1,097,367</u>	<u>\$ 1,027,367</u>	<u>\$ 993,088</u>	<u>\$ 34,279</u>
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	\$ 3,296,618	\$ 2,966,618	\$ 2,828,022	\$ 138,596
0052	Security and Monitoring Services	325,500	325,500	170,094	155,406
0053	Data Processing Services	995,311	1,125,311	1,079,633	45,678
	Total Support Services - Nonstudent Based	<u>\$ 4,617,429</u>	<u>\$ 4,417,429</u>	<u>\$ 4,077,749</u>	<u>\$ 339,680</u>
Ancillary Services:					
0061	Community Services	\$ 10,000	\$ 10,000	\$ -	\$ 10,000
	Total Ancillary Services	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ -</u>	<u>\$ 10,000</u>
Debt Service:					
0071	Principal on Long-Term Debt	\$ 330,000	\$ 110,000	\$ 92,703	\$ 17,297
0072	Interest on Long-Term Debt	10,000	10,000	5,682	4,318
	Total Intergovernmental Charges	<u>\$ 340,000</u>	<u>\$ 120,000</u>	<u>\$ 98,385</u>	<u>\$ 21,615</u>
Capital Outlay:					
0081	Capital Outlay	\$ -	\$ 988,443	\$ 981,684	\$ 6,759
	Total Capital Outlay	<u>\$ -</u>	<u>\$ 988,443</u>	<u>\$ 981,684</u>	<u>\$ 6,759</u>
Education Programs					
0095	Payments to Juvenile Justice Alternative Ed. Programs	\$ 23,414	\$ 23,414	\$ 1,416	\$ 21,998
0099	Other Intergovernmental Charges	72,500	72,500	58,450	14,050
	Total Intergovernmental Charges	<u>\$ 95,914</u>	<u>\$ 95,914</u>	<u>\$ 59,866</u>	<u>\$ 36,048</u>
<b>6030</b>	<b>Total Expenditures</b>	<b>\$ 23,792,389</b>	<b>\$ 24,874,232</b>	<b>\$ 24,181,295</b>	<b>\$ 692,937</b>
1100	Excess (Deficiency) of Revenues Over Expenditures	\$ 1,107,371	\$ 85,528	\$ 3,507,902	\$ 3,422,374
<b>OTHER FINANCING SOURCES (USES)</b>					
8911	Transfers Out	\$ (1,107,371)	\$ (93,928)	\$ -	\$ 93,928
<b>7080</b>	<b>Net Other Financing Sources (Uses)</b>	<b>\$ (1,107,371)</b>	<b>\$ (93,928)</b>	<b>\$ -</b>	<b>\$ 93,928</b>
<b>1200</b>	<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ (8,400)</b>	<b>\$ 3,507,902</b>	<b>\$ 3,516,302</b>
0100	Fund Balance - Beginning (September 1)	6,638,958	6,638,958	6,638,958	-
<b>3000</b>	<b>Fund Balance - Ending (August 31)</b>	<b>\$ 6,638,958</b>	<b>\$ 6,630,558</b>	<b>\$ 10,146,860</b>	<b>\$ 3,516,302</b>

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

	<b>2016</b>	<b>2015</b>
District's proportion of the net pension liability	0.0132024%	0.0064117%
District's proportionate share of the net pension liability	\$ 4,666,873	\$ 1,712,653
State's proportionate share of the net pension liability associated with the District	9,854,522	7,678,140
 Total	 \$ 14,521,395	 \$ 9,390,793
 District's covered-employee payroll (for Measurement Year)	 \$ 15,052,120	 \$ 12,981,815
 District's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	 31.00%	 13.19%
 Plan fiduciary net position as a percentage of the total pension liability	 78.43%	 83.25%

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

ANNA INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF DISTRICT CONTRIBUTIONS  
 TEACHER RETIREMENT SYSTEM OF TEXAS  
 LAST 10 FISCAL YEARS

	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 440,862	\$ 404,223
Contributions in relations to the contractual required contributions	<u>(440,862)</u>	<u>(404,223)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 16,520,599	\$ 15,052,120
Contributions as a percentage of covered employee payroll	2.67%	2.69%

GASB Statement 68, paragraph 81.2.b requires that the data in this schedule be presented as of the District's current fiscal year as opposed to the time period covered by the measurement date of September 1, 2014 - August 31, 2015.

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

ANNA INDEPENDENT SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED AUGUST 31, 2016

A. Budget

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

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

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

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

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

B. Defined Benefit Pension Plan

A. Changes of Assumptions

*Economic Assumptions*

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

ANNA INDEPENDENT SCHOOL DISTRICT  
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED AUGUST 31, 2016

A. Changes of Assumptions (Continued)

*Mortality Assumptions*

- a) 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.
- b) 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.
- c) 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*

- d) 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.
- e) 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 termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.
- f) Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
- g) 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.
- h) 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*

- i) 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.

B. Changes of Benefit Terms

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

OTHER SUPPLEMENTARY INFORMATION



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

Tax Roll Year	Last Ten Years Ended August 31	1 Tax Rates		3 Assessed/Appraised Value For School Tax Purposes	10 Beginning Balance 9/1/2015	20 Current Year's Total Levy	30 Maintenance Tax Collections	30a Debt Service Tax Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/2016
		Maintenance	2 Debt Service							
XXXX	2007 and Prior Years	Various	Various	Various	\$ 38,362	\$ -	\$ 820	\$ 163	\$ (9,560)	\$ 27,819
2007	2008	1.010050	0.471430	481,315,227	7,026	-	-	-	(327)	6,699
2008	2009	1.040050	0.500000	525,093,885	7,769	-	249	120	(332)	7,068
2009	2010	1.040050	0.500000	510,322,117	9,061	-	6,016	2,892	8,262	8,415
2010	2011	1.040000	0.500000	503,954,679	9,034	-	21,364	10,271	32,115	9,514
2011	2012	1.040000	0.500000	492,532,013	11,876	-	20,016	9,623	37,863	20,100
2012	2013	1.040000	0.500000	506,216,299	22,526	-	23,684	11,387	41,843	29,298
2013	2014	1.040000	0.500000	557,470,288	38,900	-	33,261	15,991	47,050	36,698
2014	2015	1.040000	0.500000	643,402,062	89,974	-	43,799	21,057	22,741	47,859
2015	2016	1.170000	0.500000	720,037,066	-	12,024,619	8,326,093	3,558,156	(30,716)	109,654
<b>1000</b>	<b>TOTALS</b>				<b>\$ 234,528</b>	<b>\$ 12,024,619</b>	<b>\$ 8,475,302</b>	<b>\$ 3,629,660</b>	<b>\$ 148,939</b>	<b>\$ 303,124</b>

ANNA INDEPENDENT SCHOOL DISTRICT  
SCHOOL BREAKFAST AND NATIONAL LUNCH PROGRAM  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED AUGUST 31, 2016

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
<b>REVENUES</b>					
5700	Local and Intermediate Sources	\$ 500,000	\$ 500,000	\$ 573,609	\$ 73,609
5800	State Program Revenues	6,000	6,000	41,910	35,910
5900	Federal Program Revenues	660,000	660,000	815,776	155,776
<b>5020</b>	<b>Total Revenues</b>	<b>\$ 1,166,000</b>	<b>\$ 1,166,000</b>	<b>\$ 1,431,295</b>	<b>\$ 265,295</b>
<b>EXPENDITURES</b>					
Current:					
Support Services - Student (Pupil):					
0035	Food Services	\$ 1,330,500	\$ 1,330,500	\$ 1,529,974	\$ (199,474)
	Total Support Services - Student (Pupil)	\$ 1,330,500	\$ 1,330,500	\$ 1,529,974	\$ (199,474)
<b>6030</b>	<b>Total Expenditures</b>	<b>\$ 1,330,500</b>	<b>\$ 1,330,500</b>	<b>\$ 1,529,974</b>	<b>\$ (199,474)</b>
1100	Excess (Deficiency) of Revenues Over Expenditures	\$ (164,500)	\$ (164,500)	\$ (98,679)	\$ 65,821
<b>1200</b>	<b>Net Change in Fund Balance</b>	<b>\$ (164,500)</b>	<b>\$ (164,500)</b>	<b>\$ (98,679)</b>	<b>\$ 65,821</b>
0100	Fund Balance - Beginning (September 1)	362,600	362,600	362,600	-
<b>3000</b>	<b>Fund Balance - Ending (August 31)</b>	<b>\$ 198,100</b>	<b>\$ 198,100</b>	<b>\$ 263,921</b>	<b>\$ 65,821</b>

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

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget	
	Original	Final		Positive (Negative)	
<b>REVENUES</b>					
5700	Local and Intermediate Sources	\$ 3,506,969	\$ 4,796,605	\$ 3,669,265	\$ (1,127,340)
5800	State Program Revenues	1,697,687	1,697,687	1,790,729	93,042
<b>5020</b>	<b>Total Revenues</b>	<b>\$ 5,204,656</b>	<b>\$ 6,494,292</b>	<b>\$ 5,459,994</b>	<b>\$ (1,034,298)</b>
<b>EXPENDITURES</b>					
Debt Service:					
0071	Principal on Long-term Debt	\$ 6,203,099	\$ 5,672,829	\$ 1,505,000	\$ 4,167,829
0072	Interest on Long-term Debt	-	-	3,892,011	(3,892,011)
0073	Debt Issuance Costs and Fees	-	821,463	365,400	456,063
	Total Debt Service	\$ 6,203,099	\$ 6,494,292	\$ 5,762,411	\$ 731,881
<b>6030</b>	<b>Total Expenditures</b>	<b>\$ 6,203,099</b>	<b>\$ 6,494,292</b>	<b>\$ 5,762,411</b>	<b>\$ 731,881</b>
1100	Excess (Deficiency) of Revenues Over Expenditures	\$ (998,443)	\$ -	\$ (302,417)	\$ (302,417)
<b>OTHER FINANCING SOURCES (USES)</b>					
7911	Capital-Related Debt Issued (Regular Bonds)	\$ -	\$ -	\$ 5,965,000	\$ 5,965,000
7915	Transfer In	998,443	-	-	-
7916	Premium or Discount on Issuance of Bonds	-	-	5,328,299	5,328,299
8949	Other Uses	-	-	(10,808,835)	(10,808,835)
<b>7080</b>	<b>Net Other Financing Sources (Uses)</b>	<b>\$ 998,443</b>	<b>\$ -</b>	<b>\$ 484,464</b>	<b>\$ 484,464</b>
<b>1200</b>	<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 182,047</b>	<b>\$ 182,047</b>
0100	Fund Balance - Beginning (September 1)	348,990	348,990	348,990	-
<b>3000</b>	<b>Fund Balance - Ending (August 31)</b>	<b>\$ 348,990</b>	<b>\$ 348,990</b>	<b>\$ 531,037</b>	<b>\$ 182,047</b>

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

<u>Data Control Codes</u>		<u>Response</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.	\$ 8,091,977
SF11	Net Pension Assets (1920) at fiscal year-end.	\$ -0-
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$ 4,666,873
SF13	Pension Expense (6147) at fiscal year-end.	\$ 455,555

FEDERAL AWARDS SECTION

ANNA INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED AUGUST 31, 2016

(01) Federal Grantor/ Pass Through Grantor/ Program Title	(02) Federal CFDA Number	(02A) Pass-Through Grantor Identifying Number	(03) Federal Expenditures
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
Passed through the Texas Education Agency:			
Summer School LEP	84.369	69551202	\$ 3,339
IDEA - B Formula (A)	84.027	166600010439026600	380,812
IDEA - B Formula (A)	84.027	176600010439026600	11,739
IDEA - B Preschool (A)	84.173	166610010439026610	<u>1,714</u>
Total Passed through the Texas Education Agency			<u>\$ 397,604</u>
Passed through the Education Service Center, Region X:			
ESEA Title I Part A - Improving Basic Programs *	84.010	15610101057950	\$ 30,638
ESEA Title I Part A - Improving Basic Programs *	84.010	16610101057950	265,586
ESEA Title I Part A - Improving Basic Programs *	84.010	17610101057950	14,384
Career and Technical - Carl Perkins Grant	84.048	16420006057950	22,239
Title III Part A - LEP *	84.365	16615002057950	18,340
ESEA Title II Part A - Teacher & Principal Training	84.367	15694501057950	2,468
ESEA Title II Part A - Teacher & Principal Training	84.367	16694501057950	<u>21,950</u>
Total Passed through the Education Service Center, Region X:			<u>\$ 375,605</u>
<b>Total Department of Education</b>			<b><u>\$ 773,209</u></b>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
Passed through the Texas Department of Agriculture:			
School Breakfast Program (B)	10.553	00600	\$ 168,082
National School Lunch Program (B)	10.555	00600	584,065
USDA Food Distribution	10.550	043902A	<u>63,629</u>
<b>Total Department of Agriculture</b>			<b><u>\$ 815,776</u></b>
<b>Total Expenditures of Federal Awards</b>			<b><u>\$ 1,588,985</u></b>

\* Denotes Major Program  
 A - Special Education Cluster  
 B - Child Nutrition Cluster

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this statement.

ANNA INDEPENDENT SCHOOL DISTRICT  
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED AUGUST 31, 2016

A. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Anna Independent School District and is presented on the modified accrual basis of accounting. Expenditures are recognized in the accounting period in which a fund liability occurs. Funds are considered earned to the extent of expenditures made.

The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

B. Food Distribution

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. No provision has been made for amounts on hand at year end.

C. Reconciliation with Financial Statements

The District records amounts received from the federal government or other recipients of federal grants as federal revenue in the financial statements. This reconciliation identifies the differences between the financial statement revenues and the schedule of expenditures of federal awards:

Total Federal Expenditures (Exhibit K-1)	\$	1,588,985
E-Rate Rebate		63,359
School Health and Related Services		<u>289,937</u>
Federal Revenue (Exhibit C-3)	\$	<u>1,942,281</u>