

*ANNUAL FINANCIAL REPORT*

of the

**DEWEYVILLE  
INDEPENDENT SCHOOL DISTRICT**

For the Year Ended  
August 31, 2017

**DEWEYVILLE**  
**INDEPENDENT SCHOOL DISTRICT**  
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## ***INTRODUCTORY SECTION***

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CERTIFICATE OF BOARD

<u>Deweyville Independent School District</u>	<u>Newton</u>	<u>176-903</u>
Name of School District	County	Co. Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) \_\_\_\_\_ approved \_\_\_\_\_ disapproved for the year ended August 31, 2017, at a meeting of the Board of Trustees of such school district on the \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

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

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

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

(attach list as necessary)

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## ***FINANCIAL SECTION***

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## ***INDEPENDENT AUDITORS' REPORT***

To the Board of Trustees of  
Deweyville Independent School District:

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

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

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

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of August 31, 2017, and the respective changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, other supplementary information, and the schedule of required responses to selected school first indicators are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

The introductory section and the schedule of required responses to selected school first indicators have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated on January 8, 2018 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.

*BELT HARRIS PECHACEK, LLP*

Belt Harris Pechacek, LLP  
*Certified Public Accountants*  
Houston, Texas  
January 8, 2018

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

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# **DEWEYVILLE**

## **INDEPENDENT SCHOOL DISTRICT**

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

**For the Year Ended August 31, 2017**

The purpose of the Management's Discussion and Analysis (MD&A) is to give the readers an objective and easily readable analysis of the financial activities of Deweyville Independent School District (the "District") for the year ending August 31, 2017. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the District's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Please read the MD&A in conjunction with the District's financial statements, which follow this section.

### **FINANCIAL HIGHLIGHTS**

- The District's total combined net position at August 31, 2017 was \$12,222,798.
- For the year, the District's general fund reported a total fund balance of \$6,218,216, of which \$3,247 is nonspendable and \$6,214,969 is unassigned.
- At the end of the year, the District's governmental funds (the general fund, plus all state and federal grant funds, and the debt service fund) reported a combined ending fund balance of \$6,804,317.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The annual report consists of three parts – *Management's Discussion and Analysis* (this section), the *Basic Financial Statements*, and *Required Supplementary Information*. The basic 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.
- *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 fiduciary resources belong. These funds include student activity funds.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The notes to the financial statements are followed by a section entitled *Required Supplementary Information* that further explains and supports the information in the financial statements.

### **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide statements report information about the District as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about cost of services, operating results, and financial position of the District as an economic entity. The Statement of Net Position and the Statement of Activities, which appear first in the District's financial statements, report information on the District's activities that enable the reader to understand the financial condition of the District. These statements are prepared using the accrual basis of accounting, which

**DEWEYVILLE**  
**INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**For the Year Ended August 31, 2017**

is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account even if cash has not yet changed hands.

The Statement of Net Position presents information on all of the District's assets, liabilities, and deferred outflows/inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other nonfinancial factors, such as changes in the District's tax base, staffing patterns, enrollment, and attendance, need to be considered in order to assess the overall health of the District.

The Statement of Activities presents information showing how the District's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows – the accrual method rather than modified accrual that is used in the fund level statements.

The Statement of Net Position and the Statement of Activities include the following class of activities:

*Governmental Activities* – Most of the District's basic services such as instruction, extracurricular activities, curriculum and staff development, health services, general administration, and plant operation and maintenance are included in *governmental activities*. Locally assessed property taxes, together with State foundation program entitlements, which are based upon student enrollment and attendance, finance most of the governmental activities.

The government-wide financial statements can be found after the MD&A.

## **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 simply accounting devices that are used to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and other funds are mandated by bond agreements or bond covenants.
- The Board of Trustees establishes other funds to control and manage money set aside for particular purposes or to show that the District is properly using certain taxes and grants.
- Other funds are used to account for assets held by the District in a custodial capacity – these assets do not belong to the District, but the District is responsible to properly account for them.

The District has the following kinds of funds:

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

**DEWEYVILLE**  
**INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
For the Year Ended August 31, 2017

- *Fiduciary funds* – The District serves as the trustee, or fiduciary, for certain funds such as student activity 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 governmental operations.

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

The District's combined net position was \$12,222,798 at year end. *Table 1* focuses on net position while *Table 2* shows the revenues and expenses that changed the net position balance during the year.

**Table 1**  
**Net Position**

Description	Governmental Activities		Total Change
	2017	2016	2017-2016
Current assets	\$ 7,443,022	\$ 7,330,514	\$ 112,508
Capital assets	15,840,218	14,694,672	1,145,546
<b>Total Assets</b>	<b>23,283,240</b>	<b>22,025,186</b>	<b>1,258,054</b>
Deferred outflows - pensions	507,955	751,557	(243,602)
<b>Total Deferred Outflows of Resources</b>	<b>507,955</b>	<b>751,557</b>	<b>(243,602)</b>
Current liabilities	345,922	352,403	(6,481)
Long-term liabilities	11,112,975	11,984,426	(871,451)
<b>Total Liabilities</b>	<b>11,458,897</b>	<b>12,336,829</b>	<b>(877,932)</b>
Deferred inflows - pensions	109,500	233,264	(123,764)
<b>Total Deferred Inflows of Resources</b>	<b>109,500</b>	<b>233,264</b>	<b>(123,764)</b>
<b>Net Position:</b>			
Net investment in capital assets	6,588,173	4,886,229	1,701,944
Restricted	561,325	463,923	97,402
Unrestricted	5,073,300	4,856,498	216,802
<b>Total Net Position</b>	<b>\$ 12,222,798</b>	<b>\$ 10,206,650</b>	<b>\$ 2,016,148</b>

The District reported an increase of \$2,016,148 in net position from the prior year. This increase can be mostly attributed to an increase in grant revenue, along with an overall decrease in current year expenses.

**DEWEYVILLE**  
**INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
For the Year Ended August 31, 2017

**Table 2**  
**Changes in Net Position**

	Governmental Activities		Total Change
	2017	2016	2017-2016
<b>Revenues</b>			
Program revenues:			
Charges for services	\$ 55,291	\$ 58,744	\$ (3,453)
Operating grants and contributions	232,384	636,914	(404,530)
General revenues:			
Property taxes	6,708,446	7,067,726	(359,280)
Grants and contributions not restricted for specific programs	4,647,782	3,081,852	1,565,930
Investment earnings	31,065	10,526	20,539
Other revenue	72,699	77,540	(4,841)
Extraordinary item - impairment loss	(1,104,480)	-	(1,104,480)
<b>Total Revenue</b>	<b>10,643,187</b>	<b>10,933,302</b>	<b>(290,115)</b>
<b>Expenses</b>			
Instruction	4,861,479	4,627,324	234,155
Instructional resources and media services	106,534	105,544	990
Curriculum/instructional staff development	99,785	26,354	73,431
School leadership	272,185	249,020	23,165
Guidance, counseling and evaluation services	180,003	247,003	(67,000)
Health services	95,671	98,404	(2,733)
Student (pupil) transportation	395,741	324,888	70,853
Food services	198,537	357,921	(159,384)
Extracurricular activities	308,079	304,922	3,157
General administration	386,229	444,177	(57,948)
Plant maintenance and operations	843,376	2,229,482	(1,386,106)
Security and monitoring services	1,289	1,323	(34)
Data processing services	102,891	84,811	18,080
Debt service - interest on long-term debt	328,465	270,313	58,152
Bond issuance costs and fees	25,000	30,000	(5,000)
Contracted instructional services	72,143	463,057	(390,914)
Other intergovernmental charges	349,632	340,192	9,440
<b>Total Expenses</b>	<b>8,627,039</b>	<b>10,204,735</b>	<b>(1,577,696)</b>
<b>Change in Net Position</b>	<b>2,016,148</b>	<b>728,567</b>	<b>1,287,581</b>
Beginning net position	10,206,650	9,478,083	728,567
<b>Ending Net Position</b>	<b>\$ 12,222,798</b>	<b>\$ 10,206,650</b>	<b>\$ 2,016,148</b>

Total revenue decreased by \$290,115, which is mostly attributed to an extraordinary item reported for the impairment of capital assets related to flood events that occurred in prior and current years. More detailed information about this impairment loss can be found in the notes to the financial statements. In addition, total expenses decreased by \$1,577,696 due to the less costs associated with the District-wide flood during the prior year.

**DEWEYVILLE**  
**INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
For the Year Ended August 31, 2017

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

At the close of the fiscal year ending August 31, 2017, the District's governmental funds reported a combined fund balance of \$6,804,317. This compares to a combined fund balance of \$6,718,041 at August 31, 2016. The fund balance in the general fund decreased primarily due to an increase in FEMA related expenses. The fund balance in the debt service fund increased due to property tax revenues exceeding debt service payments during the year.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

In accordance with State law and generally accepted accounting standards, the District prepares an annual budget for the general fund, the food service special revenue fund, and the debt service fund. Special revenue funds have budgets approved by the funding agency and are amended throughout the year as required.

During the period ended August 31, 2017, the District amended its budget as required by State law and to reflect current levels of revenue and anticipated expenses. There were no material changes between the original budget and the final amended budget. The general fund's actual revenues exceeded budgeted revenues by \$260,774. The budget expenditures exceeded actual expenditures by \$523,695.

**CAPITAL ASSETS**

Capital assets are generally defined as those items that have useful lives of two years or more and have an initial cost of an amount determined by the Board. Donated capital assets are recorded at an acquisition value at the date of donation. During the year, the District used a capitalization threshold of \$5,000, which means that all capital type assets, including library books, with a cost or initial value of less than \$5,000 were not included in the capital assets inventory.

At year end, the District had a total of \$15,840,218 invested in capital assets (net of accumulated depreciation) such as land, buildings, and District equipment. This total includes \$-1,813,850 invested during the fiscal year ended August 31, 2017.

More detailed information about the District's capital assets can be found in the notes to the financial statements.

**LONG-TERM DEBT**

At year end, the District had \$9,760,000 in debt outstanding versus \$10,560,000 last year. The net decrease of \$800,000 is due to the principal payments on the tax note and general obligation bond during the year.

More detailed information about the District's long-term liabilities is presented in the notes to the financial statements.

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

**Next Year's Budget**

- The District's general fund revenues of \$6,318,200 are budgeted to decrease \$415,509 in comparison to actual revenues earned in 2016-2017.

**DEWEYVILLE**  
**INDEPENDENT SCHOOL DISTRICT**  
***MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)***  
**For the Year Ended August 31, 2017**

- The District's general fund expenditures of \$6,318,200 are budgeted to decrease \$426,959 in comparison to actual expenditures incurred in 2016-2017.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Superintendent at P.O. Box 408, Deweyville, Texas, 77614.

## ***BASIC FINANCIAL STATEMENTS***

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**DEWEYVILLE**  
**INDEPENDENT SCHOOL DISTRICT**  
*STATEMENT OF NET POSITION - EXHIBIT A-1*  
August 31, 2017

Data Control Codes		1 Governmental Activities
	<b><u>Assets</u></b>	
1110	Cash and cash equivalents	\$ 5,954,210
1225	Property taxes receivable (net)	303,198
1240	Due from other governments	1,152,976
1290	Other receivables (net)	4,615
1300	Inventories	27,479
1410	Prepaid items	544
		<u>7,443,022</u>
	Capital assets:	
1510	Land	456,153
1520	Buildings and improvements, net	15,164,160
1530	Equipment and vehicles, net	219,905
		<u>15,840,218</u>
1000	<b>Total Assets</b>	<u>23,283,240</u>
	<b><u>Deferred Outflows of Resources</u></b>	
1705	Deferred outflows - pensions	<u>507,955</u>
	<b><u>Liabilities</u></b>	
2110	Accounts payable	105,461
2140	Interest payable	10,415
2165	Accrued liabilities	199,666
2180	Due to other governments	30,380
		<u>345,922</u>
	Noncurrent liabilities:	
2501	Long-term liabilities due within	
2501	one year	3,435,000
2502	Long-term liabilities due in more	
2502	than one year	6,325,000
2540	Net pension liability	1,352,975
2000	<b>Total Liabilities</b>	<u>11,458,897</u>
	<b><u>Deferred Inflows of Resources</u></b>	
2605	Deferred inflows - pensions	<u>109,500</u>
	<b><u>Net Position</u></b>	
3200	Net investment in capital assets	6,588,173
	Restricted for:	
3820	Federal and state programs	63,407
3850	Debt service	497,918
3900	Unrestricted	5,073,300
3000	<b>Total Net Position</b>	<u>\$ 12,222,798</u>

See Notes to Financial Statements.

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**DEWEYVILLE**  
**INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES - EXHIBIT B-1**  
For the Year Ended August 31, 2017

Data Control Codes	Functions/Programs	1  Expenses	Program Revenues		6  Primary Gov. Governmental Activities
			3  Charges for Services	4  Operating Grants and Contributions	
	<b>Primary Government</b>				
	<b>Governmental Activities</b>				
11	Instruction	\$ 4,861,479	\$ -	\$ -	\$ (4,861,479)
12	Instructional resources				
12	and media services	106,534	-	-	(106,534)
13	Curriculum/instructional				
13	staff development	99,785	-	-	(99,785)
23	School leadership	272,185	-	-	(272,185)
31	Guidance, counseling and				
31	evaluation services	180,003	-	-	(180,003)
33	Health services	95,671	-	-	(95,671)
34	Student (pupil) transportation	395,741	-	-	(395,741)
35	Food services	198,537	55,291	232,384	89,138
36	Extracurricular activities	308,079	-	-	(308,079)
41	General administration	386,229	-	-	(386,229)
51	Plant maintenance and operations	843,376	-	-	(843,376)
52	Security and monitoring services	1,289	-	-	(1,289)
53	Data processing services	102,891	-	-	(102,891)
72	Debt service -				
72	Interest on long term debt	328,465	-	-	(328,465)
72	Bond issuance costs	25,000	-	-	(25,000)
91	Contracted instructional				
91	services between schools	72,143	-	-	(72,143)
99	Other intergovernmental charges	349,632	-	-	(349,632)
TG	<b>Total Governmental Activities</b>	<u>8,627,039</u>	<u>55,291</u>	<u>232,384</u>	<u>(8,339,364)</u>
	<b>General Revenues</b>				
MT	Property taxes, levied for general purposes				5,827,085
DT	Property taxes, levied for debt service				881,360
GC	Grants and contributions not restricted				
GC	for specific programs				4,647,782
IE	Investment earnings				31,065
MI	Miscellaneous local and intermediate revenue				72,699
E1	Extraordinary item - impairment loss				(1,104,480)
TR				<b>Total General Revenues</b>	<u>10,355,512</u>
CN				<b>Change in Net Position</b>	<u>2,016,148</u>
NB	Beginning net position				<u>10,206,650</u>
NE				<b>Ending Net Position</b>	<u><u>\$ 12,222,798</u></u>

See Notes to Financial Statements.

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**DEWEYVILLE**  
**INDEPENDENT SCHOOL DISTRICT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS - EXHIBIT C-1**

August 31, 2017

		10	50	98	
Data Control Codes		General	Debt Service	Other Governmental	Total Governmental Funds
Assets:					
1110	Cash and cash equivalents	\$ 5,385,562	\$ 497,918	\$ 70,730	\$ 5,954,210
1220	Taxes receivable	369,667	62,686	-	432,353
1230	Allowance for uncollectible taxes	(112,797)	(16,358)	-	(129,155)
1240	Due from other governments	933,810	-	219,166	1,152,976
1260	Due from other funds	212,383	-	5,647	218,030
1290	Other receivables	4,615	-	-	4,615
1300	Inventories	2,703	-	24,776	27,479
1410	Prepaid items	544	-	-	544
1000	Total Assets	<u>\$ 6,796,487</u>	<u>\$ 544,246</u>	<u>\$ 320,319</u>	<u>\$ 7,661,052</u>
Liabilities:					
2110	Accounts payable	\$ 100,380	\$ -	\$ 5,081	\$ 105,461
2150	Payroll deductions payable	934	-	-	934
2160	Accrued wages payable	180,306	-	13,941	194,247
2170	Due to other funds	5,647	-	212,383	218,030
2180	Due to other governments	30,380	-	-	30,380
2200	Accrued expenditures	3,754	-	731	4,485
2000	Total Liabilities	<u>321,401</u>	<u>-</u>	<u>232,136</u>	<u>553,537</u>
Deferred Inflows of Resources:					
2600	Unavailable revenue - property taxes	<u>256,870</u>	<u>46,328</u>	<u>-</u>	<u>303,198</u>
Fund Balances:					
Nonspendable:					
3410	Inventories	2,703	-	24,776	27,479
3430	Prepaid items	544	-	-	544
Restricted:					
3450	Grant funds	-	-	63,407	63,407
3480	Debt service	-	497,918	-	497,918
3600	Unassigned	6,214,969	-	-	6,214,969
3000	Total Fund Balances	<u>6,218,216</u>	<u>497,918</u>	<u>88,183</u>	<u>6,804,317</u>
4000	Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 6,796,487</u>	<u>\$ 544,246</u>	<u>\$ 320,319</u>	<u>\$ 7,661,052</u>

See Notes to Financial Statements.

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**DEWEYVILLE**  
**INDEPENDENT SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION - EXHIBIT C-1R**  
**August 31, 2017**

Total fund balances for governmental funds	\$	6,804,317
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.

Capital assets - nondepreciable	456,153	
Capital assets - depreciable	15,384,065	
		15,840,218

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.

303,198

Some liabilities, including bonds payable, are not reported as liabilities in the governmental funds.

Accrued interest	(10,415)	
Deferred outflows - pensions	507,955	
Deferred inflows - pensions	(109,500)	
Noncurrent liabilities due in one year	(3,435,000)	
Noncurrent liabilities due in more than one year	(6,325,000)	
Net pension liability	(1,352,975)	
		(10,724,935)

<b>Net Position of Governmental Activities</b>	<b>\$</b>	<b>12,222,798</b>
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See Notes to Financial Statements.

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**DEWEYVILLE**  
**INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS - EXHIBIT C-2**  
For the Year Ended August 31, 2017

		10	50	98	
Data					Total
Control			Debt	Other	Governmental
Codes		General	Service	Governmental	Funds
<b>Revenues</b>					
5700	Local, intermediate, and out-of-state	\$ 5,946,364	\$ 892,188	\$ 55,291	\$ 6,893,843
5800	State program revenues	706,041	12,513	48,966	767,520
5900	Federal program revenues	3,144,536	-	623,048	3,767,584
5020	<b>Total Revenues</b>	<u>9,796,941</u>	<u>904,701</u>	<u>727,305</u>	<u>11,428,947</u>
<b>Expenditures</b>					
0011	Instruction	3,050,690	-	308,661	3,359,351
0012	Instructional resources/media services	101,274	-	-	101,274
0013	Curriculum and staff development	78,669	-	20,957	99,626
0023	School leadership	254,619	-	1,450	256,069
0031	Guidance, counseling, and				
0031	evaluation services	86,901	-	72,171	159,072
0033	Health services	90,417	-	-	90,417
0034	Student (pupil) transportation	349,396	-	-	349,396
0035	Food service	3,593	-	229,847	233,440
0036	Extracurricular activities	290,479	-	-	290,479
0041	General administration	372,323	-	-	372,323
0051	Plant maintenance and operations	833,295	-	-	833,295
0052	Security and monitoring services	1,289	-	-	1,289
0053	Data processing services	66,004	-	35,394	101,398
<b>Debt service:</b>					
0071	Principal	205,000	595,000	-	800,000
0072	Interest	74,935	253,938	-	328,873
0073	Bond issuance costs and fees	25,000	-	-	25,000
<b>Capital outlay:</b>					
0081	Facilities acquisition and construction	3,519,594	-	-	3,519,594
<b>Intergovernmental:</b>					
0091	Contracted instructional services				
0091	between public schools	72,143	-	-	72,143
0099	Other intergovernmental charges	349,632	-	-	349,632
6030	<b>Total Expenditures</b>	<u>9,825,253</u>	<u>848,938</u>	<u>668,480</u>	<u>11,342,671</u>
1100	<b>Excess (Deficiency) of Revenues</b>				
	<b>Over (Under) Expenditures</b>	<u>(28,312)</u>	<u>55,763</u>	<u>58,825</u>	<u>86,276</u>
<b>Other Financing Sources (Uses)</b>					
7914	Loan proceeds	2,825,000	-	-	2,825,000
8949	Payment to paying agent	(2,825,000)	-	-	(2,825,000)
7080	<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200	<b>Net Change in Fund Balances</b>	(28,312)	55,763	58,825	86,276
0100	Beginning fund balances	6,246,528	442,155	29,358	6,718,041
3000	<b>Ending Fund Balances</b>	<u>\$ 6,218,216</u>	<u>\$ 497,918</u>	<u>\$ 88,183</u>	<u>\$ 6,804,317</u>

See Notes to Financial Statements.

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**DEWEYVILLE**  
**INDEPENDENT SCHOOL DISTRICT**  
*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES - EXHIBIT C-3*  
For the Year Ended August 31, 2017

Net changes in fund balances - total governmental funds	\$	86,276
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay (net of disposed assets)	2,850,697
Depreciation	(600,671)
Extraordinary item - impairment loss	(1,104,480)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	32,305
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The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when it is first issued; whereas, these amounts are deferred and amortized in the Statement of Activities.

Principal repayments	800,000
Accrued interest	408

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	67,355
Change in net pension liability	4,096
Deferred inflows - pensions	123,764
Deferred outflows - pensions	(243,602)

<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b><u>2,016,148</u></b>
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See Notes to Financial Statements.

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**DEWEYVILLE**  
**INDEPENDENT SCHOOL DISTRICT**  
*STATEMENT OF FIDUCIARY NET POSITION*  
*FIDUCIARY FUNDS - EXHIBIT E-1*

August 31, 2017

	Agency Fund <hr/> Student Activity <hr/>
<b><u>Assets</u></b>	
Cash and cash equivalents	\$ 76,430
<b>Total Assets</b>	<hr/> 76,430 <hr/>
<b><u>Liabilities</u></b>	
Due to student groups	76,430
<b>Total Liabilities</b>	<hr/> \$ 76,430 <hr/>

See Notes to Financial Statements.

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**DEWEYVILLE**  
**INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended August 31, 2017

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

Deweyville Independent School District (the “District”) is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven-member Board of Trustees (the “Board”) elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB) and it complies with the requirements of the appropriate version of Texas Education Agency’s (TEA) *Financial Accountability System Resource Guide* (the “Resource Guide”) and the requirements of contracts and grants of agencies from which it receives funds.

The District is an independent political subdivision of the State of Texas governed by the Board elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations and is considered a primary government. As required by Generally Accepted Accounting Principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the District’s financial reporting entity. No other entities have been included in the District’s reporting entity. Additionally, as the District is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

**B. Government-Wide Financial Statements**

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

**C. Basis of Presentation – Government-Wide Financial Statements**

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

**D. Basis of Presentation – Fund Financial Statements**

The fund financial statements provide information about the District’s funds, including its fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental are reported as separate columns in the fund financial statements.

**DEWEYVILLE**  
**INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO FINANCIAL STATEMENTS (Continued)*  
For the Year Ended August 31, 2017

The District reports the following governmental funds:

**General Fund**

The general fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The general fund is always considered a major fund for reporting purposes.

**Debt Service Fund**

The debt service fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest on all long-term debt of the District. The primary source of revenue for debt service is local property taxes. While the debt service fund does not meet the requirements to be considered a major fund, it is reported as such due to its significance.

**Special Revenue Funds**

The special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes other than debt service or capital projects. The restricted proceeds of specific revenue sources comprise a substantial portion of the inflows of these special revenue funds. Most federal and some state financial assistance is accounted for in a special revenue fund.

**Fiduciary Funds**

The fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District has the following type of fiduciary funds:

**Agency Funds**

The agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for the District's student activity funds.

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

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



**DEWEYVILLE**  
**INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO FINANCIAL STATEMENTS (Continued)*  
For the Year Ended August 31, 2017

activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

**E. Measurement Focus and Basis of Accounting**

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

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

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

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

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

**1. Cash and Cash Equivalents**

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

**2. Investments**

Investments, except for certain investment pools, commercial paper, money market funds, and investment contracts, are reported at fair value. The investment pools operate in accordance with

**DEWEYVILLE**  
**INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended August 31, 2017**

appropriate state laws and regulations and are reported at amortized cost. Money market funds, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations and commercial paper that have a remaining maturity of one year or less upon acquisition, are reported at amortized cost. Investments in nonparticipating interest earning contracts, such as certificates of deposits, are reported at cost

The District has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Governmental Code. In summary, the District is authorized to invest in the following:

Direct obligations of the U.S. Government  
Fully collateralized certificates of deposit and money market accounts  
Statewide investment pools and commercial paper

**3. Inventories and Prepaid Items**

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred (i.e., the purchase method). Certain payments to vendors reflect costs applicable to the future accounting period (prepaid expenditures) are recognized as expenditures when utilized.

**4. Capital Assets**

Capital assets, which include land, buildings, furniture, and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful years:

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Buildings and improvements	10 to 40 years
Furniture and equipment	10 to 40 years

**5. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has five items that qualify for reporting in this category on the government-wide Statement of Net Position. Deferred charges have been recognized as a result of differences between the actuarial expectations

**DEWEYVILLE**  
**INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended August 31, 2017**

and the actual economic experience, for the changes in actuarial assumptions, and the changes in proportion and difference between the employer's contributions and the proportionate share of contributions related to the District's defined benefit pension plan. These amounts are deferred and amortized over the average of the expected service lives of pension plan members. Deferred outflows of resources are recognized for the difference between the projected and actual investment earnings on the pension plan assets. This amount is deferred and amortized over a period of five years. A deferred charge has been recognized for employer pension plan contributions that were made subsequent to the measurement date through the end of the District's fiscal year. This amount is deferred and recognized as a reduction to the net pension liability during the measurement period in which the contributions were made.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category in the government-wide Statement of Net Position. Deferred charges have been recognized as a result of differences between the actuarial expectations and the actual economic experience, for the changes in actuarial assumptions, and the changes in proportion and difference between the employer's contributions and the proportionate share of contributions related to the District's defined benefit pension plan. These amounts are deferred and amortized over the average of the expected service lives of pension plan members. At the fund level, the District has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

## **6. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, if material. Bonds payable are reported net of the applicable bond premium or discount.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payment of principal and interest reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable, available financial resources.

The property tax rate is allocated each year between the general and debt service funds. The full amount estimated to be required for debt service on general obligation debt is provided by the tax along with the interest earned in the debt service fund.

**DEWEYVILLE**  
**INDEPENDENT SCHOOL DISTRICT**  
***NOTES TO FINANCIAL STATEMENTS (Continued)***  
**For the Year Ended August 31, 2017**

**7. Net Position Flow Assumption**

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

**8. Fund Balance Flow Assumptions**

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

**9. Fund Balance Policies**

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

Amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact are classified as nonspendable fund balance. Amounts that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions are classified as restricted fund balance.

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

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

**DEWEYVILLE**  
**INDEPENDENT SCHOOL DISTRICT**  
***NOTES TO FINANCIAL STATEMENTS (Continued)***  
**For the Year Ended August 31, 2017**

**10. Estimates**

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

**11. Data Control Codes**

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

**12. Pensions**

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

**G. Revenues and Expenditures/Expenses**

**1. Program Revenues**

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

**2. Property Taxes**

All taxes due to the District on real or personal property are payable at the Office of the Tax Assessor-Collector and may be paid at any time after the tax rolls for the year have been completed and approved, which is no later than October 1. Taxes are due by January 31, and all taxes not paid prior to this date are deemed delinquent and are subject to such penalty and interest.

Property taxes attach as an enforceable lien on property as of January 1 each year. Taxes are levied on October 1 and are payable prior to the next February 1. District property tax revenues are recognized when collected.

**DEWEYVILLE**  
**INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO FINANCIAL STATEMENTS (Continued)*  
For the Year Ended August 31, 2017

**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

Annual budgets are adopted on a basis consistent with GAAP with the exception of the general fund. Therefore, the actual column presented in the budget to actual comparison has been adjusted to the District's budget basis of accounting to provide meaningful comparison of actual results with the budget. The District's budget basis of accounting differs from GAAP basis because of perspective differences. Perspective differences result from the District's use of a sub-fund for FEMA activity as a result of the flood that occurred in 2016. Adjustments necessary to convert results of operations for the general fund for the year ended August 31, 2017 from the budget basis to GAAP basis are presented in the notes to the RSI.

The original budget is adopted by the District prior to the beginning of the year. The legal level of control is the function code stated in the approved budget. Appropriations lapse at the end of the year, excluding capital project budgets.

In accordance with State law and generally accepted accounting standards, the District prepares an annual budget for the general fund, the national school lunch and breakfast program special revenue fund, and the debt service fund. Special revenue funds have budgets approved by the funding agency and are amended throughout the year as required.

During the year, the District amended its budget as required by State law and to reflect current levels of revenue and anticipated expenditures. There were no material changes between the original budget and the final amended budget.

**A. Expenditures in Excess of Appropriations**

For the year, expenditures exceeded appropriations at the legal level of control as follows:

General Fund	
Instructional resources/media services	\$2,210
Debt Service Fund	
Interest	\$1,001

**III. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's investment policy requires funds on deposit at the depository bank to be collateralized. As of year end, checking and time deposits were entirely insured or collateralized with securities as provided by State laws and regulations and FDIC insurance.

*Custodial credit risk – investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the District's investments are held in external investment pools which are not subject to custodial credit risk.

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For the Year Ended August 31, 2017

At year end, the District's investments were as follows:

<u>Investments</u>	<u>Maturity</u>	<u>Amount</u>	<u>Rating</u>
Lone Star Investment Pool	N/A	\$ 4,481,064	AAAm

*Interest rate risk.* In accordance with its investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to five years or less.

**Lone Star**

The Lone Star Investment Pool ("Lone Star") is public funds investment pool created pursuant to the Interlocal Cooperation Act, Texas Government Code, Chapter 791, and the Public Funds Investment Act, Texas Government Code, Chapter 2256. Lone Star is administered by First Public, a subsidiary of the Texas Association of School Boards (TASB), with Standish and American Beacon Advisors managing the investment and reinvestment of Lone Star's assets. State Street Bank provides custody and valuation services to Lone Star. All of the board of trustee's eleven members are Lone Star participants by either being employees or elected officials of a participant. Lone Star has established an advisory board composed of both pool members and non-members. Lone Star is rated AAA by Standard and Poor's. The District is invested in the Government Overnight Fund of Lone Star which seeks to maintain a net asset value of one dollar. Lone Star has 3 different funds: Government Overnight, Corporate Overnight, and Corporate Overnight Plus. Government and Corporate Overnight maintain a net asset value of one dollar and the Corporate Overnight Plus maintains a new asset value of 50 cents.

**DEWEYVILLE**  
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*NOTES TO FINANCIAL STATEMENTS (Continued)*  
For the Year Ended August 31, 2017

**B. Capital Assets**

A summary of changes in capital assets for governmental activities at year end is as follows:

	Beginning Balances*	Increases	(Decreases)**	Ending Balances
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 456,153	\$ -	\$ -	\$ 456,153
<b>Total Capital Assets Not Being Depreciated</b>	<u>456,153</u>	<u>-</u>	<u>-</u>	<u>456,153</u>
Other capital assets:				
Buildings and improvements	22,690,156	2,767,587	(4,116,249)	21,341,494
Furniture and equipment	1,564,262	83,110	(548,298)	1,099,074
<b>Total Other Capital Assets</b>	<u>24,254,418</u>	<u>2,850,697</u>	<u>(4,664,547)</u>	<u>22,440,568</u>
Less accumulated depreciation for:				
Buildings and improvements	(8,664,703)	(549,688)	3,037,057	(6,177,334)
Furniture and equipment	(1,351,196)	(50,983)	523,010	(879,169)
<b>Total Accumulated Depreciation</b>	<u>(10,015,899)</u>	<u>(600,671)</u>	<u>3,560,067</u>	<u>(7,056,503)</u>
Other capital assets, net	14,238,519	2,250,026	(1,104,480)	15,384,065
<b>Governmental Activities Capital Assets, Net</b>	<u>\$ 14,694,672</u>	<u>\$ 2,250,026</u>	<u>\$ (1,104,480)</u>	<u>15,840,218</u>
			Less associated debt	<u>(9,760,000)</u>
			<b>Net Investment in Capital Assets</b>	<u>\$ 6,588,173</u>

\* Beginning balances have been adjusted and restated.

Depreciation was charged to governmental functions as follows:

	<b>Governmental Activities</b>
11 Instruction	\$ 549,174
34 Student (pupil) transportation	39,272
35 Food service	6,371
51 Plant maintenance and operations	5,854
<b>Total Depreciation Expense</b>	<u>\$ 600,671</u>

\*\*See note IV.H and IV.I for additional information related to capital assets.



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For the Year Ended August 31, 2017

**C. Long-Term Debt**

The following is a summary of changes in the District's total governmental long-term liabilities for the year. In general, the District uses the general and debt service funds to liquidate governmental long-term liabilities.

Governmental Activities:	Beginning Balance	Additions	(Reductions)	Ending Balance	Amounts Due Within One Year	Interest Rates
Bonds payables						
General Obligation Debt						
Series 2003	\$ 480,000	\$ -	\$ -	\$ 480,000	\$ -	4.25-6.25%
Series 2010	7,050,000	-	(595,000)	6,455,000	610,000	2.00-4.00%
Maintenance Tax Note						
Series 2016	3,030,000	-	(3,030,000)	-	-	2.48%
Series 2017	-	2,825,000	-	2,825,000	2,825,000	3.35%
	<u>10,560,000</u>	<u>2,825,000</u>	<u>(3,625,000)</u>	<u>9,760,000</u>	<u>3,435,000</u>	
Other liabilities:						
Compensated absences	67,355	-	(67,355)	-	-	
Net pension liability	1,357,071	-	(4,096)	1,352,975	-	
<b>Total Governmental     Activities</b>	<u>\$ 11,984,426</u>	<u>\$ 2,825,000</u>	<u>\$ (3,696,451)</u>	<u>\$ 11,112,975</u>	<u>\$ 3,435,000</u>	
Long-term liabilities due in more than one year				<u>\$ 7,677,975</u>		
*Debt associated with capital assets				<u>\$ 9,760,000</u>		

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

The annual requirements to amortize debt issues outstanding at year end are as follows:

Year Ended Aug 31	General Obligation Debt		
	Principal	Interest	Total Requirements
2018	\$ 610,000	\$ 239,550	\$ 849,550
2019	620,000	224,300	844,300
2020	645,000	205,700	850,700
2021	660,000	186,350	846,350
2022	680,000	166,550	846,550
2023-2027	3,240,000	455,450	3,695,450
2028	480,000	20,400	500,400
	<u>\$ 6,935,000</u>	<u>\$ 1,498,300</u>	<u>\$ 8,433,300</u>

  

Year Ended Aug 31	Maintenance Tax Note		
	Principal	Interest	Total Requirements
2018	\$ 2,825,000	\$ 94,638	\$ 2,919,638

**DEWEYVILLE**  
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For the Year Ended August 31, 2017

During the year, the District refinanced the Deweyville Independent School District Maintenance Tax Note, Taxable Series 2016, in the amount of \$2,825,000. Proceeds from the sale of the note will be used for the costs associated with the flood that occurred in the prior year. See note IV.H. for additional information.

**D. Interfund Transactions**

The interfund balances were as follows:

<u>Due to</u>	<u>Due From</u>	<u>Amount</u>	<u>Purpose</u>
Special revenue funds	General fund	\$ 5,647	Short-term loans
General fund	Special revenue funds	212,383	Short-term loans
	<b>Total</b>	<u><u>\$ 218,030</u></u>	

**E. Operating Leases**

The District entered into several lease agreements with Ramtech Building Systems, Inc. effective August 15, 2016 for the lease of portable buildings. The lease agreements are 36-month terms and will extend through August 15, 2019. The monthly rental payment ranges from \$6,745 to \$9,120. The lease commitment for the District for the fiscal years ending August 31, 2018 and August 31, 2019 are \$355,080 for each year.

**F. Restatement of Net Position**

The District has restated beginning net position due to the disposal of capital assets and associated depreciation at the government-wide level as required by generally accepted accounting principles. The beginning net position was restated as follows:

	<u><b>Governmental Activities</b></u>
Beginning net position - as reported	\$ 10,220,216
Restatement - Capital assets	(353,409)
Restatement - Depreciation	339,843
Beginning net position - restated	<u><u>\$ 10,206,650</u></u>

**IV. OTHER INFORMATION**

**A. 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; and natural disasters for which the District purchases commercial insurance. The District has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

**DEWEYVILLE**  
**INDEPENDENT SCHOOL DISTRICT**  
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For the Year Ended August 31, 2017

**B. Contingent Liabilities**

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors. No claim liabilities are reported at year end.

The Tax Reform Act of 1986 instituted certain arbitrage restrictions consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed, or not performed correctly, it could result in a substantial liability to the District. The District has engaged an arbitrage consultant to perform the calculations in accordance with IRS rules and regulations.

**C. Defined Benefit Pension Plan**

**Teacher Retirement System**

Plan Description

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

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

Pension Plan Fiduciary Net Position

Detailed information about the TRS's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at

# DEWEYVILLE

## INDEPENDENT SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2017

<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.

#### Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3% (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule.

There are no automatic post-employment benefit changes, including automatic cost of living adjustments (COLAs). Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan Description above.

#### Contributions

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

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

<u>Contribution Rates</u>	<u>2016</u>	<u>2017</u>
Member	7.2%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
2017 Employer Contributions	\$ 113,758	
2017 Member Contributions	\$ 105,395	
2017 NECE On-Behalf Contributions	\$ 232,516	

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***NOTES TO FINANCIAL STATEMENTS (Continued)***  
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Contributors to the plan include members, employers, and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools, and state agencies including TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the GAA.

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities, or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational, and general or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50 percent of the state contribution rate for certain instructional or administrative employees and 100 percent of the state contribution rate for all other employees.

In addition to the employer contributions listed above, there are two additional surcharges an employer is subject to:

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

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*NOTES TO FINANCIAL STATEMENTS (Continued)*  
For the Year Ended August 31, 2017

Actuarial Assumptions

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

Valuation date	August 31, 2016
Actuarial cost method	Individual entry age normal
Asset valuation method	Market value
Single discount rate	8.0%
Long-term expected investment rate of return	8.0%
Inflation	2.5%
Salary increases including inflation	3.5% to 9.5%
Payroll growth rate	2.5%
Benefit changes during the year	None
Ad hoc post-employment benefit changes	None

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

Discount Rate

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

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*NOTES TO FINANCIAL STATEMENTS (Continued)*  
For the Year Ended August 31, 2017

Best estimates of geometric real rates of return for each major asset class included in the system's target asset allocation as of August 31, 2016 are summarized below:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Geometric Real Rate of Return</b>	<b>Expected Contribution to Long-Term Portfolio Returns*</b>
<b>Global Equity</b>			
U.S.	18.0%	4.6%	1.0%
Non-U.S. Developed	13.0%	5.1%	0.8%
Emerging Markets	9.0%	5.9%	0.7%
Directional Hedge Funds	4.0%	3.2%	0.1%
Private Equity	13.0%	7.0%	1.1%
<b>Stable Value</b>			
U.S. Treasuries	11.0%	0.7%	0.1%
Absolute Return	0.0%	1.8%	0.0%
Hedge Funds (Stable Value )	4.0%	3.0%	0.1%
Cash	1.0%	-0.2%	0.0%
<b>Real Return</b>			
Global Inflation Linked Bonds	3.0%	0.9%	0.0%
Real Assets	16.0%	5.1%	1.1%
Energy and Natural Resources	3.0%	6.6%	0.2%
Commodities	0.0%	1.2%	0.0%
<b>Risk Parity</b>			
Risk Parity	5.0%	6.7%	0.3%
Inflation Expectation	0.0%		2.2%
Alpha	0.0%		1.0%
<b>Total</b>	<b>100%</b>		<b>8.7%</b>

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

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the net pension liability if the discount rate used was one percent less than and one percent greater than the discount rate that was used (8.0%) in measuring the net pension liability.

	<b>1% Decrease in Discount Rate (7%)</b>	<b>Discount Rate (8%)</b>	<b>1% Increase in Discount Rate (9%)</b>
District's proportionate share of the net pension liability	\$ 2,093,950	\$ 1,352,975	\$ 724,479

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*NOTES TO FINANCIAL STATEMENTS (Continued)*  
For the Year Ended August 31, 2017

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

At August 31, 2017, the District reported a liability of \$1,352,975 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 1,352,975
State's proportionate share that is associated with the District	<u>2,759,931</u>
<b>Total</b>	<u><u>\$ 4,112,906</u></u>

The net pension liability was measured as of August 31, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2014 through August 31, 2015.

At August 31, 2016, the District's proportion of the collective net pension liability was 0.0035804 percent, which was a decrease of 0.0002588 percent from its proportion measured as of August 31, 2015.

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

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

For the year ended August 31, 2017, the District recognized pension expense of \$286,415 and revenue of \$286,415 for support provided by the State.



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*NOTES TO FINANCIAL STATEMENTS (Continued)*  
For the Year Ended August 31, 2017

At August 31, 2017, 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:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual economic experience	\$ 21,214	\$ (40,399)
Changes in actuarial assumptions	41,236	(37,503)
Difference between projected and actual investment earnings	114,567	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	214,855	(31,598)
Contributions paid to TRS subsequent to the measurement date	116,083	-
<b>Total</b>	<b>\$ 507,955</b>	<b>\$ (109,500)</b>

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

<b>Year Ended August 31:</b>	<b>Pension Expense</b>
2018	\$ 48,962
2019	48,962
2020	122,039
2021	43,349
2022	21,743
Thereafter	(2,683)
<b>Total</b>	<b>\$ 282,372</b>

**D. Retiree Health Care Plan**

Plan Description

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

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 1.00 percent and 0.65 percent of public school payroll,

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respectively, with school districts contributing a percentage of payroll set at 0.55 percent for fiscal years 2017, 2016, and 2015. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25 percent or greater than 0.75 percent of the salary of each active employee of the public school. For the years ended August 31, 2017, 2016, and 2015, the State's contributions to TRS-Care were \$45,450, \$44,297, and \$38,295, respectively; the active member contributions were \$24,520, \$26,126, and \$26,387, respectively; and the District's contributions were \$20,748, \$22,107, and \$22,328, respectively; which equaled the required contributions each year.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for TRS-Care to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2017, 2016, and 2015, the subsidy payments received by TRS-Care on behalf of the District were \$11,379, \$16,124, and \$16,647, respectively.

**E. Employee Health Care Coverage**

During the year, employees of the District were covered by a health insurance plan (the "Plan"). The District paid premiums of \$179 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement. The contract between the District and the insurer is renewable September 1, 2017 and terms of coverage and premiums costs are included in the contractual provisions.

**F. Workers' Compensation Insurance**

During the year ended August 31, 2017, the District met its workers' compensation obligations through participation in the Deep East Texas Self-Insurance Fund (the "Fund"), a public entity risk pool, which is self-sustained through member contributions. The Fund reinsures to statutory limits through commercial companies for claims in excess \$1,000,000. The Fund contracts with independent actuaries to determine the adequacy of reserves and fully funds those reserves.

The members of the Fund have no known premium liabilities for workers' compensation coverage in excess of their contracted annual premium. However, if the assets of the Fund were to be exhausted, members would be liable for their portion of the Fund's liabilities. This would indicate that members would be contingently liable for the portion of the liability applicable to their political entity. Independent auditors conduct a financial audit at the close of each plan year and, as of the most recent audit, the Fund has adequate assets to more than cover 100 percent of all liabilities.

**G. Unemployment Compensation**

During the year ended August 31, 2017, 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.

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**For the Year Ended August 31, 2017**

All members participating in the Fund execute interlocal agreements that define the responsibilities of the parties.

**H. Sabine River Flood**

On Tuesday, March 15, 2016, the Sabine River crested at 35 and half feet. This resulted in historic flooding in the District's boundaries completely submerging the elementary school and all equipment on the premises. Efforts are ongoing to determine the full extent of damage and exact amount of devastation. Current projections indicate the cost of the flood damage is in excess of \$5,000,000.

The District received approximately \$1,000,000 in insurance proceeds. The Federal Emergency Management Agency (FEMA) has already paid the District approximately \$3.3 million under various grant programs and more funds are anticipated to be reimbursed based on expenses incurred to date. However, some additional expenses have yet to be incurred. It is anticipated that FEMA will pay only 75 percent of expenses incurred. The remaining 25 percent shall be covered by the District. While many of these expenditures incurred by the District are expected to be reimbursed by FEMA, it has been the experience of other local governments in the area that application of policies and procedures has varied and the exact amount that will be recovered is unknown. In addition, as costs are still being incurred, the exact cost cannot be determined. Management of the District has estimated the damages incurred, the insurance proceeds remaining, and the amounts it anticipates to recover from FEMA. However, the amount ultimately expended by the District, received from insurance proceeds, and paid by FEMA could vary significantly.

A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. As a result of the flood, the District's capital assets have sustained impairment. The District has estimated an impairment loss of \$1,104,480. This amount is the net effect of removing \$4,524,006 of capital assets, less accumulated depreciation of \$3,419,526. The District currently has capital assets that were impaired that were idle at year end. The carrying amount of these assets is \$1,132,004, excluding related depreciation.

**I. Hurricane Harvey**

On Wednesday, August 30, 2017, Hurricane Harvey made its second land fall off the coast of Texas as a tropical storm moving slowly across southeast Texas. The Sabine river in Deweyville crested at an estimated 31 and a half feet, which is nearly 3 feet lower than the widespread flooding in March 2016, and flooded the City of Deweyville. Efforts are ongoing to determine the full extent of damage and exact amount of devastation. As a result of the flood, the District's capital assets have sustained impairment. The District lost vehicles, which had an estimated cost value of \$140,541 and accumulated depreciation of \$140,541.

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***REQUIRED SUPPLEMENTARY INFORMATION***

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**DEWEYVILLE**  
**INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND - EXHIBIT G-1 (BUDGET BASIS)**  
For the Year Ended August 31, 2017

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
Revenues					
5700	Local, intermediate, and out-of-state	\$ 5,724,795	\$ 5,753,707	\$ 5,946,364	\$ 192,657
5800	State program revenues	659,229	659,229	706,041	46,812
5900	Federal program revenues	60,000	60,000	81,305	21,305
5020	Total Revenues	6,444,024	6,472,936	6,733,710	260,774
Expenditures					
0011	Instruction	3,122,241	3,120,741	3,050,690	70,051
0012	Instructional resources/media services	99,064	99,064	101,274	(2,210) *
0013	Curriculum and staff development	79,769	80,769	78,669	2,100
0023	School leadership	246,277	255,027	254,619	408
0031	Guidance, counseling, and				
0031	evaluation services	132,794	112,190	86,901	25,289
0033	Health services	89,904	91,694	90,417	1,277
0034	Student (pupil) transportation	283,563	351,057	349,396	1,661
0035	Food service	-	3,594	3,593	1
0036	Extracurricular activities	273,586	294,650	290,479	4,171
0041	General administration	342,204	374,144	372,323	1,821
0051	Plant maintenance and operations	759,531	762,531	714,518	48,013
0052	Security and monitoring services	1,500	1,500	1,289	211
0053	Data processing services	91,172	91,172	66,004	25,168
Capital outlay:					
0081	Facilities acquisition and construction	-	9,300	9,294	6
Intergovernmental:					
0091	Contracted instructional services				
0091	between schools	514,419	417,502	72,143	345,359
0099	Other intergovernmental charges	350,000	350,000	349,632	368
6030	Total Expenditures	6,386,024	6,414,936	5,891,241	523,695
1200	Net Change in Fund Balance	\$ 58,000	\$ 58,000	842,469	\$ 784,469
0100	Beginning fund balance			3,483,681	

Notes to Required Supplementary Information:

1. Reconciliation to Ending Fund Balance (GAAP Basis)

FEMA revenue	3,063,231
FEMA expenditures	(3,629,077)
Loan proceeds	2,825,000
Payment to bond escrow agent	(2,825,000)
Principal payment	(205,000)
Interest payment	(74,935)
Bond issuance costs	(25,000)
<b>Net Change in Fund Balance</b>	<u>(870,781)</u>
Beginning fund balance	2,762,847
<b>Ending Fund Balance</b>	<u>\$ 6,218,216</u>

2. \*Expenditures exceeded appropriations at the legal level of control.

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**DEWEYVILLE**  
**INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE*  
*OF THE NET PENSION LIABILITY*  
**TEACHER RETIREMENT SYSTEM OF TEXAS (TRS) - EXHIBIT G-2**  
For the Year Ended August 31, 2017

	Measurement Year*		
	2016	2015	2014
District's proportion of the net pension liability (asset)	0.0035804%	0.0038391%	0.0027062%
District's proportionate share of the net pension liability (asset)	\$ 1,352,975	\$ 1,357,071	\$ 722,864
State's proportionate share of the net pension liability (asset) associated with the District	2,759,931	2,675,366	2,375,420
<b>Total</b>	<b>\$ 4,112,906</b>	<b>\$ 4,032,437</b>	<b>\$ 3,098,284</b>
District's covered employee payroll**	\$ 4,019,400	\$ 4,063,726	\$ 4,059,610
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	33.66%	33.39%	17.81%
Plan fiduciary net position as a percentage of the total pension liability	78.00%	78.43%	83.25%

\* Only three years' worth of information is currently available.

**Notes to Required Supplementary Information**

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

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

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**DEWEYVILLE**  
**INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF DISTRICT CONTRIBUTIONS*  
**TEACHER RETIREMENT SYSTEM OF TEXAS (TRS) - EXHIBIT G-3**  
For the Year Ended August 31, 2017

	Fiscal Year *		
	2017	2016	2015
Contractually required contribution	\$ 116,082	\$ 117,260	\$ 113,677
Contributions in relations to the contractually required contribution	116,082	117,260	113,677
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 3,772,323	\$ 4,019,400	\$ 4,063,726
Contributions as a percentage of covered employee payroll	3.08%	2.92%	2.80%

\* Only three years' worth of information is currently available.

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***OTHER SUPPLEMENTARY  
INFORMATION***

**DEWEYVILLE**  
**INDEPENDENT SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS - EXHIBIT H-1**  
August 31, 2017

		211	224	225	240
Data					National School
Control		ESEA Title I	IDEA - Part B	IDEA - Part B	Breakfast and
Codes		Part A	Formula	Preschool	Lunch
					Program
<b><u>Assets</u></b>					
1110	Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 69,068
1240	Due from other governments	65,243	119,390	6,018	5,855
1260	Due from other funds	-	-	-	-
1300	Inventories	-	-	-	24,776
1000	<b>Total Assets</b>	<u>\$ 65,243</u>	<u>\$ 119,390</u>	<u>\$ 6,018</u>	<u>\$ 99,699</u>
<b><u>Liabilities</u></b>					
2110	Accounts payable	\$ -	\$ -	\$ -	\$ 1,972
2160	Accrued wages payable	5,846	4,658	-	3,437
2170	Due to other funds	58,802	114,665	6,018	7,385
2200	Accrued expenditures	595	67	-	69
2000	<b>Total Liabilities</b>	<u>65,243</u>	<u>119,390</u>	<u>6,018</u>	<u>12,863</u>
<b><u>Fund Balances</u></b>					
Nonspendable:					
3410	Inventories	-	-	-	24,776
Restricted:					
3450	Federal/state funds grant restrictions	-	-	-	62,060
3000	<b>Total Fund Balances</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>86,836</u>
4000	<b>Total Liabilities and Fund Balances</b>	<u>\$ 65,243</u>	<u>\$ 119,390</u>	<u>\$ 6,018</u>	<u>\$ 99,699</u>

255	270	410	429	Total Nonmajor Governmental Funds
ESEA Title II Part A	Rural and Low Income School	State Textbook	Literacy Achievement	
\$ -	\$ -	\$ 656	\$ 1,006	\$ 70,730
10,547	11,763	-	350	219,166
-	131	5,516	-	5,647
-	-	-	-	24,776
<u>\$ 10,547</u>	<u>\$ 11,894</u>	<u>\$ 6,172</u>	<u>\$ 1,356</u>	<u>\$ 320,319</u>
\$ -	\$ -	\$ 3,109	\$ -	\$ 5,081
-	-	-	-	13,941
10,547	11,894	3,063	9	212,383
-	-	-	-	731
<u>10,547</u>	<u>11,894</u>	<u>6,172</u>	<u>9</u>	<u>232,136</u>
-	-	-	-	24,776
-	-	-	1,347	63,407
-	-	-	1,347	88,183
<u>\$ 10,547</u>	<u>\$ 11,894</u>	<u>\$ 6,172</u>	<u>\$ 1,356</u>	<u>\$ 320,319</u>

**DEWEYVILLE**  
**INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS - EXHIBIT H-2**  
For the Year Ended August 31, 2017

Data Control Codes		211	224	225	240
		ESEA Title I Part A	IDEA - Part B Formula	IDEA - Part B Preschool	National School Breakfast and Lunch Program
	<b>Revenues</b>				
5700	Local, intermediate, and out-of-state	\$ -	\$ -	\$ -	\$ 55,291
5800	State program revenues	-	-	-	6,714
5900	Federal program revenues	144,377	179,506	6,018	225,670
5020	<b>Total Revenues</b>	<u>144,377</u>	<u>179,506</u>	<u>6,018</u>	<u>287,675</u>
	<b>Expenditures</b>				
0011	Instruction	144,002	104,885	6,018	-
0013	Curriculum and staff development	375	1,000	-	-
0023	School leadership	-	1,450	-	-
0031	Guidance, counseling, and				
0031	evaluation services	-	72,171	-	-
0035	Food service	-	-	-	229,847
0053	Data processing services	-	-	-	-
6030	<b>Total Expenditures</b>	<u>144,377</u>	<u>179,506</u>	<u>6,018</u>	<u>229,847</u>
1200	<b>Net Change in Fund Balances</b>	-	-	-	57,828
0100	Beginning fund balances	-	-	-	29,008
3000	<b>Ending Fund Balances</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 86,836</u>



255	270	410	429	Total Nonmajor Governmental Funds
ESEA Title II Part A	Rural and Low Income School	State Textbook	Literacy Achievement	
\$ -	\$ -	\$ -	\$ -	\$ 55,291
-	-	39,002	3,250	48,966
32,083	35,394	-	-	623,048
32,083	35,394	39,002	3,250	727,305
12,501	-	39,002	2,253	308,661
19,582	-	-	-	20,957
-	-	-	-	1,450
-	-	-	-	72,171
-	-	-	-	229,847
-	35,394	-	-	35,394
32,083	35,394	39,002	2,253	668,480
-	-	-	997	58,825
-	-	-	350	29,358
\$ -	\$ -	\$ -	\$ 1,347	\$ 88,183

**DEWEYVILLE**  
**INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF DELINQUENT TAXES RECEIVABLE - EXHIBIT J-1*  
For the Year Ended August 31, 2017

	1	2	3
	Tax Rates		Net Assessed/ Appraised Value For School Tax Purposes
<u>Last Ten Years</u>	<u>Maintenance</u>	<u>Debt Service</u>	
2008 and prior	Various	Various	Various
2009	\$ 1.0400	\$ 0.2500	\$ 404,071,783
2010	\$ 1.0400	\$ 0.2500	\$ 399,986,589
2011	\$ 1.0400	\$ 0.2500	\$ 414,482,946
2012	\$ 1.0400	\$ 0.2500	\$ 518,403,411
2013	\$ 1.0400	\$ 0.1732	\$ 521,704,336
2014	\$ 1.0400	\$ 0.2025	\$ 561,460,765
2015	\$ 1.0400	\$ 0.2057	\$ 554,190,415
2016	\$ 1.0400	\$ 0.2057	\$ 535,762,629
2017	\$ 1.0400	\$ 0.1550	\$ 561,051,554
1000 Totals			

10	20	31	32	40	50
Beginning Balance 8/31/16	Current Year's Total Levy	Maintenance Total Collected	Debt Service Total Collected	Entire Year's Adjustments	Ending Balance 8/31/17
\$ 109,046	\$ -	\$ 2,594	\$ 263	\$ (22,914)	\$ 83,275
14,139	-	1,191	286	-	12,661
15,716	-	1,315	316	-	14,085
17,904	-	1,589	382	-	15,932
22,327	-	829	199	(101)	21,198
30,110	-	3,409	568	(146)	25,988
43,223	-	5,635	1,097	(1,432)	35,058
70,381	-	17,457	3,453	(22)	49,450
106,117	-	31,604	6,516	(419)	67,578
-	6,704,566	5,729,157	868,281	-	107,128
<u>\$ 428,963</u>	<u>\$ 6,704,566</u>	<u>\$ 5,794,781</u>	<u>\$ 881,361</u>	<u>\$ (25,034)</u>	<u>\$ 432,353</u>

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**DEWEYVILLE**  
**INDEPENDENT SCHOOL DISTRICT**  
*BUDGETARY COMPARISON SCHEDULE*  
**NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM - EXHIBIT J-2**  
For the Year Ended August 31, 2017

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
	<b>Revenues</b>				
5700	Local, intermediate, and out-of-state	\$ 91,000	\$ 91,000	\$ 55,291	\$ (35,709)
5800	State program revenues	9,515	9,515	6,714	(2,801)
5900	Federal program revenues	212,500	212,500	225,670	13,170
5020	<b>Total Revenues</b>	<u>313,015</u>	<u>313,015</u>	<u>287,675</u>	<u>(25,340)</u>
	<b>Expenditures</b>				
0035	Food service	<u>313,015</u>	<u>313,015</u>	<u>229,847</u>	<u>83,168</u>
6030	<b>Total Expenditures</b>	<u>313,015</u>	<u>313,015</u>	<u>229,847</u>	<u>83,168</u>
1200	<b>Net Change in Fund Balance</b>	-	-	57,828	57,828
0100	Beginning fund balance	29,008	29,008	29,008	-
3000	<b>Ending Fund Balance</b>	<u>\$ 29,008</u>	<u>\$ 29,008</u>	<u>\$ 86,836</u>	<u>\$ 57,828</u>

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**DEWEYVILLE**  
**INDEPENDENT SCHOOL DISTRICT**  
*BUDGETARY COMPARISON SCHEDULE*  
*DEBT SERVICE FUND - EXHIBIT J-3*  
For the Year Ended August 31, 2017

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
<u>Revenues</u>					
5700	Local, intermediate, and out-of-state	\$ 847,937	\$ 847,937	\$ 892,188	\$ 44,251
5800	State program revenues	-	-	12,513	12,513
5020	Total Revenues	847,937	847,937	904,701	56,764
<u>Expenditures</u>					
Debt service:					
0071	Principal	595,000	595,000	595,000	-
0072	Interest	252,937	252,937	253,938	(1,001) *
6030	Total Expenditures	847,937	847,937	848,938	(1,001)
1200	Net Change in Fund Balance	-	-	55,763	55,763
0100	Beginning fund balance	442,155	442,155	442,155	-
3000	Ending Fund Balance	\$ 442,155	\$ 442,155	\$ 497,918	\$ 55,763

\*Expenditures exceeded appropriations at the legal level of control.

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***FEDERAL AWARDS AND OTHER COMPLIANCE SECTION***

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

January 8, 2018

To the Board of Trustees of  
Deweyville Independent School District:

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 Deweyville Independent School District (the "District"), as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 8, 2018.

**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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, that we consider to be significant deficiencies. We consider the deficiency 2017-001 described in the accompanying schedule of findings and questioned costs to be a significant deficiency.

### **Compliance and Other Matters**

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

### **District's Response to Findings**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

*BELT HARRIS PECHACEK, LLP*

Belt Harris Pechacek, LLP  
*Certified Public Accountants*  
Houston, Texas



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

January 8, 2018

To the Board of Trustees of  
Deweyville Independent School District:

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

We have audited Deweyville Independent School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2017. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditors' 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, 2017.

## **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 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.

*BELT HARRIS PECHACEK, LLP*

Belt Harris Pechacek, LLP  
Certified Public Accountants  
Houston, Texas

**DEWEYVILLE**  
**INDEPENDENT SCHOOL DISTRICT**  
*SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS*  
For the Year Ended August 31, 2017

**A. SUMMARY OF PRIOR YEAR AUDIT FINDINGS**

No prior year findings.

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**DEWEYVILLE**  
**INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended August 31, 2017

**A. SUMMARY OF AUDIT RESULTS**

1. The auditors' report expresses an unmodified opinion on the financial statements of Deweyville Independent School District (the "District").
2. Significant deficiencies in internal control were disclosed by the audit of the basic financial statements.
3. No instances of noncompliance material to the financial statements were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over major federal award programs were disclosed by the audit.
5. The auditors' report on compliance for the major federal award programs expresses an unmodified opinion.
6. No audit findings relative to the major federal award programs for the District are reported in Part C of this schedule.
7. The programs included as major programs are:

<u>CFDA Numbers</u>	<u>Name of Federal Program</u>
97.036	Disaster Grants

8. The threshold for distinguishing Type A and B programs was \$750,000.
9. The District did qualify as a low-risk auditee.

**B. FINDINGS – BASIC FINANCIAL STATEMENT AUDIT**

***Significant Deficiency:***

**2017-001. CAPITAL ASSET RECONCILIATION PROCEDURES**

**Condition**

The District contracts with a third party, RCI, to maintain a detailed record of capital assets and corresponding depreciation. The District is responsible for supplying annual changes to RCI for any capital asset additions and disposals. The capital asset subsidiary schedule maintained for financial reporting purposes did not reconcile to capital assets reported by the third party.

**Cause**

It does not appear that the District has procedures to reconcile capital asset balances maintained for financial reporting purposes to detailed subsidiary ledgers.

### **Recommendation**

The District should perform a detailed review of their capital assets and ensure that they report all capital changes to RCI. The District should modify its capital asset procedures to include a reconciliation process to the schedule maintained for financial reporting. The procedures should include an examination to check for existence and valuation. Any differences identified in the process should be appropriately adjusted as needed.

### **Management's Corrective Action Plan**

The District will perform a detailed review of their capital assets and ensure that they report all capital changes to RCI. The District will modify its capital asset procedures to include a reconciliation process to the schedule maintained for financial reporting. The procedures will include an examination to check for existence and valuation. Any differences identified in the process will be appropriately adjusted as needed.

### **C. FINDINGS – FEDERAL AWARDS**

*None Noted*

**DEWEYVILLE**  
**INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - EXHIBIT K-1**  
For the Year Ended August 31, 2017

(1)	(2)	(2A)	(3)
Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed Through State Department of Education</i>			
ESEA Title I, Part A	84.010	17610101176903	\$ 144,377
ESEA, Title II, Part A	84.367	17694501176903	32,083
Special Education Cluster (IDEA) Cluster:			
IDEA B, Formula Grant*	84.027	176600011769036000	179,506
IDEA B, Preschool*	84.173	176610011769036000	6,018
<i>Direct Award</i>			
Rural School Achievement Program	84.358	S358A165039	35,394
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<b>397,378</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through State Department of Education</i>			
Child Nutrition Cluster:			
School Breakfast Program*	10.553	71401701	61,716
National School Lunch*	10.555	71301701	142,803
USDA Commodities	10.565	084-902	21,151
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<b>225,670</b>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
<i>Passed Through Texas Division of Emergency Management</i>			
Disaster Grants	97.036	PA-06-TX-4266	3,063,231
<b>TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY</b>			<b>3,063,231</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 3,686,279</b>

\* Indicates clustered program under OMB Compliance Supplement

The accompanying notes are an integral part of this schedule.

Federal revenue per SEFA	\$ 3,686,279
SHARS	81,305
C-2 Federal revenue	<b>\$ 3,767,584</b>

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**DEWEYVILLE**  
**INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended August 31, 2017

**NOTE 1: BASIS OF ACCOUNTING**

The accompanying schedule of expenditures of federal awards (the “schedule”) includes the federal grant activity of Deweyville Independent School District, and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE 2: INDIRECT COST RATE**

The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.



**DEWEYVILLE**  
**INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF REQUIRED RESPONSES TO*  
**SELECTED SCHOOL FIRST INDICATORS - EXHIBIT L-1**  
For the Year Ended August 31, 2017

<u>Data Control Codes</u>		<u>Responses</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	What was the total accumulated accretion on capital appreciation bonds included in the government-wide financial statements at fiscal year end?	\$ -
SF11	Net Pension Assets (1920) at fiscal year-end.	\$ -
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$ 1,352,975

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