

ARANSAS PASS INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2016

Aransas Pass Independent School District
Annual Financial Report
For The Year Ended August 31, 2016

TABLE OF CONTENTS

	Page	Exhibit
INTRODUCTORY SECTION		
Certificate of Board.....	1	
FINANCIAL SECTION		
Independent Auditor's Report.....	2	
Management's Discussion and Analysis (Required Supplementary Information).....	5	
<u>Basic Financial Statements</u>		
Government-wide Financial Statements:		
Statement of Net Position.....	12	A-1
Statement of Activities.....	13	B-1
Fund Financial Statements:		
Balance Sheet - Governmental Funds.....	15	C-1
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Position.....	16	C-1R
Statement of Revenues, Expenditures, and Changes in		
Fund Balances - Governmental Funds.....	17	C-2
Reconciliation of the Statement of Revenues, Expenditures, and Changes in		
Fund Balances of Governmental Funds to the Statement of Activities.....	18	C-3
Statement of Net Position - Proprietary Funds.....	19	D-1
Statement of Revenues, Expenses, and Changes in		
Fund Net Position - Proprietary Funds.....	20	D-2
Statement of Cash Flows - Proprietary Funds.....	21	D-3
Statement of Fiduciary Net Position - Fiduciary Funds.....	22	E-1
Statement of Changes in Fiduciary Net Position - Fiduciary Funds.....	23	E-2
Notes to the Financial Statements	24	
<u>Required Supplementary Information</u>		
Budgetary Comparison Schedules:		
General Fund.....	25	G-1
Schedule of the District's Proportionate Share of the		
Net Pension Liability - Teacher Retirement System Of Texas Pension Plan.....	26	G-2
Schedule of District's Contributions - Teacher Retirement System Of Texas.....	45	G-3
Notes to Required Supplementary Information.....	43	
<u>Combining Statements as Supplementary Information:</u>		
Combining Balance Sheet - All Nonmajor Governmental Funds.....	48	H-1
Combining Statement of Revenues, Expenditures and Changes in		
Fund Balances - All Nonmajor Governmental Funds.....	49	H-2

Aransas Pass Independent School District
Annual Financial Report
For The Year Ended August 31, 2016

TABLE OF CONTENTS

	Page	Exhibit
Special Revenue Funds:		
Combining Balance Sheet - Nonmajor Special Revenue Funds.....	50	H-3
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds.....	54	H-4
Enterprise Funds:		
Combining Statement of Net Position - Nonmajor Enterprise Funds.....	58	H-5
Combining Statement of Revenues, Expenses and Changes in Fund Net Position - Nonmajor Enterprise Funds.....	59	H-6
Combining Statement of Cash Flows - Nonmajor Enterprise Funds.....	60	H-7
OTHER SUPPLEMENTARY INFORMATION SECTION		
Schedule of Delinquent Taxes Receivable.....	61	J-1
Budgetary Comparison Schedules Required by the Texas Education Agency:		
National School Breakfast and Lunch Program.....	63	J-2
Debt Service Fund.....	64	J-3
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	65	
Report on Compliance for Each Major Program and on Internal Control over Compliance Required by Title 2 CFR Part 200 (Uniform Guidance).....	67	
Schedule of Findings and Questioned Costs	69	
Summary Schedule of Prior Audit Findings.....	70	
Corrective Action Plan.....	71	
Schedule of Expenditures of Federal Awards	72	K-1
Notes to the Schedule of Expenditures of Federal Awards.....	74	
Schedule of Required Responses to Selected School First Indicators.....	75	K-2

Introductory Section

CERTIFICATE OF BOARD

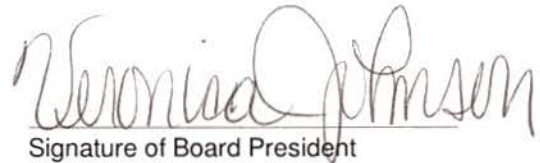
Aransas Pass Independent School District
Name of School District

San Patricio
County

205-901
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, 2016, at a meeting of the board of trustees of such school district on the 12th day of December, 2016.


Signature of Board Secretary


Signature of Board President

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

Financial Section

MICHAEL A. ARNOLD, PLLC
Certified Public Accountant
501 E MARKET
ROCKPORT, TEXAS
361-729-3545

Independent Auditor's Report

To the Board of Trustees
Aransas Pass Independent School District
P.O. Box 1016
Aransas Pass, Texas 78335-1016

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Aransas Pass Independent School District ("the District") as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Other Information

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

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

The introductory section has 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 it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2016 on our consideration of Aransas Pass Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on

internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Aransas Pass Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in black ink that reads "Michael A. Arnold, PLLC". The signature is written in a cursive, flowing style.

Michael A. Arnold, PLLC

Rockport, TX
December 8, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

FINANCIAL HIGHLIGHTS

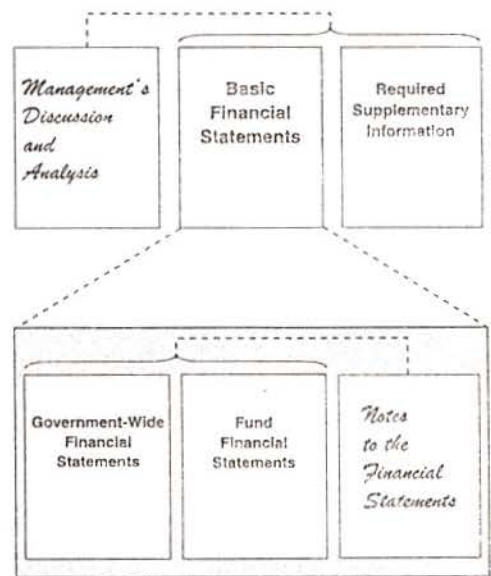
- The District's total combined net assets were 18,957,910 at August 31, 2016.
- During the year, the District's expenses were \$5,678 less than the \$19,089,917 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs was \$19,117,836 compared to \$18,204,309 in 2015.
- The general fund reported a fund balance this year of \$7,125,352.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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



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

Summary ← → Detail

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

Government-wide Statements

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

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

Type of Statements	Fund Statements			
	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the district that are not proprietary or fiduciary	Activities the district operates similar to private businesses; self insurance	Instances in which the district is the trustee or agent for someone else's resources
Required financial statements	• Statement of net assets	• Balance sheet	• Statement of net assets	• Statement of fiduciary net assets
	• Statement of activities	• Statement of revenues, expenditures & changes in fund balances	• Statement of revenues, expenses and changes in fund net assets • Statement of cash flows	• Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

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

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

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

Fund Financial Statements

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

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

The District has the following kinds of funds:

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

- We use *internal service funds* to report activities of the District's self funded insurance program.
- *Fiduciary funds*—The District is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets. The District's combined net assets were \$18,803,304 at August 31, 2016. (See Table A-1).

Table A-1
Aransas Pass Independent School District's Net Assets
(In millions of dollars)

	Governmental Activities (1)		Percentage Change 2016-2015
	<u>2016</u>	<u>2015</u>	
Current assets:			
Cash and cash equivalents	8.8	7.2	22.2
Property Taxes Receivable	.5	.5	-
Due from other governments	.4	1.0	-60
Other	-	-	-
Total current assets:	9.7	8.7	11.4
Noncurrent assets:			
Capital Assets	30.7	30.4	.9
Less accumulated depreciation	15.3	14.6	4.7
Total capital assets	15.4	15.8	-2.5
Total Assets	25.1	24.5	2.4
Deferred Outflows of Resources	2.4	0.2	1100
Current liabilities:			
Accounts payable and Accrued liabilities	.6	.6	-
Due to other governments	-	-	-
Unearned revenue	.4	-	-
Bonds payable – current	.4	.3	33.3
Total current liabilities	1.4	.9	55.5
Long-term liabilities:			
Bonds payable & other	2.6	2.9	-10.3
Net Pension Liability	3.8	1.8	111.1
Total Liabilities	7.8	5.6	39.2
Deferred Inflows of Resources	.8	.5	60.0
Net Assets:			
Invested in capital assets	12.5	12.7	--1.5
Restricted	.5	.8	-37.5
Unrestricted	5.9	5.1	15.6
Total Net Assets	18.9	18.6	1.6

(1) Net Assets are presented in millions of dollars. Enterprise fund net assets, revenues and expenditures are all less than \$30,000 for 2016 and 2015. Those amounts would normally be presented in a separate column in the above table. Since the amounts that would be presented would all be zeros, the column for the enterprise fund has been omitted from the above table.

The \$5.9 of unrestricted net asset represents resources available to fund the programs of the District next year.

Changes in net assets. The District's total revenues were \$19,089,917. A significant portion, 39.0%, of the District's revenue comes from taxes. (See Figure A-2.) 58.7% comes from state aid – formula grants, while only 2.3 percent relates to charges for services.

The total cost of all programs and services was \$19,117,836. 79.5% percent of these costs are for instructional and student services.

Governmental Activities

Table A-2
Changes in Aransas Pass Independent School District's Net Assets
(In millions of dollars)

	Governmental Activities (2)		Total Percentage Change
	2016	2015	2016-2015
Program Revenues:			
Charges for Services	.4	.5	-20.
Operating Grants and Contributions	3.6	3.3	9
Capital Grants and Contributions			
General Revenues			
Property Taxes	7.4	7.0	5.7
State Aid – Formula	7.6	7.5	1.3
Investment Earnings	-	-	-
Other	-	-	-
Total Revenues	19.0	18.3	3.8
Instruction	9.9	9.2	7.6
Instructional Resources and Media Services	.3	.3	-
Curriculum Dev. And Instructional Staff Dev.	.1	.1	-
Instructional Leadership	.3	.3	-
School Leadership	1.1	1.0	10
Guidance, Counseling and Evaluation Services	.7	.6	16.6
Health Services	.3	.3	-
Student (Pupil) Transportation	.5	.6	-16.6
Food Services	1.2	1.2	-
Curricular/Extracurricular Activities	.8	.8	-
General Administration	.8	.8	-
Facilities Maintenance & Oper.	2.4	2.5	-4
Security & Monitoring Svcs.	-	-	-
Data Processing Services	.4	.3	33.3
Debt Services	.1	.1	-
Other	.1	.1	-
Total Expenses	19.0	18.2	4.3
Increase (Decrease) in Net Assets	-	0.1	-

- (2) Amounts are presented in millions of dollars. Enterprise fund net assets, revenues and expenditures are all less than \$40,000 for 2016 and 2015. Those amounts would normally be presented in a separate column in the above table. Since the amounts that would be presented would all be zeros, the column for the enterprise fund has been omitted from the above table.

- Property tax rates remained the same in 2016 at \$1.07138 per \$100

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

- The cost of all *governmental* activities this year was \$18,204,309.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$6,931,693.
- Some of the cost was paid by those who directly benefited from the programs \$546,691 or
- By grants and contributions \$10,807,040.

Table A-3
Net Cost of Selected District Functions
(in millions of dollars)

	Total Cost of Services		% Change	Net Cost of Services		% Change
	<u>2016</u>	<u>2015</u>		<u>2016</u>	<u>2015</u>	
Instruction	9.9	9.2	7.6	7.9	7.4	6.7
School administration	.8	.8	-	.8	.7	14.2
Facilities Maintenance & Operations	2.4	2.5	-4	2.4	2.5	-4
Food Services	1.2	1.1	9	-	-	-

Business-type Activities

Revenues of the District's business-type activities decreased 3.5 percent to \$34,302 and expenses increased 0.8 percent to \$33,597.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$19.1 million, an increase of 4.3% over the preceding year.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget several times. Even with these adjustments, actual expenditures were \$928,262 below final budget amounts.

On the other hand, resources available were \$397,121 below the final budgeted amount.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2016 the District had invested \$15,362,061 in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.) This amount represents a net decrease (including additions and deductions) of \$481,243 or 3.0 percent under last year.

Table A-4
District's Capital Assets
(In millions of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2016-2015
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	
Land and Construction in Progress	.5	.5	0	0	.5	.5	-
Buildings and improvements	27.4	27.3	0	0	27.4	27.3	0.3
Vehicles	1.3	1.2	0	0	1.3	1.2	8.3
Equipment	1.4	1.4	0	0	1.4	1.4	-
Other	<u>.1</u>	<u>.1</u>	<u>0</u>	<u>0</u>	<u>.1</u>	<u>.1</u>	-
Totals at historical cost	30.7	30.5	0	0	30.7	30.5	0.6
Total accumulated depreciation	<u>15.3</u>	<u>14.6</u>	<u>0</u>	<u>0</u>	<u>15.3</u>	<u>14.6</u>	4.7
Net capital assets	<u>15.4</u>	<u>15.9</u>	<u>0</u>	<u>0</u>	<u>15.4</u>	<u>15.9</u>	-3

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

Long Term Debt

At year-end the District had \$3,085,000 in bonds outstanding as shown in Table A-5. More detailed information about the District's debt is presented in the notes to the financial statements.

Table A-5
District's Long Term Debt
(In millions of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2016-2015
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	
Compensated absences	.1	.1	0	0	.1	.1	-
Bonds payable	2.8	3.1	0	0	2.8	3.1	-9.6
Premium	.1	.1	0	0	.1	.1	-
Less deferred amount							
On refunding	-	-	0	0	-	-	-
Net Pension liability	3.8	1.7	0	0	3.8	1.7	123.5
Total bonds & notes payable	6.8	5.0	0	0	6.8	5.0	36

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The District's 2017 refined average daily attendance is expected to be 1,746 compared to 1,687 for 2016.

In September 2016, the District issued \$16,120,000 in Unlimited Tax School Building Bonds for the purpose of construction of School buildings. The bonds will be repaid from the Debt Service Fund.

These indicators were taken into account when adopting the general fund budget for 2017. The District's budgetary general fund balance is not expected to change appreciably by the close of 2017.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

ARANSAS PASS INDEPENDENT SCHOOL DISTRICT**STATEMENT OF NET POSITION**

AUGUST 31, 2016

Data Control Codes		1	2	3
		Governmental Activities	Business-type Activities	Total
ASSETS:				
1110	Cash and Cash Equivalents	\$ 8,803,744	\$ 19,619	\$ 8,823,363
1225	Property Taxes Receivable (Net)	484,020	--	484,020
1240	Due from Other Governments	440,152	--	440,152
1290	Other Receivables (Net)	275	--	275
	Capital Assets:			
1510	Land	471,743	--	471,743
1520	Buildings and Improvements, Net	14,245,612	--	14,245,612
1530	Furniture and Equipment, Net	596,542	--	596,542
1590	Infrastructure, Net	48,164	--	48,164
1000	Total Assets	25,090,252	19,619	25,109,871
DEFERRED OUTFLOWS OF RESOURCES:				
	Deferred Outflow of Resources	31,831	--	31,831
1705	Deferred Outflow Related to Pensions	2,330,979	--	2,330,979
1700	Total Deferred Outflows of Resources	2,362,810	--	2,362,810
LIABILITIES:				
2110	Accounts Payable	282,620	--	282,620
2140	Interest Payable	2,225	--	2,225
2165	Accrued Liabilities	356,394	--	356,394
2180	Due to Other Governments	8,663	3	8,666
2190	Due to Student Groups	2,106	--	2,106
2300	Unearned Revenue	410,994	--	410,994
	Noncurrent Liabilities:			
2501	Due Within One Year	340,720	--	340,720
2502	Due in More Than One Year	2,561,659	--	2,561,659
2540	Net Pension Liability	3,788,175	--	3,788,175
2000	Total Liabilities	7,753,556	3	7,753,559
DEFERRED INFLOWS OF RESOURCES:				
	Deferred Revenue	77,014	--	77,014
2605	Deferred Inflow Related to Pensions	684,198	--	684,198
2600	Total Deferred Inflows of Resources	761,212	--	761,212
NET POSITION:				
3200	Net Investment in Capital Assets	12,527,799	--	12,527,799
	Restricted For:			
3850	Debt Service	463,197	--	463,197
3860	Capital Projects	27,221	--	27,221
3870	Campus Activities	12,642	--	12,642
3900	Unrestricted	5,907,435	19,616	5,927,051
3000	Total Net Position	\$ 18,938,294	\$ 19,616	\$ 18,957,910

The accompanying notes are an integral part of this statement.

ARANSAS PASS INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	Functions/Programs	1 Expenses	3 Charges for Services	4 Program Revenues Operating Grants and Contributions
	Governmental Activities:			
11	Instruction	\$ 9,931,709	\$ 100,294	\$ 1,923,088
12	Instructional Resources and Media Services	258,557	194	11,826
13	Curriculum and Staff Development	77,719	42	20,651
21	Instructional Leadership	342,782	193	92,753
23	School Leadership	1,059,478	8,792	47,282
31	Guidance, Counseling, & Evaluation Services	690,470	381	202,829
33	Health Services	320,695	241	249,321
34	Student Transportation	540,551	365	17,250
35	Food Service	1,170,982	243,757	881,643
36	Cocurricular/Extracurricular Activities	814,217	67,604	18,696
41	General Administration	791,119	596	33,183
51	Facilities Maintenance and Operations	2,405,091	1,803	--
52	Security and Monitoring Services	50,256	37	--
53	Data Processing Services	356,448	269	62,152
72	Interest on Long-term Debt	127,610	--	7,539
73	Bond Issuance Costs and Fees	1,500	--	--
95	Payments to Juvenile Justice Alternative Ed. Programs	19,434	--	19,425
99	Other Intergovernmental Charges	125,621	--	--
TG	Total Governmental Activities	<u>19,084,239</u>	<u>424,568</u>	<u>3,587,638</u>
	Business-type Activities:			
01	Athletic Enterprise	18,283	19,533	--
02	Catering	15,314	14,769	--
TB	Total Business-type Activities	<u>33,597</u>	<u>34,302</u>	<u>--</u>
TP	Total Primary Government	<u>\$ 19,117,836</u>	<u>\$ 458,870</u>	<u>\$ 3,587,638</u>
	General Revenues:			
MT	Property Taxes, Levied for General Purposes			
DT	Property Taxes, Levied for Debt Service			
IE	Investment Earnings			
GC	Grants and Contributions Not Restricted to Specific Programs			
TR	Total General Revenues			
CN	Change in Net Position			
NB	Net Position - Beginning			
PA	Prior Period Adjustment			
	Net Position - Beginning, as Restated			
NE	Net Position - Ending			

The accompanying notes are an integral part of this statement.

6

7

8

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (7,908,327)		\$ (7,908,327)
(246,537)		(246,537)
(57,026)		(57,026)
(249,836)		(249,836)
(1,003,404)		(1,003,404)
(487,260)		(487,260)
(71,133)		(71,133)
(522,936)		(522,936)
(45,582)		(45,582)
(727,917)		(727,917)
(757,340)		(757,340)
(2,403,288)		(2,403,288)
(50,219)		(50,219)
(294,027)		(294,027)
(120,071)		(120,071)
(1,500)		(1,500)
(9)		(9)
(125,621)		(125,621)
<u>(15,072,033)</u>		<u>(15,072,033)</u>
--	\$ 1,250	1,250
--	(545)	(545)
--	705	705
<u>(15,072,033)</u>	<u>705</u>	<u>(15,071,328)</u>
7,141,576	--	7,141,576
283,319	--	283,319
27,522	--	27,522
7,625,294	--	7,625,294
<u>15,077,711</u>	<u>--</u>	<u>15,077,711</u>
5,678	705	6,383
18,615,294	18,911	18,634,205
317,322	--	317,322
18,932,616	18,911	18,951,527
<u>\$ 18,938,294</u>	<u>\$ 19,616</u>	<u>\$ 18,957,910</u>

ARANSAS PASS INDEPENDENT SCHOOL DISTRICT**BALANCE SHEET - GOVERNMENTAL FUNDS**

AUGUST 31, 2016

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds
ASSETS:			
1110 Cash and Cash Equivalents	\$ 7,676,841	\$ 871,537	\$ 8,548,378
1225 Taxes Receivable, Net	465,616	18,404	484,020
1240 Due from Other Governments	253,556	186,596	440,152
1260 Due from Other Funds	155,702	800	156,502
1290 Other Receivables	275	--	275
1000 Total Assets	<u>8,551,990</u>	<u>1,077,337</u>	<u>9,629,327</u>
LIABILITIES:			
Current Liabilities:			
2110 Accounts Payable	\$ 223,966	\$ --	\$ 223,966
2150 Payroll Deductions & Withholdings	41,209	1,738	42,947
2160 Accrued Wages Payable	298,931	14,516	313,447
2170 Due to Other Funds	800	155,702	156,502
2180 Due to Other Governments	5,408	3,255	8,663
2190 Due to Student Groups	2,106	--	2,106
2300 Unearned Revenue	388,602	22,392	410,994
2000 Total Liabilities	<u>961,022</u>	<u>197,603</u>	<u>1,158,625</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred Revenue	465,616	18,404	484,020
2600 Total Deferred Inflows of Resources	<u>465,616</u>	<u>18,404</u>	<u>484,020</u>
FUND BALANCES:			
Restricted Fund Balances:			
3450 Federal/State Funds Grant Restrictions	--	399,910	399,910
3480 Retirement of Long-Term Debt	--	444,592	444,592
3490 Other Restrictions of Fund Balance	--	16,145	16,145
Committed Fund Balances:			
3510 Construction	1,229,607	--	1,229,607
3530 Capital Expenditures for Equipment	1,000,000	--	1,000,000
3600 Unassigned	4,895,745	--	4,895,745
Unassigned, Reported in Nonmajor:			
3610 Special Revenue Funds	--	683	683
3000 Total Fund Balances	<u>7,125,352</u>	<u>861,330</u>	<u>7,986,682</u>
4000 Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 8,551,990</u>	<u>\$ 1,077,337</u>	<u>\$ 9,629,327</u>

The accompanying notes are an integral part of this statement.

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

Total fund balances - governmental funds balance sheet	\$ 7,986,682
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	15,362,061
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	407,006
The assets and liabilities of internal service funds are included in governmental activities in the SNP.	196,712
Payables for bond principal which are not due in the current period are not reported in the funds.	(2,834,262)
Payables for bond interest which are not due in the current period are not reported in the funds.	(2,225)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(68,117)
Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.	31,831
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(3,788,175)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(684,198)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	2,330,979
Net position of governmental activities - Statement of Net Position	\$ <u>18,938,294</u>

The accompanying notes are an integral part of this statement.

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

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 7,524,083	\$ 601,823	\$ 8,125,906
5800 <i>State Program Revenues</i>	8,217,709	195,009	8,412,718
5900 <i>Federal Program Revenues</i>	382,612	2,259,990	2,642,602
5020 <i>Total Revenues</i>	<u>16,124,404</u>	<u>3,056,822</u>	<u>19,181,226</u>
EXPENDITURES:			
Current:			
0011 <i>Instruction</i>	8,010,523	1,332,350	9,342,873
0012 <i>Instructional Resources and Media Services</i>	251,862	--	251,862
0013 <i>Curriculum and Staff Development</i>	54,636	21,070	75,706
0021 <i>Instructional Leadership</i>	249,429	84,477	333,906
0023 <i>School Leadership</i>	1,023,058	8,984	1,032,042
0031 <i>Guidance, Counseling, & Evaluation Services</i>	492,315	180,275	672,590
0033 <i>Health Services</i>	312,390	--	312,390
0034 <i>Student Transportation</i>	653,245	--	653,245
0035 <i>Food Service</i>	--	1,143,340	1,143,340
0036 <i>Cocurricular/Extracurricular Activities</i>	743,110	365	743,475
0041 <i>General Administration</i>	780,776	--	780,776
0051 <i>Facilities Maintenance and Operations</i>	2,410,465	--	2,410,465
0052 <i>Security and Monitoring Services</i>	48,955	--	48,955
0053 <i>Data Processing Services</i>	357,218	--	357,218
0071 <i>Principal on Long-term Debt</i>	120,000	190,000	310,000
0072 <i>Interest on Long-term Debt</i>	75,660	57,200	132,860
0073 <i>Bond Issuance Costs and Fees</i>	--	1,500	1,500
0081 <i>Capital Outlay</i>	--	27,221	27,221
0095 <i>Payments to Juvenile Justice Alternative</i>	--	--	--
0095 <i>Education Programs</i>	--	19,434	19,434
0099 <i>Other Intergovernmental Charges</i>	125,621	--	125,621
6030 <i>Total Expenditures</i>	<u>15,709,263</u>	<u>3,066,216</u>	<u>18,775,479</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>			
1100 <i>Expenditures</i>	415,141	(9,394)	405,747
1200 <i>Net Change in Fund Balances</i>	<u>415,141</u>	<u>(9,394)</u>	<u>405,747</u>
0100 <i>Fund Balances - Beginning</i>	6,710,211	870,724	7,580,935
3000 <i>Fund Balances - Ending</i>	<u>\$ 7,125,352</u>	<u>\$ 861,330</u>	<u>\$ 7,986,682</u>

The accompanying notes are an integral part of this statement.

ARANSAS PASS INDEPENDENT SCHOOL DISTRICT

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2016*

Net change in fund balances - total governmental funds	\$	405,747
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:		
Capital outlays are not reported as expenses in the SOA.		345,134
The depreciation of capital assets used in governmental activities is not reported in the funds.		(826,377)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.		(91,309)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.		310,000
(Increase) decrease in accrued interest from beginning of period to end of period.		317
The net revenue (expense) of internal service funds is reported with governmental activities.		155,108
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.		10,145
Amortization of bond premiums are reported in the SOA but not in the funds.		10,720
Amortization of loss on refunding bonds are reported on SOA, but not in the funds.		(5,797)
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.		(308,020)
Change in net position of governmental activities - Statement of Activities	\$	<u>5,678</u>

The accompanying notes are an integral part of this statement.

ARANSAS PASS INDEPENDENT SCHOOL DISTRICT**STATEMENT OF NET POSITION****PROPRIETARY FUNDS****AUGUST 31, 2016**

Data Control Codes		Nonmajor Enterprise Funds	Nonmajor Internal Service Fund	Insurance Fund
ASSETS:				
Current Assets:				
1110	Cash and Cash Equivalents	\$ 19,619	\$ 255,366	
	Total Current Assets	19,619	255,366	
1000	Total Assets	19,619	255,366	
LIABILITIES:				
Current Liabilities:				
2110	Accounts Payable	\$ --	\$ 58,654	
2180	Due to Other Governments	3	--	
	Total Current Liabilities	3	58,654	
2000	Total Liabilities	3	58,654	
NET POSITION:				
3900	Unrestricted	705	196,712	
3000	Total Net Position	\$ 19,616	\$ 196,712	

The accompanying notes are an integral part of this statement.

ARANSAS PASS INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
 IN FUND NET POSITION - PROPRIETARY FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes		Nonmajor Enterprise Funds	Nonmajor Internal Service Fund Insurance Fund
	OPERATING REVENUES:		
5700	<i>Local and Intermediate Sources</i>	\$ 34,302	\$ 208,339
5020	Total Revenues	<u>34,302</u>	<u>208,339</u>
	OPERATING EXPENSES:		
6100	<i>Payroll Costs</i>	2,330	--
6300	<i>Supplies and Materials</i>	31,267	--
6400	<i>Other Operating Costs</i>	--	53,231
6030	Total Expenses	<u>33,597</u>	<u>53,231</u>
1300	Change in Net Position	705	155,108
0100	Total Net Position - Beginning	18,911	41,604
3300	Total Net Position - Ending	<u>\$ 19,616</u>	<u>\$ 196,712</u>

The accompanying notes are an integral part of this statement.

ARANSAS PASS INDEPENDENT SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE YEAR ENDED AUGUST 31, 2016

	Nonmajor Enterprise Funds	Nonmajor Internal Service Funds
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 34,302	\$ 208,339
Cash Payments for payroll costs	(2,330)	--
Cash Payments to Other Suppliers for Goods and Services	(31,264)	(87,259)
Net Cash Provided (Used) by Operating Activities	<u>708</u>	<u>121,080</u>
Net Increase (Decrease) in Cash and Cash Equivalents	708	121,080
Cash and Cash Equivalents at Beginning of Year	18,911	134,286
Cash and Cash Equivalents at End of Year	<u>\$ 19,619</u>	<u>\$ 255,366</u>
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ 705	\$ 155,108
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation	--	--
Change in Assets and Liabilities:		
Increase (Decrease) in Accounts Payable	3	(34,028)
Increase (Decrease) in Other Liabilities	--	--
Total Adjustments	<u>3</u>	<u>(34,028)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 708</u>	<u>\$ 121,080</u>

The accompanying notes are an integral part of this statement.

ARANSAS PASS INDEPENDENT SCHOOL DISTRICT**STATEMENT OF FIDUCIARY NET POSITION****FIDUCIARY FUNDS****AUGUST 31, 2016**

Data Control Codes		Private-purpose Trust Fund	Agency Fund
		Scholarship Fund	Student Activity
ASSETS:			
1110	<i>Cash and Cash Equivalents</i>	\$ 32,233	\$ 76,378
1000	Total Assets	32,233	76,378
LIABILITIES:			
Current Liabilities:			
2190	<i>Due to Student Groups</i>	\$ --	\$ 76,378
2000	Total Liabilities	--	76,378
NET POSITION:			
3800	<i>Held in Trust</i>	32,233	--
3000	Total Net Position	\$ 32,233	\$ --

The accompanying notes are an integral part of this statement.

ARANSAS PASS INDEPENDENT SCHOOL DISTRICT*STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**FIDUCIARY FUNDS**FOR THE YEAR ENDED AUGUST 31, 2016*

	Private- Purpose Trusts
Additions:	
Investment Income	\$ 86
Net (Decrease) in Fair Value of Investments	--
Employer Contributions	--
Plan Member Contributions	--
Total Additions	<u>86</u>
Deductions:	
Scholarship Awards	29,300
Benefits	--
Refunds of Contributions	--
Administrative Expenses	--
Total Deductions	<u>29,300</u>
Change in Net Position	(29,214)
Net Position-Beginning of the Year	61,447
Net Position-End of the Year	<u><u>\$ 32,233</u></u>

The accompanying notes are an integral part of this statement.

ARANSAS PASS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2016

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

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

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Financial Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

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

The District reports the following major governmental funds:

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

ARANSAS PASS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2016

In addition, the District reports the following fund types:

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

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

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

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

b. Measurement Focus, Basis of Accounting

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

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

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

3. Financial Statement Amounts

a. Cash and Cash Equivalents

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

ARANSAS PASS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2016

b. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

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

c. Inventories and Prepaid Items

Inventories of supplies on the balance sheet are stated at weighted average cost, while inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Inventory items are recorded as expenditures when they are consumed. Supplies are used for almost all functions of activity, while food commodities are used only in the food service program. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded as inventory and deferred revenue when received. When requisitioned, inventory and deferred revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount. Inventories also include plant maintenance and operation supplies as well as instructional supplies.

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

d. Capital Assets

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	50
Building Improvements	15-25
Vehicles	5-10
Equipment	5-10

e. Deferred Outflows and Inflows of Resources

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

ARANSAS PASS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

In addition to liabilities, the statements 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 one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

f. Receivable and Payable Balances

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

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

g. Compensated Absences

On retirement or death of certain employees, the District pays any accrued vacation leave in a lump case payment to such employee or his/her estate.

h. Interfund Activity

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

i. Use of Estimates

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

j. Data Control Codes

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

k. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

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

ARANSAS PASS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board of Trustees or by an official or body to which the Board of Trustees delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

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

l. Net Position Flow Assumption

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

m. Fund Balance Flow Assumptions

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

4. Pensions

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

5. New Accounting Standards Adopted

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

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

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

ARANSAS PASS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2016

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

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

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

C. Deposits and Investments

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

1. Cash Deposits:

At August 31, 2016, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$2,246,804 and the bank balance was \$2,503,414. The District's cash deposits at August 31, 2016 and during the year ended August 31, 2016, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

ARANSAS PASS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2016

2. Investments:

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

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

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

The District's investment at August 31, 2016 is shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
TexPool	N/A	\$ 6,544,326
Total Investments		<u>\$ 6,544,326</u>

3. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

At August 31, 2016, the District's investments, other than those which are obligations of or guaranteed by the U. S. Government, are rated as to credit quality as follows:

<u>Investment</u>	<u>Rating</u>	<u>Rating Agency</u>
TexPool	AAAm	Standards & Poors

b. Custodial Credit Risk

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

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

ARANSAS PASS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

Investment Accounting Policy

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

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

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

TexPool

The District invests in the Texas Local Government Investment Pool (TexPool), which is a local government investment pool that was established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The State Comptroller of Public Accounts oversees TexPool. Federated Investors, Inc. is the administrator and investment manager of TexPool under a contract with the State Comptroller. In accordance with the Public Funds Investment Act, the State Comptroller has appointed the TexPool Investment Advisory Board to advise with respect to TexPool. The board is composed equally of participants in TexPool Portfolios and other persons who do not have a business relationship with TexPool Portfolios and are qualified to advise in respect to TexPool Portfolios. The Advisory Board members review the investment policy and management fee structure. TexPool is rated AAAM by Standard & Poor's and operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. All investments are stated at amortized cost, which usually approximates the market value of the securities. The stated objective of TexPool is to maintain a stable average \$1.00 per unit net asset value; however, the \$1.00 net asset value is not guaranteed or insured. The financial statements can be obtained from the Texas Trust Safekeeping Trust Company website at www.ttstc.org.

ARANSAS PASS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2016

D. Property Taxes Receivable

Property Taxes Receivable, net consisted of the following at August 31, 2016:

	General Fund	Debt Service Fund	Total
Property taxes receivable - delinquent	\$ 1,468,962	\$ 74,760	\$ 1,543,722
Allowance for uncollectible taxes	(1,003,346)	(56,356)	(1,059,702)
Property taxes receivable, net	<u>\$ 465,616</u>	<u>\$ 18,404</u>	<u>\$ 484,020</u>

E. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 471,743	\$ --	\$ --	\$ 471,743
Construction in progress	--	--	--	--
Total capital assets not being depreciated	<u>471,743</u>	<u>--</u>	<u>--</u>	<u>471,743</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	27,325,613	106,456		27,432,069
Equipment	1,372,132	55,942	--	1,428,074
Vehicles	1,182,434	182,736	73,066	1,292,104
Infrastructure	81,632	--	--	81,632
Total capital assets being depreciated	<u>29,961,811</u>	<u>345,134</u>	<u>73,066</u>	<u>30,233,879</u>
Less accumulated depreciation for:				
Buildings and improvements	(12,474,762)	(711,694)	--	(13,186,456)
Equipment	(1,044,352)	(65,356)	--	(1,109,708)
Vehicles	(1,040,389)	(46,606)	(73,066)	(1,013,929)
Infrastructure	(30,747)	(2,721)	--	(33,468)
Total accumulated depreciation	<u>(14,590,250)</u>	<u>(826,377)</u>	<u>(73,066)</u>	<u>(15,343,561)</u>
Total capital assets being depreciated, net	<u>15,371,561</u>	<u>(481,243)</u>	<u>--</u>	<u>14,890,318</u>
Governmental activities capital assets, net	<u>\$ 15,843,304</u>	<u>\$ (481,243)</u>	<u>\$ --</u>	<u>\$ 15,362,061</u>

Depreciation was charged to functions as follows:

Instruction	\$ 450,945
Instructional Resources and Media Services	6,695
Curriculum and Staff Development	2,013
Instructional Leadership	8,876
School Leadership	27,436
Guidance, Counseling, & Evaluation Services	17,880
Health Services	8,305
Student Transportation	70,042
Food Services	45,006
Extracurricular Activities	84,299
General Administration	20,488
Plant Maintenance and Operations	73,861

ARANSAS PASS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2016

Security and Monitoring Services	1,301
Data Processing Services	9,230
	<u>\$ 826,377</u>

F. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2016, consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Other Governmental Funds	\$ 155,702	Short-term loans
Other Governmental Funds	General Fund	800	Short-term loans
	Total	<u>\$ 156,502</u>	

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

2. Transfers To and From Other Funds

There were no transfers between funds for the year ended August 31, 2016.

G. Short-Term Debt Activity

The District had no short-term debt activity for the year ended August 31, 2016

H. Long-Term Obligations

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

In July, 2013, the District issued \$1,800,000 in Qualified Zone Academy Bonds(QZAB) for an Energy Conservation Project. Under federal law, the District does not pay interest on the bonds. The bond holders receive a refundable tax credit of 4.85% as determined by federal law. The District does not pay the interest on this bond, but records the annual interest paid as revenue from federal sources and as interest expense.

Bonds Payable

Bonds payable at August 31, 2016 are comprised of the following:

	<u>Payment Source</u>	<u>Original Amount</u>	<u>Interest</u>	<u>Balance @ 08/31/16</u>
Unlimited Tax Refunding Bonds-Series 2010	Debt Service Fund	\$ 2,275,000	2.0-4.0%	\$ 1,335,000
Qualified Zone Academy Bonds - Series 2013	General Fund	1,800,000	4.85%	1,440,000
	Totals			<u>\$ 2,775,000</u>

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2016, are as follows:

ARANSAS PASS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2016

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Unlimited Tax Refunding Bonds-Series 2010	\$ 1,525,000	\$ --	\$ 190,000	\$ 1,335,000	200,000
Qualified Zone Academy Bonds - 2013	1,560,000	--	120,000	1,440,000	120,000
	<u>3,085,000</u>	<u>--</u>	<u>310,000</u>	<u>2,775,000</u>	<u>320,000</u>
Premium on Series 2010 Refunding	69,982	--	10,720	59,262	10,720
Compensated absences *	78,262	--	10,145	68,117	10,000
Net Pension liability*	<u>1,757,045</u>	<u>2,031,130</u>	<u>--</u>	<u>3,788,175</u>	<u>--</u>
Total governmental activities	<u>\$ 4,990,289</u>	<u>\$ 2,031,130</u>	<u>\$ 330,865</u>	<u>\$ 6,690,554</u>	<u>\$ 340,720</u>

* Other long-term liabilities

The funds typically used to liquidate other long-term liabilities in the past are as follows:

Liability	Activity Type	Fund
Compensated absences	Governmental	General
Net pension liability	Governmental	General

2. Debt Service Requirements

The District pays the debt service requirements of the Unlimited Tax Refunding Bonds, Series 2010 from the debt service fund. Debt service on the Qualified Zone Academy Bonds, Series 2013 is paid from the General Fund.

Debt service requirements on the refunding bonds at August 31, 2016, are as follows:

Year Ending August 31,	Governmental Activities		
	Principal	Interest	Total
2017	\$ 200,000	\$ 49,400	\$ 249,400
2018	210,000	41,200	251,200
2019	215,000	32,700	247,700
2020	230,000	23,800	253,800
2021	235,000	14,500	249,500
2022	245,000	4,900	249,900
Totals	<u>\$ 1,335,000</u>	<u>\$ 166,500</u>	<u>\$ 1,501,500</u>

Debt service requirements on the Qualified Zone Academy Bonds at August 31, 2016 are as follows:

Year Ending August 31,	Governmental Activities		
	Principal	Interest	Total
2017	\$ 120,000	\$ 69,840	\$ 189,840
2018	120,000	64,020	184,020
2019	120,000	58,200	178,200

ARANSAS PASS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2016

2020	120,000	52,380	172,380
2021	120,000	46,560	166,560
2022-2026	600,000	145,500	745,500
2027-2028	240,000	17,280	257,280
Totals	\$ 1,440,000	\$ 453,780	\$ 1,893,780

3. Advance Refunding of Debt

The District had no outstanding refunded debt at August 31, 2016.

4. Subsequent Events

On September 28, 2016, the District issued Unlimited Tax School Building Bonds, Series 2016 in the amount of \$16,120,000 to be used for the construction, acquisition and equipment of school buildings. The bonds will mature on 02/15/41. Interest on the bonds will be 3.00% to 5.00%. The bonds were approved by voters in an election held May 7, 2016. The bonds are callable on 2/25/25.

I. Commitments Under Noncapitalized Leases

The District had no material commitments under noncapitalized leases at August 31, 2016.

J. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2016, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

K. Workers Compensation Fund

The District established a worker's compensation fund to account for and finance workers compensation claims. It is a modified self-insurance plan known as SchoolComp. The plan began September 1, 2004.

The accrued liability for worker's compensation self-insurance of \$92,682 includes incurred but not reported claims. This liability at August 31, 2016 is based on the requirements of the Governmental Accounting Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements, information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred as of the date of the financial statements, and the amount of loss can be reasonably estimated. Because actual claims depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing the liability does not result necessarily in an exact amount.

Excess insurance is provided by Safety National Casualty Corporation. The policy provides for a self-insured retention per occurrence of \$350,000.

	Liability, Beginning of Year	Claims and Estimates	Claim Payments	Liability, End of Year
2014 Workers' Compensation	\$ 84,809	\$ 29,586	\$ 46,780	\$ 67,615
2015 Workers' Compensation	67,615	130,096	105,029	92,682
2016 Workers' Compensation	92,682	9,882	43,910	58,654

L. Pension Plan

1. Plan Description

ARANSAS PASS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2016

The District participates in a cost-sharing multiple-employer defined benefit pension plan that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS' defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. The TRS 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.

2. Pension Plan Fiduciary Net Position

Detailed information about the TRS' 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 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.

3. Benefits Provided

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

4. Contributions

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

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

Contribution Rates		
	2015	2016
Member	6.7%	7.2%
Non-Employer Contributing Entity (NECE - State)	6.8%	6.8%

ARANSAS PASS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2016

Employers		6.8%	6.8%
District's 2016 Employer Contributions	\$	333,020	
District's 2016 Member Contributions	\$	796,744	
NECE 2015 On-Behalf Contributions to District	\$	543,437	

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

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

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

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

- When employing a retiree of the 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.

5. Actuarial Assumptions

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

Valuation Date	August 31, 2015
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8%
Long-term expected Investment Rate of Return	8%
Inflation	2.5%
Salary Increases including inflation	3.5% to 9.5%
Payroll Growth Rate	2.5%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

ARANSAS PASS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2016

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

6. Discount Rate

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

The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2015 are summarized below:

Teacher Retirement System of Texas Asset Allocation and Long-Term Expected Real Rate of Return As of August 31, 2015			
	Target Allocation	Long-term Expected Geometric Real Rate of Return	Expected Contribution to Long-term Portfolio Returns *
Global Equity			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Hedge Funds (Stable Value)	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
Real Return			
Global Inflat. Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy & Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk Parity			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
Total	100%		8.7%
* The expected contribution to returns incorporates the volatility drag resulting from the conversion between arithmetic and geometric mean returns.			

ARANSAS PASS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2016

7. Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate 7%	Discount Rate 8%	1% Increase in Discount Rate 9%
District's proportionate share of the net pension liability	\$ 5,935,336	\$ 3,788,175	\$ 1,999,700

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

At August 31, 2016, the District reported a liability of \$3,788,175 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 3,788,175
State's proportionate share of the net pension liability associated with the District	6,485,574
Total	<u>\$ 10,273,749</u>

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

At August 31, 2015 the employer's proportion of the collective net pension liability was 0.0107166%, which was an increase (decrease) of 0.0041462% from its proportion measured as of August 31, 2014.

Changes Since the Prior Actuarial Valuation - The following are changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period:

Economic Assumptions

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

Mortality Assumptions

- The post-retirement mortality tables for non-disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
- The post-retirement mortality tables for disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational

ARANSAS PASS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

approach and Scale BB.

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

Other Demographic Assumptions

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

Actuarial Methods and Policies

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

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

For the year ended August 31, 2016, the District recognized pension expense of \$924,090 and revenue of \$924,090 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 22,573	\$ 145,583
Changes in actuarial assumptions	94,877	135,146
Difference between projected and actual investment earnings	932,943	402,310
Changes in proportion and differences between the District's contributions and the proportionate share of contributions	947,566	1,159

ARANSAS PASS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2016

District contributions paid to TRS subsequent to the measurement date	333,020	
Total	\$ 2,330,979	\$ 664,198

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

Year Ended August 31	Pension Expense Amount
2017	\$ 235,664
2018	\$ 235,664
2019	\$ 369,768
2020	\$ 135,124
2021	\$ 101,880
Thereafter	\$ --

M. Retiree Health Care Plans

1. TRS-Care

a. Plan Description

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

b. Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. The State of Texas contribution rate was 1% for fiscal years 2015 and 2014, and 0.5% for fiscal year 2013. The active public school employee contributions rates were 0.65% of public school payroll, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2016, 2015 and 2014. For the years ended August 31, 2016, 2015, and 2014, the State's contributions to TRS-Care were \$110,663, \$106,082, and \$104,675, respectively, the active member contributions were \$71,930, \$68,953, and \$68,041, respectively, and the District's contributions were \$60,864, \$58,012, and \$57,571, respectively, which equaled the required contributions each year.

2. Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program

ARANSAS PASS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2016

(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, 2016, 2015, and 2014, the subsidy payments received by TRS-Care on behalf of the District were \$43,020, \$43,105, and \$28,117, respectively.

N. Employee Health Care Coverage

During the year ended August 31, 2016, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$212 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 third party administrator, acting on behalf of the 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 third party administrator is renewable September 1, 2017, and terms of coverage and premium costs are included in the contractual provisions.

O. Commitments and Contingencies

1. Contingencies

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

2. Litigation

No reportable litigation was pending against the District at August 31, 2016.

P. Subsequent Events

On September 28, 2016, the District issued Unlimited Tax School Building Bonds, Series 2016 in the amount of \$16,120,000 to be used for the construction, acquisition and equipment of school buildings. The bonds will mature on 02/15/41. Interest on the bonds will be 3.00% to 5.00%. The bonds were approved by voters in an election held May 7, 2016. The bonds are callable on 2/15/25.

Q. Prior Period Adjustment

A prior period adjustment has been made to correct the Deferred Outflows Related to Pensions at August 31, 2015. Deferred Outflows and Unrestricted Net Position were increased by \$317,322.

Required Supplementary Information

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

ARANSAS PASS INDEPENDENT SCHOOL DISTRICT
EXHIBIT G-1
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts			
		Original	Final	Actual	
REVENUES:					
5700	Local and Intermediate Sources	\$ 7,744,602	\$ 7,858,742	\$ 7,524,083	\$ (334,659)
5800	State Program Revenues	8,196,501	8,202,123	8,217,709	15,586
5900	Federal Program Revenues	460,660	460,660	382,612	(78,048)
5020	Total Revenues	16,401,763	16,521,525	16,124,404	(397,121)
EXPENDITURES:					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	8,111,414	8,193,042	8,010,523	182,519
0012	Instructional Resources and Media Services	251,893	251,893	251,862	31
0013	Curriculum and Staff Development	75,198	75,198	54,636	20,562
	Total Instruction & Instr. Related Services	8,438,505	8,520,133	8,317,021	203,112
Instructional and School Leadership:					
0021	Instructional Leadership	242,289	256,912	249,429	7,483
0023	School Leadership	1,071,420	1,083,798	1,023,058	60,740
	Total Instructional & School Leadership	1,313,709	1,340,710	1,272,487	68,223
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	516,032	516,032	492,315	23,717
0033	Health Services	312,446	312,446	312,390	56
0034	Student (Pupil) Transportation	771,316	771,316	653,245	118,071
0036	Cocurricular/Extracurricular Activities	768,744	777,231	743,110	34,121
	Total Support Services - Student (Pupil)	2,368,537	2,377,024	2,201,060	175,964
Administrative Support Services:					
0041	General Administration	880,894	883,540	780,776	102,764
	Total Administrative Support Services	880,894	883,540	780,776	102,764
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	2,688,785	2,738,785	2,410,465	328,320
0052	Security and Monitoring Services	38,400	98,400	48,955	49,445
0053	Data Processing Services	357,273	357,273	357,218	55
	Total Support Services - Nonstudent Based	3,084,458	3,194,458	2,816,638	377,820
Debt Service:					
0071	Principal on Long-Term Debt	120,000	120,000	120,000	--
0072	Interest on Long-Term Debt	75,660	75,660	75,660	--
	Total Debt Service	195,660	195,660	195,660	--
0099	Other Intergovernmental Charges	120,000	126,000	125,621	379
	Total Intergovernmental Charges	120,000	126,000	125,621	379
6030	Total Expenditures	16,401,763	16,637,525	15,709,263	928,262
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	--	(116,000)	415,141	531,141
1200	Net Change in Fund Balance	--	(116,000)	415,141	531,141
0100	Fund Balance - Beginning	6,710,211	6,710,211	6,710,211	--
3000	Fund Balance - Ending	\$ 6,710,211	\$ 6,594,211	\$ 7,125,352	\$ 531,141

ARANSAS PASS INDEPENDENT SCHOOL DISTRICT

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

	Fiscal Year	
	2016	2015
District's proportion of the net pension liability (asset)	0.010717%	0.006569%
District's proportionate share of the net pension liability (asset)	\$ 3,788,175	1,755,045
State's proportionate share of the net pension liability (asset) associated with the District	6,485,574	5,817,787
Total	<u>\$ 10,273,749</u>	<u>7,572,832</u>
District's covered-employee payroll	\$ 11,066,377	10,467,451
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	34.23%	16.77%
Plan fiduciary net position as a percentage of the total pension liability	83.25%	83.25%

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

ARANSAS PASS INDEPENDENT SCHOOL DISTRICTSCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST TEN FISCAL YEARS *

	Fiscal Year	
	2016	2015
Contractually required contribution	\$ 333,021	\$ 317,322
Contributions in relation to the contractually required contribution	(333,021)	(317,322)
Contribution deficiency (excess)	\$ --	\$ --
District's covered-employee payroll	\$ 11,066,307	\$ 10,467,451
Contributions as a percentage of covered-employee payroll	3.01%	3.03%

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

ARANSAS PASS INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED AUGUST 31, 2016

Budget

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

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

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

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

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

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

Defined Benefit Pension Plan

Changes of benefit terms

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

Changes of assumptions

other inputs that affected measurement of the total pension liability since the prior measurement period:

- a. The inflation assumption was decreased from 3.00% to 2.50%
- b. The ultimate merit assumption for long-service employees was decreased from 1.25% to 1.00%.
- c. In accordance with the observed experience, there were small adjustments in the service-based promotional/longevity component of the salary scale.
- d. The payroll growth assumption was lowered from 3.50% to 2.50%
- e. The post-retirement mortality tables for non-disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
- f. The post-retirement mortality tables for disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
- g. The pre-retirement mortality tables for active employees were updated to use 90% of the recently published RP-2014 mortality table for active employees. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.

h. Previously, it was assumed 10% of all members who had contributed in the past 5 years to be an active member. This was an implicit rehire assumption because teachers have historically had a high incidence of terminating employment for a time and then returning to the workforce at a later date. This methodology was modified to add a more explicit valuation of the rehire incidence in the termination liabilities, and therefore these 10% are no longer being counted as active members.

i. There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.

j. Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.

k. Small adjustments to the disability patterns were made for members consistent with experience and future expectations. Two separate patterns were created based on whether the member has 10 years of service or more.

l. For members that become disabled in the future, it is assumed 20% of them will choose a 100% joint and survivor annuity option.

*Combining Statements and Budget Comparisons
as Supplementary Information*

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

ARANSAS PASS INDEPENDENT SCHOOL DISTRICT**COMBINING BALANCE SHEET****NONMAJOR GOVERNMENTAL FUNDS**

AUGUST 31, 2016

Data Control Codes		Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds (See Exhibit C-1)
ASSETS:					
1110	Cash and Cash Equivalents	\$ 412,959	\$ 458,578	\$ --	\$ 871,537
1225	Taxes Receivable, Net	--	18,404	--	18,404
1240	Due from Other Governments	186,596	--	--	186,596
1260	Due from Other Funds	800	--	--	800
1000	Total Assets	<u>600,355</u>	<u>476,982</u>	<u>--</u>	<u>1,077,337</u>
LIABILITIES:					
Current Liabilities:					
2150	Payroll Deductions & Withholdings	\$ 1,738	\$ --	\$ --	\$ 1,738
2160	Accrued Wages Payable	14,516	--	--	14,516
2170	Due to Other Funds	155,702	--	--	155,702
2180	Due to Other Governments	3,255	--	--	3,255
2300	Unearned Revenue	8,406	13,986	--	22,392
2000	Total Liabilities	<u>183,617</u>	<u>13,986</u>	<u>--</u>	<u>197,603</u>
DEFERRED INFLOWS OF RESOURCES:					
	Deferred Revenue	--	18,404	--	18,404
2600	Total Deferred Inflows of Resources	<u>--</u>	<u>18,404</u>	<u>--</u>	<u>18,404</u>
FUND BALANCES:					
Restricted Fund Balances:					
3450	Federal/State Funds Grant Restrictions	399,910	--	--	399,910
3480	Retirement of Long-Term Debt	--	444,592	--	444,592
3490	Other Restrictions of Fund Balance	16,145	--	--	16,145
Unassigned, Reported in Nonmajor:					
3610	Special Revenue Funds	683	--	--	683
3000	Total Fund Balances	<u>416,738</u>	<u>444,592</u>	<u>--</u>	<u>861,330</u>
4000	Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 600,355</u>	<u>\$ 476,982</u>	<u>\$ --</u>	<u>\$ 1,077,337</u>

ARANSAS PASS INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds (See Exhibit C-2)
REVENUES:				
5700 <i>Local and Intermediate Sources</i>	\$ 317,002	\$ 284,821	\$ --	\$ 601,823
5800 <i>State Program Revenues</i>	187,470	7,539	--	195,009
5900 <i>Federal Program Revenues</i>	2,259,990	--	--	2,259,990
5020 Total Revenues	<u>2,764,462</u>	<u>292,360</u>	<u>--</u>	<u>3,056,822</u>
EXPENDITURES:				
Current:				
0011 <i>Instruction</i>	1,332,350	--	--	1,332,350
0013 <i>Curriculum and Staff Development</i>	21,070	--	--	21,070
0021 <i>Instructional Leadership</i>	84,477	--	--	84,477
0023 <i>School Leadership</i>	8,984	--	--	8,984
0031 <i>Guidance, Counseling, & Evaluation Services</i>	180,275	--	--	180,275
0035 <i>Food Service</i>	1,143,340	--	--	1,143,340
0036 <i>Cocurricular/Extracurricular Activities</i>	365	--	--	365
0071 <i>Principal on Long-term Debt</i>	--	190,000	--	190,000
0072 <i>Interest on Long-term Debt</i>	--	57,200	--	57,200
0073 <i>Bond Issuance Costs and Fees</i>	--	1,500	--	1,500
0081 <i>Capital Outlay</i>	--	--	27,221	27,221
0095 <i>Payments to Juvenile Justice Alternative</i>	--	--	--	--
0095 <i>Education Programs</i>	19,434	--	--	19,434
6030 Total Expenditures	<u>2,790,295</u>	<u>248,700</u>	<u>27,221</u>	<u>3,066,216</u>
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	(25,833)	43,660	(27,221)	(9,394)
1200 Net Change in Fund Balances	<u>(25,833)</u>	<u>43,660</u>	<u>(27,221)</u>	<u>(9,394)</u>
0100 Fund Balances - Beginning	442,571	400,932	27,221	870,724
3000 Fund Balances - Ending	<u>\$ 416,738</u>	<u>\$ 444,592</u>	<u>\$ --</u>	<u>\$ 861,330</u>

ARANSAS PASS INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2016

Data Control Codes	211 ESEA Title I Improving Basic Programs	224 IDEA-B Formula	225 IDEA-B Preschool Grant	240 National School Breakfast/Lunch Program
ASSETS:				
1110 Cash and Cash Equivalents	\$ --	\$ --	\$ --	\$ 292,907
1240 Due from Other Governments	31,863	104,829	656	30,894
1260 Due from Other Funds	--	--	--	--
1000 Total Assets	<u>31,863</u>	<u>104,829</u>	<u>656</u>	<u>323,801</u>
LIABILITIES:				
Current Liabilities:				
2150 Payroll Deductions & Withholdings	\$ --	\$ --	\$ --	\$ 1,738
2160 Accrued Wages Payable	--	--	--	13,716
2170 Due to Other Funds	31,863	104,829	656	--
2180 Due to Other Governments	--	--	--	--
2300 Unearned Revenue	--	--	--	--
2000 Total Liabilities	<u>31,863</u>	<u>104,829</u>	<u>656</u>	<u>15,454</u>
FUND BALANCES:				
Restricted Fund Balances:				
3450 Federal/State Funds Grant Restrictions	--	--	--	308,347
3490 Other Restrictions of Fund Balance	--	--	--	--
Unassigned, Reported in Nonmajor:				
3610 Special Revenue Funds	--	--	--	--
3000 Total Fund Balances	<u>--</u>	<u>--</u>	<u>--</u>	<u>308,347</u>
4000 Total Liabilities and Fund Balances	<u>\$ 31,863</u>	<u>\$ 104,829</u>	<u>\$ 656</u>	<u>\$ 323,801</u>

242 Summer Feeding Program	244 Career and Tech Basic Grant	255 ESEA Title II Training & Recruiting	263 English Language Acquisition and Enhancement	289 LEP Summer School
\$ 91,563	\$ --	\$ --	\$ --	\$ 8,406
--	9,689	7,791	874	--
--	--	--	--	--
<u>91,563</u>	<u>9,689</u>	<u>7,791</u>	<u>874</u>	<u>8,406</u>
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--
--	9,689	7,791	874	--
--	--	--	--	--
--	--	--	--	8,406
<u>--</u>	<u>9,689</u>	<u>7,791</u>	<u>874</u>	<u>8,406</u>
91,563	--	--	--	--
--	--	--	--	--
--	--	--	--	--
<u>91,563</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>\$ 91,563</u>	<u>\$ 9,689</u>	<u>\$ 7,791</u>	<u>\$ 874</u>	<u>\$ 8,406</u>

ARANSAS PASS INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2016

Data Control Codes		390 LEP Summer Program	397 Advanced Placement Incentives
ASSETS:			
1110	Cash and Cash Equivalents	\$ --	\$ 1,313
1240	Due from Other Governments	--	--
1260	Due from Other Funds	800	--
1000	Total Assets	<u>800</u>	<u>1,313</u>
LIABILITIES:			
Current Liabilities:			
2150	Payroll Deductions & Withholdings	\$ --	\$ --
2160	Accrued Wages Payable	800	--
2170	Due to Other Funds	--	--
2180	Due to Other Governments	--	--
2300	Unearned Revenue	--	--
2000	Total Liabilities	<u>800</u>	<u>--</u>
FUND BALANCES:			
Restricted Fund Balances:			
3450	Federal/State Funds Grant Restrictions	--	--
3490	Other Restrictions of Fund Balance	--	630
Unassigned, Reported in Nonmajor:			
3610	Special Revenue Funds	--	683
3000	Total Fund Balances	<u>--</u>	<u>1,313</u>
4000	Total Liabilities and Fund Balances	<u>\$ 800</u>	<u>\$ 1,313</u>

401 Optional Extended Year Program	410 State Textbook Fund	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds (See Exhibit H-1)
\$ 2,873	\$ --	\$ 15,897	\$ 412,959
--	--	--	186,596
--	--	--	800
<u>2,873</u>	<u>--</u>	<u>15,897</u>	<u>600,355</u>
\$ --	\$ --	\$ --	\$ 1,738
--	--	--	14,516
--	--	--	155,702
--	--	3,255	3,255
--	--	--	8,406
<u>--</u>	<u>--</u>	<u>3,255</u>	<u>183,617</u>
--	--	--	399,910
2,873	--	12,642	16,145
--	--	--	683
<u>2,873</u>	<u>--</u>	<u>12,642</u>	<u>416,738</u>
\$ <u>2,873</u>	\$ <u>--</u>	\$ <u>15,897</u>	\$ <u>600,355</u>

ARANSAS PASS INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	211 ESEA Title I Improving Basic Programs	224 IDEA-B Formula	225 IDEA-B Preschool Grant	240 National School Breakfast/Lunch Program
REVENUES:				
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ --	\$ --	\$ 244,034
5800 <i>State Program Revenues</i>	--	--	--	6,506
5900 <i>Federal Program Revenues</i>	670,842	493,075	13,375	848,357
5020 <i>Total Revenues</i>	<u>670,842</u>	<u>493,075</u>	<u>13,375</u>	<u>1,098,897</u>
EXPENDITURES:				
Current:				
0011 <i>Instruction</i>	446,849	416,438	13,375	--
0013 <i>Curriculum and Staff Development</i>	16,444	--	--	--
0021 <i>Instructional Leadership</i>	84,477	--	--	--
0023 <i>School Leadership</i>	--	--	--	--
0031 <i>Guidance, Counseling, & Evaluation Services</i>	103,638	76,637	--	--
0035 <i>Food Service</i>	--	--	--	1,129,996
0036 <i>Cocurricular/Extracurricular Activities</i>	--	--	--	--
0095 <i>Payments to Juvenile Justice Alternative</i>	--	--	--	--
0095 <i>Education Programs</i>	19,434	--	--	--
6030 <i>Total Expenditures</i>	<u>670,842</u>	<u>493,075</u>	<u>13,375</u>	<u>1,129,996</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>	--	--	--	(31,099)
1100 <i>Expenditures</i>	--	--	--	(31,099)
1200 <i>Net Change in Fund Balances</i>	--	--	--	(31,099)
0100 <i>Fund Balances - Beginning</i>	--	--	--	339,446
3000 <i>Fund Balances - Ending</i>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 308,347</u>

242 Summer Feeding Program	244 Career and Tech Basic Grant	255 ESEA Title II Training & Recruiting	263 English Language Acquisition and Enhancement	390 LEP Summer Program
\$ 1,269	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--
26,780	35,511	156,717	15,333	--
28,049	35,511	156,717	15,333	--
--	35,511	152,491	14,933	1,420
--	--	4,226	400	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
13,344	--	--	--	--
--	--	--	--	--
--	--	--	--	--
13,344	35,511	156,717	15,333	1,420
14,705	--	--	--	(1,420)
14,705	--	--	--	(1,420)
76,858	--	--	--	1,420
\$ 91,563	\$ --	\$ --	\$ --	\$ --

ARANSAS PASS INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	397 Advanced Placement Incentives	401 Optional Extended Year Program
REVENUES:		
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ --
5800 <i>State Program Revenues</i>	630	--
5900 <i>Federal Program Revenues</i>	--	--
5020 Total Revenues	<u>630</u>	<u>--</u>
EXPENDITURES:		
Current:		
0011 <i>Instruction</i>	--	--
0013 <i>Curriculum and Staff Development</i>	--	--
0021 <i>Instructional Leadership</i>	--	--
0023 <i>School Leadership</i>	--	--
0031 <i>Guidance, Counseling, & Evaluation Services</i>	--	--
0035 <i>Food Service</i>	--	--
0036 <i>Cocurricular/Extracurricular Activities</i>	--	--
0095 <i>Payments to Juvenile Justice Alternative</i>	--	--
0095 <i>Education Programs</i>	--	--
6030 Total Expenditures	<u>--</u>	<u>--</u>
1100 Excess (Deficiency) of Revenues Over (Under)		
1100 Expenditures	630	--
1200 Net Change in Fund Balances	<u>630</u>	<u>--</u>
0100 Fund Balances - Beginning	683	2,873
3000 Fund Balances - Ending	<u>\$ 1,313</u>	<u>\$ 2,873</u>

410 State Textbook Fund	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds (See Exhibit H-2)
\$ --	\$ 71,699	\$ 317,002
180,334	--	187,470
--	--	2,259,990
<u>180,334</u>	<u>71,699</u>	<u>2,764,462</u>
180,334	70,999	1,332,350
--	--	21,070
--	--	84,477
--	8,984	8,984
--	--	180,275
--	--	1,143,340
--	365	365
--	--	19,434
<u>180,334</u>	<u>80,348</u>	<u>2,790,295</u>
--	(8,649)	(25,833)
--	(8,649)	(25,833)
--	21,291	442,571
<u>\$ --</u>	<u>\$ 12,642</u>	<u>\$ 416,738</u>

ARANSAS PASS INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF NET POSITION

NONMAJOR ENTERPRISE FUNDS

AUGUST 31, 2016

Data Control Codes	Enterprise Fund Athletic Enterprise Fund	Enterprise Fund Catering Fund	Total Nonmajor Enterprise Funds (See Exhibit D-1)
ASSETS:			
Current Assets:			
1110 <i>Cash and Cash Equivalents</i>	\$ 19,119	\$ 500	\$ 19,619
Total Current Assets	19,119	500	19,619
1000 Total Assets	19,119	500	19,619
LIABILITIES:			
Current Liabilities:			
2180 <i>Due to Other Governments</i>	\$ 3	\$ --	\$ 3
Total Current Liabilities	3	--	3
2000 Total Liabilities	3	--	3
NET POSITION:			
3900 <i>Unrestricted</i>	1,250	(545)	705
3000 Total Net Position	\$ 19,116	\$ 500	\$ 19,616

ARANSAS PASS INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2016

		Enterprise Fund	Enterprise Fund	Total Nonmajor Enterprise Funds (See Exhibit D-2)
Data Control Codes		Athletic Enterprise Fund	Catering Fund	
OPERATING REVENUES:				
5700	Local and Intermediate Sources	\$ 19,533	\$ 14,769	\$ 34,302
5020	Total Revenues	19,533	14,769	34,302
OPERATING EXPENSES:				
6100	Payroll Costs	--	2,330	2,330
6300	Supplies and Materials	18,283	12,984	31,267
6030	Total Expenses	18,283	15,314	33,597
1300	Change in Net Position	1,250	(545)	705
0100	Total Net Position - Beginning	17,866	1,045	18,911
3300	Total Net Position - Ending	\$ 19,116	\$ 500	\$ 19,616

ARANSAS PASS INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2016

	711 Athletic Enterprise Fund	740 Catering Fund	Total Nonmajor Enterprise Funds (See Exhibit D-3)
Cash Flows from Operating Activities:			
Cash Received from Customers	\$ 19,533	\$ 14,769	\$ 34,302
Cash Payments to Employees	--	(2,330)	(2,330)
Cash Payments to Suppliers for Goods and Services	(18,280)	(12,984)	(31,264)
Other Operating Cash Receipts (Payments)	--	--	--
Net Cash Provided (Used) by Operating Activities	<u>1,253</u>	<u>(545)</u>	<u>708</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,253	(545)	708
Cash and Cash Equivalents at Beginning of Year	17,866	1,045	18,911
Cash and Cash Equivalents at End of Year	<u>\$ 19,119</u>	<u>\$ 500</u>	<u>\$ 19,619</u>

Reconciliation of Operating Income to Net Cash**Provided by Operating Activities:**

Operating Income (Loss)	\$ 1,250	\$ (545)	\$ 705
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation	--	--	--
Change in Assets and Liabilities:			
Decrease (Increase) in Receivables	--	--	--
Decrease (Increase) in Inventories	--	--	--
Decrease (Increase) in Prepaid Expenses	--	--	--
Increase (Decrease) in Accounts Payable	3	--	3
Increase (Decrease) in Payroll Deductions	--	--	--
Increase (Decrease) in Accrued Wages Payable	--	--	--
Increase (Decrease) in Interfund Payables	--	--	--
Increase (Decrease) in Due to Other Governments	--	--	--
Increase (Decrease) in Accrued Expenses	--	--	--
Increase (Decrease) in Unearned Revenue	--	--	--
Total Adjustments	<u>3</u>	<u>--</u>	<u>3</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,253</u>	<u>\$ (545)</u>	<u>\$ 708</u>

Other Supplementary Information

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

ARANSAS PASS INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2016

Year Ended August 31	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
2007 and Prior Years	\$	Various	\$	Various	\$	Various
2008		1.0314		.03		601,456,006
2009		1.0314		.03		669,212,440
2010		1.0314		.04		680,167,541
2011		1.0314		.04		644,995,333
2012		1.0314		.04		571,021,766
2013		1.0314		.04		573,088,167
2014		1.0314		.04		571,159,253
2015		1.0314		.04		620,082,044
2016 (School Year Under Audit)		1.0314		.04		677,276,868
1000 Totals						

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

10 Beginning Balance 9/1/15	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/16
\$ 645,813	\$ --	\$ 11,230	\$ 746	\$ (145,392)	\$ 488,445
66,708	--	2,432	94	(217)	63,965
86,730	--	2,467	96	(18)	84,149
83,239	--	7,018	272	(51)	75,898
86,692	--	6,941	269	(25)	79,457
99,069	--	10,539	409	(5,865)	82,256
122,013	--	14,254	553	(5,847)	101,359
152,455	--	31,875	1,236	(6,939)	112,405
265,718	--	107,811	4,181	(11,422)	142,304
--	7,256,209	6,897,853	267,519	222,647	313,484
<u>\$ 1,608,437</u>	<u>\$ 7,256,209</u>	<u>\$ 7,092,420</u>	<u>\$ 275,375</u>	<u>\$ 46,871</u>	<u>\$ 1,543,722</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

ARANSAS PASS INDEPENDENT SCHOOL DISTRICT

NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT J-2

Data Control Codes		1	2	3
		Budget	Actual	Variance Positive (Negative)
	REVENUES:			
5700	Local and Intermediate Sources	\$ 275,200	\$ 244,034	\$ (31,166)
5800	State Program Revenues	7,000	6,506	(494)
5900	Federal Program Revenues	869,469	848,357	(21,112)
5020	Total Revenues	<u>1,151,669</u>	<u>1,098,897</u>	<u>(52,772)</u>
	EXPENDITURES:			
	Current:			
	Support Services - Student (Pupil):			
0035	Food Services	<u>1,151,669</u>	<u>1,129,996</u>	<u>21,673</u>
	Total Support Services - Student (Pupil)	<u>1,151,669</u>	<u>1,129,996</u>	<u>21,673</u>
6030	Total Expenditures	<u>1,151,669</u>	<u>1,129,996</u>	<u>21,673</u>
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	--	(31,099)	(31,099)
1200	Net Change in Fund Balance	--	(31,099)	(31,099)
0100	Fund Balance - Beginning	339,446	339,446	--
3000	Fund Balance - Ending	<u>\$ 339,446</u>	<u>\$ 308,347</u>	<u>\$ (31,099)</u>

ARANSAS PASS INDEPENDENT SCHOOL DISTRICT

DEBT SERVICE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT J-3

Data Control Codes		1	2	3 Variance Positive (Negative)
		Budget	Actual	
REVENUES:				
5700	Local and Intermediate Sources	\$ 276,795	\$ 284,821	\$ 8,026
5800	State Program Revenues	7,539	7,539	--
5020	Total Revenues	284,334	292,360	8,026
EXPENDITURES:				
Debt Service:				
0071	Principal on Long-Term Debt	190,000	190,000	--
0072	Interest on Long-Term Debt	57,200	57,200	--
0073	Bond Issuance Costs and Fees	1,750	1,500	250
	Total Debt Service	248,950	248,700	250
6030	Total Expenditures	248,950	248,700	250
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	35,384	43,660	8,276
1200	Net Change in Fund Balance	35,384	43,660	8,276
0100	Fund Balance - Beginning	400,932	400,932	--
3000	Fund Balance - Ending	\$ 436,316	\$ 444,592	\$ 8,276

MICHAEL A. ARNOLD, PLLC
Certified Public Accountant
501 E MARKET
ROCKPORT, TEXAS
361-729-3545

Independent Auditor's Report on Internal Control over Financial Reporting and
On Compliance and Other Matters Based on an Audit of Financial Statements
Performed In Accordance With Government Auditing Standards

Board of Trustees
Aransas Pass Independent School District
P.O. Box 1016
Aransas Pass, Texas 78335-1016

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Aransas Pass Independent School District, as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise Aransas Pass Independent School District's basic financial statements, and have issued our report thereon dated December 8, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Michael A. Arnold, PLLC". The signature is stylized and cursive.

Michael A. Arnold, PLLC

Rockport, TX
December 8, 2016

MICHAEL A. ARNOLD, PLLC
Certified Public Accountant
501 E MARKET
ROCKPORT, TEXAS
361-729-3545

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

Board of Trustees
Aransas Pass Independent School District
P.O. Box 1016
Aransas Pass, Texas 78335-1016

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

Respectfully submitted,



Michael A. Arnold, PLLC

Rockport, TX
December 8, 2016

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

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

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

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes X No

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

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

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200? Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010a	ESEA Title I, Part A

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

Auditee qualified as low-risk auditee? X Yes No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

ARANSAS PASS INDEPENDENT SCHOOL DISTRICT

*SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2016*

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
NONE		

ARANSAS PASS INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2016

N/A

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

EXHIBIT K-1
Page 1 of 2

(1)	(2)	(2A)	(3)	
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Passed Through to Subrecipient	Federal Expenditures
CHILD NUTRITION CLUSTER:				788,529
<u>U. S. Department of Agriculture</u>				
Passed Through State Department of Agriculture:				
Summer Food Service Program	10.559	205-901	\$ --	\$ 26,780
Passed Through State Department of Education:				
School Breakfast Program	10.553	71401501	--	20,766
School Breakfast Program	10.553	71401601	--	146,155
Total CFDA Number 10.553				166,921
National School Lunch Program	10.555	71301501	--	76,508
National School Lunch Program	10.555	71301601	--	525,100
			--	601,608
Total Passed Through State Department of Education			--	768,529
Total U. S. Department of Agriculture			--	795,309
Total Child Nutrition Cluster			--	795,309
FOOD DISTRIBUTION CLUSTER:				
<u>U. S. Department of Agriculture</u>				
Passed Through State Department of Agriculture:				
Commodity Supplemental Food Program (Non-cash)	10.565	205-901	--	79,828
Total U. S. Department of Agriculture			--	79,828
Total Food Distribution Cluster			--	79,828
SPECIAL EDUCATION (IDEA) CLUSTER:				
<u>U. S. Department of Education</u>				
Passed Through State Department of Education:				
IDEA-B Formula	84.027	1666001205901600	--	474,920
IDEA-B Formula	84.027	17660001205901600	--	18,155
Total CFDA Number 84.027			--	493,075
IDEA-B Preschool	84.173	166610012059016000	--	12,719
IDEA-B Preschool	84.173	176610012059016000	--	656
Total CFDA Number 84.173			--	13,375
Total Passed Through State Department of Education			--	506,450
Total U. S. Department of Education			--	506,450
Total Special Education (IDEA) Cluster			--	506,450
OTHER PROGRAMS:				
<u>U. S. Department of Education</u>				670,842
Passed Through State Department of Education:				
LEP Summer School	5929	69551502	--	--
ESEA Title I Part A - Improving Basic Programs	84.010a	16610101205901	--	623,844
ESEA Title I Part A - Improving Basic Programs - Priority and Focus	84.010a	15610112205901	--	1,600
ESEA Title I Part A - Improving Basic Programs Priority and Focus	84.010a	16610112205901	--	13,535
ESEA Title I Part A - Improving Basic Programs	84.010a	17610101205901	--	31,863

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

EXHIBIT K-1
Page 2 of 2

(1)	(2)	(2A)	(3)	
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Passed Through to Subrecipient	Federal Expenditures
Total CFDA Number 84.010a			--	670,842
<i>Career and Technical - Basic Grant</i>	84.048	16420006205901	--	25,822
<i>Career and Technical - Basic Grant</i>	84.048	17420006205901	--	9,689
Total CFDA Number 84.048			--	35,511
<i>Title III Part A English Language Acquisition and Language Enhance</i>	84.365	16671001205901	\$ --	\$ 14,459
<i>Title III Part A English Language Acquisition and Language Enhance</i>	84.365	17671001205901	\$ --	\$ 874
Total CFDA Number 84.365			--	15,333
<i>ESEA Title II Part A - Teacher & Principal Training & Recruiting</i>	84.367a	16694501205901	--	148,926
<i>ESEA Title II Part A - Teacher & Principal Training & Recruiting</i>	84.367a	17694501205901	--	7,791
Total CFDA Number 84.367a			--	156,717
Total Passed Through State Department of Education			--	878,403
Total U. S. Department of Education			--	878,403
<u>U. S. Department of Defense</u>				
Direct Program:				
ROTC	12.00	205-901	--	67,574
Total U. S. Department of Defense			--	67,574
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ --	\$ 2,327,564

The accompanying notes are an integral part of this schedule.

ARANSAS PASS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED AUGUST 31, 2016

Basis of Presentation

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

Other Federal Revenues

Certain revenues received directly or indirectly from federal sources are considered expense reimbursements, not federal awards. These amounts are not included in the schedule of federal awards. A reconciliation of federal awards to federal revenues in Exhibit C-2 in the financial statements is presented below.

Total expenditures of federal awards presented on exhibit K-1	\$ 2,327,564
Other federal revenues:	
U.S. Department of Health and Human Services:	
School Health & Related Services (SHARS)	239,378
Interest subsidy on QZAB bonds	<u>75,660</u>
Federal Program Revenues, Exhibit C-2	<u>\$ 2,642,602</u>

ARANSAS PASS INDEPENDENT SCHOOL DISTRICT

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

<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?	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 governmental agencies?	Yes
SF8	Did the school district <u>not</u> receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	What was the total accumulated accretion on capital appreciation bonds (CABs) included in government-wide financial statements at fiscal year-end?	\$ --
SF11	Net Pension Assets (object 1920) at fiscal year-end.	\$ --
SF12	Net Pension Liabilities (object 2540) at fiscal year-end.	\$ 3,788,175
SF13	Pension Expense (object 6147) at fiscal year-end.	\$ 323,719