

**BOLING
INDEPENDENT SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2016



Boling Independent School District

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

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Introductory Section



Boling Independent School District

CERTIFICATE OF BOARD

Boling Independent School District
Name of School District

WHARTON
County

241-901
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 ____ day of _____, _____.

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)



Boling Independent School District

Financial Section



Boling Independent School District

Reed & Associates, PC

Certified Public Accountants

2300 Avenue I

Bay City, Texas 77414

979-245-7361 ~ auditors@swbell.net

Independent Auditor's Report

To the Board of Trustees
Boling Independent School District
P.O. Box 160
Boling, Texas 77420

Report on the Financial Statements

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, 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 Boling 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 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 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 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 September 26, 2016 on our consideration of Boling 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 Boling Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,

Reed and Associates,
PC

Reed & Associates, PC
Bay City, Texas
September 26, 2016

 Digitally signed by Reed and Associates, PC
DN: cn=Reed and Associates, PC, o, ou,
email=auditors@swbell.net, c=US
Date: 2016.09.27 09:28:33 -05'00'

BOLING INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2016

This discussion and analysis of the Boling Independent School District's financial statements provides a narrative overview of the District's financial activities for the fiscal year ended August 31, 2016. The information presented here should be read in conjunction with the basic financial statements and the accompanying notes to those financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of Boling Independent School District's finances in a manner similar to private sector business. They present the financial picture of the District from an economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the District as well as all liabilities. Additionally, certain eliminations have occurred in regards to interfund activity, payables and receivables.

The *statement of net position* presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Increases or decreases in net position over time may serve as a useful indicator of whether the financial position of Boling Independent School District is improving or deteriorating.

The *statement of activities* presents information showing how the district's net position changed during the most recent fiscal year using full accrual basis of accounting. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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

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

Because the focus of governmental funds is narrower than that of the district-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the district's near-term financing decisions.

Both the governmental funds balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

BOLING INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2016

Fiduciary funds. *Fiduciary funds* are used to account for resources held for the benefit of parties outside the district. Fiduciary funds are not reflected in the district-wide financial statement because the resources of those funds are not available to support the District's own programs. The accounting used for the fiduciary funds is much like that used for proprietary funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that further explains and supports the information in the financial statements.

DISTRICT-WIDE FINANCIAL ANALYSIS

The District's net position at August 31, 2016 and 2015 are summarized as follows:

	<u>Governmental Activities</u>		
	<u>8/31/16</u>	<u>8/31/15</u>	<u>Variance</u>
Current and other assets	\$ 7,168,091	\$ 5,871,483	\$ 1,296,608
Capital assets	<u>7,258,310</u>	<u>7,458,901</u>	<u>(200,591)</u>
Total assets	<u>14,426,401</u>	<u>13,330,384</u>	<u>1,096,017</u>
Deferred outflows of resources	<u>1,012,100</u>	<u>121,797</u>	<u>890,303</u>
Current and other liabilities	643,597	265,549	378,048
Long-term liabilities	<u>2,338,525</u>	<u>1,575,454</u>	<u>763,071</u>
Total liabilities	<u>2,982,122</u>	<u>1,841,003</u>	<u>1,141,119</u>
Deferred inflows of resources	<u>280,005</u>	<u>214,973</u>	<u>65,032</u>
Net position			
Net invested in capital assets	6,517,969	6,586,197	(68,228)
Restricted	10,323	10,309	14
Unrestricted	<u>5,648,082</u>	<u>4,799,699</u>	<u>848,383</u>
Total Net position	<u>\$ 12,176,374</u>	<u>\$ 11,396,205</u>	<u>\$ 780,169</u>

As noted earlier, net position may serve over time as a useful indicator of a district's financial position. In the case of Boling Independent School District, assets exceeded liabilities by \$12,176,374 at the close of the most recent fiscal year, August 31, 2016. Approximately 54 percent reflects the District's investment in capital assets. The District uses capital assets to provide services to students; consequently these assets are not available for future spending. Less than 1 percent represents amounts restricted for specific uses by outside sources while the remaining balance is unrestricted and available to meet the District's ongoing obligations to educate the school age children of Boling. At the end of the current fiscal year, the District is able to report positive balances in all three categories of net position. The same situation held true for the prior fiscal year.

Current assets increased \$1,296,608 of which \$1,276,057 represents a net increase in cash position. This is primarily a result of the degree to which revenue exceeded expenses during the year as noted below under the discussion of the District's changes in net position.

BOLING INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2016

Current liabilities recognized an increase in accrued wages of \$104,163 and an increase in unearned revenue of \$277,510 due to an overpayment of state foundation funds for the 2015-2016 fiscal year.

In compliance with GASB Statement 68 "Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27", the District recognized an increase of \$890,303 in deferred outflows – pension resources, \$65,032 in deferred inflows – pension resources and \$895,434 in long-term liabilities – net pension liabilities. This is a result of the District recognizing their proportionate share of the State-wide net pension liability and related deferred inflows and outflows.

The District's changes in net position for the fiscal years end August 31, 2016 and 2015 are summarized as follows:

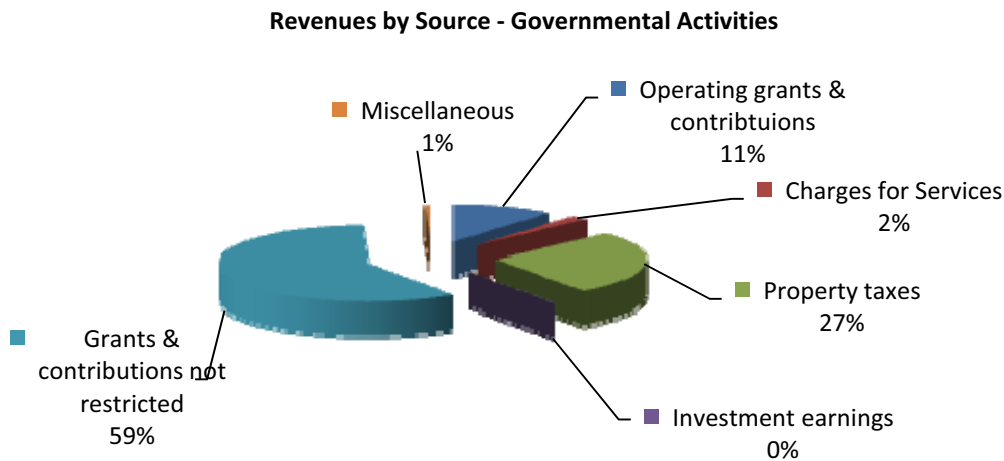
	<u>Governmental Activities</u>		
	<u>8/31/16</u>	<u>8/31/15</u>	<u>Variance</u>
Revenues			
Program revenues			
Charges for services	\$ 203,776	\$ 194,712	\$ 9,064
Operating grants and contributions	1,212,170	1,112,176	99,994
General revenues			
Property taxes	2,982,737	2,822,494	160,243
Investment earnings	17,052	2,624	14,428
Grants, contributions, not program restricted	6,441,678	6,381,778	59,900
Miscellaneous	70,016	60,306	9,710
Total revenues	<u>10,927,429</u>	<u>10,574,090</u>	<u>353,339</u>
Expenses			
Instruction	5,074,149	4,955,862	118,287
Instructional resources and media	79,246	125,141	(45,895)
Curriculum and staff development	38,769	47,358	(8,589)
Instructional leadership	86,914	80,956	5,958
School leadership	636,075	587,627	48,448
Guidance, counseling and evaluation	165,085	152,756	12,329
Health services	114,256	114,950	(694)
Student transportation	579,304	564,481	14,823
Food service	502,117	523,087	(20,970)
Extracurricular	692,498	593,553	98,945
General administration	427,328	411,818	15,510
Plant maintenance and operations	1,289,181	1,208,613	80,568
Security and monitoring	28,747	20,176	8,571
Data processing services	120,895	126,819	(5,924)
Interest on long-term debt	31,440	36,202	(4,762)
Payments related to shared services	228,747	233,081	(4,334)
Other intergovernmental charges	52,506	44,374	8,132
Total expenses	<u>10,147,257</u>	<u>9,826,854</u>	<u>320,403</u>
Increase (decrease) in net position	780,172	747,236	32,936
Net position - beginning	11,396,202	10,648,969	747,233
Net position - ending	<u>\$ 12,176,374</u>	<u>\$ 11,396,205</u>	<u>\$ 780,169</u>

BOLING INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2016

Revenue increased \$353,339 and expenses increased \$320,403 over the prior year. The District increased current net position \$780,172 compared to a prior year net increase of \$747,236. Some of the key elements of these variances are as follows:

- Property taxable values increased over \$25m resulting in increased tax revenue.
- Operating grants increased over \$59,000 related to SHARS (school health and related services) reimbursements
- Instructional, extracurricular and maintenance costs increased in payroll due to pay raises and board approved incentives.
- Other increases included extracurricular sports supplies and contracted maintenance services during the year.

The following chart shows the revenues by major source:



FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund accounting and budget controls has been the framework of the District's strong fiscal management and accountability.

Governmental funds. The general government functions are reported in the General and Special Revenue Funds. The focus of the District's *governmental funds* is to provide information on current sources, uses, and balances of *spendable* resources. Such information is useful in determining the District's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year the District's governmental funds reported combined ending fund balances of \$6,389,799, an increase of \$873,315. \$2,658,636 of this balance constitutes unassigned fund balance, which is available for spending at the District's discretion. \$3,720,840 of the fund balance is committed for construction, capital equipment and campus activities and the remaining \$10,323 is restricted by grantors and donors for specific purposes.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,658,636. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unassigned fund balance represents 30% of total general fund expenditures or slightly more than three months of current operations while total fund balance (including commitments) represents 70% or slightly more than eight months of current operations.

BOLING INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2016

The net increase in the general fund balance is \$873,905 compared to a prior year net decrease of \$729,883. Revenues and other resources increased \$264,766 and expenditures increased \$144,578. Key factors in these changes include those noted above under the district-wide analysis.

General Fund Budgetary Highlights. The Board of Trustees approved budget amendments throughout the year resulting in a net increase from the original budget (before other financing uses) of \$102,887. The most significant amendment was to function 51, plant maintenance.

Overall, actual revenues exceeded budgetary estimates by \$310,030 and actual expenditures were less than appropriations by \$598,864. The following areas are the more significant areas noted:

- State funds exceeded estimates over \$170,000 due primarily to the increase in ADA.
- Appropriation savings were among all functions, with instruction, student transportation and plant maintenance recognizing the largest amounts. This is due to the uncertainty of the need for additional teachers, fuel costs and utility costs.

Capital Asset Highlights

	Governmental Activities		
	8/31/2016	8/31/2015	Variance
Land	\$ 495,244	\$ 495,244	\$ -
Construction in Progress	30,446	-	30,446
Buildings & Improvements	13,017,736	13,017,736	-
Equipment	600,992	600,992	-
Vehicles	1,754,994	1,645,108	109,886
Totals	<u>15,899,412</u>	<u>15,759,080</u>	<u>140,332</u>
Less accumulated depreciation	<u>(8,641,099)</u>	<u>(8,300,176)</u>	<u>(340,923)</u>
	<u>\$ 7,258,313</u>	<u>\$ 7,458,904</u>	<u>\$ (200,591)</u>

Some of the more significant capital events during the year include the following:

- Addition of a bus, maintenance truck and gator utility vehicle
- Preliminary phase of the High School track
- Depreciation expense for the year

Debt Highlights

Significant debt administration events during the current fiscal year include:

- Scheduled principal payments of \$132,363 on efficiency upgrade loan.
- In compliance with GASB 68 "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27" an increase in estimated net pension liability of \$895,434.

Economic Factors and Next Year's Budgets and Rates

The annual budget is developed to provide efficient, effective and controlled use of the District's resources. The District adopted a 2017 general fund expenditure budget of \$10,215,279 and revenue budget of \$10,215,279, a balanced budget. Factors affecting the 2017 Budget were as follows:

- Cost of annual step increases for salary and hourly employees
- Employed an additional maintenance position

BOLING INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2016

- Increased contracted services for the Wharton County Appraisal District to accommodate their preliminary budget (adding a pension plan)

Request for Information

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to the Administrative Office of the Boling Independent School District, 301 Texas Avenue, Boling, Texas 77420, or call 979-657-2770.

Basic Financial Statements

BOLING INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION

AUGUST 31, 2016

Data Control Codes	1	Governmental Activities
ASSETS:		
1110	<i>Cash and Cash Equivalents</i>	\$ 86,695
1120	<i>Current Investments</i>	6,868,990
1225	<i>Property Taxes Receivable (Net)</i>	142,951
1240	<i>Due from Other Governments</i>	32,412
1300	<i>Inventories</i>	37,043
Capital Assets:		
1510	<i>Land</i>	495,244
1520	<i>Buildings and Improvements, Net</i>	5,986,510
1530	<i>Furniture and Equipment, Net</i>	746,110
1580	<i>Construction in Progress</i>	30,446
1000	Total Assets	<u>14,426,401</u>
DEFERRED OUTFLOWS OF RESOURCES:		
1705	<i>Deferred Outflow Related to Pensions</i>	1,012,100
1700	Total Deferred Outflows of Resources	<u>1,012,100</u>
LIABILITIES:		
2110	<i>Accounts Payable</i>	3,274
2140	<i>Interest Payable</i>	8,256
2165	<i>Accrued Liabilities</i>	350,356
2300	<i>Unearned Revenue</i>	281,711
Noncurrent Liabilities:		
2501	<i>Due Within One Year</i>	137,350
2502	<i>Due in More Than One Year</i>	602,991
2540	<i>Net Pension Liability</i>	1,598,184
2000	Total Liabilities	<u>2,982,122</u>
DEFERRED INFLOWS OF RESOURCES:		
2605	<i>Deferred Inflow Related to Pensions</i>	280,005
2600	Total Deferred Inflows of Resources	<u>280,005</u>
NET POSITION:		
3200	Net Investment in Capital Assets	6,517,969
Restricted For:		
Restricted for Medical Program		
3890	Expendable	323
3890	Nonexpendable	10,000
3900	Unrestricted	5,648,082
3000	Total Net Position	<u>\$ 12,176,374</u>

The accompanying notes are an integral part of this statement.

BOLING INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	Functions/Programs	1 Expenses	3 Program Revenues		4 Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Governmental Activities		
	Governmental Activities:					
11	<i>Instruction</i>	\$ 5,074,149	\$ 10,384	\$ 604,133	\$ (4,459,632)	
12	<i>Instructional Resources and Media Services</i>	79,246	--	3,223	(76,023)	
13	<i>Curriculum and Staff Development</i>	38,769	--	739	(38,030)	
21	<i>Instructional Leadership</i>	86,914	--	5,389	(81,525)	
23	<i>School Leadership</i>	636,075	16,966	49,962	(569,147)	
31	<i>Guidance, Counseling, & Evaluation Services</i>	165,085	--	96,616	(68,469)	
33	<i>Health Services</i>	114,256	--	7,535	(106,721)	
34	<i>Student Transportation</i>	579,304	--	28,851	(550,453)	
35	<i>Food Service</i>	502,117	128,160	322,198	(51,759)	
36	<i>Cocurricular/Extracurricular Activities</i>	692,498	45,949	22,287	(624,262)	
41	<i>General Administration</i>	427,328	--	24,591	(402,737)	
51	<i>Facilities Maintenance and Operations</i>	1,289,181	--	38,671	(1,250,510)	
52	<i>Security and Monitoring Services</i>	28,747	2,317	69	(26,361)	
53	<i>Data Processing Services</i>	120,895	--	7,906	(112,989)	
72	<i>Interest on Long-term Debt</i>	31,440	--	--	(31,440)	
93	<i>Payments Related to Shared Services Arrangements</i>	228,747	--	--	(228,747)	
99	<i>Other Intergovernmental Charges</i>	52,506	--	--	(52,506)	
TG	Total Governmental Activities	<u>10,147,257</u>	<u>203,776</u>	<u>1,212,170</u>	<u>(8,731,311)</u>	
TP	Total Primary Government	<u>\$ 10,147,257</u>	<u>\$ 203,776</u>	<u>\$ 1,212,170</u>	<u>(8,731,311)</u>	
	General Revenues:					
MT	<i>Property Taxes, Levied for General Purposes</i>				2,982,737	
IE	<i>Investment Earnings</i>				17,052	
GC	<i>Grants and Contributions Not Restricted to Specific Programs</i>				6,441,678	
MI	<i>Miscellaneous</i>				70,016	
TR	Total General Revenues				<u>9,511,483</u>	
CN	Change in Net Position				780,172	
NB	Net Position - Beginning				11,396,202	
NE	Net Position - Ending				<u>\$ 12,176,374</u>	

The accompanying notes are an integral part of this statement.

BOLING 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	\$ 31,432	\$ 55,263	\$ 86,695
1120	Current Investments	6,858,990	10,000	6,868,990
1225	Taxes Receivable, Net	142,951	--	142,951
1240	Due from Other Governments	7,272	25,140	32,412
1260	Due from Other Funds	27,441	--	27,441
1300	Inventories	--	37,043	37,043
1000	Total Assets	<u>7,068,086</u>	<u>127,446</u>	<u>7,195,532</u>
LIABILITIES:				
Current Liabilities:				
2110	Accounts Payable	\$ 2,416	\$ 858	\$ 3,274
2160	Accrued Wages Payable	316,974	26,012	342,986
2170	Due to Other Funds	--	27,441	27,441
2200	Accrued Expenditures	5,872	1,498	7,370
2300	Unearned Revenue	274,637	7,074	281,711
2000	Total Liabilities	<u>599,899</u>	<u>62,883</u>	<u>662,782</u>
DEFERRED INFLOWS OF RESOURCES:				
	Deferred Revenue	142,951	--	142,951
2600	Total Deferred Inflows of Resources	<u>142,951</u>	<u>--</u>	<u>142,951</u>
FUND BALANCES:				
Nonspendable Fund Balances:				
3425	Endowment Principal	--	10,000	10,000
Restricted Fund Balances:				
3490	Other Restrictions of Fund Balance	--	323	323
Committed Fund Balances:				
3510	Construction	3,274,600	--	3,274,600
3530	Capital Expenditures for Equipment	392,000	--	392,000
3545	Other Committed Fund Balance	--	54,240	54,240
3600	Unassigned	2,658,636	--	2,658,636
3000	Total Fund Balances	<u>6,325,236</u>	<u>64,563</u>	<u>6,389,799</u>
4000	Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 7,068,086</u>	<u>\$ 127,446</u>	<u>\$ 7,195,532</u>

The accompanying notes are an integral part of this statement.

BOLING 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	\$ 6,389,799
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.	7,258,309
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	142,951
Payables for bond interest which are not due in the current period are not reported in the funds.	(8,256)
Payables for notes which are not due in the current period are not reported in the funds.	(740,340)
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(1,598,184)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(280,005)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	<u>1,012,100</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 12,176,374</u>

The accompanying notes are an integral part of this statement.

BOLING 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>	\$ 3,079,215	\$ 153,926	\$ 3,233,141
5800 <i>State Program Revenues</i>	6,817,109	6,301	6,823,410
5900 <i>Federal Program Revenues</i>	85,350	544,672	630,022
5020 Total Revenues	<u>9,981,674</u>	<u>704,899</u>	<u>10,686,573</u>
EXPENDITURES:			
Current:			
0011 <i>Instruction</i>	4,519,731	230,561	4,750,292
0012 <i>Instructional Resources and Media Services</i>	72,995	--	72,995
0013 <i>Curriculum and Staff Development</i>	36,304	700	37,004
0021 <i>Instructional Leadership</i>	80,356	--	80,356
0023 <i>School Leadership</i>	568,146	19,927	588,073
0031 <i>Guidance, Counseling, & Evaluation Services</i>	151,991	--	151,991
0033 <i>Health Services</i>	105,566	--	105,566
0034 <i>Student Transportation</i>	647,330	--	647,330
0035 <i>Food Service</i>	--	474,062	474,062
0036 <i>Cocurricular/Extracurricular Activities</i>	653,270	3,943	657,213
0041 <i>General Administration</i>	397,540	--	397,540
0051 <i>Facilities Maintenance and Operations</i>	1,233,323	--	1,233,323
0052 <i>Security and Monitoring Services</i>	27,990	--	27,990
0053 <i>Data Processing Services</i>	112,572	--	112,572
0071 <i>Principal on Long-term Debt</i>	132,363	--	132,363
0072 <i>Interest on Long-term Debt</i>	32,889	--	32,889
0081 <i>Capital Outlay</i>	30,446	--	30,446
0093 <i>Payments to Shared Service Arrangements</i>	228,747	--	228,747
0099 <i>Other Intergovernmental Charges</i>	52,506	--	52,506
6030 Total Expenditures	<u>9,084,065</u>	<u>729,193</u>	<u>9,813,258</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>897,609</u>	<u>(24,294)</u>	<u>873,315</u>
Other Financing Sources and (Uses):			
7915 <i>Transfers In</i>	--	23,704	23,704
8911 <i>Transfers Out</i>	(23,704)	--	(23,704)
7080 Total Other Financing Sources and (Uses)	<u>(23,704)</u>	<u>23,704</u>	<u>--</u>
1200 Net Change in Fund Balances	<u>873,905</u>	<u>(590)</u>	<u>873,315</u>
0100 Fund Balances - Beginning	<u>5,451,331</u>	<u>65,153</u>	<u>5,516,484</u>
3000 Fund Balances - Ending	<u>\$ 6,325,236</u>	<u>\$ 64,563</u>	<u>\$ 6,389,799</u>

The accompanying notes are an integral part of this statement.

BOLING 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	\$ 873,315
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	140,332
The depreciation of capital assets used in governmental activities is not reported in the funds.	(340,923)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	43,799
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	132,363
(Increase) decrease in accrued interest from beginning of period to end of period.	1,449
Pension cont made after the measurement date but in current FY were de-expended and reduced NPL.	(65,250)
The District's share of the unrecognized deferred inflows and outflows for the pension plan was amort.	139,484
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	<u>(144,397)</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ 780,172</u>

The accompanying notes are an integral part of this statement.

BOLING INDEPENDENT SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

AUGUST 31, 2016

Data Control Codes	Private-purpose Trust Fund	Agency Fund
<u>ASSETS:</u>	<u>Scholarship Funds</u>	<u>Student Activity</u>
1110 <i>Cash and Cash Equivalents</i>	\$ 10,871	\$ 77,734
1000 Total Assets	<u>10,871</u>	<u>77,734</u>
<u>LIABILITIES:</u>		
Current Liabilities:		
2110 <i>Accounts Payable</i>	\$ 7,000	\$ --
2190 <i>Due to Student Groups</i>	--	77,734
2000 Total Liabilities	<u>7,000</u>	<u>77,734</u>
<u>NET POSITION:</u>		
3800 <i>Held in Trust</i>	3,871	--
3000 Total Net Position	<u>\$ 3,871</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

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

	Private- Purpose Trusts
Additions:	
Gifts and bequests	\$ 59,570
Total Additions	<u>59,570</u>
Deductions:	
Scholarship Awards	<u>60,950</u>
Total Deductions	<u>60,950</u>
Change in Net Position	(1,380)
Net Position-Beginning of the Year	5,251
Net Position-End of the Year	<u>\$ 3,871</u>

The accompanying notes are an integral part of this statement.



Boling Independent School District

BOLING INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2016

A. Summary of Significant Accounting Policies

Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the government. All fiduciary activities are reported only in the fund financial statements.

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" as defined by the GASB in its Statement No. 14, "The Financial Reporting Entity," as revised by GASB Statement No. 39, and there are no component units included within the reporting entity.

Basis of Presentation – Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Basis of Presentation – Fund Financial Statements

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

The District reports the following major governmental funds:

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

Additionally, the District reports the following fund types:

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.

Private-Purpose Trust Funds: These funds are used to report trust arrangements for scholarships 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.

BOLING INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2016

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

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

Measurement Focus and Basis of Accounting

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

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

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

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

The private-purpose trust fund is reported using the economic resources measurement focus and the accrual basis of accounting. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, food service fund and debt service fund. Other special revenue funds do not have appropriated budgets since other means control the use of these resources (e.g., grant awards and endowment requirements) and sometimes span a period of more than one fiscal year.

BOLING INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2016

The appropriated budget is prepared at the fund and function level. The department heads may make transfers of appropriations within a function; however, transfers of appropriations between functions require the approval of the Board of Trustees. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the functional level.

Appropriations in all budgeted funds lapse at the end of the fiscal year. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

Assets, Liabilities, Deferred Outflows/inflows of Resources, and Net Position/fund Balance

Cash and cash equivalents:

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

Investments:

Investments for the District are reported at fair value (generally based on quoted market prices) except for the position in Government Investment Pool (Pool). In accordance with state law, the Pool operates in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, the Pool qualifies as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. The Pool is subject to regulatory oversight by the State Treasurer, although it is not registered with the SEC.

Inventories and prepaid items:

Inventories on the balance sheet represent food commodities which are recorded at market values supplied by the Texas Department of Human Services and purchased food and supplies recorded at cost. Inventory items are recorded as expenditures when they are consumed. 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.

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

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>
Buildings	75
Building Improvements	10-75
Vehicles	15
Equipment	5-50

BOLING INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2016

Deferred outflows/inflows of resources:

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The District has one item that qualifies for reporting in this category. The deferred outflows of resources calculated in the actuarial pension study required by GASB 68 and the current year pension payments are reported in the government-wide statement of net position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. The item "unavailable" revenue is reported in the governmental funds balance sheet. The "unavailable" source represents the uncollected delinquent taxes receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available for governmental funds. The deferred inflows of resources calculated in the actuarial pension study required by GASB 68 are reported in the government-wide statement of net position.

Net position flow assumption:

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

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.

Fund balance policies:

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

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board of Trustees is the highest level of decision-making authority for the District that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation. The Board of Trustees have committed fund balances in the general fund for construction and equipment and in the special revenue funds for campus activities.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The Board of Trustees has not delegated the authority to assign fund balance. When it is appropriate to assign fund balance this is accomplished in the same manner as committed funds that is through the adoption of a resolution. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

BOLING INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2016

Revenues and Expenditures/expenses

Program revenues:

Amounts reported as program revenues include 1) fees, fines, and charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

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 (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year.

Compensated absences:

Vacation days shall be used during the year in which they are earned and shall not accumulate. Unused vacation days shall not be reimbursed upon the employee's resignation, retirement, or any other termination of employment.

An employee who retires from the District shall be eligible for reimbursement for state leave under the following conditions: 1) The employee's retirement is voluntary, i.e., the employee is not being discharged or nonrenewed and 2) The employee is electing one of the options under the Texas Teacher Retirement System. The employee shall be reimbursed for the first 30 days of state leave at a rate of \$20 per day. The employee shall be reimbursed for unused state leave beyond 30 days at a rate of \$10 per day, up to a maximum of 30 additional days. The maximum an employee may receive for unused state leave shall be \$900. If the employee is reemployed with the District, days for which the employee received payment shall not be available to that employee. An auxiliary employee retiring from the District shall be paid for the first 30 days of unused local leave at a rate of \$20 per day, to a maximum of \$600. The rates established by the Board shall be in effect until the Board adopts new rates. Any changes to the rates shall apply beginning with the school year following the adoption of the rate change.

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 insure accuracy in building a statewide database for policy development and funding plans.

B. Deposits and Investments

Cash Deposits:

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's funds are required to be deposited and invested under the terms of a depository contract. 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 \$195,135 and the bank balance was \$280,723. 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.

BOLING INDEPENDENT SCHOOL DISTRICT

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

Investments:

All investments made by the District shall comply with the Public Funds Investment Act (Texas Government Code Chapter 2256, Subchapter A) and all federal, state, and local statutes, rules or regulations. 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 State Treasurer's Investment Pool (Pool) operates in accordance with state law, which requires it to meet all of the requirements of Rule 2a-7 of the Securities and Exchange Commission. The Pool has a credit rating of AAA from Standard & Poor's Financial Services. Local government investment pools in this rating category meet the highest standards for credit quality, conservative investment policies, and safety of principal. The Pool invests in a high quality portfolio of debt securities investments legally permissible for municipalities and school districts in the state.

The government utilizes a pooled investment concept for all its funds to maximize its investment program. Investment income from this internal pooling is allocated to the respective funds based upon the sources of funds invested.

The District's investments at August 31, 2016 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Credit Rating</u>	<u>Fair Value</u>
TexPool	N/A	AAAm	\$ 6,847,878
Certificate of Deposit	< 1 year	N/A	10,000
Community Bank Savings Account	N/A	N/A	11,112
Total Investments			<u>\$ 6,868,990</u>

C. Disaggregated Receivables

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

	<u>General</u>	<u>Aggregated Funds</u>	<u>Totals</u>
Property taxes	\$ 278,090	\$ --	\$ 278,090
Less allowance for uncollectible	(135,139)	--	(135,139)
Total taxes receivable	<u>\$ 142,951</u>	<u>\$ --</u>	<u>\$ 142,951</u>
Due from State	\$ --	\$ 25,140	\$ 25,140
Due from Wharton County TAC	7,272	--	7,272
Total due from other governments	<u>\$ 7,272</u>	<u>\$ 25,140</u>	<u>\$ 32,412</u>

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

D. Capital Assets

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

Governmental activities:	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<i>Capital assets not being depreciated:</i>				
Land	\$ 495,244	\$ --	\$ --	\$ 495,244
Construction in progress	--	30,446	--	30,446
	<u>495,244</u>	<u>30,446</u>	<u>--</u>	<u>525,690</u>

BOLING INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2016

Capital assets being depreciated:

Buildings and improvements	13,017,736	--	--	13,017,736
Equipment	600,992	--	--	600,992
Vehicles	1,645,108	109,886	--	1,754,994
<i>Total capital assets being depreciated</i>	<u>15,263,836</u>	<u>109,886</u>	<u>--</u>	<u>15,373,722</u>
<i>Less accumulated depreciation for:</i>				
Buildings and improvements	(6,785,368)	(245,857)	--	(7,031,225)
Equipment	(487,074)	(19,992)	--	(507,066)
Vehicles	(1,027,734)	(75,074)	--	(1,102,808)
<i>Total accumulated depreciation</i>	<u>(8,300,176)</u>	<u>(340,923)</u>	<u>--</u>	<u>(8,641,099)</u>
Total capital assets being depreciated, net	6,963,660	(231,037)	--	6,732,623
Governmental activities capital assets, net	<u>\$ 7,458,904</u>	<u>\$ (200,591)</u>	<u>\$ --</u>	<u>\$ 7,258,313</u>

Depreciation was charged to functions as follows:

Instruction	\$ 177,603
Instructional Resources and Media Services	4,485
Curriculum and Staff Development	1,697
Instructional Leadership	2,901
School Leadership	21,059
Guidance, Counseling, & Evaluation Services	5,474
Health Services	4,119
Student Transportation	20,229
Food Services	18,746
Extracurricular Activities	21,271
General Administration	14,758
Plant Maintenance and Operations	43,313
Security and Monitoring Services	723
Data Processing Services	4,545
	<u>\$ 340,923</u>

E. Pension Plan

Plan Description

The District participates in a cost sharing multiple employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit Terms. All employees of public, state- supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

Pension Plan Fiduciary Net Position

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

BOLING INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2016

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.

Benefits Provided

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

Contributions

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

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

	2015	2016
Member	6.7%	7.2%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
2015 Employer Contributions	\$	133,876
2015 Member Contributions	\$	350,765
2015 NECE On-behalf Contributions	\$	292,543

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

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

BOLING INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2016

On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.

During a new member's first 90 days of employment.

When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.

When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

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

When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

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

Actuarial Assumptions

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

Valuation Date	August 31, 2015
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Market Value
Single Discount Rate	8.00%
Long-term expected Invest Rate of Return	8.00%
Inflation	2.5%
Salary Increases including inflation	3.5% to 9.5%
Payroll Growth Rate	2.50%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

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

Discount Rate

The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the nonemployer 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:

BOLING INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2016

Asset Class	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%
Direction 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	--	1.8%	--
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	-0.2%	--
Real Return			
Global Inflat. Linked Bonds	3%	0.9%	--
Real Assets	16%	5.1%	1.1%
Energy & Natural Resources	3%	6.6%	0.2%
Commodities	--	1.2%	--
Risk Parity			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation	--		2.2%
Alpha	--		1.0%
Total	<u>100%</u>		<u>8.70%</u>

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

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 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 (7.0%)	Current Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
District's proportionate share of the net pension liability	\$ 2,504,053	\$ 1,598,184	\$ 843,651

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

At August 31, 2016, the District reported a liability of \$1,598,184 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 1,598,184
State's proportionate share that is associated with the District	3,491,314
Total	<u>\$ 5,089,498</u>

BOLING INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2016

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 employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2014 thru August 31, 2015.

At August 31, 2015 the employer's proportion of the collective net pension liability was .0045212% which was an increase (decrease) of .0018903% 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

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

Mortality Assumptions

5. 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.
6. 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.
7. 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

8. 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.
9. There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of the termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.
10. Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
11. 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.
12. 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

13. 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 \$497,456 and revenue of \$497,456 for support provided by the State.

BOLING INDEPENDENT SCHOOL DISTRICT

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 9,039	\$ 61,420
Changes in actuarial assumptions	37,991	57,016
Difference between projected and actual investment earnings	393,597	161,092
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	431,989	477
Contributions paid to TRS subsequent to the measurement date	139,484	--
Total	<u>\$ 1,012,100</u>	<u>\$ 280,005</u>

The net amounts of the employer'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 Exp Amount
2017	\$ 107,253
2018	107,253
2019	107,252
2020	160,951
2021	61,993
Thereafter	47,909

F. Retiree Health Care Plan

Plan Description

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

Funding Policy

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

BOLING INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2016

Contribution Rates and Contribution Amounts						
Year	Member		State on-behalf		District	
	Rate	Amount	Rate	Amount	Rate	Amount
2016	0.650%	35,274	1.000%	51,667	0.550%	32,426
2015	0.650%	34,029	1.000%	49,611	0.550%	28,794
2014	0.650%	33,617	1.000%	49,124	0.550%	31,334

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2016, 2015, and 2014, the subsidy payments received by TRS-Care on behalf of the District were \$16,085, \$17,678, and \$13,647, respectively.

G. 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 \$300 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, and terms of coverage and premium costs are included in the contractual provisions.

H. 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.

Worker's Compensation Insurance

During the year ended August 31, 2016, the District met its statutory workers' compensation obligations through participation in the Deep East Texas Self Insurance Fund (the Fund). The Fund was created and is operated under provisions of the Interlocal Cooperation Act of the Texas Government Code. The Fund provides statutory workers' compensation benefits to its members and their injured employees. The fund pays all administrative costs and administers all claims for its members. The District pays a fixed fee for this coverage under a three year contract, and is not liable for any additional costs other than this fixed amount.

Unemployment Compensation Pool

During the year ended August 31, 2016, Boling ISD provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

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

BOLING INDEPENDENT SCHOOL DISTRICT

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

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

I. Long-Term Obligations

Capital Leases

The District entered into a lease agreement as lessee for financing efficiency upgrades to school facilities valued at \$1,379,755 with an estimated life of 20 years. Accumulated depreciation at August 31, 2016 was \$258,800. This lease agreements qualify as a capital lease for accounting purposes and, therefore has been recorded at the present value of future minimum lease payments as of the inception date. The future minimum lease obligations and the net present value of these minimum lease payments as of August 31, 2016 were as follows:

<u>Year Ending August 31:</u>	
2017	\$ 165,252
2018	165,252
2019	165,252
2020	165,252
2021	165,252
2022-2026	--
Total Minimum Lease Payments	\$ 826,260
Less: Amount Representing Interest	(85,920)
Present Value of Minimum Lease Payments	<u>\$ 740,340</u>

Changes in Long-Term Debt

Changes in long-term obligations for the year ended August 31, 2016, are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<u>Governmental activities:</u>					
Capital leases	\$ 872,703	\$ --	\$ 132,363	\$ 740,340	\$ 137,350
Net pension liability*	702,750	1,029,310	133,876	1,598,184	--
	<u>\$ 1,575,453</u>	<u>\$ 1,029,310</u>	<u>\$ 266,239</u>	<u>\$ 2,338,524</u>	<u>\$ 137,350</u>

The fund typically used to liquidate net pension liability is the general fund.

J. Interfund Balances and Activities

Balances due to and due from other funds at August 31, 2016, are schedule to be repaid within one year and 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	\$ 27,441	Short-term loans

The general fund transferred \$23,704 to the national school lunch program at August 31, 2016 to cover the shortfall.

BOLING INDEPENDENT SCHOOL DISTRICT

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

K. Shared Services Arrangements

Membership

The District participates in a shared services arrangement ("SSA") for special education with the following school districts:

<u>Member Districts</u>
Wharton ISD
Boling ISD
East Bernard ISD

The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Wharton ISD nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA. A copy of the audit of the fiscal agent, Wharton ISD is available from their business office at 2100 N. Fulton, Wharton, TX 77488.

The district participates in a shared services arrangement ("SSA") for federal programs in drug prevention, career and technology, and other vocational grants with the Region III Service Center. The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Region III, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the district. The fiscal agent manager is responsible for all financial activities of the SSA. Information regarding the shared service arrangement may be obtained by contacting the Region III ESC Executive Director at (361) 573-0731.

L. Disaggregated Revenue

Local revenues received by the District consist of the following:

	General	Aggregate Funds	Totals
Property taxes	\$ 2,938,938	\$	\$ 2,938,938
Tuition & fees	8,315		8,315
Investment earnings	17,037	81	17,118
Rent	17,100		17,100
Athletic activities	44,910		44,910
E-rate	41,976		41,976
Enterprising activities		13,692	13,692
Gifts & bequests		3,360	3,360
Food service sales		128,160	128,160
Other miscellaneous	10,939	8,633	19,572
	<u>\$ 3,079,215</u>	<u>\$ 153,926</u>	<u>\$ 3,233,141</u>

M. Commitments and Contingencies

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.



Boling Independent School District

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.



Boling Independent School District

BOLING INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT G-1

Page 1 of 2

Data Control Codes	Budgeted Amounts			Variance with Final Budget Positive (Negative)	
	1	2	3		
	Original	Final	Actual		
REVENUES:					
5700	Local and Intermediate Sources	\$ 2,996,878	\$ 2,996,878	\$ 3,079,215	\$ 82,337
5800	State Program Revenues	6,644,756	6,644,756	6,817,109	172,353
5900	Federal Program Revenues	30,010	30,010	85,350	55,340
5020	Total Revenues	9,671,644	9,671,644	9,981,674	310,030
EXPENDITURES:					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	4,909,843	4,623,843	4,519,731	104,112
0012	Instructional Resources and Media Services	144,412	144,412	72,995	71,417
0013	Curriculum and Staff Development	42,263	42,263	36,304	5,959
	Total Instruction & Instr. Related Services	5,096,518	4,810,518	4,629,030	181,488
Instructional and School Leadership:					
0021	Instructional Leadership	84,410	87,410	80,356	7,054
0023	School Leadership	627,568	627,568	568,146	59,422
	Total Instructional & School Leadership	711,978	714,978	648,502	66,476
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	168,292	168,292	151,991	16,301
0033	Health Services	110,829	110,829	105,566	5,263
0034	Student (Pupil) Transportation	616,050	718,937	647,330	71,607
0036	Cocurricular/Extracurricular Activities	589,074	679,074	653,270	25,804
	Total Support Services - Student (Pupil)	1,484,245	1,677,132	1,558,157	118,975
Administrative Support Services:					
0041	General Administration	453,077	450,077	397,540	52,537
	Total Administrative Support Services	453,077	450,077	397,540	52,537
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	1,207,270	1,347,270	1,233,323	113,947
0052	Security and Monitoring Services	25,170	35,170	27,990	7,180
0053	Data Processing Services	119,032	124,032	112,572	11,460
	Total Support Services - Nonstudent Based	1,351,472	1,506,472	1,373,885	132,587
Debt Service:					
0071	Principal on Long-Term Debt	137,957	137,957	132,363	5,594
0072	Interest on Long-Term Debt	27,295	27,295	32,889	(5,594)
	Total Debt Service	165,252	165,252	165,252	--
Capital Outlay:					
0081	Capital Outlay	--	35,000	30,446	4,554
	Total Capital Outlay	--	35,000	30,446	4,554
Intergovernmental Charges:					
0093	Payments to Fiscal Agent/Member Dist.-SSA	270,000	270,000	228,747	41,253
0099	Other Intergovernmental Charges	47,500	53,500	52,506	994
	Total Intergovernmental Charges	317,500	323,500	281,253	42,247
6030	Total Expenditures	9,580,042	9,682,929	9,084,065	598,864

BOLING INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT G-1

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Data Control Codes	1	2	3	Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	<u>91,602</u>	<u>(11,285)</u>	<u>897,609</u>	<u>908,894</u>
Other Financing Sources (Uses):				
7912 Sale of Real or Personal Property	100	100	--	(100)
7949 Other Resources	100	100	--	(100)
8911 Transfers Out	<u>(91,602)</u>	<u>(91,602)</u>	<u>(23,704)</u>	<u>67,898</u>
7080 Total Other Financing Sources and (Uses)	<u>(91,402)</u>	<u>(91,402)</u>	<u>(23,704)</u>	<u>67,698</u>
1200 Net Change in Fund Balance	200	(102,687)	873,905	976,592
0100 Fund Balance - Beginning	5,451,331	5,451,331	5,451,331	--
3000 Fund Balance - Ending	<u>\$ 5,451,531</u>	<u>\$ 5,348,644</u>	<u>\$ 6,325,236</u>	<u>\$ 976,592</u>

BOLING 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 *

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Measurement period ending August 31,										
District's proportion of the net pension liability (asset)	0.0045212%	0.0026309%	--	--	--	--	--	--	--	--
District's proportionate share of the net pension liability (asset)	\$ 1,598,184	\$ 702,750	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
State's proportionate share of the net pension liability (asset) associated with the District	3,491,314	3,041,496	--	--	--	--	--	--	--	--
Total	\$ 5,089,498	\$ 3,744,246	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered-employee payroll	\$ 5,235,284	\$ 5,171,868	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	30.53%	13.59%	--	--	--	--	--	--	--	--
Plan fiduciary net position as a percentage of the total pension liability	78.43%	83.25%	--	--	--	--	--	--	--	--

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

BOLING INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS PENSION PLAN
LAST TEN FISCAL YEARS *

Fiscal year ending August 31,	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 139,484	\$ 133,875	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions in relation to the contractually required contribution	(139,484)	(133,875)	--	--	--	--	--	--	--	--
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered-employee payroll	\$ 5,426,729	\$ 5,235,284	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions as a percentage of covered-employee payroll	2.57%	2.56%	--	--	--	--	--	--	--	--

* 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.

BOLING INDEPENDENT SCHOOL DISTRICT

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

Budget

Under GASBS No. 34, budgetary comparison information is required to be presented for the general fund and each major special revenue fund with a legally adopted Budget. In accordance with State law the budgets must be prepared in accordance with GAAP; and in accordance with the Texas Education Agency the District is required to adopt a budget for the general fund, food service fund and debt service fund (if applicable).

Defined Benefit Pension Plan

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

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

Mortality Assumptions

- 5 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.
- 6 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.
- 7 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

- 8 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.
- 9 There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of the termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.
- 10 Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
- 11 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.
- 12 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

- 13 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.



Boling Independent School District

*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.

BOLING INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

AUGUST 31, 2016

Data Control Codes	Special Revenue Funds	Permanent Fund Gulf Coast Medical Grant	Total Nonmajor Governmental Funds (See Exhibit C-1)	
ASSETS:				
1110	Cash and Cash Equivalents	\$ 54,940	\$ 323	\$ 55,263
1120	Current Investments	--	10,000	10,000
1240	Due from Other Governments	25,140	--	25,140
1300	Inventories	37,043	--	37,043
1000	Total Assets	<u>117,123</u>	<u>10,323</u>	<u>127,446</u>
LIABILITIES:				
Current Liabilities:				
2110	Accounts Payable	\$ 858	\$ --	\$ 858
2160	Accrued Wages Payable	26,012	--	26,012
2170	Due to Other Funds	27,441	--	27,441
2200	Accrued Expenditures	1,498	--	1,498
2300	Unearned Revenue	7,074	--	7,074
2000	Total Liabilities	<u>62,883</u>	<u>--</u>	<u>62,883</u>
FUND BALANCES:				
Nonspendable Fund Balances:				
3425	Endowment Principal	--	10,000	10,000
Restricted Fund Balances:				
3490	Other Restrictions of Fund Balance	--	323	323
Committed Fund Balances:				
3545	Other Committed Fund Balance	54,240	--	54,240
3000	Total Fund Balances	<u>54,240</u>	<u>10,323</u>	<u>64,563</u>
4000	Total Liabilities and Fund Balances	<u>\$ 117,123</u>	<u>\$ 10,323</u>	<u>\$ 127,446</u>

BOLING 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	Permanent Fund Gulf Coast Medical Grant	Total Nonmajor Governmental Funds (See Exhibit C-2)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 153,911	\$ 15	\$ 153,926
5800 <i>State Program Revenues</i>	6,301	--	6,301
5900 <i>Federal Program Revenues</i>	544,672	--	544,672
5020 Total Revenues	<u>704,884</u>	<u>15</u>	<u>704,899</u>
EXPENDITURES:			
Current:			
0011 <i>Instruction</i>	230,561	--	230,561
0013 <i>Curriculum and Staff Development</i>	700	--	700
0023 <i>School Leadership</i>	19,927	--	19,927
0035 <i>Food Service</i>	474,062	--	474,062
0036 <i>Cocurricular/Extracurricular Activities</i>	3,943	--	3,943
6030 Total Expenditures	<u>729,193</u>	<u>--</u>	<u>729,193</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>(24,309)</u>	<u>15</u>	<u>(24,294)</u>
Other Financing Sources and (Uses):			
7915 <i>Transfers In</i>	23,704	--	23,704
7080 Total Other Financing Sources and (Uses)	<u>23,704</u>	<u>--</u>	<u>23,704</u>
1200 Net Change in Fund Balances	<u>(605)</u>	<u>15</u>	<u>(590)</u>
0100 Fund Balances - Beginning	54,845	10,308	65,153
3000 Fund Balances - Ending	<u>\$ 54,240</u>	<u>\$ 10,323</u>	<u>\$ 64,563</u>

BOLING INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2016

Data Control Codes	211 ESEA Title I Improving Basic Programs	240 National School Breakfast/Lunch Program
ASSETS:		
1110 <i>Cash and Cash Equivalents</i>	\$ --	\$ 700
1240 <i>Due from Other Governments</i>	10,966	10,706
1300 <i>Inventories</i>	--	37,043
1000 Total Assets	<u>10,966</u>	<u>48,449</u>
LIABILITIES:		
Current Liabilities:		
2110 <i>Accounts Payable</i>	\$ --	\$ 858
2160 <i>Accrued Wages Payable</i>	10,004	12,835
2170 <i>Due to Other Funds</i>	--	27,441
2200 <i>Accrued Expenditures</i>	962	241
2300 <i>Unearned Revenue</i>	--	7,074
2000 Total Liabilities	<u>10,966</u>	<u>48,449</u>
FUND BALANCES:		
Committed Fund Balances:		
3545 <i>Other Committed Fund Balance</i>	--	--
3000 Total Fund Balances	<u>--</u>	<u>--</u>
4000 Total Liabilities and Fund Balances	<u>\$ 10,966</u>	<u>\$ 48,449</u>

EXHIBIT H-3

255 ESEA Title II Training & Recruiting	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds (See Exhibit H-1)
\$ --	\$ 54,240	\$ 54,940
3,468	--	25,140
--	--	37,043
<u>3,468</u>	<u>54,240</u>	<u>117,123</u>
\$ --	\$ --	\$ 858
3,173	--	26,012
--	--	27,441
295	--	1,498
--	--	7,074
<u>3,468</u>	<u>--</u>	<u>62,883</u>
--	54,240	54,240
--	54,240	54,240
<u>\$ 3,468</u>	<u>\$ 54,240</u>	<u>\$ 117,123</u>

BOLING 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	240 National School Breakfast/Lunch Program	255 ESEA Title II Training & Recruiting
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ 128,160	\$ --
5800 <i>State Program Revenues</i>	--	2,437	--
5900 <i>Federal Program Revenues</i>	163,034	319,761	44,263
5020 Total Revenues	<u>163,034</u>	<u>450,358</u>	<u>44,263</u>
EXPENDITURES:			
Current:			
0011 <i>Instruction</i>	163,034	--	44,263
0013 <i>Curriculum and Staff Development</i>	--	--	--
0023 <i>School Leadership</i>	--	--	--
0035 <i>Food Service</i>	--	474,062	--
0036 <i>Cocurricular/Extracurricular Activities</i>	--	--	--
6030 Total Expenditures	<u>163,034</u>	<u>474,062</u>	<u>44,263</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>--</u>	<u>(23,704)</u>	<u>--</u>
Other Financing Sources and (Uses):			
7915 <i>Transfers In</i>	--	23,704	--
7080 Total Other Financing Sources and (Uses)	<u>--</u>	<u>23,704</u>	<u>--</u>
1200 Net Change in Fund Balances	<u>--</u>	<u>--</u>	<u>--</u>
0100 Fund Balances - Beginning	<u>--</u>	<u>--</u>	<u>--</u>
3000 Fund Balances - Ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

270 ESEA, Title VI Part B, Subpart 2 Rural School	410 State Textbook Fund	429 Math Achievement Academies	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds (See Exhibit H-2)
\$ --	\$ --	\$ --	\$ 25,751	\$ 153,911
--	3,164	700	--	6,301
17,614	--	--	--	544,672
<u>17,614</u>	<u>3,164</u>	<u>700</u>	<u>25,751</u>	<u>704,884</u>
17,614	3,164	55	2,431	230,561
--	--	700	--	700
--	--	--	19,927	19,927
--	--	--	--	474,062
--	--	--	3,943	3,943
<u>17,614</u>	<u>3,164</u>	<u>755</u>	<u>26,301</u>	<u>729,193</u>
--	--	(55)	(550)	(24,309)
--	--	--	--	23,704
--	--	--	--	23,704
--	--	(55)	(550)	(605)
--	--	55	54,790	54,845
<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 54,240</u>	<u>\$ 54,240</u>



Boling Independent School District

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.

BOLING 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		1.04		--		169,199,808
2009		1.04		--		193,862,500
2010		1.04		--		184,140,577
2011		1.04		--		199,934,135
2012		1.04		--		203,458,558
2013		1.04		--		216,977,115
2014		1.04		--		232,523,654
2015		1.04		--		252,962,212
2016 (School Year Under Audit)		1.04		--		278,729,231

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
\$ 51,700	\$ --	\$ 3,870	\$ --	\$ --	\$ 47,830
6,634	--	1,040	--	--	5,594
7,949	--	1,181	--	--	6,768
6,715	--	1,192	--	--	5,523
11,015	--	2,401	--	(68)	8,545
14,963	--	2,646	--	(66)	12,251
19,076	--	3,676	--	(89)	15,312
33,506	--	11,738	--	(688)	21,080
74,417	--	34,674	--	(1,784)	37,959
--	2,898,784	2,802,188	--	20,633	117,229
<u>\$ 225,975</u>	<u>\$ 2,898,784</u>	<u>\$ 2,864,606</u>	<u>\$ --</u>	<u>\$ 17,938</u>	<u>\$ 278,090</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

BOLING 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 <i>Local and Intermediate Sources</i>	\$ 162,230	\$ 128,160	\$ (34,070)
5800 <i>State Program Revenues</i>	2,625	2,437	(188)
5900 <i>Federal Program Revenues</i>	323,890	319,761	(4,129)
5020 Total Revenues	<u>488,745</u>	<u>450,358</u>	<u>(38,387)</u>
EXPENDITURES:			
Current:			
Support Services - Student (Pupil):			
0035 <i>Food Services</i>	580,347	474,062	106,285
Total Support Services - Student (Pupil)	<u>580,347</u>	<u>474,062</u>	<u>106,285</u>
6030 Total Expenditures	<u>580,347</u>	<u>474,062</u>	<u>106,285</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>(91,602)</u>	<u>(23,704)</u>	<u>67,898</u>
Other Financing Sources (Uses):			
7915 <i>Transfers In</i>	91,602	23,704	(67,898)
7080 Total Other Financing Sources and (Uses)	<u>91,602</u>	<u>23,704</u>	<u>(67,898)</u>
0100 Fund Balance - Beginning	--	--	--
3000 Fund Balance - Ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

Reed & Associates, PC

Certified Public Accountants

2300 Avenue I

Bay City, Texas 77414

979-245-7361 ~ auditors@swbell.net

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
Boling Independent School District
P.O. Box 160
Boling, Texas 77420

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Boling Independent School District, as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise Boling Independent School District's basic financial statements, and have issued our report thereon dated September 26, 2016.

Internal Control Over Financial Reporting

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

**Reed and
Associates, PC**

Digitally signed by Reed and
Associates, PC
DN: cn=Reed and Associates, PC, o,
ou, email=auditors@swbell.net, c=US
Date: 2016.09.27 09:27:58 -05'00'

Reed & Associates, PC
Bay City, Texas
September 26, 2016

BOLING 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

B. Financial Statement Findings

NONE

BOLING 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>
Not Applicable		

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

Not Applicable

BOLING INDEPENDENT SCHOOL DISTRICT

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

Data Control Codes		Responses
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds?	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.	\$ 1,598,184
SF13	Pension Expense (object 6147) at fiscal year-end.	\$ 70,163