

**MANOR INDEPENDENT
SCHOOL DISTRICT**

**ANNUAL FINANCIAL AND
COMPLIANCE REPORT**

Year Ended June 30, 2016



MANOR INDEPENDENT SCHOOL DISTRICT
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CERTIFICATE OF THE BOARD

Manor Independent School District
Name of School District

Travis
County

227-907
Co. - Dist. No.

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and approved for the year ended June 30, 2016, at a meeting of the board of trustees of such school district on December 12, 2016.



President of the Board



Secretary of the Board

FINANCIAL SECTION

REPORT OF INDEPENDENT AUDITORS

To the Board of Trustees
Manor Independent School District
Manor, Texas

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 Manor Independent School District (the "District") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

To the Board of Trustees
Manor Independent School District

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7–14, and the budgetary comparison schedule and the required pension system information on pages 50-54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

To the Board of Trustees
Manor Independent School District

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Whitley Penn LLP

Houston, Texas
December 12, 2016

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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MANOR INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Manor Independent School District ("District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2016.

Financial Highlights

The assets and deferred outflows of the District exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$46,367,525 (*net position*). Of this amount, \$10,237,767 (*unrestricted net position*) may be used to meet the District's ongoing obligations to students and creditors.

- The District's total net position increased by \$1,174,733, including a prior period adjustment which decreased net position by \$427,839.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$153,518,115, a decrease of \$17,277,584 in comparison with the prior year, including a prior period adjustment to decrease fund balance by \$300,648 in the general fund. The debt service fund balance increased by \$10,250,599 and the capital projects fund balance decreased by \$27,222,901.
- During the current fiscal year, unassigned fund balance for the general fund increased by \$3,304,328, to \$22,786,623, unassigned fund balance at year-end is 28 percent of general fund expenditures.
- The District's total bonded debt decreased by \$9,195,000 (3 percent) during the current fiscal year as the result of scheduled payments on bond principal and the partial retirement of bonds 2007 and 2008 due to the issue of bonds series 2015 .

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 are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements.

Government-wide financial statements

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

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

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

MANOR INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

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

Fund financial statements

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

Governmental funds

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

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

The District maintains nineteen (19) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, capital projects fund and the debt service fund, all of which are considered to be major funds. Data from the other sixteen (16) governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in the financial statements. The District adopts an annual appropriated budget for its general fund, debt service fund, and child nutrition fund.

Fiduciary funds

The fiduciary funds are used to account for resources held for the benefit of students and employees. The District's *agency fund* is used to account for resources held in a custodial capacity by the District and consists of funds that are the property of students or others. The fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the District's own programs. The funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operation.

MANOR INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Notes to financial statements

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

Required supplementary 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. The required supplementary information relates to comparison of the original adopted budget, the final amended budget, and the actual amounts for the fiscal year. This is required supplementary information for the general fund and any major special revenue funds. The District did not have any major special revenue funds, therefore only the general fund is presented as required supplementary information. This section also includes pension system information.

Other information

The combining and individual fund statements and schedules and other supplementary information are presented immediately following the required supplementary information.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a District's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by \$46,367,525 at the close of the most recent fiscal year.

A portion of the District's net position, \$5,732,552 reflects its investment in capital assets (e.g., land, buildings and improvements, furniture and equipment, construction in progress), less any outstanding related debt used to acquire those assets. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

MANOR INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Condensed Statement of Net Position
June 30, 2016 and 2015

	Governmental Activities		Percentage Change
	2016	2015	
Current and other assets	\$ 165,296,560	\$ 183,885,338	-10%
Capital assets	200,554,485	186,706,183	7%
Total Assets	365,851,045	370,591,521	-1%
Deferred charge on refunding	7,351,933	7,689,989	-4%
Deferred outflows relating to pension activit	7,787,870	1,899,956	310%
Total Deferred Outflows of Resources	15,139,803	9,589,945	58%
Current liabilities	14,902,203	15,192,086	-2%
Long term liabilities	318,238,537	316,330,542	1%
Total Liabilities	333,140,740	331,522,628	0%
Deferred inflows relating to pension activitie	1,482,583	3,466,046	-57%
Total Deferred Inflows of Resources	1,482,583	3,466,046	-57%
Net Position			
Net investment in capital assets	5,732,552	11,333,470	-49%
Restricted	30,397,206	23,847,595	27%
Unrestricted	10,237,767	10,011,727	2%
Total Net Position	\$ 46,367,525	\$ 45,192,792	3%

Net position is restricted for various purposes as follows:

	Governmental Activities		Percentage Change
	2016	2015	
Federal and State Grant Programs	\$ 2,234,452	\$ 2,484,916	-10%
Debt Service	28,162,754	21,513,977	31%
	\$ 30,397,206	\$ 23,998,893	27%

The remaining balance of unrestricted net position, \$10,237,767, may be used to meet the District's ongoing obligations to students and creditors. At the end of the current fiscal year, the District reports positive balances in net investment in capital assets, restricted, and unrestricted net position. The District's net position increased by \$1,174,733 during the current fiscal year.

MANOR INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Comparative Schedule of Changes in Net Position
For the Years Ended June 30, 2016 and 2015

	Governmental Activities		Percentage Change
	2016	2015	
Revenues			
Program revenues:			
Charges for services	\$ 13,587,404	\$ 1,042,940	1203%
Operating grants	18,623,458	15,589,729	19%
General revenues:			
Property taxes	59,997,470	63,518,117	-6%
State Aid - Formula Grants	29,569,130	34,484,008	-14%
Interest earnings	699,055	391,390	79%
Other	74,001	3,060,341	-98%
Total Revenues	<u>122,550,518</u>	<u>118,086,525</u>	4%
Expenses			
Instruction	53,651,637	48,015,283	12%
Instructional resources and media services	798,273	890,599	-10%
Curriculum and staff development	2,678,093	3,164,227	-15%
Instructional leadership	3,769,768	3,466,913	9%
School leadership	5,612,244	4,882,588	15%
Guidance, counseling, and evaluation servi	3,135,540	2,990,061	5%
Social work services	904,205	811,873	11%
Health services	888,856	789,726	13%
Student transportation	4,526,326	3,953,718	14%
Food service	6,277,012	5,810,875	8%
Extracurricular activities	2,963,133	2,868,571	3%
General administration	3,926,857	3,652,236	8%
Facilities, maintenance and operations	8,743,236	7,120,029	23%
Security and monitoring services	1,042,262	709,125	47%
Data processing services	3,095,600	2,749,606	13%
Community services	1,565,441	1,069,984	46%
Interest on long-term debt	10,700,887	11,730,628	-9%
Bond issuance cost and fees	372,367		100%
Facilities repair and maintenance	5,962,973	367,592	1522%
Payments to Juvenile Justice Alternative Education			
Programs	8,858	2,322	281%
Other governmental charges	324,378	330,507	-2%
Total Expenses	<u>120,947,946</u>	<u>105,376,463</u>	15%
Increase (Decrease) in Net Position	1,602,572	12,710,062	-87%
Net position - as previously reported	45,192,792	32,482,730	39%
Prior period adjustment	(427,839)		
Net position - ending	<u>\$ 46,367,525</u>	<u>\$ 45,192,792</u>	3%

MANOR INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Governmental activities

Governmental activities increased the District's net position by \$1,174,733, including a prior period adjustment to decrease net position by \$427,839. The prior period adjustment includes \$393,841 in overstated cash reconciling items, \$287,614 related to a contribution adjustment due to the implementation of GASB 68 during the prior year, \$414,805 related to issuance costs that should have been expensed in prior years, and \$93,193 for the correction of an error in overstated accounts payable; see additional information in Note 18 of the financial statements.

Revenues are generated primarily from three sources. Property taxes, state-aid formula grants, and operating grants and contributions represent 88 percent of total revenues. The remaining is generated from charges for services, investment earnings, and miscellaneous revenues.

	Total Revenues	% of Total Revenues
Property taxes	\$ 59,997,470	49%
State Aid - Formula Grants	29,569,130	23%
Operating grants and contributions	18,623,458	15%
Other revenue	14,360,460	12%
Total Revenues	\$ 122,550,518	100%

The primary functional expenses of the District are instruction and facilities maintenance and operations, which represent percent of total expenses. The remaining individual functional categories of expenses are each less than 8 percent of total expenses.

	Total Expenses	% of Total Expenses
Instruction	\$ 53,651,637	44%
Facilities maintenance and operations	8,743,236	7%
Interest on long-term debt	10,700,887	9%
Other expenses	47,852,186	40%
Total Expenses	\$ 120,947,946	100%

Financial Analysis of the Government's Funds

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

Governmental funds

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$153,518,115, a decrease of \$17,277,584 in comparison with the prior year. The decrease in ending governmental fund balances is primarily due to a \$27.2 million decrease in Capital Projects Fund equity due to ongoing construction projects, starting on bond 2014 projects and expending the associated bond funds.

MANOR INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

The general fund is the chief operating fund of the District. At the end of the current fiscal year, total fund balance of the general fund was \$22,786,623, all of which is unassigned. As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Total fund balance represents 28 percent of total general fund expenditures. The fund balance of the District's general fund decreased by \$95,672 during the current fiscal year, which included the prior period adjustment of \$300,648.

The debt service fund has a total fund balance of \$32,643,583, all of which is restricted for the payment of debt service. The net increase in the debt service fund balance during the current year of \$10,250,599 was attributable to the issuance of bond series 2015. In addition, the District received approximately \$10 million in revenue loss payment from Samsung.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget of the general fund can be briefly summarized as follows:

	Budget	
	Original	Final Amended
Total revenues	\$ 91,609,940	\$ 81,049,673
Total expenditures	(81,027,710)	(85,638,593)
Other financing sources (uses)	(250,000)	(250,000)
Net change in fund balance	<u>\$ 10,332,230</u>	<u>\$ (4,838,920)</u>

Several budget amendments were adopted by the Board of Trustees throughout the year due to varying revenue estimates associated with the district's Chapter 313 agreement and a reallocation of district expenditures. Each budget amendment was a projection of the district's categorization of funds and authorized allocation.

Capital Assets and Long-term Liabilities

Capital assets

The District's investment in capital assets for its governmental type activities as of June 30, 2016, includes land, buildings and improvements, furniture and equipment, and construction in progress. The investment in capital assets for the current fiscal year was . The following table summarizes the investment in capital assets (net of accumulated depreciation) as of June 30, 2016 and 2015.

	2016	2015
Land	\$ 17,900,974	\$ 17,679,598
Buildings and improvements	161,149,003	141,802,403
Furniture and equipment	6,892,969	7,429,411
Construction in progress	14,611,539	19,794,771
Total	<u>\$ 200,554,485</u>	<u>\$ 186,706,183</u>

Additional information on the District's capital assets can be found in the notes to the financial statements.

MANOR INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Long-term liabilities

At the end of the current fiscal year, the District had \$271,834,999 in bonded debt outstanding, a decrease of \$9,195,000 over the previous year. The District's bonds were sold with an "AAA" rating and are guaranteed through the Texas Permanent School Fund Guarantee Program or by a municipal bond insurance policy. The underlying rating of the bonds from Standard and Poor's is "AA-" and from Moody's Investors Service is "A1" for general obligation debt.

Changes in bonds payable for the year ended August 31, 2016 are as follows:

Outstanding 07/01/15	Issued	Retired	Outstanding 06/30/16
<u>\$ 281,029,999</u>	<u>\$ 25,995,000</u>	<u>\$ (35,190,000)</u>	<u>\$ 271,834,999</u>

Additional information on the District's long-term liabilities can be found in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Samsung Austin Semiconductor, LLC, the district's largest taxpayer, recently announced plans to invest more than \$1 billion by the first half of 2017 to expand its facilities.

The district's budget was based on a tax rate of \$1.515 of which \$1.04 is for maintenance and operations and \$0.475 is for debt service. This rate was unchanged from the previous year.

Student growth in the district has remained relatively flat for the past two years, but a slight increase in enrollment is anticipated in 2017-18 to coincide with the opening of Manor New Tech Middle School and Lagos Elementary.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Business Office at Manor Independent School District, 10335 US Hwy 290E Manor, Texas.

BASIC FINANCIAL STATEMENTS

MANOR INDEPENDENT SCHOOL DISTRICT

Exhibit A-1

STATEMENT OF NET POSITION

June 30, 2016

Data Control Codes		Governmental Activities
	Assets	
1110	Cash and cash equivalents	\$ 70,948,599
1225	Property taxes receivables, net	1,769,813
1240	Due from other governments	7,915,571
1250	Accrued interest	357
1267	Due from fiduciary funds	4,435
1290	Other receivables, net	30,392
1300	Inventories	36,467
	Capital assets not subject to depreciation:	
1510	Land	17,900,974
1580	Construction in progress	14,611,539
	Capital assets net of depreciation:	
1520	Buildings and improvements, net	161,149,003
1530	Furniture and equipment, net	6,892,969
1910	Long-term investments	84,590,926
1000	Total Assets	365,851,045
	Deferred Outflows of Resources	
1700	Deferred charge on refunding	7,351,933
1705	Deferred outflows relating to pension activities	7,787,870
	Total Deferred Outflows of Resources	15,139,803
	Liabilities	
2110	Accounts payable	2,952,180
2140	Interest payable	4,893,571
2150	Payroll deductions and withholdings	87,690
2160	Accrued wages payable	6,840,917
2190	Due to student groups	17,934
2300	Unearned revenue	109,911
	Noncurrent Liabilities:	
2501	Due within one year	4,855,000
2502	Due in more than one year	293,410,761
2540	Net pension liability	19,972,776
2000	Total Liabilities	333,140,740
	Deferred Inflows of Resources	
2605	Deferred inflows relating to pension activities	1,482,583
	Total Deferred Inflows of Resources	1,482,583
	Net Position	
3200	Net investment in capital assets	5,732,552
	Restricted for:	
3820	Federal and state programs	2,234,452
3850	Debt service	28,162,754
3900	Unrestricted	10,237,767
3000	Total net position	46,367,525

See Notes to the Financial Statements.

MANOR INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

Exhibit B-1

Data Control Codes	Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Operating Grants and Contributions	Primary Government
	Governmental activities:				
11	Instruction	\$ 53,651,637	\$ 12,495,091	\$ 7,771,367	\$ (33,385,179)
12	Instructional resources and media services	798,273		40,869	(757,404)
13	Curriculum and staff development	2,678,093		877,127	(1,800,966)
21	Instructional leadership	3,769,768		1,071,017	(2,698,751)
23	School leadership	5,612,244		339,731	(5,272,513)
31	Guidance, counseling, and evaluation services	3,135,540		584,791	(2,550,749)
32	Social work services	904,205		229,631	(674,574)
33	Health services	888,856		1,903,250	1,014,394
34	Student transportation	4,526,326		228,840	(4,297,486)
35	Food service	6,277,012	919,560	4,753,825	(603,627)
36	Extracurricular activities	2,963,133	75,486	55,256	(2,832,391)
41	General administration	3,926,857		274,255	(3,652,602)
51	Facilities, maintenance and operations	8,743,236	97,267	243,946	(8,402,023)
52	Security and monitoring services	1,042,262		33,353	(1,008,909)
53	Data processing services	3,095,600		95,486	(3,000,114)
61	Community services	1,565,441		120,714	(1,444,727)
72	Interest on long-term debt	10,700,887			(10,700,887)
73	Bond issuance cost and fees	372,367			(372,367)
81	Facilities repairs and maintenance	5,962,973			(5,962,973)
95	Payments to Juvenile Justice Alternative Education Programs	8,858			(8,858)
99	Other governmental charges	324,378			(324,378)
TG	Total governmental activities	\$ 120,947,946	\$ 13,587,404	\$ 18,623,458	(88,737,084)

Data Control Codes		
	General revenues:	
	Taxes:	
MT	Property taxes, levied for general purposes	33,762,998
DT	Property taxes, levied for debt service	26,234,472
SF	State-aid formula grants	29,569,130
IE	Investment earnings	699,055
MI	Miscellaneous	74,001
TR	Total general revenues	90,339,656
CN	Change in net position	1,602,572
NB	Net position - beginning	45,192,792
PA	Prior period adjustments	(427,839)
NE	Net position - ending	\$ 46,367,525

See Notes to the Financial Statements.

MANOR INDEPENDENT SCHOOL DISTRICT

Exhibit C-1

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2016

Data Control Codes	General Fund	Debt Service Funds	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
1110 Cash and cash equivalents	\$ 23,630,164	\$ 31,130,257	\$ 15,891,964	\$ 296,214	\$ 70,948,599
Receivables:					
1220 Delinquent property taxes receivables	3,763,384	1,077,629			4,841,013
1230 Allowance for uncollectible taxes (credit)	(2,489,300)	(581,900)			(3,071,200)
1240 Receivables from other governments	6,651,633			1,263,938	7,915,571
1250 Accrued interest			357		357
1260 Due from other funds	2,826,350	1,513,326		2,662,859	7,002,535
1290 Other receivables	30,392				30,392
1300 Inventories, at cost				36,467	36,467
1910 Long-term investments	1,000,000		83,590,926		84,590,926
1000 Total Assets	<u>\$ 35,412,623</u>	<u>\$ 33,139,312</u>	<u>\$ 99,483,247</u>	<u>\$ 4,259,478</u>	<u>\$ 172,294,660</u>
Liabilities, Deferred Inflows, and Fund Balance					
Liabilities:					
2110 Accounts payable	\$ 604,922	\$	\$ 2,105,083	\$ 242,175	\$ 2,952,180
2140 Interest payable	1,383				1,383
2150 Payroll deduction and withholdings payable	60,219			26,088	86,307
2160 Accrued wages payable	6,297,091			543,826	6,840,917
2170 Due to other funds	4,388,301		1,764,512	845,287	6,998,100
2190 Due to student groups				17,934	17,934
2300 Unearned revenues				109,911	109,911
2000 Total Liabilities	<u>11,351,916</u>		<u>3,869,595</u>	<u>1,785,221</u>	<u>17,006,732</u>
Deferred Inflows of Resources					
2600 Unavailable property tax revenues	1,274,084	495,729			1,769,813
Total Deferred Inflows of Resources	<u>1,274,084</u>	<u>495,729</u>			<u>1,769,813</u>
Fund Balances:					
Restricted:					
3450 Federal/State grant restrictions				2,100,009	2,100,009
3470 Capital acquisitions			95,613,652		95,613,652
3480 Debt service		32,643,583			32,643,583
3490 Local grants				134,443	134,443
Committed:					
3545 Campus activity funds				239,805	239,805
3600 Unassigned	22,786,623				22,786,623
3000 Total fund balances	<u>22,786,623</u>	<u>32,643,583</u>	<u>95,613,652</u>	<u>2,474,257</u>	<u>153,518,115</u>
Total Liabilities, Deferred Inflows, and					
4000 Fund Balances	<u>\$ 35,412,623</u>	<u>\$ 33,139,312</u>	<u>\$ 99,483,247</u>	<u>\$ 4,259,478</u>	<u>\$ 172,294,660</u>

See Notes to the Financial Statements.

MANOR INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
STATEMENT OF NET POSITION
June 30, 2016

Exhibit C-2

<u>Data Control Codes</u>		
	Total fund balance, governmental funds	\$ 153,518,115
	Amounts reported for governmental activities in the statement of net position (A-1) are different because:	
1	Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets at historical cost, net of accumulated depreciation, where applicable.	200,554,485
2	Property taxes receivable have been levied and are due this year, but are not available soon enough to pay for the current period's expenditures, these property taxes and related penalty and interest amounts (net of allowance for uncollectible accounts).	1,769,813
3	Deferred charge on refunding	7,351,933
4	Deferred outflows relating to pension activities	7,787,870
	Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:	
5	General obligation bonds	(271,834,999)
6	Premiums on issuance	(25,365,458)
7	Accreted interest on capital appreciation bonds	(670,048)
8	Accrued compensated absences	(395,256)
9	Accrued interest payable	(4,893,571)
10	Net pension liability	(19,972,776)
11	Deferred inflows relating to pension activities	(1,482,583)
19	Net position - governmental activities	<u>\$ 46,367,525</u>

See Notes to the Financial Statements.

MANOR INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016

Exhibit C-3

Data Control Codes		General Fund	Debt Service Funds	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues						
5700	Local, intermediate, and out-of-state	\$ 46,122,203	\$ 26,143,282	\$ 575,967	\$ 1,113,317	\$ 73,954,769
5800	State program revenues	32,746,570	251,395		1,323,441	34,321,406
5900	Federal program revenues	1,946,341			10,224,348	12,170,689
5020	Total revenues	<u>80,815,114</u>	<u>26,394,677</u>	<u>575,967</u>	<u>12,661,106</u>	<u>120,446,864</u>
Expenditures						
Current:						
0011	Instruction	42,906,310			4,517,283	47,423,593
	Instructional resources and media services	652,144			275	652,419
0013	Curriculum and staff development	1,715,896			808,698	2,524,594
0021	Instructional leadership	2,728,244			933,822	3,662,066
0023	School leadership	5,362,509			35,004	5,397,513
	Guidance, counseling and evaluation services	2,566,990			462,172	3,029,162
0032	Social work services	664,842			217,365	882,207
0033	Health services	852,552				852,552
0034	Student transportation	4,113,064				4,113,064
0035	Food services				5,846,394	5,846,394
0036	Extracurricular activities	1,704,871				1,704,871
0041	General administration	3,627,627			10,000	3,637,627
0051	Facilities maintenance and operations	8,457,628		194,372		8,652,000
0052	Security and monitoring services	1,023,438				1,023,438
0053	Data processing services	2,396,194		417,417	1,103	2,814,714
0061	Community services	1,504,593			38,600	1,543,193
Debt service:						
0071	Principal on long-term debt		8,630,000			8,630,000
0072	Interest on long-term debt		7,522,088			7,522,088
0073	Bond issuance costs and fees		372,367			372,367
Capital outlay:						
0081	Facilities acquisition and construction			27,187,079		27,187,079
Intergovernmental:						
0095	Payments to Juvenile Justice Alt. Ed.	8,858				8,858
0099	Other governmental charges	324,378				324,378
6030	Total Expenditures	<u>80,610,138</u>	<u>16,524,455</u>	<u>27,798,868</u>	<u>12,870,716</u>	<u>137,804,177</u>
1100	Excess (deficiency) of revenues over expenditures	204,976	9,870,222	(27,222,901)	(209,610)	(17,357,313)
Other Financing Sources (Uses)						
7901	Refunding bonds issued		25,995,000			25,995,000
7916	Premium on issuance of bonds		2,438,377			2,438,377
8949	Other uses		(28,053,000)			(28,053,000)
7080	Total other financing sources and uses		<u>380,377</u>			<u>380,377</u>
1200	Net change in fund balances	204,976	10,250,599	(27,222,901)	(209,610)	(16,976,936)
0100	Fund Balance - beginning	22,882,295	22,392,984	122,836,553	2,683,867	170,795,699
1300	Prior period adjustment	(300,648)				(300,648)
3000	Fund Balance - ending	<u>\$ 22,786,623</u>	<u>\$ 32,643,583</u>	<u>\$ 95,613,652</u>	<u>\$ 2,474,257</u>	<u>\$ 153,518,115</u>

See Notes to the Financial Statements.

MANOR INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE FOR GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

Exhibit C-4

<u>Data Control Codes</u>		
	Net change in fund balances - total governmental funds (from C-3)	\$ (16,976,936)
	Amounts reported for governmental activities in the statement of activities (B-1) are different because:	
	Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
1	Governmental funds capital outlays	22,100,917
2	Governmental funds depreciation expense	(8,252,615)
3	Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	470,117
4	Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	8,667,604
	Proceeds from issuance of long-term debt is reported as an other financing source in the governmental funds. In the government-wide financial statements, proceeds are treated as an increase in long-term liabilities and amounts paid to refunding agents are treated as a decrease in long-term liabilities.	
5	Proceeds from issuance on bonds	(25,995,000)
6	Premium on issuance of bonds	(2,438,377)
7	Payment to escrow agent for refunding	28,053,000
8	Pension contributions made after the net pension liability date are reported as expenditures in the governmental funds and are reported as deferred outflows on the face of the statement of net position.	1,876,431
	Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:	
9	Pension expense for the pension plan measurement year	(2,934,903)
10	Increase in interest payable not recognized in fund statements	(3,682,444)
11	Decrease in long-term portion of accrued compensated absences	248,737
12	Accumulated accretion	(22,279)
13	Amortization of premium on issuance	1,479,189
14	Amortization of deferred charge on refunding	(990,869)
	Change in net position of governmental activities (see B-1)	<u>\$ 1,602,572</u>

See Notes to the Financial Statements.

MANOR INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2016

Exhibit E-1

<u>Data Control Codes</u>		<u>Student Activity Agency Fund</u>
	Assets	
1110	Cash and cash equivalents	\$ 46,849
1000	Total Assets	<u>\$ 46,849</u>
	Liabilities	
2110	Accounts payable	\$ 6,143
2170	Due to other funds	4,435
2190	Due to student groups	36,271
2000	Total Liabilities	<u>\$ 46,849</u>

See Notes to the Financial Statements.

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

The Manor Independent School District (the “District”) is governed by a seven-member Board of Trustees (the “Board”), which has governance responsibilities over all activities related to public elementary and secondary education within the District. Because members of the Board are elected by the public; have authority to make decisions; appoint management and significantly influence operations; and have primary accountability for fiscal matters; the District is not included in any other governmental reporting entity. There are no component units, entities for which the District is considered to be financially accountable, included within the reporting entity.

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

Government-wide and Fund 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 District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* normally are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to students or users who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, while the agency funds have no measurement of focus. 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.

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.

Note 1 - Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Grant revenues 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. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

- The *general fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *capital projects fund* accounts for the proceeds from long-term debt financing and revenues and expenditures related to authorized acquisition, construction, or renovations as well as furnishing and equipping capital facilities.
- The *debt service funds* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The District reports the following nonmajor governmental funds:

- The *special revenue funds* account for resources restricted to or committed for specific purposes by a grantor, or for resources that are committed for specific purposes by the Board. Most federal and some state financial assistance is accounted for in a special revenue fund and sometimes unused balances must be returned to the grantor at the close of specified project periods.

Additionally, the District reports the following fund type:

- The *agency fund* is used to account for assets held by the District as an agent for student organizations and the tax office. The fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operation.

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

Amounts reported as *program revenues* include 1) charges to students or users for goods, services, or privileges provided and 2) operating grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and investment income.

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, investment pools, and short-term investments with original maturities of one year or less from the date of acquisition.

Investments with an original maturity greater than one year from date of purchase are stated at fair value based on quoted market prices as of year-end, except for nonparticipating interest-earning investment contracts which are reported at cost. Investments with an original maturity of less than one year are reported at amortized cost.

Note 1 - Summary of Significant Accounting Policies (continued)

The District categorizes fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Property tax receivables include unpaid property taxes at year-end and are shown net of an allowance for uncollectibles. Revenues from property taxes are recognized when levied to the extent they are available. The District considers property taxes as available when collected. However, not all outstanding property taxes are expected to be collected within one year of the date of the financial statements. Property values are determined by the Travis County Appraisal District as of January 1 of each year. Prior to September 1 of each year, the District must adopt its annual budget and as soon thereafter as practicable, shall adopt a tax rate thus creating the tax levy.

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

Capital Assets

Capital assets, which include land, construction in progress, buildings and improvements, and furniture and equipment, are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost that equals or exceeds \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings and improvements, and furniture and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building improvements	10 to 40 years
Furniture and equipment	4 to 10 years

Note 1 - Summary of Significant Accounting Policies (continued)

Compensated Absences

Compensated absences are absences for which employees will be paid. All 12-month employees may accumulate up to 30 vacation or nonduty days. Unused vacation or nonduty days shall be compensated at the employee's current daily rate at the time of termination of employment from the District. No employee shall be paid for more than 30 days of vacation or nonduty days.

A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the government and its employees is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the government and its employees are accounted for in the period in which such services are rendered or such events take place.

The compensated absences liability is reported in long-term liabilities on the statement of net position.

Long-term Obligations

In the government-wide financial statements, long-term debt and long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Premiums and discounts are presented as a component of liabilities while deferred charges on refundings are presented as deferred outflows of resources. Both items are deferred and amortized over the life of the related debt using the straight line method. Long-term debt is reported net of the applicable premium or discount. Bond issuance costs are expensed in the year incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

The current requirements for general obligation bonds principal and interest expenditures are accounted for in the debt service fund.

Note 1 - Summary of Significant Accounting Policies (continued)

Deferred Outflows/Inflows of Resources

Deferred outflows and inflows of resources are reported in the statement of financial position as described below:

A *deferred outflow of resources* is a consumption of a government's net assets (a decrease in assets in excess of any related decrease in liabilities or an increase in liabilities in excess of any related increase in assets) by the government that is applicable to a future reporting period. The District has two items that qualify for reporting in this category:

- Deferred charge on refunding - Reported in the government-wide statement of net position, this deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Deferred outflows relating to pension activities – Reported in the government-wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of 1) differences between projected and actual earnings on pension plan investments; 2) changes in actuarial assumptions; 3) differences between expected and actual actuarial experiences and 4) changes in the District's proportional share of pension liabilities. The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The deferred outflows resulting from differences between projected and actual earnings on pension plan investments will be amortized over a closed five year period. The remaining pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.

A *deferred inflow of resources* is an acquisition of a government's net assets (an increase in assets in excess of any related increase in liabilities or a decrease in liabilities in excess of any related decrease in assets) by the government that is applicable to a future reporting period. The District has two items that qualify for reporting in this category:

- Deferred inflows of resources for unavailable revenues - Reported only in the governmental funds balance sheet, unavailable revenues from property taxes arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Deferred inflows relating to pension activities – Reported in the government-wide financial statement of net position, these deferred inflows result primarily from 1) changes in actuarial assumptions; 2) differences between expected and actual actuarial experiences and 3) changes in the District's proportional share of pension liabilities. These pension related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.

Note 1 - Summary of Significant Accounting Policies (continued)

Pensions

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

Net Position

Net Position on the Statement of Net Position includes the following:

- Net investment in capital assets - this component of net position consists of capital assets, net accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt will be included in this component of net position.
- Restricted for federal and state programs - this component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets, which are restricted by federal and state granting agencies.
- Restricted for Debt Service - this component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. The assets arise from bond issuances which have constraints placed on them by the bond covenants for the purpose of future debt service payments.
- Unrestricted net position - this component of net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

Fund Balance

The fund balance in governmental funds has been classified as follows to describe the nature and relative strength of the spending constraints:

- Restricted fund balance – amounts that can be spent only for specific purposes because of local, state or federal laws, or externally imposed conditions by grantors or creditors. The fund balances for the Child Nutrition Fund and other grant funds are classified as restricted.
- Committed fund balance – amounts constrained to specific purposes by the District itself, using its highest level of decision making authority (i.e. the Board of Trustees). To be reported as committed, amounts cannot be used for any other purposes unless the District takes the same highest level of action to remove or change the constraint. The fund balance of the campus activity fund is committed for use at the campuses per board policy.

Note 1 - Summary of Significant Accounting Policies (continued)

Fund Balance (continued)

- Assigned fund balance – amounts the District intends to use for a specific purpose. Intent can be expressed by the District or by an official or body to which the Board of Trustees delegates the authority. The Board of Trustees has retained this authority. There was no assigned fund balance during the current fiscal year.
- Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Trustees have provided otherwise in their commitment or assignment actions. In the fund financial statements, certain governmental funds report restrictions of the entire fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Since the entire fund balance is restricted for these funds, all assets are in essence restricted for their specified purpose.

When the District incurs an expense for which it may use either restricted or unrestricted resources, it uses the restricted resources first unless unrestricted resources will have to be returned because they were not used.

Data Control Codes

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

In accordance with the Resource Guide, the District has adopted and installed an accounting system which meets at least the minimum requirements prescribed by the Texas State Board of Education and approved by the State Auditor. Specifically, the District's accounting system uses codes and the code structure presented in the Resource Guide. Mandatory codes are recorded in the order provided in the Resource Guide.

Use of Estimates

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

Note 1 - Summary of Significant Accounting Policies (continued)

New Accounting Standards (continued)

In the current fiscal year, the District implemented the following new standards. The applicable provisions of these new standards are summarized below. Implementation is reflected in the financial statements and the notes to the financial statements.

GASB Statement No. 72, *Fair Value Measurement and Application*, addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, clarifies the application of certain provisions of Statement No. 68 with regard to information that is required to be presented as notes to the 10-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures include information about any limitations or restrictions on participant withdrawals.

Note 2 - Deposits and Investments

Cash Deposits

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the Texas School Depository Act. The depository bank pledges securities which comply with state law and these securities are held for safekeeping and trust with the District's and the depository banks' agent bank. The pledged securities are approved by the Texas Education Agency and shall be in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

At June 30, 2016, all of the District's time and demand deposits were covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name; therefore the District was in compliance with the Texas School Depository Act.

Investments

The District's investment policy is in accordance with the Public Funds Investment Act, the Public Funds Collateral Act, and federal and state laws. The District further limits its investments to obligations of the U.S. Treasury or the State of Texas, certain U.S. Agencies, certificates of deposit, collateralized mortgage obligations, no-load money market mutual funds, certain municipal securities, qualified commercial paper, repurchase agreements, or investment pools.

Note 2 - Deposits and Investments (continued)

At year-end, the District's cash and investment balances and the weighted average maturity of these investments were as follows:

	<u>Fair Market Value</u>	<u>Percentage of Portfolio</u>	<u>Weighted Average Maturity (Days)</u>	<u>Credit Quality Rating*</u>
Governmental Activities				
Cash and deposits	\$ 58,133,889	37%		
Investments				
Local Government Investment Pools:				
TexPool	<u>7,077,353</u>	5%	46	AAAm
	<u>7,077,353</u>			
Investment Securities:				
Mutual Funds	6,737,357	4%	472	BB+ to AA
Repurchase Agreement	<u>83,590,926</u>	54%	181	BBB+
	<u>90,328,283</u>			
Total Investments	<u>97,405,636</u>		191	
Total Governmental Activities	<u>155,539,525</u>			
Fiduciary Funds				
Cash and Deposits	<u>46,849</u>	0%		
Total Fiduciary Funds	<u>46,849</u>			
Total	<u>\$ 155,586,374</u>			

*Standard & Poors

Due to the immediate availability of the funds, the District's temporary investments at June 30, 2016 are included in cash and cash equivalents. In addition, the District's temporary investments are reported at amortized cost using Level 1 inputs. Investment earnings totaled for the year.

Note 2 - Deposits and Investments (continued)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates may adversely affect the value of the investments. To limit the risk that changes in interest rates will adversely affect the fair value of the investments, the District monitors interest rate risk utilizing weighted average maturity (WAM) analysis. The District requires its investment portfolio to have maturities of less than one year on a WAM basis. However, specific to the District's debt service funds, maturities longer than one year are authorized within legal limits and as long as sufficient investment liquidity to timely meet debt service payment obligations is maintained. The long-term investment the District currently holds, which has no call options, is due when the debt instrument is due and the District intends to hold the investment until maturity, thereby reducing its risk of loss due to changes in the fair value of the investment.

At June 30, 2016, the District's exposure to interest rate risk as measured by the segmented time distribution by investment type is summarized below:

	Amortized Cost	Investment Maturity in Years	
		Less than 1	1-2
Local Government Investment Pools:			
TexPool	\$ 7,077,353	\$ 7,077,353	\$
Investment Securities:			
Mutual Funds	6,737,357	5,737,357	1,000,000
Repurchase Agreement	83,590,926		83,590,926
	<u>\$ 97,405,636</u>	<u>\$ 12,814,710</u>	<u>\$ 84,590,926</u>

Credit Risk

State law and the District's investment policy limits investments in all categories to top ratings issued by nationally recognized statistical rating organizations

Concentration of Credit Risk

For temporary investments, to limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District's policy states that the portfolio must be diversified. Concentration of Credit Risk is not applicable to investment pools since the purpose of these pools is to diversify the District's investment portfolio. For long-term investments - To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District's policy states that the portfolio must be diversified. The long-term investment the District currently holds is less than its total investments.

Note 3 - Receivables and Unearned Revenues

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

	<u>General Fund</u>	<u>Debt Service Funds</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Property Taxes	\$ 3,763,384	\$ 1,077,629	\$	\$	\$ 4,841,013
Due from other governments	6,651,633			1,263,938	7,915,571
Accrued Interest			357		357
Other	30,392				30,392
Gross Receivables	10,445,409	1,077,629	357	1,263,938	12,787,333
Less allowance for doubtful accounts	(2,489,300)	(581,900)			(3,071,200)
Net Total Receivables	<u>\$ 7,956,109</u>	<u>\$ 495,729</u>	<u>\$ 357</u>	<u>\$ 1,263,938</u>	<u>\$ 9,716,133</u>

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, District reported unearned revenues in the governmental funds in the amount of \$109,911 for grant funds received prior to meeting all eligibility requirements.

Note 4 - Interfund Receivables, Payables, and Transfers

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

The composition of interfund balances as of June 30, 2016, is as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Net</u>
Governmental Activities			
General Fund	\$ 2,826,350	\$ 4,388,301	\$ (1,561,951)
Debt Service Funds	1,513,326		1,513,326
Capital Projects Funds		1,764,512	(1,764,512)
Nonmajor Governmental Funds	2,662,859	845,287	1,817,572
Total Governmental Funds	<u>7,002,535</u>	<u>6,998,100</u>	<u>4,435</u>
Fiduciary Funds		4,435	(4,435)
Total	<u>\$ 7,002,535</u>	<u>\$ 7,002,535</u>	<u>\$</u>

MANOR INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

Exhibit F-1
(continued)

Note 5 - Capital Assets

Capital asset activity for the year ended June 30, 2016, was as follows:

	Balance June 30, 2015	Additions	(Retirements) and Transfers	Balance June 30, 2016
Capital assets, not being depreciated:				
Land	\$ 17,679,598	\$ 221,376	\$	\$ 17,900,974
Construction in progress	19,794,771	14,160,083	(19,343,315)	14,611,539
Total Capital assets, not being depreciated	37,474,369	14,381,459	(19,343,315)	32,512,513
Capital assets, being depreciated:				
Buildings and improvements	195,839,440	6,045,637	19,343,315	221,228,392
Furniture and equipment	18,746,653	1,673,821		20,420,474
Total Capital assets, being depreciated	214,586,093	7,719,458	19,343,315	241,648,866
Less accumulated depreciation for:				
Buildings and improvements	(54,037,037)	(6,042,352)		(60,079,389)
Furniture and Equipment	(11,317,242)	(2,210,263)		(13,527,505)
Total Accumulated depreciation	(65,354,279)	(8,252,615)		(73,606,894)
Governmental Capital Assets	\$ 186,706,183	\$ 13,848,302	\$	\$ 200,554,485

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

Function	Depreciation Expense
Instruction	\$ 4,528,782
Instructional resources and media services	214,886
Curriculum and staff development	108,828
Instructional leadership	30,589
School leadership	99,956
Guidance, counseling and evaluation services	37,566
Social work services	8,915
Health services	20,098
Student transportation	557,945
Food Services	522,671
Extracurricular activities	1,241,635
General administration	249,014
Facilities maintenance and operations	319,080
Security and monitoring services	4,565
Data processing services	306,258
Community services	1,827
	\$ 8,252,615

Note 5 - Capital Assets (continued)

Construction budgets and remaining commitments under related construction contracts as of June 30, 2016, follows:

Project	Approved Construction Budget	Construction in Progress	Remaining Commitment
Manor New Tech HS Renovations/ Additions	2,000,000	295,384	1,704,616
Assessment Based Projects	6,711,430	95,973	6,615,457
Elementary School #9	24,707,724	9,500,132	15,207,592
Manor Senior High	50,325,000	2,573,897	47,751,103
New Tech Middle School	31,640,125	2,146,153	29,493,972
	<u>\$ 115,384,279</u>	<u>\$ 14,611,539</u>	<u>\$ 100,772,740</u>

Note 6 - Long-term Liabilities

The District's long-term liabilities consist of bond indebtedness and compensated absences. The current requirements for general obligation bonds principal and interest expenditures are accounted for in the debt service fund.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2016, was as follows:

	Restated Balance July 1, 2015	Additions	Retirements	Balance June 30, 2016	Due Within One Year
General Obligation Bonds	\$ 281,029,999	\$ 25,995,000	\$ (35,190,000)	\$ 271,834,999	\$ 4,855,000
Issuance Premium on Bonds	25,246,457	2,438,377	(2,319,376)	25,365,458	
Accreted interest on capital appreciation bonds	647,769	22,279		670,048	
Capital leases	37,604		(37,604)		
Compensated absences payable	643,993		(248,737)	395,256	
Total Governmental Long-term Liabilities	<u>\$ 307,605,822</u>	<u>\$ 28,455,656</u>	<u>\$ (37,795,717)</u>	<u>\$ 298,265,761</u>	<u>\$ 4,855,000</u>

General Obligation Bonds

General obligation bonds are direct obligations and pledge the full faith and credit of the District. These are issued as current interest bonds and term bonds with various amounts of principal maturing each year.

General obligation bonds currently outstanding are as follows:

Issue	Original Issuance amount	Interest Rate (%)	Maturity Date	Debt Outstanding
Variable Rate Unlimited Tax School Building Bonds, Series 2006	\$ 18,550,000	3.3-4.85%	2034	\$ 11,140,000
Unlimited Tax School Building Bonds, Series 2007	68,125,000	4%	2017	145,000
Unlimited Tax School Building Bonds, Series 2008	24,999,992	3.5-4.75%	2034	15,060,000
Unlimited Tax School Building Bonds, Series 2011	17,465,000	2.625-4%	2022	11,175,000
Unlimited Tax Refunding Bonds, Series 2012	8,779,999	2-3.5%	2030	8,479,999
Unlimited Tax Refunding Bonds, Series 2013	48,240,000	1.5-5%	2036	47,110,000
Unlimited Tax Refunding Bonds, Series 2014	43,585,000	2-5%	2035	41,910,000
Unlimited Tax School Building Bonds, Series 2014	116,095,000	2-5%	2045	110,820,000
Unlimited Tax Refunding Bonds, Series 2015	25,995,000	4-5%	2038	25,995,000
				<u>\$ 271,834,999</u>

Note 6 - Long-term Liabilities (continued)

Debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest	Totals
2017	\$ 4,855,000	\$ 11,958,030	\$ 16,813,030
2018	5,050,000	11,761,292	16,811,292
2019	8,715,000	11,459,375	20,174,375
2020	9,125,000	11,096,370	20,221,370
2021	9,445,000	10,733,685	20,178,685
2022-2026	46,215,000	47,249,234	93,464,234
2027-2031	52,769,999	37,011,741	89,781,740
2032-2036	64,555,000	23,015,972	87,570,972
2037-2041	45,705,000	8,930,144	54,635,144
2042-2046	25,400,000	2,082,000	27,482,000
	<u>\$ 271,834,999</u>	<u>\$ 175,297,843</u>	<u>\$ 447,132,842</u>

There are a number of limitations and restrictions contained in the general obligation bond indentures. Management has indicated that the District is in compliance with all significant limitations and restrictions at June 30, 2016.

Deferred charge on refunding

The balance of deferred charge on refunding at June 30, 2016 was \$7,351,933 and is presented as a deferred outflow of resources in the Statement of Net Position:

	Balance July 1, 2015	Deferred Charge on New Issues	Retirements	Balance June 30, 2016
Deferred charge on refunding	\$ 7,689,989	\$ 652,813	\$ (990,869)	\$ 7,351,933

Current Year Refunding of Long-Term Debt

During the fiscal year, the District issued Unlimited Tax Refunding Bonds, Series 2015 totaling \$25,995,000. The proceeds from the sale of the Bonds will be used for (i) refunding a portion of the outstanding Unlimited Tax School Building Bonds, Series 2007 and Series 2008 and (ii) paying the costs of issuance of the Bonds. The reacquisition price exceeded the net carrying amount of the refunded debt by \$652,813; this resulted in a deferred outflow of resources amortized over the life of the old debt. Total debt service payments after the refunding of bonds resulted in a net present value savings of \$2,027,331.

Prior Years' Refunding of Long-Term Debt

In prior years, the District defeased certain general obligation debt by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the refunded debt. Accordingly, the trust account assets and the liability for the defeased debt are not included in the District's financial statements. At June 30, 2016, \$143,260,000 of defeased bonds remain outstanding.

Note 6 - Long-term Liabilities (continued)

Capital Appreciation bonds

A portion of the bonds sold in the Series 2012 bond issues were capital appreciation bonds commonly referred to as “premium compound interest bonds.” The District annually records the appreciation of the bond principal for the accreted value of the bonds through maturity of the issue. The interest of these bonds series will be paid upon maturity. The following table summarizes the significant features of the individual bonds, by issue:

Series	Accreted Value	Principal	Accreted Interest	Maturity Value	Maturity Date
2012	\$ 680,047	\$ 9,999	\$ 670,048	\$ 925,000	2026

Note 7 - Revenues from Local, Intermediate, and Out-of-State Sources

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

	General Fund	Debt Service Funds	Capital Projects Fund	Nonmajor Governmental Funds	Total
Property Taxes	\$ 33,106,226	\$ 26,019,852	\$	\$	\$ 59,126,078
Penalties, interest and other tax related revenue	289,556	111,719			401,275
Investment Income	104,682	11,711	575,967	6,695	699,055
Co-curricular student activities	12,474,536			120,106	12,594,642
Food Sales				911,004	911,004
Other	147,203			75,512	222,715
	<u>\$ 46,122,203</u>	<u>\$ 26,143,282</u>	<u>\$ 575,967</u>	<u>\$ 1,113,317</u>	<u>\$ 73,954,769</u>

Note 8 - General Fund Federal Source Revenues

For the year ended June 30, 2016, the General Funds reports the following federal revenues:

Program or Source	CFDA #	Amount
School Health and Related Service (SHARS)	N/A	\$ 1,811,116
Medicaid Administrative Claiming (MAC)	93.778	41,946
Summer School LEP	84.369A	15,582
Indirect Costs - Department of Education	84.XXX	77,697
		<u>\$ 1,946,341</u>

Note 9 - Operating Leases

Commitments under operating lease (non-capitalized) agreements for facilities and equipment are subject to fiscal funding clauses. As such, the agreements are cancelable and the District is therefore not obligated for minimum future rental payments as of June 30, 2016.

Rental expenditures for the year ended June 30, 2016, amounted to \$412,851.

Note 10 - Defined Benefit Pension Plan

Plan Description

The District participates in a cost-sharing multi-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.

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 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 postemployment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description in (A) above.

Contributions

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

Note 10 - Defined Benefit Pension Plan (continued)

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

	Contribution Rates	
	Plan Fiscal year	
	2015	2016
Member (Employee)	6.7%	7.2%
Non-employer contributing agency (State)	6.8%	6.8%
District	6.8%	6.8%

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State contributes to the plan in accordance with state statutes and the GAA. Contributions and pension expense for all contributors were as follows:

	Measurement Year (2015)		Fiscal Year (2016)
	Contributions Required and Made	Pension Expense	TRS Contributions
Member (Employee)	\$ 3,539,116	\$	\$ 4,062,266
Non-employer contributing agency (State)	2,528,079	4,298,887	2,707,027
District	1,673,054	2,934,903	1,876,432

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

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

Note 10 - Defined Benefit Pension Plan (continued)

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
Asset Valuation Method	Market Value
Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.5%
Salary Increases	3.5% to 9.5%
Payroll Growth Rate	2.5%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions are 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 non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Note 10 - Defined Benefit Pension Plan (continued)

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:

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

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

Note 10 - Defined Benefit Pension Plan (continued)

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	Current Discount Rate	1% Increase
	<u>7%</u>	<u>8%</u>	<u>9%</u>
District's proportional share of the net pension liability	\$ 31,293,575	\$ 19,972,776	\$ 10,543,253

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

At June 30, 2016, the District reported a liability of \$19,972,776 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 proportional share of the net pension liability	0.0565%
District's proportionate share of the net pension liability	\$ 19,972,776
State's proportionate share of the net pension liability associated with the District	<u>30,171,032</u>
Total	<u>\$ 50,143,808</u>

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

At August 31, 2015 the employer's proportion of the collective net pension liability was 0.0565%, which was an increase from its proportion measured as of August 31, 2014 of 0.0424%.

Note 10 - Defined Benefit Pension Plan (continued)

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.

Note 10 - Defined Benefit Pension Plan (continued)

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.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Inflows of Resources Related to Pension (continued)

For the year ended June 30, 2016, the District recognized pension expense of \$2,934,903 as well as revenue of \$4,298,887 representing pension expense incurred by the State on behalf of the District.

At June 30, 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
Changes in proportional share of contributions	\$ 3,130,803	\$ (2,470)
Changes in Assumptions	612,521	(712,541)
Differences between expected and actual experience	145,733	(767,572)
Difference between projected and current investment earnings	2,321,543	
District contributions subsequent to the measurement date	1,577,270	
Total	<u>\$ 7,787,870</u>	<u>\$ (1,482,583)</u>

The \$1,577,270 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. 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 June 30	Amount
2017	\$ (796,559)
2018	(796,559)
2019	(796,559)
2020	(1,662,328)
2021	(423,529)
2022	(252,483)
	<u>\$ (4,728,017)</u>

Note 11 - Retiree Health Plan

Plan Description

The Manor Independent School District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas (TRS). TRS-Care provides health care coverage for certain persons (and their dependents) who retired under TRS. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, or by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications heading. The Texas Legislature determines the funding of benefits and has no continuing obligation to provide benefits beyond each fiscal year. Currently, the benefits of TRS-Care are financed through a combination of retiree premiums and percentage of payroll contributions from active employees, school districts, and the State of Texas.

Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas contribution rate was 1.00% of public school payroll for the period September 2013 through June 2016. Active public school employee contribution rates were 0.65% of public school payroll, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2016, 2015 and 2014. 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. For staff members funded by federal programs, the federal programs are required to contribute 1.00%.

Contributions made by the State, District, and staff members for the years ended June 30, 2016, 2015, and 2014 are as follows:

For the Year Ended June 30	State TRS Care Contributions Made on Behalf of the District	District Required Contributions to TRS Care	Staff Members' Contributions to TRS Care
2016	\$ 531,608	\$ 352,336	\$ 369,897
2015	518,272	285,050	336,877
2014	478,242	263,033	310,857

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

Note 11 - Retiree Health Plan (continued)

The Medicare Prescription Drug Improvement and Modernization Act of 2003 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. Under Medicare Part D, TRS-Care receives retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. Medicare Part D contributions made on behalf of the District are recorded as equal revenues and expenditures in the governmental fund financial statements of the District. For the years ended June 30, 2016, 2015 and 2014, the subsidy payments received by TRS-Care on behalf of the District are as follows:

<u>Fiscal Year</u>	<u>Medicare Part D</u>
2016	\$ 231,876
2015	159,467
2014	136,247

Note 12 - Risk Management

Property/Liability

The District is exposed to various risks of loss related to property/liability losses for which the District carries commercial insurance. The district is covered on property insurance with a limit of \$234,883,734. Annual aggregate liability insurance coverage is for a maximum amount of \$50,000,000.

Note 13 - Contingent Liabilities

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

The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of management and the District's counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the District.

Note 14 - Other Postemployment Benefits

The District does not provide postemployment healthcare benefits except those mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the district.

Note 15 - Prior Period Adjustment

Correction of an Error

The District recorded a prior period adjustment for the correction of errors related to several items during the current fiscal year upon evaluation of the current year end balances.

Summary

The following is a summary of the prior period adjustments to the net position of the governmental activities:

Net Position as originally presented	\$ 45,192,792
Prior Period Restatement	
Effect of correction of an error - difference in contributions made before the measurement date due to implementation of GASB 68 during fiscal year 2015	287,614
Effect of correction of an error - issuance costs that should have been expensed during fiscal year 2013 due to implementation of GASB 65	(414,805)
Effect of correction of an error - overstated cash reconciling items	(393,841)
Effect of correction of an error - overstated accounts payable	93,193
Net Position as restated	<u><u>\$ 44,764,953</u></u>

The following is a summary of the prior period adjustment to the fund balance in the governmental funds:

Fund Balance as originally presented	\$ 22,882,295
Prior Period Restatement	
Effect of correction of an error - overstated cash reconciling items	(393,841)
Effect of correction of an error - overstated accounts payable	93,193
Fund Balance as restated	<u><u>\$ 22,581,647</u></u>

Note 16 - Tax Abatement

On December 17, 2012, the Manor ISD Board of Trustees approved an Agreement with T-Star for a Limitation On Appraised Value of Property for School District Maintenance and Operations Taxes pursuant to the Chapter 313 of the Texas Tax Code, i.e., the Texas Economic Development Act, as set forth in Chapter 313 of the Texas Tax Code, as amended. T-Star qualified for a tax limitation agreement under Texas Tax Code §313.024(b)(5), as a manufacturing project.

Value limitation agreements are a part of a state program, originally created in 2001 which allows school districts to limit the taxable value of an approved project for Maintenance and Operations (M&O) for a period of years specified in statute. The project(s) under the Chapter 313 agreement must be consistent with the state’s goal to “encourage large scale capital investments in this state.” Chapter 313 of the Tax Code grants eligibility to companies engaged in manufacturing, research and development, renewable electric energy production, clean coal projects, nuclear power generation and data centers.

In order to qualify for a value limitation agreement, each applicant, including T-Star has been required to meet a series of capital investment, job creation, and wage requirements specified by state law. At the time of the application’s approval, the agreement was found to have done so by both the District’s Board of Trustees and the Texas Comptroller’s Office, which recommended approval of the project.

After approval, the applicant company must maintain a viable presence in the district for the entire period of the value limitation plus a period of years thereafter. In addition, there are specific reporting requirements, which are monitored on an annual and biennial basis in order to ensure relevant job, wage, and operational requirements are being met.

In the event that T-Star terminates this Agreement without the consent of the District, or in the event that the company or its successor-in-interest fails to comply in any material respect with the terms of this Agreement or to meet any material obligation under this Agreement, then the District shall be entitled to the recapture of all ad valorem tax revenue lost as a result of this Agreement together with the payment of penalty and interest, on that recaptured ad valorem tax revenue. Penalties on said amounts shall be calculated in accordance with the methodology set forth in Texas Tax Code § 33.01(a), or its successor statute. Interest on said amounts shall be calculated in accordance with the methodology set forth in Texas Tax Code § 33.01(c), or its successor statute. The agreement provides an administrative procedure to determine any company liability. Ultimately, enforcement of any payment obligation is through the local state district court.

As of the date of this report, the applicant company is in full compliance with all of its obligations under law and the agreement itself.

(A) Project Value 2016	(B) Project’s Value Limitation Amount 2016	(C) Amount of Applicant’s M&O Taxes Paid 2016	(D) Amount of Applicant’s M&O Taxes Reduced 2016	(E) Company Revenue Loss Payment to School District 2016	(F) Company Supplemental Payment To School District 2016	(G) Net Benefit (Loss) to the School District 2016 (C+E+F)
\$1,625,630,002	\$80,000,000	\$832,000	\$16,074,552	\$1,514,796	\$801,214	\$3,148,010

REQUIRED SUPPLEMENTARY INFORMATION

MANOR INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2016

Exhibit G-1

Data Control Codes		Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
		Original	Final		
Revenues					
5700	Local revenues	\$ 56,060,401	\$ 46,422,105	\$ 46,122,203	\$ (299,902)
5800	State program revenues	34,549,539	32,366,986	32,746,570	379,584
5900	Federal program revenues	1,000,000	2,260,582	1,946,341	(314,241)
5020	Total revenues	<u>91,609,940</u>	<u>81,049,673</u>	<u>80,815,114</u>	<u>(234,559)</u>
Expenditures					
Current:					
0011	Instruction	44,120,865	45,886,150	42,906,310	2,979,840
0012	Instructional resources and media services	782,829	773,446	652,144	121,302
0013	Curriculum and staff development	2,043,540	2,035,543	1,715,896	319,647
0021	Instructional leadership	2,990,551	3,229,230	2,728,244	500,986
0023	School leadership	4,930,359	5,321,379	5,362,509	(41,130)
0031	Guidance, counseling and evaluation services	2,593,327	2,682,938	2,566,990	115,948
0032	Social work services	648,538	627,085	664,842	(37,757)
0033	Health services	866,528	916,365	852,552	63,813
0034	Student transportation	4,657,880	4,634,253	4,113,064	521,189
0035	Food service	5,259	18		18
0036	Extracurricular activities	1,535,613	1,744,671	1,704,871	39,800
0041	General administration	4,044,331	3,882,046	3,627,627	254,419
0051	Facilities maintenance and operations	7,604,227	8,609,180	8,457,628	151,552
0052	Security and monitoring services	774,491	1,158,385	1,023,438	134,947
0053	Data processing services	2,013,090	2,454,090	2,396,194	57,896
0061	Community services	1,056,282	1,308,814	1,504,593	(195,779)
Intergovernmental:					
0095	Payments to Juvenile Justice Alt. Ed. Prgm.		15,000	8,858	6,142
0099	Payments to other governments	360,000	360,000	324,378	35,622
6030	Total Expenditures	<u>81,027,710</u>	<u>85,638,593</u>	<u>80,610,138</u>	<u>5,028,455</u>
1100	Excess (deficiency) of revenues over expenditures	<u>10,582,230</u>	<u>(4,588,920)</u>	<u>204,976</u>	<u>4,793,896</u>
Other Financing Sources (Uses)					
8949	Other uses	(250,000)	(250,000)		250,000
7080	Total other financing sources and uses	<u>(250,000)</u>	<u>(250,000)</u>		<u>250,000</u>
1200	Net change in fund balances	10,332,230	(4,838,920)	204,976	5,043,896
0100	Fund balances - beginning	22,882,295	22,882,295	22,882,295	
1300	Prior period adjustment			(300,648)	(300,648)
3000	Fund balances - ending	<u>\$ 33,214,525</u>	<u>\$ 18,043,375</u>	<u>\$ 22,786,623</u>	<u>\$ 4,743,248</u>

MANOR INDEPENDENT SCHOOL DISTRICT

Exhibit G-2

NOTES TO BUDGETARY SCHEDULE

For the year ended June 30, 2016

The District adopts annual appropriations type budgets for the General Fund, Child Nutrition Program Special Revenue Fund, and the Debt Service Fund using the same method of accounting as for financial reporting, as required by law. The remaining Special Revenue Funds (primarily federal grant programs) utilize a managerial type budget approved at the fund level by the Board of Trustees upon acceptance of the grants. These grants are subject to federal, state, and locally imposed project length budgets and monitoring through submission of reimbursement reports. The General Fund Budget report is presented on Exhibit G-1, the Child Nutrition Program Special Revenue fund budget report and the Debt Service Fund budget report appear on Exhibit J-2 and J-3, respectively.

Expenditures may not legally exceed budgeted appropriations at the function or activity level. Expenditure requests which would require an increase in total budgeted appropriations must be approved by the Trustees through formal budget amendment. State law prohibits trustees from making budget appropriations in excess of funds available and estimated revenues. State law also prohibits amendment of the budget after fiscal year end. Supplemental appropriations were made during the fiscal year ended June 30, 2016. During the year ended June 30, 2016, the Board of Trustees approved budget amendments increasing expenditures as follows:

	<u>General Fund</u>	<u>Child Nutrition Program</u>	<u>Debt Service Fund</u>
Amendments Approved	\$ 4,610,883	\$ (1,178,179)	\$ (7,251,660)

The administrative level at which responsibility for control of budgeted appropriations begins is at the organizational level within each function of operations. The finance department reviews the expenditure requests submitted by the various organizational heads (principal and department heads) throughout the year to ensure proper spending compliance. No public funds of the District shall be expended in any manner other than as provided for in the budget adopted by the Board of Trustees. The District exceeded the budget in certain functions.

The official school budget was prepared for adoption for budgeted governmental fund types by June 30, 2015. The budget was formally adopted by the Board of Trustees at a duly advertised public meeting prior to the expenditure of funds. The final amended budget is filed with the Texas Education Agency (TEA) through inclusion in the annual financial and compliance report.

Budget Overages

As of the end of the fiscal year, the District had budget overages in various functions in the General Fund but overall operated within the adopted final budget, the explanations for the budget overages include \$41,130 in function 23, \$37,757 in function 32, and \$195,779 in function 61 were due to invoices that were submitted after year end. There was not a purchase order assigned.

MANOR INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY

Exhibit G-3

Teacher Retirement System of Texas
For the Last Two Measurement Years Ended August 31

	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.0565%	0.0424%
District's proportionate share of the net pension liability	\$ 19,972,776	\$ 11,330,541
State's proportionate share of the net pension liability associated with the District	30,171,032	23,732,728
Total	<u>\$ 50,143,808</u>	<u>\$ 35,063,269</u>
District's covered-employee payroll (for Measurement Year)	\$ 52,822,628	\$ 48,547,788
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	37.81%	23.34%
Plan fiduciary net position as a percentage of the total pension liability *	78.43%	83.25%
Plan's net pension liability as a percentage of covered-employee payroll *	91.94%	72.89%

Notes:

- Ten years of data should be presented in this schedule but data is unavailable prior to 2014.
- Net pension liability is calculated using a new methodology and will be presented prospectively in accordance with GASB 68.
- The amounts presented for each Plan year which ends the preceding August 31 of the District's fiscal year.

MANOR INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS

Exhibit G-4

Teacher Retirement System of Texas
Last Two Fiscal Years Ended June 30

	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 1,876,432	\$ 1,719,011
Contributions in relation to the contractual required contributions	<u>1,876,432</u>	<u>1,719,011</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>
District's covered employee payroll	\$ 57,058,223	\$ 51,812,156
Contributions as a percentage of covered employee payroll	3.29%	3.32%

Notes:

- Ten years of data should be presented in this schedule but data is unavailable prior to 2015.
- Contribution data will be presented prospectively in accordance with GASB 68.

Effective September 1, 2014, employers who did not contribute Social Security for TRS-eligible employees were required to contribute an additional 1.5% of TRS-eligible compensation which nearly doubled the District's contributions into the Plan. Because the District's proportional share of the plan is determined by its proportional share of contributions, the District recognized a corresponding increase in its share of net pension liability.

Changes of Assumptions

New actuarial assumptions were adopted by the Teacher Retirement System of Texas' Board of Trustees on September 24, 2015 and are effective with the valuation as of August 31, 2015. The major assumptions changes were the adoption of the use of generational mortality for the purpose of predicting future mortality improvement and the reduction in the inflation rate from 3.00% to 2.50%.

Changes of Benefit Terms

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

OTHER SUPPLEMENTARY INFORMATION

MANOR INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
June 30, 2016

Data Control Codes	206	211	224
	ESEA Title X Part C - Education for Homeless Children	ESEA Title I Part A - Improving Basic Programs	IDEA - Part B Formula
Assets			
1110	Cash and temporary investments	\$	\$
Receivables:			
1240	Receivables from other governments	19,517	240,138
1260	Due from other funds		203,927
1310	Inventories, at cost		
1000	Total Assets	<u>\$ 19,517</u>	<u>\$ 240,138</u>
Liabilities and Fund Balances			
Liabilities:			
Current Liabilities:			
2110	Accounts payable	\$	\$ 100
2150	Payroll deduction and withholdings payable	120	1,333
2160	Accrued wages payable	2,985	104,286
2170	Due to other funds	16,412	134,419
2190	Due to student groups		
2300	Unearned revenues		
2000	Total Liabilities	<u>19,517</u>	<u>240,138</u>
Fund Balances:			
Restricted:			
3450	Federal/State grant restrictions		
3490	Other purposes		
Committed:			
3545	Other purposes		
3000	Total fund balances		
4000	Total Liabilities and Fund Balances	<u>\$ 19,517</u>	<u>\$ 240,138</u>

225	240	244	255	263	274
IDEA - Part B Preschool Grant	Child Nutrition	Career and Technical - Basic Grant	ESEA Title II, Part A - Teacher and Principal Training	Title III, Part A - English Language Acquisition	GEAR UP
\$	\$	\$	\$	\$	\$
	37,982	6,302	29,795	50,023	119,938
	2,339,862				
	36,467				
<u>\$</u>	<u>\$ 2,414,311</u>	<u>\$ 6,302</u>	<u>\$ 29,795</u>	<u>\$ 50,023</u>	<u>\$ 119,938</u>
\$	\$ 77,048	\$ 5,187	\$	\$ 11,859	\$ 21,543
	23,182			125	368
	214,180		154	6,762	19,949
		1,115	29,641	31,277	78,078
	<u>314,410</u>	<u>6,302</u>	<u>29,795</u>	<u>50,023</u>	<u>119,938</u>
	2,099,901				
	<u>2,099,901</u>				
<u>\$</u>	<u>\$ 2,414,311</u>	<u>\$ 6,302</u>	<u>\$ 29,795</u>	<u>\$ 50,023</u>	<u>\$ 119,938</u>

MANOR INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

ALL NONMAJOR GOVERNMENTAL FUNDS

June 30, 2016

Data Control Codes	289	385	410
Data Control Codes	Texas Literacy Initiative	State Supplemental Visually Impaired	Instructional Materials Allotment
Assets			
1110	Cash and temporary investments	\$	\$
Receivables:			
1240	Receivables from other governments	555,202	300
1260	Due from other funds		31,485
1310	Inventories, at cost		
1000	Total Assets	<u>\$ 555,202</u>	<u>\$ 31,485</u>
Liabilities and Fund Balance			
Liabilities:			
Current Liabilities:			
2110	Accounts payable	\$ 78,289	\$
2150	Payroll deduction and withholdings payable	736	
2160	Accrued wages payable	100,354	
2170	Due to other funds	375,823	300
2190	Due to student groups		
2300	Unearned revenues		31,485
2000	Total Liabilities	<u>555,202</u>	<u>31,485</u>
Fund Balances:			
Restricted:			
3450	Federal/State grant restrictions		
3490	Other purposes		
Committed :			
3545	Other purposes		
3000	Total fund balances	<u></u>	<u></u>
4000	Total Liabilities and Fund Balances	<u>\$ 555,202</u>	<u>\$ 31,485</u>

429	461	498	499	
State Special Revenue Fund	Campus Activity Funds	Travis County Afterschool Grant	Local Grants	Total Nonmajor Governmental Funds
\$	\$ 296,214	\$	\$	\$ 296,214
		814		1,263,938
156		45,020	246,336	2,662,859
				36,467
<u>\$ 156</u>	<u>\$ 296,214</u>	<u>\$ 45,834</u>	<u>\$ 246,336</u>	<u>\$ 4,259,478</u>
\$	\$ 13,679	\$	\$ 32,699	\$ 242,175
			16	26,088
			800	543,826
	24,796	45,834		845,287
	17,934			17,934
48			78,378	109,911
<u>48</u>	<u>56,409</u>	<u>45,834</u>	<u>111,893</u>	<u>1,785,221</u>
				2,100,009
108			134,443	134,443
	239,805			239,805
108	239,805		134,443	2,474,257
<u>\$ 156</u>	<u>\$ 296,214</u>	<u>\$ 45,834</u>	<u>\$ 246,336</u>	<u>\$ 4,259,478</u>

MANOR INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - ALL NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016

<u>Data Control Codes</u>		206	211	224
		ESEA Title X Part C - Education for Homeless Children	ESEA Title I Part A - Improving Basic Programs	IDEA - Part B Formula
	Revenues			
5700	Local, intermediate, and out-of-state	\$	\$	\$
5800	State program revenues			
5900	Federal program revenues	33,005	1,614,134	1,265,370
5020	Total revenues	<u>33,005</u>	<u>1,614,134</u>	<u>1,265,370</u>
	Expenditures			
	Current:			
0011	Instruction	8,381	1,015,463	801,536
0012	Instruction resources and media services			
0013	Curriculum and instructional staff development		60,313	17,864
0021	Instructional leadership		349,892	24,153
0023	School leadership		4,492	
0031	Guidance, counseling and evaluation services			421,817
0032	Social work services	24,624	162,541	
0035	Food service			
0041	General administration			
0053	Data processing services			
0061	Community services		21,433	
6030	Total Expenditures	<u>33,005</u>	<u>1,614,134</u>	<u>1,265,370</u>
1200	Net change in fund balances			
0100	Fund balance - beginning	<u> </u>	<u> </u>	<u> </u>
3000	Fund balance - ending	<u>\$ </u>	<u>\$ </u>	<u>\$ </u>

225	240	244	255	263	274
IDEA - Part B Preschool Grant	Child Nutrition	Career and Technical - Basic Grant	ESEA Title II, Part A - Teacher and Principal Training	Title III, Part A - English Language Acquisition	GEAR UP
\$	\$ 919,560	\$	\$	\$	\$
9,869	30,246	77,519	66,875	278,072	352,433
9,869	4,723,579	77,519	66,875	278,072	352,433
9,869	5,673,385	77,519	66,875	278,072	352,433
9,869		77,412		85,228	198,718
		107	34,323	13,659	54,430
			32,552	176,365	94,838
				2,820	3,344
	5,846,394				1,103
9,869	5,846,394	77,519	66,875	278,072	352,433
	(173,009)				
	2,272,910				
\$	\$ 2,099,901	\$	\$	\$	\$

MANOR INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - ALL NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016

Data Control Codes		289	385	410
		Texas Literacy Initiative	State Supplemental Visually Impaired	Instructional Materials Allotment
	Revenues			
5700	Local, intermediate, and out-of-state	\$	\$	\$
5800	State program revenues		3,646	1,289,441
5900	Federal program revenues	1,803,492		
5020	Total revenues	<u>1,803,492</u>	<u>3,646</u>	<u>1,289,441</u>
	Expenditures			
	Current:			
0011	Instruction	973,989	1,229	1,264,311
0012	Instruction resources and media services			
0013	Curriculum and instructional staff development	582,071		
0021	Instructional leadership	229,520		25,130
0023	School leadership	6,210		
0031	Guidance, counseling and evaluation services		300	
0032	Social work services			
0035	Food service			
0041	General administration			
0053	Data processing services			
0061	Community services	11,702	2,117	
6030	Total Expenditures	<u>1,803,492</u>	<u>3,646</u>	<u>1,289,441</u>
1200	Net change in fund balances			
0100	Fund balance - beginning			
3000	Fund balance - ending	<u>\$</u>	<u>\$</u>	<u>\$</u>

429	461	498	499	
State Special Revenue Fund	Campus Activity Funds	Travis County Afterschool Grant	Local Grants	Total Nonmajor Governmental Funds
\$	\$ 126,801	\$ 815	\$ 66,141	\$ 1,113,317
108				1,323,441
				10,224,348
<u>108</u>	<u>126,801</u>	<u>815</u>	<u>66,141</u>	<u>12,661,106</u>
	55,305	815	25,027	4,517,283
			275	275
	15,344		30,694	808,698
			1,265	933,822
	15,198		2,940	35,004
			40,055	462,172
	100		30,100	217,365
				5,846,394
			10,000	10,000
				1,103
			3,348	38,600
	<u>85,947</u>	<u>815</u>	<u>143,704</u>	<u>12,870,716</u>
108	40,854		(77,563)	(209,610)
	<u>198,951</u>		<u>212,006</u>	<u>2,683,867</u>
<u>\$ 108</u>	<u>\$ 239,805</u>	<u>\$</u>	<u>\$ 134,443</u>	<u>\$ 2,474,257</u>

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REQUIRED TEA SCHEDULES

MANOR INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DELINQUENT TAXES RECEIVABLE

For the Year Ended June 30, 2016

Last Ten Fiscal Years	Tax Rates		Net Assessed/Appraised Value For School Tax Purposes	10 Beginning Balance 7/1/2015
	1 Maintenance	2 Debt Service		
2007 and prior	Various	Various	Various	\$ 977,672
2008	1.020000	0.495000	2,393,916,190	56,189
2009	1.040000	0.495000	3,148,096,352	82,464
2010	1.040000	0.475000	3,532,856,720	92,571
2011	1.040000	0.475000	3,143,297,300	87,534
2012	1.040000	0.475000	3,200,551,815	154,699
2013	1.040000	0.475000	3,250,287,925	189,446
2014	1.040000	0.475000	3,151,131,023	200,280
2015	1.040000	0.475000	4,186,459,208	566,482
2016	1.040000	0.475000	3,902,520,528	
1000 Totals				<u>\$ 2,407,337</u>

Exhibit J-1

20	31	32	40	50
Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustments	Ending Balance 6/30/2016
\$	\$ 9,549	\$ 2,065	\$ (2,003)	\$ 964,055
	2,733	1,326	(890)	51,240
	3,745	1,782	(1,150)	75,787
	6,842	3,126	(1,231)	81,372
	66,488	30,367	79,887	70,566
	94,561	43,190	88,805	105,753
	88,328	40,342	92,474	153,250
	124,796	56,998	128,286	146,772
	237,922	108,666	(8,008)	211,886
<u>59,123,186</u>	<u>32,621,218</u>	<u>25,737,147</u>	<u>(215,423)</u>	<u>549,398</u>
<u>\$ 59,123,186</u>	<u>\$ 33,256,182</u>	<u>\$ 26,025,009</u>	<u>\$ 160,747</u>	<u>2,410,079</u>
				<u>2,430,934</u>
				<u>\$ 4,841,013</u>

MANOR INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
CHILD NUTRITION PROGRAM
For the Year Ended June 30, 2016

Exhibit J-2

		Child Nutrition Fund			
		Budgeted Amounts			
Data Control Codes		Original	Final	Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
Revenues					
5700	Local revenues	\$ 1,000,000	\$ 874,000	\$ 919,560	\$ 45,560
5800	State program revenues	90,000	61,891	30,246	(31,645)
5900	Federal program revenues	5,500,000	4,536,245	4,723,579	187,334
5020	Total revenues	<u>6,590,000</u>	<u>5,472,136</u>	<u>5,673,385</u>	<u>201,249</u>
Expenditures					
Current:					
0035	Food services	7,825,638	6,897,459	5,846,394	1,051,065
0051	Plant maintenance and operations	250,000			
6030	Total Expenditures	<u>8,075,638</u>	<u>6,897,459</u>	<u>5,846,394</u>	<u>1,051,065</u>
1100	Excess (deficiency) of revenues over expenditures	<u>(1,485,638)</u>	<u>(1,425,323)</u>	<u>(173,009)</u>	<u>1,252,314</u>
1200	Net change in fund balances	(1,485,638)	(1,425,323)	(173,009)	1,252,314
0100	Fund balances - beginning	2,272,910	2,272,910	2,272,910	
3000	Fund balances - ending	<u>\$ 787,272</u>	<u>\$ 847,587</u>	<u>\$ 2,099,901</u>	<u>\$ 1,252,314</u>

MANOR INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
For the Year Ended June 30, 2016

Exhibit J-3

Data Control Codes	Debt Service				
	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)	
	Original	Final			
Revenues					
5700	Local revenues	\$ 23,794,910	\$ 26,013,023	\$ 26,143,282	\$ 130,259
5800	State program revenues		251,395	251,395	
5020	Total revenues	<u>23,794,910</u>	<u>26,264,418</u>	<u>26,394,677</u>	<u>130,259</u>
Expenditures					
Debt Service:					
0071	Principal on long-term debt	23,794,910	8,649,604	8,630,000	19,604
0072	Interest on long-term debt		7,522,088	7,522,088	
0073	Bond issuance costs and fees		371,558	372,367	(809)
6030	Total Expenditures	<u>23,794,910</u>	<u>16,543,250</u>	<u>16,524,455</u>	<u>18,795</u>
1100	Excess (deficiency) of revenues over expenditures		9,721,168	9,870,222	149,054
Other Financing Sources (Uses)					
7901	Refunding bonds issued			25,995,000	25,995,000
7916	Premium on issuance of bonds			2,438,377	2,438,377
8949	Payment to bond refunding escrow agent			(28,053,000)	(28,053,000)
7080	Total other financing sources and uses			<u>380,377</u>	<u>380,377</u>
0100	Net change in fund balances		9,721,168	10,250,599	529,431
1300	Fund balances - beginning	<u>22,392,984</u>	<u>22,392,984</u>	<u>22,392,984</u>	
3000	Fund balances - ending	<u>\$ 22,392,984</u>	<u>\$ 32,114,152</u>	<u>\$ 32,643,583</u>	<u>\$ 529,431</u>

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FEDERAL AWARDS SECTION

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**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***

To the Board of Trustees
Manor Independent School District
Manor, Texas

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 Manor Independent School District (the “District”), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise District’s basic financial statements, and have issued our report thereon dated December 12, 2016.

Internal Control Over Financial Reporting

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

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

To the Board of Trustees
Manor Independent School District

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses, findings 2016-001, 2016-002 and 2016-003.

Compliance and Other Matters

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

District's Response to Findings

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

Purpose of this Report

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

The image shows a handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, professional style.

Houston, Texas
December 12, 2016

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

To the Board of Trustees
Manor Independent School District
Manor, Texas

Report on Compliance for Each Major Federal Program

We have audited Manor Independent School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2016. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

To the Board of Trustees
Manor Independent School District

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as findings 2016-004 and 2016-005. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings of questioned costs as findings 2016-004 and 2016-005 to be significant deficiencies.

To the Board of Trustees
Manor Independent School District

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

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

Whitley Penn LLP

Houston, Texas
December 12, 2016

MANOR INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2016

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes, Findings # 2016-001, 2016-002, and 2016-003
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	None reported

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	Yes, Finding # 2016-004, and 2016-005
Type of auditors' report issued on compliance with major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	Yes, Finding # 2016-004, and 2016-005

Identification of major programs

Name of Federal Program or Cluster CFDA Numbers

U.S. Department of Agriculture:

Child Nutrition Cluster:

School Breakfast Program	10.553
National School Lunch Program	10.555

<i>ESEA Title I Part A - Improving Basic Programs</i>	84.010A
<i>Title I 1003(A) - Priority and Focus School</i>	84.010A

Special Education Cluster:

IDEA-B Formula	84.027A
IDEA-B Preschool	84.173A

<i>Texas Literacy Initiative</i>	84.371C
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Dollar Threshold Considered Between Type A and Type B Federal Programs	\$750,000
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Auditee qualified as low-risk auditee?	No
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MANOR INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended June 30, 2016

II. Financial Statement Findings

Material Weakness

Finding # 2016-001 – Year-End Close Out Procedures

Criteria: Proper internal controls require that standard fiscal year-end close out procedures are developed, formally documented, and implemented.

Condition: During the course of the audit, we noted that year- end close out procedures had not been performed to reconcile trial balance accounts to financial records. This is a repeat from Finding 2015-001.

Cause: Account reconciliations were not performed timely.

Effect: Management’s reliance upon the auditor to detect and make significant necessary adjustments is considered to be a material weakness in internal controls.

Recommendation: Management should establish fiscal year end close out procedures for all significant areas to ensure that all required entries are posted; trial balance accounts should be reconciled at year-end.

Finding # 2016-002 – Payroll Control Activities

Criteria: Management is responsible for designing control activities to achieve proper internal controls and proper accurate reporting.

Condition: While gaining an understanding of internal controls, we noted that the Payroll Department has the ability to modify pay rates.

Cause: Improperly designed internal controls.

Effect: Unauthorized changes may be made to pay rates, causing payroll expenditures to be materially misstated and the misstatement might not be detected by management on a timely manner.

Recommendation: To mitigate the risk that unauthorized pay rate changes may be made the Payroll Department should not have the ability to modify pay rates; the responsibility to modify pay rates should rely in the HR department. If the District decides to leave the responsibility to modify pay rates in the Payroll Department, the HR department should document its review of pay rates after each payroll run and the process should be formalized.

MANOR INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended June 30, 2016

II. Financial Statement Findings (continued)

Finding # 2016-003 – Payroll Control Activities

Criteria: Management is responsible for designing control activities to achieve proper internal controls and proper accurate reporting.

Condition: During our review of selected payroll expenditures, it was noted that the District does not maintain effective internal control policies and procedures: Timesheets are not approved prior to payroll runs, in 4 instances the timesheets supporting the selected paycheck were unavailable for our review, in 18 instances the employee salary did not agree to the approved District compensation plan. This is a repeat from Finding 2015-005.

Cause: Improperly designed internal controls.

Effect: Payroll expenditures to be materially misstated and the misstatement might not be detected by management on a timely manner.

Recommendation: Management should review the current internal control policies and procedures to ensure payroll expenditures are properly reviewed and supported.

Compliance and Other Matters

None reported.

MANOR INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended June 30, 2016

III. Federal Awards Findings and Questioned Costs

Finding 2016-004 – Child Nutrition Cluster – Fund Balance Levels (CFDA 10.553 and 10.555)

Criteria: Per the Texas Department of Agriculture’s (TDA) Administrator’s Reference Manual Section 14.18 a school district may not have a fund balance exceeding three months’ average food service operations expenditures in any fund type used to record the department’s financial information. In addition, The OMB Compliance Supplement notes that a School Food Account (SFA) is required to account for all revenues and expenditures of its non-profit school food service in accordance with State requirements. A SFA must operate its food services on a nonprofit basis; all revenue generated by the school food service must be used to operate and improve its food services (7 CFR sections 210.14 (a), 210.14 (c), 210.19 (a)(2), 215.7(d)(1), 220.2(o-2), and 220.7(e)(1)(i)).

Condition: During our analysis of the Child Nutrition Cluster balances and activity, we noted the Food service fund balance exceeded three month’s average operations expenditures. This is a repeat from Finding 2015-008.

Cause: Programmatic delays in kitchen upgrades and construction caused the District to not be able to fully implement TDA approved plan to reduce fund balance.

Effect: The District is not in compliance with the fund balance requirements established by the Texas Education Agency and the Texas Department and Agriculture.

Questioned Cost: None. Fund balance is approximately \$662,000 in excess of guidelines.

Recommendation: The District should take appropriate steps and evaluate its future spending to ensure that fund balance requirements are met.

Finding 2016-005 – Child Nutrition Cluster – Equipment Management (CFDA 10.553 and 10.555)

Criteria: Per the Uniform Guidance, a physical inventory of the property acquired under this federal award, must be taken and the results reconciled with the property records at least once every two years (2 CFR section 200.313(d)(2))

Condition: The District has not taken take a physical inventory of property acquired under this federal award in the last two years. This is a repeat from Finding 2015-009.

Cause: Federal law was not followed.

Effect: The District is not in compliance with the Uniform Guidance equipment management compliance requirement.

Questioned Cost: Unknown.

Recommendation: The District should take appropriate steps to ensure a physical inventory of property is taken, the results reconciled with the property records at least once every 2 years and supporting documentation is maintained.

MANOR INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended June 30, 2016

IV. Status of Prior Year Findings

Finding 2015-001

Condition: During the course of the audit, numerous audit adjustments were identified and recorded in the District's governmental fund and government-wide financial statements. This was a repeat finding from the prior year.

Status: This situation continues to exist, see Finding 2016-001.

Finding 2015-002

Condition: The District did not record revenue during the current year or receivables at year-end for grant expenditures incurred or claims submitted during the current year that had not been reimbursed at June 30, 2015. This was a repeat finding from the prior year.

Status: We noted no similar instances during the current year audit.

Finding 2015-003

Condition: The District's actual expenditures for the year ended June 30, 2015 exceeded the District's amended budget for several expenditure functions in the General Fund and Debt Service Fund as disclosed in the Notes to the prior year Basic Financial Statements. This was a repeat finding from the prior year.

Status: Although the District's expenditures exceeded functional budgets in two areas during the 2016 fiscal year, this matter is not considered to be a compliance matter material to the District's financial statements during the 2016 fiscal year.

Finding 2015-004

Condition: There were instances during the fiscal year ended June 30, 2015 in which the District's deposits were not fully collateralized by FDIC insurance or pledged collateral. There were additional instances in which the FDIC insurance and pledged collateral amounts were greater than the District's deposits, but were less than the required 110% collateral amount based on District policy. This was a repeat finding from the prior year.

Status: We noted no similar instances during the current year audit.

MANOR INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended June 30, 2016

IV. Status of Prior Year Findings (continued)

Finding 2015-005

Condition: There were multiple instances of payments made to employees for time worked in which there was either no support for the payments made or there was no evidence of proper approval prior to payment. There were multiple instances of payments made to employees for vacation or leave time that did not have support to confirm the calculated amount prior to payment. There were two employees who were paid for extra duty time and compensatory time that did not have proper support or approval prior to payment: 1) one employee was paid for extra duty time but did not have the supporting timesheets properly approved by a supervisor prior to payment as the timesheets were signed by the employee; 2) one employee was paid for extra duty time and the timesheets were signed by an immediate supervisor, but the timesheets were not properly reviewed by this employee's immediate supervisor as this employee was an exempt employee and the employee's timesheets did not show extra duty hours worked on a daily basis; and 3) both of these employees did not have proper support or approval for compensatory time paid. There were multiple instances of hourly employees that were paid based on a 40-hour work week rather than the actual hours reflected in the District's timekeeping system. Hourly employees were also able to adjust their own starting and ending times and did not properly clock-in and out during lunch breaks. There was an instance of an employee who had left the District and received a one-time payment for retro-active pay that was for an incorrect amount.

Status: Although there was a marked improvement over the prior year, there were similar exceptions noted in 2016 testing. See Finding 2016-003.

Finding 2015-006

Condition: The Executive Director of Business Services did not follow the District's Human Resources policies when hiring color guard coaches. The Executive Director was able to add these individuals to the District's payroll system.

Status: We noted no similar instances during the current year audit.

Finding 2015-007 Child Nutrition Cluster - CFDA #10.553 and #10.555

Condition: The District's employees who worked solely on the Child Nutrition Program did not complete semi-annual certifications during the current year, but personnel activity reports were completed and properly reviewed in accordance with OMB Circular A-87 except for two employees. This was a repeat finding from the prior year.

Status: This situation no longer exists.

Finding 2015-008 Child Nutrition Cluster - CFDA #10.553 and #10.555

Condition: The District's fund balance in the Food Service Fund at June 30, 2015 exceeded three months of operating costs by \$538,875. This was a repeat finding from the prior year.

Status: This situation continues to exist, see Finding 2016-004.

MANOR INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended June 30, 2016

IV. Status of Prior Year Findings (continued)

Finding 2015-009 Child Nutrition Cluster - CFDA #10.553 and #10.555

Condition: The District does not have any formal policies and procedures regarding equipment management for items purchased using federal funds. No physical inventory of equipment purchased using federal funds was performed.

Status: This situation continues to exist, see Finding 2016-005.

Finding 2015-010 Child Nutrition Cluster - CFDA #10.553 and #10.555

Condition: The District's weighted average price charged for paid lunches is less than the difference between the Federal reimbursement rate for paid lunches and that for free lunches. The District did not meet the requirement for prices charged for paid lunches and did not receive contributions from other non-Federal sources.

Status: This situation no longer exists, the district applied for a waiver for fiscal year 2016.

Finding 2015-011 Special Education Cluster - CFDA #84.027A and #84.173A

Condition: Five District employees who worked solely on Special Education activities and were paid out of Special Education program funds either left the District or transferred departments during the current year. Semi-annual certifications were not completed for these employees during the current year. Semi-annual certifications were completed for other employees paid out of Special Education program funds.

Status: This situation no longer exists.

Finding 2015-012 Gaining Early Awareness and Readiness for Undergraduate Programs - CFDA #84.334S

Condition: There were expenditures incurred using grant funds for unallowable costs related to food, Sam's Card purchases, substitutes, and supplemental extra-duty pay to the program coordinator.

Status: We noted no similar instances during the current year audit.

MANOR INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended June 30, 2016

V. Corrective Action Plan

Finding # 2016-001 – Year-End Close Out Procedures

Response: Manor ISD Business Office management will work with Whitley Penn to develop a process for year-end closeout procedures. This process will include specific action items to ensure the trial balance is reconciled and adjusting entries posted shortly after year-end in order to facilitate the annual audit process in a timely manner.

Contact Person: Jennifer Land, Chief Financial Officer; Melanie Boutwell, Director of Finance

Estimated Completion Date: June 30, 2017

Finding # 2016-002 – Payroll Control Activities

Response: Payroll department staff will collaborate with Human Resources (HR) staff to implement both preventive and detective controls over modifying employee rates. Management will explore both limiting payroll access, as well as, creating a change report for HR staff members to use each month to review changes made.

Contact Person: Jennifer Land, Chief Financial Officer; Claudia Alba, Assistant Director of Payroll

Estimated Completion Date: January 31, 2017

Finding # 2016-003 – Payroll Control Activities

Response: New payroll staff was hired in March 2016 and since that time, payroll processing procedures have been enhanced in an effort to elevate the performance of the department. One key area of improvement was ensuring all payments were properly approved and supported. The payroll documentation filing system has also been modified to ensure records are well maintained.

Contact Person: Jennifer Land, Chief Financial Officer; Claudia Alba, Assistant Director of Payroll

Estimated Completion Date: June 30, 2016

Finding 2016-004 – Child Nutrition Cluster – Reporting (CFDA 10.553 and 10.555)

Response: A plan for expending the fund balance on equipment has been established and submitted to the Texas Department of Agriculture. Due to projects being delayed, the expenditure of these funds will be during the next fiscal year.

Contact Person: Jennifer Land, Chief Financial Officer; George Townsend, Director of Child Nutrition

Estimated Completion Date: June 30, 2017

MANOR INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended June 30, 2016

V. Corrective Action Plan (continued)

Finding 2016-005 – Child Nutrition Cluster – Equipment Management (CFDA 10.553 and 10.555)

Response: An inventory process for monitoring items purchased with federal funds has been developed and an inventory was conducted in FY 2017.

Contact Person: Jennifer Land, CFO; Stephen Ross, Director of Inventory Control and Instructional Materials

Estimated Completion Date: October 2016

MANOR INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2016

Exhibit K-1

(2A) Pass Through Entity Identifying Number	(1) Federal Grantor/ Pass-Through Grantor/ Program Title	District Fund Number	(2) Federal CFDA Number	(3) Federal Expenditures
U.S. Department of Education				
Passed Through Texas Education Agency:				
Title I Part A:				
16610101227907	<i>ESEA Title I Part A - Improving Basic Programs</i>	211	84.010A	\$ 1,148,464
16610112227907000	<i>Title I 1003(A) - Priority and Focus School</i>	211	84.010A	174,703
15610101227907	<i>ESEA Title I Part A - Improving Basic Programs</i>	211	84.010A	311,764
15610112227907000	<i>Title I 1003(A) - Priority and Focus School</i>	211	84.010A	2,038
15610112227907100	<i>Title I 1003(A) - Priority and Focus School</i>	211	84.010A	2,574
Total Title I Part A				<u>1,639,543</u>
Special Education Cluster:				
166600012279076000	<i>IDEA-B Formula</i>	224	84.027A	1,121,328
156600012279076000	<i>IDEA-B Formula</i>	224	84.027A	161,740
166610012279076000	<i>IDEA-B Preschool</i>	225	84.173A	9,869
Total Special Education Cluster				<u>1,292,937</u>
16420006227907	<i>Carl D. Perkins Basic Grant</i>	244	84.048A	77,519
165110017110003	<i>Gaining Early Awareness and Readiness for Undergraduate Programs</i>	274	84.334S	280,045
155110017110003	<i>Gaining Early Awareness and Readiness for Undergraduate Programs</i>	274	84.334S	72,388
16694501227907	<i>ESEA, Title II, Part A - Teacher and Principal Training and Recruiting</i>	255	84.367A	61,455
15694501227907	<i>ESEA, Title II, Part A - Teacher and Principal Training and Recruiting</i>	255	84.367A	6,631
16671001227907	<i>Title III, Part A - English Language Acquisition and Language Enhancement</i>	263	84.365A	217,072
15671001227907	<i>Title III, Part A - English Language Acquisition and Language Enhancement</i>	263	84.365A	64,949
69551502	<i>Summer School LEP</i>	199	84.369A	15,582
156460037110017	<i>Texas Literacy Initiative</i>	289	84.371C	1,808,322
166460037110017	<i>Texas Literacy Initiative</i>	289	84.371C	24,600
Total Passed Through Texas Education Agency				<u>5,561,043</u>
Passed Through Education Service Center Region X:				
16-046	<i>ESEA, Title X, Part C - Education for the Homeless Children and Youth</i>	206	84.196A	33,005
Total Passed Through Education Service Center Region X				<u>33,005</u>
Total U.S. Department of Education				<u>5,594,048</u>
U.S. Department of Health and Human Services				
Passed Through Texas Health and Human Services:				
N/A	<i>Medicaid Administrative Claiming Program – MAC</i>	199	93.778	41,946
Total Passed Through Texas Health and Human Services				<u>41,946</u>
Total U.S. Department of Health and Human Services				<u>41,946</u>

MANOR INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended June 30, 2016

Exhibit K-1
 (continued)

(2A) Pass Through Entity Identifying Number	(1) Federal Grantor/ Pass-Through Grantor/ Program Title	District Fund Number	(2) Federal CFDA Number	(3) Federal Expenditures
	U.S. Department of Agriculture			
	<u>Child Nutrition Cluster:</u>			
	Passed Through Texas Department of Agriculture:			
	Non Cash Assistance (Commodities):			
CE-227907	<i>National School Lunch Program</i>	240	10.555	\$ 276,484
	Total Passed Through Texas Department of Agriculture:			<u>276,484</u>
	Passed Through Texas Department of Education:			
	Cash Assistance:			
71401601	<i>School Breakfast Program</i>	240	10.553	1,128,370
71301601	<i>National School Lunch Program</i>	240	10.555	3,318,725
	Total Passed Through Texas Department of Education:			<u>4,447,095</u>
	Total Child Nutrition Cluster			<u>4,723,579</u>
	Total Department of Agriculture			<u>4,723,579</u>
	Total Expenditures of Federal Awards			<u>\$ 10,359,573</u>

Note 1 - Basis of Accounting

The District accounts for all awards under federal programs in the General and Certain Special Revenue Funds in accordance with the Texas Education Agency's *Financial Accountability System Resource Guide*. These programs are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for these funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the liability is incurred, if measurable, except for certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited to reimbursement. Pass-through entity identifying numbers are presented where available.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as unearned revenues until earned. Generally, unused balances are returned to the grantor at the close of specified project periods. The District has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 2 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the District under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

Note 3 - Reconciliation to Basic Financial Statements

The following is a reconciliation of expenditures of federal awards program per Exhibit K-1 and expenditures reported on Exhibit C-3:

Total Expenditures of Federal Awards - Exhibit K-1	\$ 10,359,573
SHARS	<u>1,811,116</u>
Total Federal Revenue - Exhibit C-3	<u><u>\$ 12,170,689</u></u>

MANOR INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)

Exhibit K-2

Note 4 - General Fund Expenditures

Federal Awards reported in the general fund are summarized as follows:

SHARS	\$ 1,811,116
Medicaid Administrative Claiming Program	41,946
Summer School LEP	15,582
Indirect Costs:	
ESEA Title I, Part A - Improving Basic Programs	20,797
Title I - School Improvement Program	4,612
IDEA Part B - Formula	17,698
ESEA, Title II, Part A - Teacher and Principal Training and Recruiting	1,211
Title III, Part A - English Language Acquisition and Language Enhancement	3,949
Texas Literacy Initiative	29,430
	<u>\$ 1,946,341</u>

DO NOT BIND IN REPORT

Schedule L-1 – Required Responses to Selected School FIRST Indicators

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	Yes
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	\$ 670,048
SF11	Net Pension Assets (1920) at fiscal year-end.	\$ 0
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$ 19,972,776
SF13	Pension Expense (6147) at fiscal year-end.	\$ 2,934,903

Updated 7/10/17