

ALPINE INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL AND  
COMPLIANCE REPORT

FOR THE YEAR ENDED  
JUNE 30, 2016



SINGLETON, CLARK  
& COMPANY, PC CERTIFIED PUBLIC ACCOUNTANTS

ALPINE INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL AND COMPLIANCE REPORT  
FOR THE YEAR ENDED JUNE 30, 2016

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CERTIFICATE OF BOARD

Alpine Independent School District  
Name of School District

Brewster  
County

022-901  
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one)  approved \_\_\_\_\_ disapproved for the year ended June 30, 2016, at a meeting of the Board of Trustees of such school district on the 16th day of November, 2016.

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

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

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



UNMODIFIED OPINIONS ON BASIC FINANCIAL STATEMENTS ACCOMPANIED BY  
REQUIRED SUPPLEMENTARY INFORMATION AND OTHER INFORMATION INCLUDING THE  
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Independent Auditor's Report

To the Board of Trustees of  
Alpine Independent School District

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Alpine Independent School 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 estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Alpine Independent School 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 section preceding the basic financial statements and the pension related schedules following the notes to the financial statements 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.

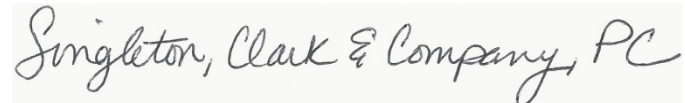
### *Other Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Alpine Independent School District's basic financial statements. The combining schedules of individual nonmajor funds and the Texas Education Agency required schedules 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 schedules of individual nonmajor funds, the Texas Education Agency required schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining schedules, the Texas Education Agency required schedules, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2016 on our consideration of Alpine Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Alpine Independent School District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Singleton, Clark & Company, PC". The signature is written in black ink on a light-colored background.

Singleton, Clark & Company, PC  
Cedar Park, Texas

September 30, 2016

ALPINE INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2016

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

In this section of the Annual Financial and Compliance Report, we, the managers of Alpine Independent School District, discuss and analyze the District's financial performance for the fiscal year ended June 30, 2016. Please read it in conjunction with the independent auditor's report on page 2 and the District's Basic Financial Statements which follow this section.

### **FINANCIAL HIGHLIGHTS**

- The District's net position for governmental activities increased by \$273,184 as a result of this year's current operations, to end at \$15,374,526.
- The General Fund of the District reported a fund balance increase of \$275,616 for the year, to end at \$7,716,109.
- Total Governmental Funds of the District (the General Fund plus all Special Revenue Funds and the Debt Service Fund) reported an overall fund balance increase of \$330,221, to end at \$8,372,464.

### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

The fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the district.

The notes to the financial statements provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The Other Supplementary Information section contains even more information about the District's individual nonmajor funds in the form of detailed combining schedules. This information is not required by TEA, but is included for its usefulness. The Other Supplementary Information section includes TEA Required Schedules and information required by federal monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.



ALPINE INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2016

## Reporting the District as a Whole

### *The Statement of Net Position and the Statement of Activities*

The analysis of the District's overall financial condition and operations begins with the government-wide financial statements which immediately follow this section. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. The primary purpose of these financial statements is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as tuition received from students from outside the district and grants provided by the U.S. Department of Education to assist children with disabilities or from disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers or by the State of Texas in equalization funding processes (general revenues). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

The Statement of Net Position and the Statement of Activities report the District's net position and changes in net position. The District's net position (the difference between assets and liabilities) provides one measure of the District's financial health. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider nonfinancial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, school districts are divided into two kinds of activities:

- Governmental activities – School districts report basic services here, including the instruction of students, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.
- Business-type activities – School districts may charge a fee to "customers" to help it cover all or most of the cost of services it provides for child care programs or other activities that closely model a business venture.

Our school district reported governmental activities this year, however, we did not engage in business-type activities.

ALPINE INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2016

## Reporting the District's Most Significant Funds

### *Fund Financial Statements*

The fund financial statements follow the government-wide statements and provide detailed information about the most significant funds of the District, not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the No Child Left Behind Act from the U.S. Department of Education in order to display separate accountability. The District's administration establishes many other funds to help it control and manage money for particular purposes (such as for campus activities). School districts use two different kinds of funds for operations, governmental and proprietary, which use different accounting approaches.

- A school district will use *governmental funds* to account for basic services. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.
- A school district will use *proprietary funds* to account for the activities for which it charges users (whether outside customers or other units of the District). Proprietary funds use the same accounting methods employed in the Statement of Net Position and the Statement of Activities. In fact, when a district utilizes enterprise funds, (one category of proprietary funds) these are the business-type activities reported in the government-wide statements but they contain more detail and additional information, such as cash flows. Internal service funds (the other category of proprietary funds) report activities that provide supplies and services for a district's other programs and activities, such as a district's self-insurance programs.

Our school district reported several governmental funds this year, however, we did not utilize proprietary funds.

## The District as Trustee

### *Reporting the District's Fiduciary Responsibilities*

The District is the trustee, or fiduciary, for money raised by student activities and alumnae scholarship programs. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages that follow the governmental fund and proprietary fund financial statements. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

ALPINE INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2016

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The following analysis focuses on the net position (Table I below) and changes in net position (Table II below) of the District's governmental activities.

Net position of the District's governmental activities increased from \$15,101,342 to \$15,374,526. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$6,906,515 at June 30, 2016. The increase in governmental net position was primarily due to favorable budgetary variances with expenditures for Fiscal Year 2015-2016.

**Table I  
ALPINE INDEPENDENT SCHOOL DISTRICT  
NET POSITION**

	Governmental Activities 2016	Governmental Activities 2015	Change
Current & other assets	\$ 9,414,804	\$ 9,125,785	\$ 289,019
Capital assets	9,357,122	9,523,773	(166,651)
Deferred outflows	1,816,275	276,743	1,539,532
Total assets and deferred outflows	<u>20,588,201</u>	<u>18,926,301</u>	<u>1,661,900</u>
Current liabilities	317,923	397,917	(79,994)
Long-term liabilities	4,448,055	3,103,990	1,344,065
Deferred inflows	447,697	323,052	124,645
Total liabilities and deferred inflows	<u>5,213,675</u>	<u>3,824,959</u>	<u>1,388,716</u>
Net Position:			
Net investment in capital assets	7,754,044	7,520,524	233,520
Restricted	713,967	651,755	62,212
Unrestricted	6,906,515	6,929,063	(22,548)
Total net position	<u>\$ 15,374,526</u>	<u>\$ 15,101,342</u>	<u>\$ 273,184</u>

ALPINE INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2016

**Table II**  
**ALPINE INDEPENDENT SCHOOL DISTRICT**  
**CHANGES IN NET POSITION**

	Governmental Activities 2016	Governmental Activities 2015	Change
Revenues:			
Program Revenues:			
Charges for services	\$ 821,300	\$ 708,800	\$ 112,500
Operating grants & contributions	3,635,243	3,103,396	531,847
General Revenues:			
Maintenance & operations taxes	5,165,819	5,115,556	50,263
Debt service taxes	358,808	359,688	(880)
State aid - formula grants	5,010,709	4,850,696	160,013
Grants & contributions not restr.	330,867	252,809	78,058
Investment earnings	26,404	6,317	20,087
Miscellaneous	137,320	65,571	71,749
Total Revenue	<u>15,486,470</u>	<u>14,462,833</u>	<u>1,023,637</u>
Expenses:			
Instruction	7,470,189	6,735,799	734,390
Instr. resources & media services	280,518	266,334	14,184
Curriculum and staff development	66,825	59,874	6,951
Instructional leadership	290,955	275,724	15,231
School leadership	623,652	548,214	75,438
Guidance/counseling services	832,673	814,600	18,073
Health services	221,173	78,951	142,222
Student transportation	327,374	330,050	(2,676)
Food services	574,142	551,625	22,517
Cocurricular/extracurricular act.	849,227	784,674	64,553
General administration	739,023	650,176	88,847
Plant maintenance and operations	1,294,940	1,167,945	126,995
Security and monitoring services	26,463	22,901	3,562
Data processing services	246,178	219,434	26,744
Community services	-	38,351	(38,351)
Debt service	61,188	915,804	(854,616)
Payments to fiscal agents	1,206,701	-	1,206,701
Other intergovernmental charges	205,165	223,754	(18,589)
Total Expenses	<u>15,316,386</u>	<u>13,684,210</u>	<u>1,632,176</u>
Gain (Loss) on sale of assets	103,100	-	103,100
Change in net position	<u>273,184</u>	<u>778,623</u>	<u>(505,439)</u>
Net position at 7/1/15 and 7/1/14	15,101,342	15,540,307	(438,965)
Prior period adjustment	-	(1,217,588)	1,217,588
Net position at 6/30/16 and 6/30/15	<u>\$ 15,374,526</u>	<u>\$ 15,101,342</u>	<u>\$ 273,184</u>

ALPINE INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2016

**THE DISTRICT'S FUNDS**

As the District completed this annual period, the General Fund reported a fund balance of \$7,716,109, which is \$275,616 more than last year's total of \$7,440,493. The increase in fund balance is mainly attributable to favorable budget variances within expenditures as of year end.

The 588 Educational Cooperative, reported as a major fund this year, operated at a near break-even for the year, as budgeted, with revenues only slightly exceeding expenditures by \$21,526.

The District's other governmental funds reported a fund balance of \$247,024 as compared to \$213,945 in 2015, which is \$33,079 more than the previous year. The primary reason for the increase in other governmental funds fund balance was the increase in the fund balance of the Debt Service Fund in the amount of \$32,672.

Over the course of the year, the Board of Trustees revised the District's budget several times. These amendments involved moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs. None of the amendments were considered significant.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

As of June 30, 2016, the District had \$9,357,122 (net of accumulated depreciation) invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance.

A summary of the ending balances of capital assets by major category for both 2016 and 2015 is a follows:

	Governmental Activities 2016	Governmental Activities 2015	Change
Land	\$ 275,907	\$ 275,907	\$ -
Buildings	17,224,188	16,795,188	429,000
Furniture and Equipment	3,439,143	3,292,995	146,148
Total	<u>20,939,238</u>	<u>20,364,090</u>	<u>575,148</u>
Less Accumulated Depreciation	<u>(11,582,116)</u>	<u>(10,840,317)</u>	<u>(741,799)</u>
Capital assets, net of depreciation	<u>\$ 9,357,122</u>	<u>\$ 9,523,773</u>	<u>\$ (166,651)</u>

ALPINE INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2016

**Debt**

At year-end, the District had \$4,448,055 in long-term debt outstanding consisting of bonds, notes payable, and the District's assigned portion of the Teacher Retirement System of Texas net pension liability. The increase from the prior year amount of \$3,103,990 is primarily attributable to an increase in the net pension liability.

A summary of the ending balances of long-term debt by type for both 2016 and 2015 is as follows:

	Governmental Activities 2016	Governmental Activities 2015	Change
General Obligation Bonds	\$ 1,240,000	\$ 1,525,000	\$ (285,000)
Notes Payable	363,078	478,249	(115,171)
Net Pension Liability	2,844,977	1,100,741	1,744,236
Total	<u>\$ 4,448,055</u>	<u>\$ 3,103,990</u>	<u>\$ 1,344,065</u>

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

The District's elected and appointed officials considered many factors when setting the fiscal year 2016-2017 budget and tax rates. Those factors include property values, changes in enrollment, the economy, projections of future budget years, and legislative mandates. The General Fund adopted a budget of \$10.7 million for the 2016-2017 fiscal year. This budget reflects a decrease from the 2015-2016 final amended budget due to decreased facilities maintenance costs.

For the 2016-2017 budget year, the District has held constant its maintenance and operations tax rate at \$1.17 per hundred of taxable value. A debt service tax rate of \$.076 for the 2016-2017 budget year was adopted in order to fund required debt payments in the coming year. The combined tax rate of the District for the 2016-2017 budget year is \$1.246 per hundred of taxable value.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Business Office, at Alpine Independent School District, 704 W. Sul Ross Avenue, Alpine, Texas 79830, or by calling (432) 837-7700.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

ALPINE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2016

Data Control Codes	Government 1 Governmental Activities
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 7,150,600
1225 Property Taxes Receivable (net)	747,624
1240 Due from Other Governments	1,435,533
1267 Due from Fiduciary Funds	69,885
1290 Other Receivables, net	11,162
Capital Assets:	
1510 Land	275,907
1520 Buildings and Improvements, Net	8,351,691
1530 Furniture and Equipment, Net	729,524
1000 Total Assets	18,771,926
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
1705 Deferred Outflows-Pension	1,816,275
Total Deferred Outflows of Resources	1,816,275
<b>LIABILITIES</b>	
2110 Accounts Payable	220,510
2140 Interest Payable	23,206
2180 Due to Other Governments	26,080
2300 Unearned Revenue	48,127
Noncurrent Liabilities:	
2501 Bonds, Loans & Other Payable-Due Within One Year	408,050
2502 Bonds Payable - Due in More than One Year	831,950
2516 Unamortized Premium (Discount) on Bonds	363,078
2530 Other Long-Term Debt - Due in More than One Year	81,100
2540 Net Pension Liability	2,763,877
2000 Total Liabilities	4,765,978
<b>DEFERRED INFLOWS OF RESOURCES</b>	
2605 Deferred Inflows-Pension	447,697
Total Deferred Inflows of Resources	447,697
<b>NET POSITION</b>	
3200 Net Investment in Capital Assets	7,754,044
Restricted for:	
3820 Federal & State Programs	416,480
3850 Debt Service	297,487
3900 Unrestricted	6,906,515
3000 Total Net Position	\$ 15,374,526

The notes to the financial statements are an integral part of this statement.



ALPINE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016

Data Control Codes	1 Expenses	Program Revenues		Net (Expense) Rev. & Changes in Net Position
		3 Charges for Services	4 Operating Grants and Contributions	6 Primary Gov. Governmental Activities
<b>Primary Government:</b>				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 7,470,189	\$ 657,591	\$ 1,625,121	\$ (5,187,477)
12 Instructional Resources & Media Services	280,518	-	20,818	(259,700)
13 Curriculum & Staff Development	66,825	-	4,609	(62,216)
21 Instructional Leadership	290,955	-	195,689	(95,266)
23 School Leadership	623,652	-	32,792	(590,860)
31 Guidance/Counseling/Evaluation Services	832,673	-	555,480	(277,193)
33 Health Services	221,173	-	101,281	(119,892)
34 Student Transportation	327,374	-	12,596	(314,778)
35 Food Services	574,142	115,424	23,626	(435,092)
36 Extracurricular Activities	849,227	33,885	26,245	(789,097)
41 General Administration	739,023	14,400	34,922	(689,701)
51 Plant Maintenance and Operations	1,294,940	-	64,451	(1,230,489)
52 Security and Monitoring Services	26,463	-	1,073	(25,390)
53 Data Processing Services	246,178	-	10,570	(235,608)
72 Interest on Long-Term Debt	60,382	-	13,418	(46,964)
73 Bond Issuance Cost & Fees	806	-	-	(806)
93 Payments to Fiscal Agent/Member Dist. of SSA	1,206,701	-	912,552	(294,149)
99 Other Intergovernmental Charges	205,165	-	-	(205,165)
TG Total Governmental Activities:	<u>15,316,386</u>	<u>821,300</u>	<u>3,635,243</u>	<u>(10,859,843)</u>
TP TOTAL PRIMARY GOVERNMENT:	<u>\$ 15,316,386</u>	<u>\$ 821,300</u>	<u>\$ 3,635,243</u>	<u>(10,859,843)</u>
General Revenues:				
Taxes:				
MT Property Taxes, Levied for General Purposes				5,165,819
DT Property Taxes, Levied for Debt Service				358,808
SF State Aid - Formula Grants				5,010,709
GC Grants and Contributions, not Restricted				330,867
IE Investment Earnings				26,404
MI Miscellaneous Local and Intermediate Revenue				137,320
Total General Revenues				<u>11,029,927</u>
S1 Special Item-Tax Abatement Agreement Costs, net				103,100
TR Total General Revenues, Special Items, and Transfers				<u>103,100</u>
CN Change in Net Position				273,184
NB Net Position -- Beginning				15,101,342
NE Net Position -- Ending				<u>\$ 15,374,526</u>

The notes to the financial statements are an integral part of this statement.

FUND BASIS FINANCIAL STATEMENTS

ALPINE INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2016

Data Control Codes	10	588		98
	General Fund	Educational Cooperative	Other Funds	Total Governmental Funds
<b>ASSETS</b>				
1110 Cash and Cash Equivalents	\$ 6,516,066	\$ 236,872	\$ 397,662	\$ 7,150,600
1220 Property Taxes - Delinquent	766,679	-	64,014	830,693
1230 Allowance for Uncollectible Taxes (Credit)	(76,668)	-	(6,401)	(83,069)
1240 Due from Other Governments	1,220,116	-	215,417	1,435,533
1260 Due from Other Funds	474,217	261,919	29,859	765,995
1267 Due from Fiduciary Funds	69,885	-	-	69,885
1290 Other Receivables	11,162	-	-	11,162
1000 Total Assets	<u>\$ 8,981,457</u>	<u>\$ 498,791</u>	<u>\$ 700,551</u>	<u>\$ 10,180,799</u>
<b>LIABILITIES</b>				
2110 Accounts Payable	\$ 144,827	\$ 711	\$ 74,972	\$ 220,510
2170 Due to Other Funds	415,198	88,749	262,048	765,995
2180 Due to Other Governments	15,312	-	10,768	26,080
2300 Unearned Revenues	-	-	48,127	48,127
2000 Total Liabilities	<u>575,337</u>	<u>89,460</u>	<u>395,915</u>	<u>1,060,712</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
2600 Deferred Inflows	690,011	-	57,612	747,623
Total Deferred Inflows of Resources	<u>690,011</u>	<u>-</u>	<u>57,612</u>	<u>747,623</u>
<b>FUND BALANCES</b>				
Restricted for:				
3450 Federal or State Funds Restricted	-	409,331	7,149	416,480
3480 Retirement of Long-Term Debt	-	-	239,875	239,875
Committed for:				
3510 Construction	2,024,000	-	-	2,024,000
3530 Capital Expenditures for Equipment	600,000	-	-	600,000
Assigned for:				
3565 Retirement of Long-Term Debt	1,240,000	-	-	1,240,000
3570 Capital Projects	1,102,000	-	-	1,102,000
3600 Unassigned Fund Balance	2,750,109	-	-	2,750,109
3000 Total Fund Balances	<u>7,716,109</u>	<u>409,331</u>	<u>247,024</u>	<u>8,372,464</u>
4000 Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 8,981,457</u>	<u>\$ 498,791</u>	<u>\$ 700,551</u>	<u>\$ 10,180,799</u>

The notes to the financial statements are an integral part of this statement.

ALPINE INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
JUNE 30, 2016

		1
<b>Total Fund Balances - Governmental Funds</b>		\$ 8,372,464
<p>1 Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.</p>		
Governmental capital assets	\$ 20,939,238	
Less accumulated depreciation	<u>(11,582,116)</u>	9,357,122
<p>2 Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.</p>		
Bonds payable	(1,240,000)	
Notes payable	(363,078)	
Compensated absences payable	(81,100)	
Net pension liability	<u>(2,763,877)</u>	(4,448,055)
<p>3 Accrued interest on long-term debt related to governmental fund activities is not due and payable in the current period and, therefore, not reported in the governmental funds.</p>		
		(23,206)
<p>4 Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.</p>		
Deferred outflows of resources related to pensions	1,816,275	
Deferred inflows of resources related to pensions	<u>(447,697)</u>	1,368,578
<p>5 Property taxes are recognized as revenue in the governmental funds when collected, but recognized on the Statement of Activities in the year levied. Therefore, property taxes receivable, net of allowance for uncollectible accounts, is added to the Statement of Net Position for governmental activities.</p>		
		747,623
<b>19 Net Position of Governmental Activities</b>		<u><u>\$ 15,374,526</u></u>

The notes to the financial statements are an integral part of this statement.

ALPINE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016

Data Control Codes	10			98
	General Fund	588 Educational Cooperative	Other Funds	Total Governmental Funds
<b>REVENUES:</b>				
5700 Local and Intermediate Sources	\$ 5,405,895	\$ 581,484	\$ 481,629	\$ 6,469,008
5800 State Program Revenues	5,522,168	-	238,348	5,760,516
5900 Federal Program Revenues	303,829	1,087,268	1,635,167	3,026,264
5020 Total Revenues	<u>11,231,892</u>	<u>1,668,752</u>	<u>2,355,144</u>	<u>15,255,788</u>
<b>EXPENDITURES:</b>				
0011 Instruction	5,523,645	324,178	964,782	6,812,605
0012 Instructional Resources & Media Services	256,829	-	-	256,829
0013 Curriculum & Instructional Staff Development	59,395	-	2,581	61,976
0021 Instructional Leadership	63,516	163,445	37,612	264,573
0023 School Leadership	573,928	-	-	573,928
0031 Guidance, Counseling & Evaluation Services	179,918	38,724	551,792	770,434
0033 Health Services	105,849	100,572	-	206,421
0034 Student (Pupil) Transportation	393,923	-	-	393,923
0035 Food Services	48,448	-	486,917	535,365
0036 Cocurricular/Extracurricular Activities	790,045	-	-	790,045
0041 General Administration	676,528	-	-	676,528
0051 Plant Maintenance and Operations	1,602,306	28,299	-	1,630,605
0052 Security and Monitoring Services	24,684	-	-	24,684
0053 Data Processing Services	227,780	-	-	227,780
0071 Debt Service - Principal	115,171	-	285,000	400,171
0072 Debt Service - Interest	11,956	-	46,575	58,531
0073 Debt Service - Bond Issuance Costs	-	-	806	806
0093 Payments to Fiscal Agent/Member Dist. of SSA	156,230	992,008	-	1,148,238
0099 Other Intergovernmental Charges	195,225	-	-	195,225
6030 Total Expenditures	<u>11,005,376</u>	<u>1,647,226</u>	<u>2,376,065</u>	<u>15,028,667</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>226,516</u>	<u>21,526</u>	<u>(20,921)</u>	<u>227,121</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	-	-	54,000	54,000
7949 Other Resources	178,100	-	-	178,100
8911 Transfers Out	(54,000)	-	-	(54,000)
8949 Other (Uses)	(75,000)	-	-	(75,000)
7080 Total Other Financing Sources (Uses)	<u>49,100</u>	<u>-</u>	<u>54,000</u>	<u>103,100</u>
1200 Net Change in Fund Balance	275,616	21,526	33,079	330,221
0100 Fund Balance - Beginning	7,440,493	387,805	213,945	8,042,243
3000 Fund Balance - Ending	<u>\$ 7,716,109</u>	<u>\$ 409,331</u>	<u>\$ 247,024</u>	<u>\$ 8,372,464</u>

The notes to the financial statements are an integral part of this statement.

ALPINE INDEPENDENT SCHOOL DISTRICT  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
 EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2016

	<b>Total Net Change in Fund Balances – Governmental Funds</b>	\$	330,221
1	Governmental funds report the portion of capital outlay for capitalized assets as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense.		
	Expenditures for capitalized assets	\$	575,148
	Less current year depreciation	<u>(741,799)</u>	(166,651)
2	Repayment of principal on bonds, notes, and capital leases is an expenditure in the governmental funds, but this expenditure is removed from the Statement of Activities and the repayments instead reduce long-term liabilities on the Statement of Net Position.		400,171
3	Since a liability for compensated absences is only recorded in the governmental funds when amounts are considered payable as of year end, the effect of any associated change in value from year to year is also not recorded in the funds.		(36,420)
4	The change in accrued interest due on long-term debt issued for governmental activities does not affect current financial resources and therefore is not reported in the governmental funds.		(1,851)
5	Property taxes are recognized as revenue in the governmental funds when collected but recognized on the Statement of Activities in the year levied. Therefore the uncollected amount of the current year levy is added to current year property tax revenue on the Statement of Activities.		40,643
6	Governmental funds report pension contributions as expenditures. However, pension contributions are reported as deferred outflows of resources on the Statement of Net Position if made after the net pension liability measurement date. In addition, the change in the net pension liability, adjusted for changes in deferred pension items, is reported as pension expense in the Statement of Activities.		(292,929)
	<b>19 Change in Net Position of Governmental Activities</b>	<u>\$</u>	<u>273,184</u>

The notes to the financial statements are an integral part of this statement.

ALPINE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL – GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2016

Data Control Codes	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final	Amounts (GAAP BASIS)	
<b>REVENUES:</b>				
5700 Local & Intermediate Sources	\$ 5,417,488	\$ 5,694,753	\$ 5,405,895	\$ (288,858)
5800 State Program Revenues	5,195,661	5,195,661	5,522,168	326,507
5900 Federal Program Revenues	303,546	303,546	303,829	283
5020 Total Revenues	10,916,695	11,193,960	11,231,892	37,932
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	5,438,267	5,586,967	5,523,645	63,322
0012 Instructional Resources & Media Services	263,207	269,207	256,829	12,378
0013 Curriculum and Staff Development	71,746	86,746	59,395	27,351
0021 Instructional Leadership	72,148	77,148	63,516	13,632
0023 School Leadership	628,279	628,279	573,928	54,351
0031 Guidance/Counseling/Evaluation Services	250,537	275,537	179,918	95,619
0033 Health Services	85,714	120,714	105,849	14,865
0034 Student Transportation	410,539	537,609	393,923	143,686
0035 Food Services	48,645	60,645	48,448	12,197
0036 Extracurricular Activities	885,793	910,793	790,045	120,748
0041 General Administration	676,734	718,354	676,528	41,826
0051 Facilities Maintenance & Operations	1,233,596	1,716,596	1,602,306	114,290
0052 Security and Monitoring Services	32,400	34,900	24,684	10,216
0053 Data Processing Services	262,360	274,860	227,780	47,080
Debt Service:				
0071 Principal on Long Term Debt	128,000	116,000	115,171	829
0072 Interest on Long Term Debt		12,000	11,956	44
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Dist. of SS	156,230	156,230	156,230	-
0099 Other Intergovernmental Charges	242,500	257,500	195,225	62,275
6030 Total Expenditures	10,886,695	11,840,085	11,005,376	834,709
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	30,000	(646,125)	226,516	872,641
<b>OTHER FINANCING SOURCES (USES):</b>				
7949 Other Resources		-	178,100	178,100
8911 Transfers Out	(76,465)	(96,465)	(54,000)	42,465
8949 Other (Uses)	-	-	(75,000)	(75,000)
7080 Total Other Financing Sources (Uses)	(76,465)	(96,465)	49,100	145,565
1200 Net Change in Fund Balances	(46,465)	(742,590)	275,616	1,018,206
0100 Fund Balance-July 1 (Beginning)	7,440,493	7,440,493	7,440,493	-
3000 Fund Balance-June 30 (Ending)	\$ 7,394,028	\$ 6,697,903	\$ 7,716,109	\$ 1,018,206

The notes to the financial statements are an integral part of this statement.

ALPINE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2016

Data Control Codes	Student Activity Fund	Tax Clearing Fund	Total Agency Funds
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ 163,832	\$ 69,885	\$ 233,717
1000 Total Assets	<u>\$ 163,832</u>	<u>\$ 69,885</u>	<u>\$ 233,717</u>
<b>LIABILITIES</b>			
Current Liabilities:			
2170 Due to Other Funds	\$ -	\$ 69,885	\$ 69,885
2190 Due to Student Groups	163,832	-	163,832
2000 Total Liabilities	<u>\$ 163,832</u>	<u>\$ 69,885</u>	<u>\$ 233,717</u>

The notes to the financial statements are an integral part of this statement.



NOTES TO THE FINANCIAL STATEMENTS

ALPINE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Alpine Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in *Statement on Auditing Standards No. 69* of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

**A. REPORTING ENTITY**

The Board is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the GASB in its Statement No. 14, "The Financial Reporting Entity." There are no component units included within the reporting entity.

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the Alpine Independent School District nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, state foundation funds, grants and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include tuition paid by students not residing in the district, school lunch charges, etc. The "grants and contributions" column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If a revenue is not a program revenue, it is a general revenue used to support all of the District's functions. Taxes are always general revenues.

Interfund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due from's on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Position and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance and on the Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Position. All interfund transactions between governmental funds and between governmental funds and internal service funds are eliminated on the government-wide statements. Interfund activities between governmental funds and enterprise funds remain on the government-wide statements and appear on the government-wide Statement of Net Position as internal balances and on the Statement of Activities as interfund transfers. Interfund activities between governmental funds and fiduciary funds remain as due to/due froms on the government-wide Statement of Activities.

ALPINE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The District considers some governmental and enterprise funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the 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 use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. The District considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

ALPINE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016

The proprietary fund types and fiduciary funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net position, and unrestricted net position.

**D. FUND ACCOUNTING**

The District reports the following major governmental funds:

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

588 Educational Cooperative – The District is the fiscal agent for the 588 Educational Cooperative which coordinates special education services for eleven member districts. The 588 Educational Cooperative fund is the General Fund for this shared-services arrangement.

Additionally, the District reports the following fund types:

Governmental Funds:

Special Revenue Funds - The District accounts for resources restricted, committed, or assigned for specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.

Debt Service Fund - The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.

Fiduciary Funds:

Agency Funds - The District accounts for resources held for others in a custodial capacity in agency funds. Student activity funds are accounted for using an agency fund.

ALPINE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016

**E. OTHER ACCOUNTING POLICIES**

1. Cash Equivalents

For purposes of the statement of cash flows for proprietary funds, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

2. Inventories

The District does not report inventories of supplies for consumable maintenance, instructional, office, athletic, or transportation items due to the unused amount of these items being on hand at any given time being deemed immaterial.

3. Long-Term Debt

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method, unless the straight-line method is not materially different, in which case the straight-line method is used. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expense in the year of issuance of the debt.

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.

4. Vacation and Sick Leave

It is the District's policy to permit some employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the district. Vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements if determined to be material at year end. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

ALPINE INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2016

5. Capital Assets

Capital assets, which include land, buildings, furniture and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$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, 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>
Buildings	50
Building Improvements	20
Infrastructure	50
Vehicles	5
Office Equipment	5
Computer Equipment	5

6. Fund Balances – Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

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

ALPINE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016

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

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

When an expenditure is incurred for a purpose 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.

#### 7. 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.

#### 8. Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2016, the District purchased commercial insurance to cover general liabilities. Employees of the District were covered during the year by a workers' compensation insurance plan, which is described within Section III of the Notes to the Financial Statements. There were no significant reductions in coverage in the past fiscal year, and no settlements exceeding insurance coverage for each of the past three fiscal years.

#### 9. 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 TEA in order to ensure accuracy in building a state-wide data base for policy development and funding plans.

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

**A. BUDGETARY DATA**

The Board of Trustees adopts an "appropriated budget" for the General Fund, Child Nutrition Fund, and the Debt Service Fund. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund budget report appears as Exhibit C-3 and the other two reports are Exhibits J-4 and J-5, respectively.

The following procedures are followed in establishing the budgetary data reflected in the general-purpose financial statements:

1. Prior to the end of each fiscal year, the District prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days public notice of the meeting must be given.
3. Prior to the first day of the fiscal year, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. However, none of these were significant.
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end. A reconciliation of fund balances for both appropriated budget and nonappropriated budget special revenue funds is as follows:

Fund Balance - Special Revenue Funds	
Appropriated Budget Funds - Child Nutrition	\$ 7,149
Appropriated Budget Funds - Special Education Cooperative	409,331
All Special Revenue Funds	\$ 416,480

**B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

There were no expenditures reported in excess of appropriations during the year in relation to any of the District's legally adopted budgets.



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**C. DEFICIT FUND EQUITY**

The District had no funds with deficit fund equity at year end.

**III. DETAILED NOTES ON ALL FUNDS**

**A. DEPOSITS AND INVESTMENTS**

District Policies and Legal and Contractual Provisions Governing Deposits

The funds of the District must be deposited and invested under terms of a contract, contents of which are set out in Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the District's agency bank 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, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts) was \$1,522,497 and the bank balance was \$1,723,356. The District's combined deposits were fully insured at all times by federal depository insurance or collateralized with securities pledged to the District and held by the District's agent.

The following is disclosed regarding coverage of combined balances on the date of highest deposit:

- a. Depository: West Texas National Bank
- b. The fair market value of collateral pledged to the District, as of the date of the highest combined balance on deposit was \$3,500,000.
- c. The largest combined balances of cash, savings, and time deposit accounts amounted to \$3,707,133. These balances occurred during the month of February 2016.
- d. The total amount of FDIC coverage at the time of the largest combined balance was \$250,000
- e. The amount of unsecured deposits was \$-0-.

Custodial Credit Risk for Deposits

State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the district complies with this law, it has no custodial credit risk for deposits.

Foreign Currency Risk for Deposits

The District does not invest in securities relating to foreign currencies and therefore has no foreign currency risk.

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District Policies and Legal and Contractual Provisions Governing Investments

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires a governmental entity to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

Statutes authorize the entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the entity to have independent auditors perform test procedures related to investment practices as provided by the Act. Alpine Independent School District is in substantial compliance with the requirements of the Act and with local policies.

As of June 30, 2016, Alpine Independent School District had the following investments:

Investment Name	Investment Type	Maturity in Years				Recording Fund
		Less than 1	1-5	6-10	More Than 10	
First Public	Investment Pools	\$ 1,001,313	\$ -	\$ -	\$ -	199
TexPool	Investment Pools	518,711	-	-	-	199
TexPool	Investment Pools	25,045	-	-	-	511
Texas CLASS	Investment Pools	4,316,750	-	-	-	199
Total Investments		<u>\$ 5,861,819</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

Additional policies and contractual provisions governing investments for Alpine Independent School District are specified below:

Credit Risk

To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations, the District limits investments in the U.S. Government or the State of Texas or its agencies and instrumentalities, commercial paper, corporate bonds, and mutual bond funds to only ones with quality ratings issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2016, the all of the district's investments in investment pools were rated AAAM by Standard & Poor's.

ALPINE INDEPENDENT SCHOOL DISTRICT  
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Custodial Credit Risk for Investments

To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party the District requires counterparties to register the securities in the name of the district and hand them over to the District or its designated agent. This includes securities in securities lending transactions. All of the securities are in the District's name and held by the District or its agent.

Concentration of Credit Risk

To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District limits investments to less than 5% of its total investments. However, investments in local government investment pools are excluded from this 5% requirement due to the low-risk nature of the underlying investments within government investment pools.

Interest Rate Risk

To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires that at least half of the investment portfolio to have maturities of less than one year on a weighted average maturity basis.

Foreign Currency Risk for Investments

The District does not invest in securities relating to foreign currencies and therefore has no foreign currency risk relating to investments.

**B. PROPERTY TAXES**

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent and subject to interest if not paid before February 1<sup>st</sup> of the year following the year in which imposed. On June 30<sup>th</sup> of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

**C. DELINQUENT TAXES RECEIVABLE**

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

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**D. INTERFUND BALANCES AND TRANSFERS**

Interfund balances at June 30, 2016, consisted of the following amounts:

	Due From Other Funds	Due To Other Funds
General Fund:		
General Fund	\$ 123,421	\$ 123,421
Special Revenue Funds	350,796	269,128
Debt Service Fund	-	22,650
Trust & Agency Funds	69,885	-
Total General Fund	544,102	415,199
Special Revenue Funds:		
General Fund	-	350,796
Special Revenue Funds	269,128	-
Total Special Revenue Funds	269,128	350,796
Debt Service Fund:		
General Fund	22,650	-
Total Debt Service Fund	22,650	-
Trust & Agency Funds		
General Fund	-	69,885
Total Trust & Agency Funds	-	69,885
Grand Total	\$ 835,880	\$ 835,880

Interfund transfers for the year ended June 30, 2016, consisted of the following individual amounts:

The General Fund transferred \$54,000 to the Child Nutrition Fund to provide for supplemental financing needs.

**E. DISAGGREGATION OF RECEIVABLES AND PAYABLES**

Receivables at June 30, 2016, were as follows:

	Property Taxes (net)	Other Governments	Other Receivables	Total Receivables
Governmental Activities:				
General Fund	\$ 690,011	\$ 1,220,116	\$ 11,162	\$ 1,921,289
Other Governmental Funds	57,613	215,417	-	273,030
Total - Governmental Activities	\$ 747,624	\$ 1,435,533	\$ 11,162	\$ 2,194,319

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Payables at June 30, 2016, were as follows:

	Accounts Payable	Due to Other Govs.	Total Payables
Governmental Activities:			
General Fund	\$ 144,827	\$ 15,312	\$ 160,139
588 Educational Coop.	711	-	711
Other Governmental Funds	74,972	10,768	85,740
Total - Governmental Activities	<u>\$ 220,510</u>	<u>\$ 26,080</u>	<u>\$ 246,590</u>

**F. CAPITAL ASSET ACTIVITY**

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

	Beginning Balance 7/1/15	Additions	Retirements	Ending Balance 6/30/16
Governmental Activities:				
Land	\$ 275,907	\$ -	\$ -	\$ 275,907
Buildings and Improvements	16,795,188	429,000	-	17,224,188
Furniture and Equipment	3,292,995	146,148	-	3,439,143
Totals at Historical Cost	<u>20,364,090</u>	<u>575,148</u>	<u>-</u>	<u>20,939,238</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(8,342,918)	(529,579)	-	(8,872,497)
Furniture and Equipment	(2,497,399)	(212,220)	-	(2,709,619)
Total Accumulated Depreciation	<u>(10,840,317)</u>	<u>(741,799)</u>	<u>-</u>	<u>(11,582,116)</u>
Governmental Activities Capital Assets, Net	<u>\$ 9,523,773</u>	<u>\$ (166,651)</u>	<u>\$ -</u>	<u>\$ 9,357,122</u>

ALPINE INDEPENDENT SCHOOL DISTRICT  
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Depreciation expense was charged to governmental functions as follows:

	Function	Depreciation Allocation
11	Instruction	\$ 346,868
12	Instructional Resources & Media	13,077
13	Curriculum & Staff Development	3,156
21	Instructional Leadership	13,471
23	School Leadership	29,222
31	Guidance/Counseling/Evaluation Services	39,227
33	Health Services	10,510
34	Student Transportation	20,057
35	Food Services	27,258
36	Cocurricular/Extracurricular Activities	40,226
41	General Administration	34,446
51	Plant Maintenance and Operations	83,023
52	Security and Monitoring Services	1,257
53	Data Processing Services	11,598
93	Payments related to SSAs	58,463
99	Other Intergovernmental Charges	9,940
	Totals	\$ 741,799

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**G. BONDS, NOTES, AND OTHER LONG-TERM DEBT PAYABLE**

Bonded indebtedness of the District is reflected in the government-wide financial statements. Current requirements for principal and interest expenditures are accounted for in the Debt Service Fund.

A summary of changes in general long-term debt for the year ended June 30, 2016 is as follows:

Description	Interest Rate	Original Issue	Current Interest	Outstanding 7/1/15	Additions	Deletions	Outstanding 6/30/16	Due in One Year
<b>Bonds Payable</b>								
Unlimited Tax Refunding Bonds, Series 2010	2.30%-3.25%	\$ 2,805,000	\$ 46,575	\$ 1,525,000	\$ -	\$ (285,000)	\$ 1,240,000	\$ 290,000
Total Bonds Payable			46,575	1,525,000	-	(285,000)	1,240,000	290,000
<b>Notes Payable</b>								
Maintenance Tax Notes, Series 2014	2.50%	602,156	11,956	478,249	-	(115,171)	363,078	118,050
Total Notes Payable			11,956	478,249	-	(115,171)	363,078	118,050
<b>Other Long-Term Debt</b>								
Compensated Absences				44,680	36,420	-	81,100	
Net Pension Liability				1,056,061	1,707,816	-	2,763,877	
Total Other Long-Term Debt				1,100,741	1,744,236	-	2,844,977	
<b>Grand Total Long-Term Debt</b>			<b>\$ 58,531</b>	<b>\$ 3,103,990</b>	<b>\$ 1,744,236</b>	<b>\$ (400,171)</b>	<b>\$ 4,448,055</b>	<b>\$ 408,050</b>

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.

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**H. DEBT SERVICE REQUIREMENTS – BONDS, NOTES, AND OTHER LONG-TERM DEBT PAYABLE**

Debt service requirements for bonds are as follows:

Year Ended June 30,	General Obligations		Total Requirements
	Principal	Interest	
2017	\$ 290,000	\$ 38,025	\$ 328,025
2018	305,000	29,325	334,325
2019	315,000	20,175	335,175
2020	330,000	5,363	335,363
Totals	<u>\$ 1,240,000</u>	<u>\$ 92,888</u>	<u>\$ 1,332,888</u>

Debt service requirements for notes payable and capital leases are as follows:

Year Ended June 30,			Total Requirements
	Principal	Interest	
2017	\$ 118,050	\$ 9,077	\$ 127,127
2018	121,001	6,126	127,127
2019	124,027	3,101	127,128
	<u>\$ 363,078</u>	<u>\$ 18,304</u>	<u>\$ 381,382</u>

**I. DEFINED BENEFIT PENSION PLAN**

*Plan Description*

Alpine Independent School District participates in a cost-sharing multiple-employer defined benefit pension plan that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS'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 education 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.



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*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, Texas, 78701-2698; or by calling (512) 542-6592. The information provided in the Notes to the Financial Statements in the 2015 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2015.

<u>Net Pension Liability</u>	<u>Total</u>
Total Pension Liability	\$ 163,887,375,172
Less: Plan Fiduciary Net Position	(128,538,706,212)
Net Pension Liability	<u>\$ 35,348,668,960</u>
 Net Position as a Percentage of Total Pension Liability	 78.43%

*Benefits Provided*

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

*Contributions*

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

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

<u>Contribution Rates</u>	<u>2015</u>	<u>2016</u>
Member	6.7%	7.2%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
 <u>District Contribution Information</u>		
Employer Contribution	\$ 218,268	\$ 221,052
Member Contributions	504,141	544,068
State On-Behalf Contributions	468,961	484,421

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 General Appropriations Act (GAA).

As the non-employer contributing entity for public education, 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 including public 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, or a privately sponsored source.

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

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*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
Single Discount Rate	8.00%
Long-Term Expected Investment Rate of Return	8.00%
Inflation	2.5%
Salary Increases Including Inflation	3.5% to 9.5%
Payroll Growth Rate	2.5%
Benefit Changes During the Year	None
Ad hoc Post Employment Benefit Changes	None

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

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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 Expectations			2.2%
Alpha			1.0%
Total	<u>100%</u>		<u>8.7%</u>

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

*Discount Rate Sensitivity Analysis*

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less or 1% greater than the discount rate that was used (8%) in measuring the 2015 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate 8.0%	1% Increase in Discount Rate (9.0%)
District's Proportionate Share of the Net Pension Liability:	\$ 4,330,474	\$ 2,763,877	\$ 1,458,999

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

At June 30, 2016, Alpine Independent School District reported a liability of \$2,763,877 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Alpine Independent School District. The amount recognized by Alpine Independent School 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 Alpine Independent School District were as follows:

District's Proportionate Share of the Collective Net Pension Liability	\$	2,763,877
State's Proportionate Share that is Associated with the District		<u>4,733,585</u>
Total	\$	<u><u>7,497,462</u></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 .0078189% which was an increase of .0039536% percentage points from its proportion measured as of August 31, 2014.

*Changes Since the Prior Actuarial Valuation*

The following changes to the actuarial assumptions or other inputs affected measurement of the total pension liability since the prior measurement period:

*Economic Assumptions*

1. The inflation assumption was decreased from 3.00% to 2.5%
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 3.5% to 2.5%

*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.

ALPINE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016

*Other Demographic Assumptions*

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

*Actuarial Methods and Policies*

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

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

For the measurement period August 31, 2015, Alpine Independent School District recognized pension expense of \$292,929 and revenue of \$674,460 for support provided by the State in the government-wide Statement of Activities.

At June 30, 2016, Alpine Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 13,583	\$ 106,218
Changes in Actuarial Assumptions	57,090	98,604
Difference Between Projected and Actual Investment Earnings	680,681	242,081
Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions	883,268	794
Contributions Paid to TRS Subsequent to the Measurement Date	181,653	-
Total	\$ 1,816,275	\$ 447,697

ALPINE INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2016

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 6/30:	Pension Expense Amount
2017	\$ 218,573
2018	218,573
2019	218,573
2020	299,267
2021	128,250
Thereafter	103,688

**J. EMPLOYEE HEALTH CARE COVERAGE**

For the year ended June 30, 2016, employees of the District were covered by a state-wide plan, TRS Active Care. The District paid premiums of \$300 per month per employee to the Plan with the State providing an additional \$75. Employees, at their option may authorize payroll withholdings to pay premiums for dependent coverage. The Teacher Retirement System of Texas (TRS) manages TRS Active Care. The Plan is administered by Blue Cross and Blue Shield of Texas while Medco Health was assigned the prescription drug plan.

**K. RETIREE HEALTH CARE PLANS**

1. TRS-Care

*Plan Description*

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

ALPINE INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2016

*Funding Policy*

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of the public school payroll, respectively, with school districts contributing a percentage of payrolls set at 0.55% for fiscal years 2016, 2015, and 2014.

2. Medicare Part-D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part-D. One of the provisions of Medicare Part-D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants.

A summary of the subsidy payments received by TRS-Care on behalf of the District for the last two fiscal years is as follows:

Fiscal Year	Medicare Part-D State On-Behalf Payments
2016	\$ 23,138
2015	22,677

**L. UNEARNED REVENUE**

Unearned revenue at June 30, 2016 consisted of the following amounts:

Fund	State Grants	Federal Grants	Total
Non-Major Governmental Funds	\$ 31,739	\$ 16,388	\$ 48,127
Total	<u>\$ 31,739</u>	<u>\$ 16,388</u>	<u>\$ 48,127</u>



ALPINE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016

**M. DUE FROM STATE AGENCIES**

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of June 30, 2016, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from State Agencies.

	Property Taxes (net)	Other Governments	Other Receivables	Total Receivables
Governmental Activities:				
General Fund	\$ 690,011	\$ 1,220,116	\$ 11,162	\$ 1,921,289
Other Governmental Funds	57,613	215,417	-	273,030
Total - Governmental Activities	<u>\$ 747,624</u>	<u>\$ 1,435,533</u>	<u>\$ 11,162</u>	<u>\$ 2,194,319</u>

**N. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES**

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

Type	General Fund	588 Educational Cooperative	Non-Major Governmental Funds	Total
Property Taxes	\$ 5,132,784	\$ -	\$ 351,200	\$ 5,483,984
Investment Income	25,969	-	433	26,402
Rent	14,400	-	-	14,400
Gifts	2,500	-	-	2,500
Insurance Recovery	134,826	-	-	134,826
Food Sales	-	-	115,424	115,424
Athletics	33,885	-	-	33,885
Miscellaneous Local Revenue	61,531	581,484	14,572	657,587
Total	<u>\$ 5,405,895</u>	<u>\$ 581,484</u>	<u>\$ 481,629</u>	<u>\$ 6,469,008</u>

**O. LITIGATION**

As of year end, there was either no litigation pending against or no litigation meeting the requirements of disclosure.

**P. SUBSEQUENT EVENTS**

There were no subsequent events that occurred after year end meeting the requirements for disclosure.

ALPINE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016

**Q. COMMITMENTS AND CONTINGENCIES**

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

**R. WORKERS' COMPENSATION POOL**

During the year ended June 30, 2016, Alpine ISD met its statutory workers' compensation obligations through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Workers' Compensation Program is authorized by Chapter 504, Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members' injured employees. The Fund and its members are protected against higher than expected claims costs through the purchase of stop loss coverage for any claim in excess of the Fund's self-insured retention of \$2 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2015, the Fund carries a discounted reserve of \$58,364,320 for future development on reported claims and claims that have been incurred but not yet reported. For the year-ended June 30, 2016, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions. The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2015, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

**S. UNEMPLOYMENT COMPENSATION POOL**

During the year ended June 30, 2016, Alpine ISD provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore there is no need for specific or aggregate stop loss coverage for the Unemployment Compensation pool. For the year ended June 30, 2016, the Fund anticipates that Alpine ISD has no additional liability beyond the contractual obligation for payment of contribution. The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2015, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

ALPINE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016

**T. SHARED SERVICES ARRANGEMENT – FISCAL AGENT**

Shared Services Arrangement - Fiscal Agent

The District is the fiscal agent for a Shared Services Arrangement (SSA) which provides special education and Medicaid reimbursement services to the member districts listed below. All services are provided by the fiscal agent. The member districts provide the funds to the fiscal agent. According to guidance provided in TEA's Resource Guide, the District has accounted for the fiscal agent's activities using Model 1 for the Vocational Education Basic Grant and Title III – English Language Acquisition programs, and Model 2 for the IDEA, Part B – Formula and IDEA, Part B – Preschool programs.

Expenditures of the SSA are summarized below:

Member Districts	IDEA, Part-B Formula	IDEA, Part-B Preschool	Vocational Education Basic Grant	Title III, Part-A Eng. Lang.
Alpine ISD	\$ 232,907	\$ 5,428	\$ 11,483	\$ 7,682
Balmorhea ISD	41,111	958	-	-
Culberson ISD	68,461	1,595	-	-
Fort Davis ISD	65,692	1,531	-	-
Kermit ISD	-	-	11,591	-
Marathon ISD	16,445	383	-	-
Marfa ISD	104,120	2,427	-	-
Presidio ISD	276,615	6,447	-	-
San Vicente ISD	5,452	127	-	-
Terlingua ISD	27,350	637	-	2,956
Terrell County ISD	27,350	637	-	-
Valentine ISD	-	-	-	-
Totals	<u>\$ 865,503</u>	<u>\$ 20,170</u>	<u>\$ 23,074</u>	<u>\$ 10,638</u>

REQUIRED SUPPLEMENTARY INFORMATION

ALPINE INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -  
 TEACHER RETIREMENT SYSTEM  
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>2016</u>	<u>2015</u>
District's Proportion of the Net Pension Liability	0.007819%	0.003954%
District's Proportionate Share of the Net Pension Liability	\$ 2,763,877	\$ 1,056,061
State's Proportionate Share of the District Net Pension Liability	<u>4,733,585</u>	<u>4,430,329</u>
Total	<u>\$ 7,497,462</u>	<u>\$ 5,486,390</u>
District's Covered-Employee Payroll	\$ 7,646,013	\$ 7,541,021
District's Proportionate Share of the Net Pension Liability as a percentage of its covered-employee payroll	36.1%	14.0%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.43%	83.25%

ALPINE INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF DISTRICT CONTRIBUTIONS –  
 TEACHER RETIREMENT SYSTEM  
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 221,052	\$ 218,268
Contribution in Relation to the Contractually Required Contribution	<u>(221,052)</u>	<u>(218,268)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
District's Covered-Employee Payroll	\$ 7,646,013	\$ 7,541,021
Contributions as a Percentage of Covered-Employee Payroll	2.9%	2.9%

ALPINE INDEPENDENT SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2016

*Changes of benefit terms.*

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

*Changes of assumptions.*

The following are changes to the actuarial assumptions or other inputs that affected the measurement of the total pension liability since the prior measurement period.

*Economic Assumptions*

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

*Mortality Assumptions*

5. The post-retirement mortality tables for non-disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
6. The post-retirement mortality tables for disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
7. The pre-retirement mortality tables for active employees were updated to use 90% of the recently published RP-2014 mortality table for active employees. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.

*Other Demographic Assumptions*

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

*Actuarial Methods and Policies*

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

## COMBINING SCHEDULES



ALPINE INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2016

Data Control Codes	211 ESEA, Title I, Part A	226 IDEA-Part B, Discretionary	240 National Breakfast and Lunch Program	244 Career and Technical- Basic Grant	255 ESEA, Title II, Part A
<b>ASSETS</b>					
1110 Cash and Cash Equivalents	\$ -	\$ 38,099	\$ 9,132	\$ -	\$ -
1220 Property Taxes - Delinquent	-	-	-	-	-
1230 Allowance for Uncollectible Taxes (Credit)	-	-	-	-	-
1240 Due from Other Governments	37,334	38,752	(218)	3,300	27,254
1260 Due from Other Funds	-	1,059	565	5,585	-
1000A Total Assets	<u>\$ 37,334</u>	<u>\$ 77,910</u>	<u>\$ 9,479</u>	<u>\$ 8,885</u>	<u>\$ 27,254</u>
<b>LIABILITIES</b>					
2110 Accounts Payable	\$ 500	\$ -	\$ -	\$ -	\$ 660
2170 Due to Other Funds	36,834	67,142	2,330	6,885	26,594
2180 Due to Other Governments	-	10,768	-	-	-
2300 Unearned Revenues	-	-	-	2,000	-
2000 Total Liabilities	<u>37,334</u>	<u>77,910</u>	<u>2,330</u>	<u>8,885</u>	<u>27,254</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
2600 Unavailable Revenue	-	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>					
Restricted for:					
3450 Federal or State Funds Restricted	-	-	7,149	-	-
3480 Retirement of Long-Term Debt	-	-	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>7,149</u>	<u>-</u>	<u>-</u>
4000 Total Liab., Def. Inflows, and Fund Balances	<u>\$ 37,334</u>	<u>\$ 77,910</u>	<u>\$ 9,479</u>	<u>\$ 8,885</u>	<u>\$ 27,254</u>

263	271	289	313	314	315	331	350
Title III, Part A	Workforce Investment Act Youth Activities	Federally Funded Spec. Rev. Fund	Services Arrangements- IDEA-Part B, Formula	Services Arrangements- IDEA-Part B, Preschool	Services Arrangements- IDEA-Part B, Discretionary	Services Arrangements- Career and Technical-	Services Arrangements- Title III, Part A
\$ 8,330	\$ 25,417	\$ 4,322	\$ 6,498	\$ 5,733	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,434	-	-	75,126	1,679	-	23,074	7,682
-	-	-	-	-	-	-	-
<u>\$ 9,764</u>	<u>\$ 25,417</u>	<u>\$ 4,322</u>	<u>\$ 81,624</u>	<u>\$ 7,412</u>	<u>\$ -</u>	<u>\$ 23,074</u>	<u>\$ 7,682</u>
\$ 3,918	\$ -	\$ -	\$ 3,375	\$ -	\$ -	\$ -	\$ -
5,846	-	-	78,249	7,412	-	23,074	7,682
-	-	-	-	-	-	-	-
-	25,417	4,322	-	-	-	-	-
<u>9,764</u>	<u>25,417</u>	<u>4,322</u>	<u>81,624</u>	<u>7,412</u>	<u>-</u>	<u>23,074</u>	<u>7,682</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 9,764</u>	<u>\$ 25,417</u>	<u>\$ 4,322</u>	<u>\$ 81,624</u>	<u>\$ 7,412</u>	<u>\$ -</u>	<u>\$ 23,074</u>	<u>\$ 7,682</u>

ALPINE INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2016

Data Control Codes	397 Advanced Placement Incentives	401 State-Funded Optional Extended- Year Program	410 State Textbook Fund	411 Technology Allotment	429 State Funded Special Revenue Funds
<b>ASSETS</b>					
1110 Cash and Cash Equivalents	\$ 5,017	\$ 5,355	\$ 70,020	\$ 2,145	\$ 370
1220 Property Taxes - Delinquent	-	-	-	-	-
1230 Allowance for Uncollectible Taxes (Credit)	-	-	-	-	-
1240 Due from Other Governments	-	-	-	-	-
1260 Due from Other Funds	-	-	-	-	-
1000A Total Assets	<u>\$ 5,017</u>	<u>\$ 5,355</u>	<u>\$ 70,020</u>	<u>\$ 2,145</u>	<u>\$ 370</u>
<b>LIABILITIES</b>					
2110 Accounts Payable	\$ -	\$ -	\$ 66,519	\$ -	\$ -
2170 Due to Other Funds	-	-	-	-	-
2180 Due to Other Governments	-	-	-	-	-
2300 Unearned Revenues	5,017	5,355	3,501	2,145	370
2000 Total Liabilities	<u>5,017</u>	<u>5,355</u>	<u>70,020</u>	<u>2,145</u>	<u>370</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
2600 Unavailable Revenue	-	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>					
Restricted for:					
3450 Federal or State Funds Restricted	-	-	-	-	-
3480 Retirement of Long-Term Debt	-	-	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total Liab., Def. Inflows, and Fund Balances	<u>\$ 5,017</u>	<u>\$ 5,355</u>	<u>\$ 70,020</u>	<u>\$ 2,145</u>	<u>\$ 370</u>

511	
Debt Service Fund	Total Non- Major Governmental Funds
\$ 217,224	\$ 397,662
64,014	64,014
(6,401)	(6,401)
-	215,417
22,650	29,859
<u>\$ 297,487</u>	<u>\$ 700,551</u>
\$ -	\$ 74,972
-	262,048
-	10,768
-	48,127
<u>-</u>	<u>395,915</u>
57,612	57,612
<u>57,612</u>	<u>57,612</u>
-	7,149
239,875	239,875
<u>239,875</u>	<u>247,024</u>
\$ 297,487	\$ 700,551

ALPINE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016

Data Control Codes	211 ESEA, Title I, Part A	226 IDEA-Part B, Discretionary	240 Breakfast and Lunch Program	244 Career and Technical- Basic Grant	255 ESEA, Title II, Part A
<b>REVENUES:</b>					
5700 Local and Intermediate Sources	\$ -	\$ 14,571	\$ 115,423	\$ -	\$ -
5800 State Program Revenues	-	-	2,651	-	-
5900 Federal Program Revenues	168,287	143,391	315,250	11,483	69,688
5020 Total Revenues	<u>168,287</u>	<u>157,962</u>	<u>433,324</u>	<u>11,483</u>	<u>69,688</u>
<b>EXPENDITURES:</b>					
0011 Instruction	168,287	157,962	-	11,483	69,688
0013 Curriculum & Instructional Staff Dev.	-	-	-	-	-
0021 Instructional Leadership	-	-	-	-	-
0031 Guidance, Counseling & Evaluation Svcs.	-	-	-	-	-
0035 Food Services	-	-	486,917	-	-
0071 Debt Service - Principal	-	-	-	-	-
0072 Debt Service - Interest	-	-	-	-	-
0073 Debt Service - Bond Issuance Costs	-	-	-	-	-
6030 Total Expenditures	<u>168,287</u>	<u>157,962</u>	<u>486,917</u>	<u>11,483</u>	<u>69,688</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(53,593)	-	-
<b>OTHER FINANCING SOURCES (USES):</b>					
7915 Transfers In	-	-	54,000	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>54,000</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	-	-	407	-	-
0100 Fund Balance - Beginning	-	-	6,742	-	-
3000 Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,149</u>	<u>\$ -</u>	<u>\$ -</u>

263	271	289	313	314	315	331	350
Title III, Part A	Investment Act Youth Activities	Federally Funded Spec. Rev. Fund	Services Arrangements- IDEA-Part B,	Services Arrangements- IDEA-Part B,	Services Arrangements- IDEA-Part B,	Services Arrangements- Career and	Services Arrangements- Title III, Part
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
7,682	-	-	865,504	20,170	-	23,074	10,638
7,682	-	-	865,504	20,170	-	23,074	10,638
7,682	-	-	293,689	-	-	23,074	10,638
-	-	-	2,581	-	-	-	-
-	-	-	37,612	-	-	-	-
-	-	-	531,622	20,170	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
7,682	-	-	865,504	20,170	-	23,074	10,638
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

ALPINE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016

Data Control Codes	397 Advanced Placement Incentives	401 Optional Extended-Year Program	410 State Textbook Fund	411 Technology Allotment	429 Special Revenue Funds
REVENUES:					
5700 Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	222,279	-	-
5900 Federal Program Revenues	-	-	-	-	-
5020 Total Revenues	-	-	222,279	-	-
EXPENDITURES:					
0011 Instruction	-	-	222,279	-	-
0013 Curriculum & Instructional Staff Dev.	-	-	-	-	-
0021 Instructional Leadership	-	-	-	-	-
0031 Guidance, Counseling & Evaluation Svcs.	-	-	-	-	-
0035 Food Services	-	-	-	-	-
0071 Debt Service - Principal	-	-	-	-	-
0072 Debt Service - Interest	-	-	-	-	-
0073 Debt Service - Bond Issuance Costs	-	-	-	-	-
6030 Total Expenditures	-	-	222,279	-	-
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-	-
OTHER FINANCING SOURCES (USES):					
7915 Transfers In	-	-	-	-	-
7080 Total Other Financing Sources (Uses)	-	-	-	-	-
1200 Net Change in Fund Balance	-	-	-	-	-
0100 Fund Balance - Beginning	-	-	-	-	-
3000 Fund Balance - Ending	\$ -	\$ -	\$ -	\$ -	\$ -

511 Debt Service Fund	Total Non- Major Governmental Funds
\$ 351,635	\$ 481,629
13,418	238,348
-	1,635,167
<u>365,053</u>	<u>2,355,144</u>
-	964,782
-	2,581
-	37,612
-	551,792
-	486,917
285,000	285,000
46,575	46,575
806	806
<u>332,381</u>	<u>2,376,065</u>
32,672	(20,921)
-	54,000
<u>-</u>	<u>54,000</u>
32,672	33,079
207,203	213,945
<u>\$ 239,875</u>	<u>247,024</u>



## TEA REQUIRED SCHEDULES

ALPINE INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
 FOR THE YEAR ENDED JUNE 30, 2016

Last 10 Years Ended June 30,	1		2	3
	Tax Rates			Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service		
2007 and prior years	Various	Various		Various
2008	1.04000	0.11720	\$	301,986,783
2009	1.17000	0.10900		332,284,715
2010	1.17000	0.04000		356,042,441
2011	1.17000	0.09200		368,396,185
2012	1.17000	0.09000		382,299,722
2013	1.17000	0.08700		390,388,462
2014	1.17000	0.09000		396,887,574
2015	1.17000	0.08200		432,622,817
2016 (School year under audit)	1.17000	0.08100		440,595,034
TOTALS				

10	20	31	32	40	50
Beginning Balance 7/1/15	Current Year's Total Levy	Maintenance Collections	Debt Service Collections	Entire Year's Adjustments	Ending Balance 6/30/16
\$ 246,583	\$ -	\$ 5,609	\$ 632	\$ (6,362)	\$ 233,980
25,082	-	831	94	(416)	23,741
33,690	-	1,591	148	(706)	31,245
39,816	-	1,710	58	(1,021)	37,027
44,712	-	2,586	203	(474)	41,449
48,904	-	3,596	277	(478)	44,553
59,859	-	9,515	708	(886)	48,750
86,466	-	19,341	1,488	(1,940)	63,697
200,421	-	100,572	7,049	(1,719)	91,081
-	5,511,844	4,920,209	340,630	(35,835)	215,170
<u>\$ 785,533</u>	<u>\$ 5,511,844</u>	<u>\$ 5,065,560</u>	<u>\$ 351,287</u>	<u>\$ (49,837)</u>	<u>\$ 830,693</u>

ALPINE INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL – CHILD NUTRITION PROGRAM  
FOR THE YEAR ENDED JUNE 30, 2016

Data	Budgeted Amounts		Actual	Variance With	
Control			Amounts	Final Budget	
Codes	Original	Final	(GAAP BASIS)		
<b>REVENUES:</b>					
5700	Local & Intermediate Sources	\$ 140,000	\$ 140,000	\$ 115,424	\$ (24,576)
5800	State Program Revenues	5,100	5,100	2,651	(2,449)
5900	Federal Program Revenues	292,000	292,000	315,250	23,250
5020	Total Revenues	<u>437,100</u>	<u>437,100</u>	<u>433,325</u>	<u>(3,775)</u>
<b>EXPENDITURES:</b>					
0035	Food Services	513,565	533,565	486,917	46,648
6030	Total Expenditures	<u>513,565</u>	<u>533,565</u>	<u>486,917</u>	<u>46,648</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(76,465)</u>	<u>(96,465)</u>	<u>(53,592)</u>	<u>42,873</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
7915	Transfers In	76,465	96,465	54,000	(42,465)
8911	Transfers Out	-	-	-	-
7080	Total Other Finance Sources (Uses)	<u>76,465</u>	<u>96,465</u>	<u>54,000</u>	<u>(42,465)</u>
1200	Net Change in Fund Balances	-	-	408	408
0100	Fund Balance-July 1 (Beginning)	6,742	6,742	6,742	-
3000	Fund Balance-June 30 (Ending)	<u>\$ 6,742</u>	<u>\$ 6,742</u>	<u>\$ 7,150</u>	<u>\$ 408</u>

ALPINE INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL – DEBT SERVICE FUND  
 FOR THE YEAR ENDED JUNE 30, 2016

Data Control Codes	Budgeted Amounts		Actual Amounts	Variance With	
	Original	Final	(GAAP BASIS)	Final Budget	
REVENUES:					
5700	Local & Intermediate Sources	\$ 332,575	\$ 332,575	\$ 318,963	\$ (13,612)
5800	State Program Revenues	-	-	13,418	13,418
5020	Total Revenues	332,575	332,575	332,381	(194)
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	332,575	285,000	285,000	-
0072	Interest on Long Term Debt	-	46,575	46,575	-
0073	Bond Issuance Cost and Fees	-	1,000	806	194
6030	Total Expenditures	332,575	332,575	332,381	194
1200	Net Change in Fund Balances	-	-	-	-
0100	Fund Balance-July 1 (Beginning)	(239,873)	(239,873)	(239,873)	-
3000	Fund Balance-June 30 (Ending)	\$ (239,873)	\$ (239,873)	\$ (239,873)	\$ -

FEDERAL AWARDS SECTION



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

To the Board of Trustees of  
Alpine Independent School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Alpine Independent School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Alpine Independent School District's basic financial statements, and have issued our report thereon dated September 30, 2016.

### **Internal Control over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

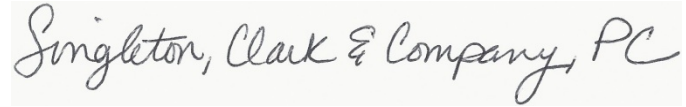
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

### **Compliance and Other Matters**

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

## **Purpose of this Report**

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

A handwritten signature in black ink that reads "Singleton, Clark & Company, PC". The signature is written in a cursive style and is set against a light gray rectangular background.

Singleton, Clark & Company, PC  
Cedar Park, Texas

September 30, 2016





INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL CONTROL  
FOR EACH MAJOR PROGRAM AS REQUIRED BY UNIFORM GUIDANCE AND  
REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the Board of Trustees of  
Alpine Independent School District

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

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

### **Management's Responsibility**

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

### **Auditor's Responsibility**

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

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

### **Opinion on Each Major Federal Program**

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

### **Report on Internal Control over Compliance**

Management of Alpine Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Alpine Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 Alpine Independent School District's internal control over compliance.

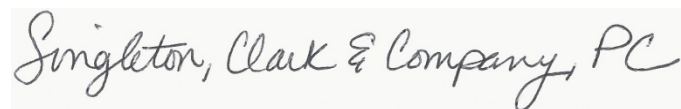
*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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

### **Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance**

We have audited the financial statements of Alpine Independent School District as of and for the year ended June 30, 2016, and have issued our report thereon dated September 30, 2016, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Singleton, Clark & Company, PC  
Cedar Park, Texas

September 30, 2016

ALPINE INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE	1 Federal CFDA Number	2a Pass-Through Entity Identifying Number	3 Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<u>Passed Through State Department of Education:</u>			
ESEA-Title I, Part A	84.010A	16610101022901	\$ 168,287
Career and Technical-Basic Grant	84.048A	16420006022901	11,483
Title II, Part A, Improving Teacher Quality	84.367A	16694501022901	69,688
Title III, Part A, Language	84.365A	16371001022901	7,682
IDEA-Part B, Discretionary*	84.027A	166600120229016677	143,391
Shared Services Arrangements - IDEA-Part B, Formula	84.027A	166600010229016600	865,503
Shared Services Arrangements - IDEA-Part B, Preschool	84.173A	166610010229016610	20,170
Shared Services Arrangement - Career and Tech-Basic Grant	84.048A	15420006022901	23,074
Shared Services Arrangement - Title III, Part A-English Lang.	84.365A	15671001022901	10,638
Total Passed Through State Department of Education			1,319,916
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			1,319,916
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Passed Through Texas Education Agency:</u>			
School Breakfast Program*	10.553	71401501	55,446
National School Lunch Program - Cash Assistance*	10.555	71301501	223,877
Total Passed Through Texas Education Agency			279,323
<u>Passed Through the Texas Department of Agriculture:</u>			
Non-Cash Assistance - Food Distribution Program*	10.555	16-022901	35,926
Total Passed Through Texas Department of Agriculture			35,926
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>			315,249
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<u>Passed Through Texas Health and Human Services Commission:</u>			
Medical Assistance Program	93.778	16-022901	6,511
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			\$ 1,641,676
School Health and Related Services (SHARS) Revenue - <i>Not considered Federal Financial Assistance</i>			\$ 1,384,588
E-Rate Revenue - <i>Not considered Federal Financial Assistance</i>			297,318
<b>TOTAL FEDERAL REVENUE PER THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE</b>			\$ 3,026,264

\* Clustered programs as defined in OMB Compliance Supplement 2016

ALPINE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE SCHEDULE OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016

**General** – The accompanying schedule of expenditures of federal awards presents all federal expenditures of the Alpine Independent School District (the “District”).

**Basis of Accounting** – The expenditures on the accompanying schedule of expenditures of federal awards are presented using the modified accrual basis of accounting, with the exception of the National School Lunch Program, School Breakfast Program, and the Food Distribution Program. Under the modified accrual basis of accounting, revenue is recognized in the accounting period in which it becomes available and measurable, and expenditures in the accounting period in which the fund liability is incurred, if measurable. Expenditures in the National School Lunch Program, School Breakfast Program, and the Food Distribution Program are not specifically attributable to this revenue source and are shown on the accompanying schedule of expenditures of federal awards in an amount equal to revenue for balancing purposes only.

**Relationship to the Basic Financial Statements** – Expenditures of federal awards are reported in the District’s basic financial statements in special revenue funds.

**Relationship to Federal Financial Reports** – Amounts reported in the accompanying schedule of expenditures of federal awards agree with the amounts reported in the related federal financial reports in all significant respects.

**Valuation of Non-cash Programs** – The District values revenues and expenditures for the Food Distribution Program based on the value of commodities received.

ALPINE INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED JUNE 30, 2016

**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

**FINANCIAL STATEMENTS**

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiencies identified that are not considered to be material weaknesses?  Yes  None reported

Noncompliance material to financial statements noted?  Yes  No

**FEDERAL AWARDS**

Internal control over major programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiencies identified that are not considered to be material weaknesses?  Yes  None reported

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

ESEA-Title I, Part-A	Unmodified
NSLP-Child Nutrition Cluster	Unmodified

Any audit findings disclosed that are required to be reported in accordance with the federal Uniform Guidance?  Yes  No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
ESEA-Title I, Part-A	84.010A
NSLP-Child Nutrition Cluster	10.553, 10.555

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

Auditee qualified as low-risk auditee?  Yes  No

ALPINE INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)  
FOR THE YEAR ENDED JUNE 30, 2016

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**SECTION II – FINANCIAL STATEMENT FINDINGS**

Findings Related to Financial Statements Which are Required to be Reported in Accordance with Government Auditing Standards:

No findings or questioned costs required to be reported in accordance with *Government Auditing Standards* for the year ended June 30, 2016.

Prior year financial statement findings as required to be restated with current status:

2015-001 – Bank Reconciliations

*Criteria:* The preparation of bank reconciliations is a critical internal control procedure related to cash and investments which helps to ensure that all financial transactions have been posted to the books and that all transactions clearing the bank each month were accurately processed and appropriately authorized.

*Condition Found:* Four bank reconciliations provided by management during the audit contained a significant amount of unresolved reconciling items as of year-end and some did not have the general ledger balance reconciled to the bank balance. This condition has been classified as a significant deficiency.

*Cause:* Reconciling items identified during the normal bank reconciliation process were not being resolved timely and as a result were being carried forward to future bank reconciliations. By year end, the unresolved reconciling items had accumulated and could not be resolved in time for the audit.

*Effect:* The effect of this condition is the District did not have all transactions posted to the books as of year-end and was also exposed to the risk that inappropriate transactions had occurred and not been detected in a timely manner. However, subsequent review of the accounts did not indicate that inappropriate transactions had occurred.

*Recommendation:* We recommend that the administration implement policy to ensure timely preparation and review of the bank reconciliations for all accounts of the District each month. A standard best practice is to have the bank reconciliations completed no later than two weeks after the end of each month.

*Current Status:* This matter was corrected in the current year.

*Contact Person:* Darrell Dodds, Assistant Superintendent for Finance and Operations

2015-002 – Budgetary Overage

*Criteria:* Each year the District’s Board of Trustees adopts an appropriations budget which limits the expenditure amounts within specific line items that can be made by management.

*Condition Found:* As of year-end, actual expenditure amounts of \$489,250 in Function 35 of the Child Nutrition Fund exceeded appropriations of \$482,047 by \$7,203.

*Cause:* Higher than anticipated expenditures occurred during the year and the budget was not amended accordingly.

ALPINE INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)  
FOR THE YEAR ENDED JUNE 30, 2016

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Prior year financial statement findings as required to be restated with current status: (continued)

2015-002 – Budgetary Overage (continued)

*Effect:* Expenditures were made in excess of amounts approved by the Board of Trustees.

*Recommendation:* We recommend that the administration attempt to monitor expenditures more closely and bring budget amendments to the Board of Trustees when needed.

*Current Status:* Budget overages did not occur in the current year.

*Contact Person:* Darrell Dodds, Assistant Superintendent for Finance and Operations

**SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

Findings Related to Federal Awards Which are Required to be Reported in Accordance with Federal Uniform Guidance:

No findings or questioned costs required to be reported in accordance with federal Uniform Guidance for the years ended June 30, 2016 and 2015.

ALPINE INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS  
FOR THE YEAR ENDED JUNE 30, 2016

Data Control Codes		1 Responses
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies as applicable?	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 capital appreciation bonds included in the government-wide financial statements at fiscal year-end.	\$ -
SF11	Net Pension Assets (1920) at fiscal year-end	\$ -
SF12	Net Pension Liabilities (2540) at fiscal year-end	\$ 2,763,877
SF13	Pension Expense (6147) at fiscal year-end	\$ 292,929