



Arlington
INDEPENDENT SCHOOL DISTRICT
More Than a Remarkable Education

ArlingtonISD
BOND 2014



AISD Dan Dipert Career & Technical Center



AISD Agricultural Science Center



CTC Automotive Technology



Elementary STEM Labs

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2017
Arlington, Texas

**Comprehensive
Annual Financial Report**

**For the Fiscal Year Ended
June 30, 2017**

ARLINGTON INDEPENDENT SCHOOL DISTRICT

1203 W. Pioneer Pkwy, Arlington, TX 76013

Prepared By The Finance Department:

**Cindy Powell, CPA
Chief Financial Officer**

ARLINGTON INDEPENDENT SCHOOL DISTRICT
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Arlington

INDEPENDENT SCHOOL DISTRICT

More Than a Remarkable Education

INTRODUCTORY SECTION



Arlington

INDEPENDENT SCHOOL DISTRICT

More Than a Remarkable Education

**ARLINGTON INDEPENDENT SCHOOL DISTRICT
Board of Trustees and Administration**

BOARD OF TRUSTEES

Dr. Aaron Reich	President
Mr. John Hibbs	Vice President
Ms. Kecia Mays	Secretary
Ms. Polly Walton	
Ms. Kristen Hudson	
Mr. Justin Chapa	
Mr. Bowie Hogg	

SUPERINTENDENT

Marcelo Cavazos, Ph.D.

CHIEF ACADEMIC OFFICER

Steven Wurtz, Ph.D.

CHIEF FINANCIAL OFFICER

Cindy Powell, CPA

ASSISTANT SUPERINTENDENT OF ADMINISTRATION

Michael Hill

ASSISTANT SUPERINTENDENT OF TECHNOLOGY

Chad Branum

ASSISTANT SUPERINTENDENT OF HUMAN RESOURCES

Scott Kahl

AREA SUPERINTENDENT- AREA 1

Christi Buell, Ed.D.

AREA SUPERINTENDENT- AREA 2

Beth Hollinger

AREA SUPERINTENDENT- AREA 3

A. Tracie Brown

AREA SUPERINTENDENT- AREA 4

Michelle Wilmoth-Senato

EXECUTIVE DIRECTOR OF FINANCE

Tony Drollinger

DIRECTOR OF ACCOUNTING

Alice Hamrick, CPA

DIRECTOR OF BUDGET/CASH MANAGEMENT

Mandy Mew

CHIEF INTERNAL AUDITOR

Timothy Edwards, CIA, CFE

ARLINGTON INDEPENDENT SCHOOL DISTRICT
Board of Trustees and Administration (continued)

BOARD OF TRUSTEES

Dr. Aaron Reich - President

Dr. Reich has served on the Board since May of 2009. He has lived in Arlington for 25 years and is married with two children, both products of AISD. He and his wife of 24 years have two businesses in Arlington; a CPA practice (his wife, Debra J. Freiheit, CPA, MS) and TRINU Healthcare (a professional development, education and consulting firm for healthcare). Dr. Reich has been an invited lecturer on a local, state and national level. He received his Doctor of Pharmacy degree from Creighton University, Omaha, Nebraska and came to Texas via his post graduate residency at UT MD Anderson Cancer Center in Houston.

Dr. Reich has served on many non-profit Boards of Directors and committees, mostly related to his professional practice and healthcare education. He is an active parent, President and co-founder of Positive Influence, a non-profit organization dedicated to parental and father figure involvement programs for primary and secondary education. He serves as President of the Board of Directors for Theatre Arlington, is a member of the First United Methodist Church, Ft. Worth, and enjoys his family, community advocacy, the outdoors, and traveling.

John Hibbs - Vice President

Mr. Hibbs was elected to the Board in May 2010. He has worked in the eye care industry for more than 24 years and currently is the National Accounts Manager for Contamac Optics located in the UK. He is also a licensed Contact Lens Examiner. Mr. Hibbs is a 1985 graduate of Texas Christian University where he received a B.A. degree.

John Hibbs and his wife Mary, have been married for 32 years. They have one son and two daughters, all of whom have attended the Arlington Independent School District. Prior to being elected to the School Board, John received both the PTSA Lifetime Membership and PTSA Extended Life Membership awards for his volunteerism within the AISD. He received the Girls Inc. of Tarrant County Strong Man of the Year award. He currently serves as a director for the Arlington Children's Toy Charities Board and serves in a leadership role in the Children's Ministry at Lake Arlington Baptist Church. His passion is his family and the community he serves.

Kecia Mays - Secretary

Kecia Mays was elected to the Board in 2014. She has been married for 21 years and has three sons. Mrs. Mays graduated from Texas A&M University with a BBA in Accounting and is a Supervisor who has been employed with the Texas Comptroller of Public Accounts - Audit Division for over 27 years.

Mrs. Mays has served in a leadership capacity for several local PTAs and is currently a Field Service Rep for Texas PTA. She has received the PTA Life Membership and PTA Extended Life Membership Awards. Mrs. Mays has served on the Board for the Dream Weaver Foundation, Black Former Students Association of Texas A&M University and the Arlington Education Foundation. She currently serves on the Board for the Arlington Life Shelter, Dental Health Arlington and Arlington –United Way Advisory Board. Kecia Mays enjoys attending her sons sporting events, going to the movies and spending time with her extended family.

ARLINGTON INDEPENDENT SCHOOL DISTRICT
Board of Trustees and Administration (continued)

BOARD OF TRUSTEES (continued)

Justin Chapa

Mr. Chapa was appointed to the Board on an interim basis in September 2017. He and his wife, Anna, are Arlington natives, graduates of Sam Houston High School, and parents of AISD students. Mr. Chapa earned a Bachelors in Government, with honors, from Harvard University, a Masters in Education from the Stanford Graduate School of Education, and a Juris Doctorate from Stanford Law School. He works as an attorney at the law firm of Morgan, Lewis & Bockius LLP and has been named a "Rising Star" in Appellate law by Super Lawyers, a publication of Thomson Reuters. Before attending Stanford, Mr. Chapa taught 12th Grade Government and Economics at Rivera High School in Brownsville, Texas, through Teach for America, and he still holds a Texas teaching certificate in Social Studies.

Mr. Chapa has a long history of service to the Arlington and AISD community. He currently serves on the Board of Directors of United Way of Tarrant County and previously served on the Boards of Directors of the Arlington ISD Education Foundation, the Arlington Public Library Foundation, and Leadership Arlington, through which he helped direct the Youth Leadership Arlington Program. Before joining the Board, Mr. Chapa served on the AISD's Financial Futures Committee, Citizens Bond Oversight Committee, and Capital Needs Steering Committee. He was also selected by the Arlington City Council for the City of Arlington's Comprehensive Plan Advisory Committee. Along with a friend, Mr. Chapa co-founded a scholarship program for seniors at Sam Houston High School that has awarded over \$25,000 since its inception in 2007.

Bowie Hogg

Bowie Hogg was elected to the board in May of 2008 and is a product of the Arlington schools from kindergarten through high school graduation. Mr. Hogg graduated from The Mays Business School at Texas A&M University with a Bachelors of Business Administration degree. Mr. Hogg also represented Arlington and the Dallas-Fort Worth metroplex by being chosen out of 216,000 applicants to appear on the original edition of the Emmy nominated television show, The Apprentice. Mr. Hogg is a healthcare executive with Alight Solutions LLC, also currently serving on the Board of the Texas Association of School Boards and the Downtown Arlington Management Corp. Mr. Hogg also served his community as a Board member for the United Way of Tarrant County, Leadership Arlington, Theatre Arlington, Chamber of Commerce, and the Advisory Board for the Arlington Life Shelter and Junior League Arlington. Mr. Hogg's passions are education, healthcare and community service with his two daughters and wife who is a former 5th grade teacher.

Kristen Hudson

Kristen Hudson is the mother of two young boys and was elected as a Trustee in the spring of 2014. She is a proud product of the Texas public school system. After graduating from the magnet program at Polytechnic High School in Fort Worth, she earned a full academic scholarship to Missouri State University and at the age of 20, graduated magna cum laude from the Honors College with her Bachelor's of Science in Communications.

Professionally, Kristen has worked in public relations, audit, underwriting and management. Additionally, she spent many years working and volunteering in local theatres and served for two years as a founding board member for PLATFORM4Life, a local non-profit established to empower at-risk girls and women and help fight recidivism.

Most recently, in the spring of 2014, Kristen left her position as an Assistant Vice-President for Bank of America to devote her time to her family and serving the Arlington Independent School District.

ARLINGTON INDEPENDENT SCHOOL DISTRICT
Board of Trustees and Administration (continued)

BOARD OF TRUSTEES (continued)

Polly Walton

Polly Walton, elected to the Board in May 2015, is a retired AISD elementary teacher and librarian. She has lived in Arlington for 46 years and been involved with the AISD all 46 years as an educator, parent, and grandparent. She is currently active with Retired Teachers, Treasurer of the Friends and Foundation of Arlington Public Library Board, and a Director of her homeowners' association. During her years of teaching, she was an active member of three teacher organizations, CTA, TSTA, and UEA, serving as president of all three.

Ms. Walton's degrees, a Bachelors and a Masters of Education are from Southern Methodist University, and Library Science is from Texas Woman's University. She has served in leadership roles on civic organizations including the City Arts Grants Review Board, the Board of Creative Arts Theatre and School (CATS), and PTA, including eight years on the Arlington Council of PTAs. Ms. Walton's two children graduated from AISD. She has two grandchildren, one who is now a student in the AISD.

ADMINISTRATION

Dr. Marcelo Cavazos - Superintendent

Dr. Marcelo Cavazos started his teaching career as an English teacher in the Mission Consolidated ISD in 1990. In 1992, he moved to McAllen ISD where he taught English and government. He was named the secondary language arts supervisor for Mercedes ISD in 1993 and became associate adviser for San Benito Consolidated ISD in 1995. Cavazos went to work for the Texas Education Agency Department of School Finance and Support in 1998.

He joined the AISD in 1999 as associate superintendent for instruction and served as interim deputy superintendent for seven months before being named deputy superintendent in February 2009. He has previously served as a lecturer for the University of Texas at Arlington's Department of Educational Leadership and Policy Studies. Cavazos served as interim superintendent for six months before being named superintendent Dec. 6, 2012. He holds a bachelor's and a master's degree from the University of Texas – Pan American and a doctorate from the University of Texas at Austin.

In addition to his professional accomplishments, Cavazos is active in the community. He serves on the TASB Risk Management Fund Board, SafeHaven of Tarrant County Board, Texas School Alliance Board, United Way of Tarrant County Board Executive Committee, Workforce Solutions for Tarrant County Board, River Legacy Foundation Board, and the Arlington ISD Education Foundation Board. He's an ex-officio member of the Arlington Chamber of Commerce Board. Cavazos is an associate member of the Rotary Club of Arlington, an associate member of the Greater Arlington Lions Club, a Lifetime Supporting member of the Texas Lions Camp, a Melvin Jones Fellow with Lions Club International Foundation, a member of the Knights of Columbus and active at St. Matthew Catholic Church. He received the 2009 Arlington MLK Celebration Sharing the Dream Award for Education, the 2012 YMCA Citizen of the Year Award, the 2012 Educator Award from the Asian- American Chamber of Commerce, the 2013-2014 Elks Distinguished Citizenship Award from the Arlington Elks Lodge No. 2114, the 2016 Seat 21 Honoree by the Texas Rangers Baseball Foundation, the 2016 Texas Superintendent of the Year, and was the Texas nominee for the 2017 AASA Superintendent of the Year Award. He has been married to Nora for 17 years; his children Theresa and Diego attend school at Arlington High School and Key Elementary.

ARLINGTON INDEPENDENT SCHOOL DISTRICT
Board of Trustees and Administration (continued)

ADMINISTRATION (continued)

Dr. Steven Wurtz - Chief Academic Officer

Dr. Steven Wurtz has served Arlington ISD as the Chief Academic Officer since October 2014. Prior to that within AISD, he led as an Area Superintendent of Elementary Schools supervising 26 schools and providing executive coaching to campus principals to facilitate implementation of research-based instructional leadership practices. Dr. Wurtz served in various administration positions with Grand Prairie ISD and Irving ISD. His teaching experience included service as both an elementary bilingual/ESL and Gifted and Talented teacher. Dr. Wurtz holds a bachelor's degree in Spanish from Brigham Young University and a master's degree in Educational Leadership and Policy Studies from the University of Texas at Arlington. In 2010, he earned a doctorate from Dallas Baptist University in Educational Leadership.

As Chief Academic Officer, he is responsible for developing and collaboratively actualizing the district's learning framework designed to empower and engage all students through relevant, innovative and rigorous learning experiences. He facilitates the articulation of the district's instructional and curricular direction, is responsible for the development and supervision of campus and academic service department leaders and ensures the efficient operation and implementation of academic systems aligned with the district's adopted strategic plan.

Dr. Wurtz currently serves on the Texas Learning Collaborative and was formerly a member of the state board of directors and state advocacy committee for the Texas Elementary Principals and Supervisors Association (TEPSA). He served as the president-elect for the TEPSA 10 Board and second vice president for the TEPSA District 11 board. Dr. Wurtz is a member of the TEPSA, ASCD, serves as a member of district lead staff for the Texas School Alliance and as a district representative for the Arlington/Holdsworth Center Steering Committee.

Cindy Powell - Chief Financial Officer

Cindy Powell has been AISD's Chief Financial Officer (previously titled Associate Superintendent of Finance) since October 2008. Mrs. Powell was originally hired in September 1993 as the District's first Internal Auditor. She served in that capacity for three years. Mrs. Powell then was named Director of Accounting in 1996 and held that position for three years before being named Executive Director of Finance in 1999. Before joining Arlington ISD, Mrs. Powell was a staff auditor for KPMG and an internal auditor for Ford Bank Group and Lubbock ISD. She has 31 years total experience in public accounting, private sector auditing, and governmental accounting. She graduated from Texas Tech University with a BBA in Accounting and is a Certified Public Accountant.

Michael Hill - Assistant Superintendent of Administration

Michael Hill was named Assistant Superintendent of Administration in February of 2013. He started his teaching career in 1996 as an Economics/Government teacher in the Union Parish School System in Louisiana. In 1997 he moved to Fort Worth ISD where he taught and coached at Paschal High School. In 2002 he moved to Arlington ISD and taught and coached at Bowie High School. Later he moved into administration at Bowie High School as an assistant principal, serving in that capacity for 3 years. Mr. Hill then became the Academic Associate Principal at Timberview High School in the Mansfield ISD. He served in that capacity for a little less than two years before returning to Arlington ISD as the principal at Juan Seguin High School. He served in that capacity from January 2011 until February 2013. Mr. Hill holds a master's degree in Educational Leadership and Policy Studies and a superintendent certification from the University of Texas at Arlington and a bachelor's degree from Grambling State University in Louisiana.

ARLINGTON INDEPENDENT SCHOOL DISTRICT
Board of Trustees and Administration (continued)

ADMINISTRATION (continued)

Chad Branum - Assistant Superintendent of Technology

Chad Branum was named Assistant Superintendent of Technology for Arlington ISD in May 2013. He started his career in the business sector and transitioned to education in 1999 with Coppell ISD. He served in several roles for Coppell ISD with the most recent being the Executive Director of Technology for 12 years. He is actively involved with Educational Technology organizations from around the country. He holds a bachelor's degree from Texas A&M University and a master's degree from Western Michigan. Additionally, Chad obtained the Certified Education Technology Leader (CETL) certification in the summer of 2014 from the Consortium for School Networking (CoSN). The CETL certification is based upon the Framework of Essential Skills of K-12 CTO and demonstrates the knowledge and skills necessary to be an effective and visionary technology leader.

Scott Kahl - Assistant Superintendent of Human Resources

Scott Kahl has served as the Assistant Superintendent of Human Resources for Arlington ISD since January of 2014. Prior to his current role, Scott was the Human Resources Manager for Ecolab in Irving, Texas. Additional experiences include his position as the Human Resources Manager of Parker Hannifin's Fort Worth facility and approximately 15 years at National Semiconductor in Arlington where he last served as the Human Resources Director. His previous experiences with the school district include multiple years as a Board Member of the Arlington ISD Education Foundation and as a community member serving on the curriculum committee. He has also served multiple previous terms as a Board Member for the Tarrant County Workforce Board. Scott is certified by the Human Resources Certification Institute as a Senior Professional in Human Resources. He has a Bachelor's degree in Industrial Psychology from St. Mary's College of California and a Master of Science degree in Industrial Psychology from San Francisco State University.

Christi Buell - Area Superintendent- Area 1

Christi Buell has served as an Area Superintendent since February 2014. Prior to that, she was a Principal at Mary Moore Elementary in Arlington ISD. She has also served as an Executive Director of School Leadership in Dallas ISD, Dallas, Texas; a Principal Coach, Curriculum Supervisor and Elementary Principal in Hillsborough County, Tampa, Florida; an Elementary Principal in Millard Public Schools, Omaha, Nebraska; a K-8 Principal in Franklin Special School District, Franklin, Tennessee; an Elementary Principal in Wylie ISD, Wylie, Texas; and an Assistant Principal and Elementary Teacher in Garland ISD, Garland, Texas. She holds a bachelor's degree from Texas A&M University, a master's degree from East Texas State University and a doctorate from Texas A&M University-Commerce. She also holds both Mid-Management and Superintendent Certifications.

Beth Hollinger - Area Superintendent- Area 2

Beth Hollinger has served as an Area Superintendent since July 2017. Prior to that, she was a Leadership Director of elementary and secondary campuses for Fort Worth ISD, principal at Lily B. Clayton and Burton Hill Elementary in Fort Worth ISD. She was also a curriculum writer and staff developer with literacy and advanced academics for elementary and secondary curriculum as well as an elementary school teacher in Fort Worth ISD. She has experience teaching summer school for middle school students as well as English I students in high school. Mrs. Hollinger has a bachelor's degree from Tarleton State University, a master's degree from Texas Wesleyan University, and is currently working on her doctorate from Texas Christian University with plans to graduate in December 2018. She also holds both Mid-Management and Superintendent Certifications.

ARLINGTON INDEPENDENT SCHOOL DISTRICT
Board of Trustees and Administration (continued)

ADMINISTRATION (continued)

A. Tracie Brown - Area Superintendent- Area 3

A. Tracie Brown was appointed Area Superintendent on June 26, 2015. Prior to joining Arlington ISD, Ms. Brown served in Dallas Independent School District for 18 years, most recently as an Executive Director in which she supervised and coached a K-12 feeder pattern of schools, including alternative education campuses. In 2010-11, Ms. Brown left DISD to help launch SMU's Ed-Entrepreneur Center with the Teaching Trust. As Leadership Development Director, she worked collaboratively with SMU to construct a Master's degree program for those who wanted to specialize in urban school leadership. Ms. Brown also served as founding principal of C.A. Tatum Jr. Elementary School (a blue-ribbon nominated school) and S.S. Conner Elementary School in Dallas and as Assistant Principal and Dean of Instruction at Mata Elementary and Hood Middle School. Ms. Brown was a secondary Reading/Language Arts teacher for 7 years before joining administration. Ms. Brown received a Bachelor of Science degree in Mass Communications from Texas Woman's University and a Master of Science in Educational Leadership from Texas A&M-Commerce.

Michelle Wilmoth-Senato - Area Superintendent- Area 4

Michelle Wilmoth-Senato was named Area Superintendent in 2013. She began her teaching career in Arlington ISD in August 1980. From 1980 - 1999, she taught a variety of courses, including English, Humanities, Debate, and Psychology at both Arlington High School and Bowie High School. From 1997-1999, while teaching for AISD, she also held the position of adjunct instructor at the University of Texas at Arlington in the College of Education, teaching courses at both the undergraduate and graduate levels. From 2000 - 2006, she served as assistant principal at Bowie High School. From July 2006 – August 2008, she served as principal of Boles Junior High. From August 2008 – January 2013, she served as principal of Bowie High School. She has a Bachelor's in Education and a Master's in Humanities from the University of Dallas. She holds a Master's in Educational Administration and Policy Studies from the University of Texas at Arlington. Ms. Wilmoth-Senato is a member of ASCD and TASSP.

Tony Drollinger - Executive Director of Finance

Tony Drollinger originally came to the District in October 1996 as the District's Internal Auditor. After serving in that capacity for three years, he was named Director of Accounting in 1999, and then was named Executive Director of Finance in November of 2008. Prior to coming to the District, Mr. Drollinger worked four years as a financial consultant and software trainer for Texas Educational Consultative Services (TECS) in Austin. Before that time Mr. Drollinger spent five years working for the Texas Education Agency in the areas of School Audits and PEIMS. He is a graduate of Texas State University with a BBA in Accounting. He is a member of the Texas Association of School Business Officials and the Government Finance Officers Association, and was nominated and currently serves on the Accounting and Auditing Advisory Committee of the Texas Education Agency.

Alice Hamrick - Director of Accounting

Alice Hamrick was hired as the Director of Accounting in March 2015. Prior to joining the District, she worked five years as the Executive Director of Finance for Castleberry ISD. She has an additional seven years of experience working in Director level positions within Finance and Payroll at various independent school districts. Prior to working in school finance, she worked twelve years in internal auditing and accounting with state agencies, federal contractors, and private corporations. She graduated from Texas A&M with a BBA in Accounting and is a Certified Public Accountant

ARLINGTON INDEPENDENT SCHOOL DISTRICT
Board of Trustees and Administration (continued)

ADMINISTRATION (continued)

Mandy Mew - Director of Budget and Cash Management

Mandy Mew has worked with Public School Finance since 1988. She was the Chief of School Finance for the North Carolina Department of Public Instruction until moving to Texas in 2000. After moving to Texas she worked for the Fort Worth ISD and the Hurst-Euless-Bedford ISD. In July, 2010 she moved to Arlington ISD as the Director of Budget and Cash Management. Ms. Mew graduated from Wake Forest University. She is also a graduate of the Education Policy Fellowship Program, sponsored by the Institute for Educational Leadership.

Tim Edwards - Chief Internal Auditor

Tim Edwards was appointed as the Chief Internal Auditor for AISD in December 2010. Previously, he served as the Chief Internal Auditor for a university system, was the Senior Manager of Corporate Audit for a Fortune 500 corporation, and led the start-up of an Internal Audit function for the largest real estate association management company in the country. Mr. Edwards has a BBA degree in Corporate Finance and is a Certified Internal Auditor and Certified Fraud Examiner.

CERTIFICATE OF THE BOARD

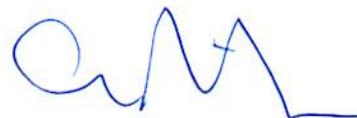
Arlington Independent School District
Name of School District

Tarrant
County

220-901-11
Co. - Dist. No.

We, the undersigned, certify that the attached auditors' reports of the above named school district were reviewed and X approved ___ disapproved for the year ended June 30, 2017, at a meeting of the board of school trustees of such school district on the 2nd day of November, 2017.


Signature of Board Secretary


Signature of Board President

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November 2, 2017

To the Board of Trustees and Citizens of the Arlington Independent School District:

The Texas Education Code requires that all independent school districts file a complete set of financial statements within 150 days of the close of each fiscal year with the Texas Education Agency (“TEA”). The financial statements must be presented in conformity with generally accepted accounting principles (“GAAP”), and must be audited by a firm of licensed certified public accountants in accordance with generally accepted auditing standards. Pursuant to that requirement we hereby issue the comprehensive annual financial report of the Arlington Independent School District (“District” or “AISD”) for the fiscal year ended June 30, 2017.

This report consists of management’s representations concerning the finances of the District. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To the best of our knowledge and belief, we assert that this financial report is complete and reliable in all material respects.

The District’s financial statements have been audited by Whitley Penn, LLP, a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2017, are free of material misstatement. The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the District’s financial statements for the fiscal year ended June 30, 2017, are fairly presented in conformity with GAAP. The independent auditors’ report is presented as the first component of the financial section of this report.

GAAP also requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (“MD&A”). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The District’s MD&A can be found immediately following the report of the independent auditors.

The independent audit of the financial statements is part of a broader, federally-mandated “Single Audit” designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government’s internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports may be found in the Federal Awards section of this report.

District Profile

The Arlington Independent School District was established as a political subdivision of the State of Texas and incorporated in 1902. It lies halfway between Dallas and Fort Worth and serves students in four cities - the City of Arlington, the Tarrant County portion of the City of Grand Prairie, the Town of Pantego, and the City of Dalworthington Gardens. It is fully accredited by the TEA and is regulated by the Texas Education Code as established by the Texas State Legislature. The District is not a component unit of any other entity, nor does it have any component units within its overall structure.

The Arlington Independent School District is the 11th largest school district in Texas. The District currently operates six traditional high schools, one early college high school, one career and technical center, 10 junior high schools, 52 traditional elementary schools, two fine arts/dual language academies, a pre-kindergarten campus and three alternative schools. During the 2016-17 school year the District employed 8,298 full-time equivalent staff members of which 4,238 were classroom teachers. Enrollment for the 2016-17 year was 62,181 as reported to the State through the Public Education Information Management System (“PEIMS”). This enrollment figure represents a decrease of approximately 1.6% from the enrollment figure reported through PEIMS the previous year. Enrollment for 2017-18 is expected to be 61,133 at the fall PEIMS snapshot date which is 1.7% less than the 2016-17 official enrollment. All academic and extracurricular programs are supported by a highly qualified, culturally-diverse teaching staff. The average pupil-teacher ratio was 15 to 1 throughout the District. Texas law mandates that no more than 22 students be assigned to one classroom teacher in kindergarten through grade four.

The age of the District’s facilities varies greatly. In 2013, The District performed a facilities assessment to evaluate the physical condition and educational adequacy of all facilities. The 2014 Bond Program addresses deficiencies identified through the assessment. Details of the bond program are discussed below in the Major Initiatives section. This bond program is expected to provide for the District’s facilities needs through at least the year 2019.

The mission of the Arlington Independent School District is to empower and engage all students to be contributing, responsible citizens striving for their maximum potential through relevant, innovative and rigorous learning experiences. To this end, the District provides regular, special education, career/technology, gifted/talented, and bilingual/ESL curricula in order to meet the needs of the diverse student population. Additionally, a broad range of electives, extra-curricular, and concentrated advanced academic programs are also offered to enhance learning opportunities beyond core curriculum. AISD currently offers the International Baccalaureate World School Program at four of its high schools. The District also offers an Advanced Placement program that gives students the opportunity to graduate with 30 or more college credits and also offers dual-credit choices so that students at each high school can take advantage of earning on-site AISD and Tarrant County College credits. The district does not administer or fund any charter schools.

Governance

The District is under the control and management of a board of seven trustees, each of whom is elected by the District’s registered voters to serve a three year term. All of the trustees are elected at-large and serve without compensation. The elections are staggered so that not all positions are voted on during the same year.

In general, the Board adopts policies, sets direction for curriculum, employs the Superintendent and oversees the operations of the District and its schools. Besides general Board business, Trustees are charged with numerous statutory regulations including appointing the tax assessor/collector, calling trustee and other school elections and canvassing the results, organizing the Board and electing its officers. The Board is also charged with setting the tax rate, acting on real property matters, setting salary schedules, acting as a board of appeals in personnel and student matters, confirming recommendations for textbook adoptions, and adopting and amending the annual budget.

Local Economy

Arlington's diverse economy and unique location within the D/FW Metroplex drive the city's growth. Arlington hosts employers from a variety of industries, including defense contractors, an automobile manufacturer, high tech companies, higher education institutions, major finance companies, medical facilities and entertainment companies. The area's major transportation systems afford area businesses easy access to cities throughout the world. Arlington is only fifteen minutes from D/FW International Airport, one of the busiest airports in the world. Interstate Highways 20 and 30 are the major east/west arteries through the city. Access to Interstate Highway 35, traversing the United States from Mexico to Canada, is also convenient. Rail transportation is available for both public transportation and freight. Arlington is known as the "Entertainment Capital of Texas." Each year approximately 6.8 million people visit Arlington. The four main entertainment attractions are: Six Flags Over Texas amusement park; Globe Life Park, home of the Texas Rangers baseball team; Six Flags Hurricane Harbor water park; and AT&T Stadium, home of the Dallas Cowboys. AT&T Stadium has hosted numerous NFL and college games, major concerts, the 2010 NBA All Star game, the Cotton Bowl, Super Bowl XLV, and the 2014 NCAA Final Four. The 2015 NCAA football championship game was played at AT&T Stadium in January 2015.

Relevant Financial Policies

Factors affecting financial control

Management of the District has established a comprehensive internal control framework that is designed both to protect the District's assets from loss, misuse or theft, and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable assurance rather than absolute assurance that the financial statements will be free from material misstatement.

Budgetary Control

The annual budget serves as the foundation for the District's financial planning and control. Texas State law requires the Board president to call a Board meeting for the purpose of discussing and adopting the budget and the tax rate. A notice of this meeting must be published at least 10 days but not more than 30 days before the public meeting. The budget must be adopted prior to June 30.

The District maintains budgetary controls throughout all of its financial systems. The objective of budgetary controls is to ensure compliance with legal provisions embodied in the official budget adopted by the Board. The Board adopts an official budget for the General Fund, Natural Gas Special Revenue Fund, Debt Service Fund, Capital Projects Fund and Food Service Fund (which is accounted for as an Enterprise Fund). In accordance with procedures prescribed by the State Board of Education, budget amendments that affect the total amount in a fund or functional spending category must be approved by the Board prior to expenditure of funds. The functional level is specified by Board policy as the legal level of budgetary control. Budgetary control is maintained at the organizational level by the encumbrance of estimated purchase amounts prior to the release of purchase orders to vendors. Outstanding encumbrances at the end of the fiscal year are an assignment of fund balance and are treated as expenditures in the subsequent year upon receipt of goods and services.

Major Initiatives

2016-2021 Achieve Today. Excel Tomorrow. Strategic Plan

In January 2016, the AISD Board of Trustees adopted the 2016-2021 *Achieve Today. Excel Tomorrow. Strategic Plan*. This plan articulates a singular goal to graduate 100% of Arlington ISD students exceptionally prepared for college, career, and citizenship. To accomplish this goal, strategies have been designed and implemented within four broad performance objective categories including:

- Academic achievement
- College readiness
- Workforce readiness
- Leadership, Citizenship and Responsibility

The 2016-2021 *Achieve Today. Excel Tomorrow. Strategic Plan* is designed to be a detailed roadmap for students, staff and community that defines where we want to be and how we will get there. The plan does this while maintaining the district commitment to utilize our resources in the most efficient way possible. Our goal is to strategically implement the designed strategies in a manner that fosters continuous improvement and maximizes student access to innovative learning opportunities thereby supporting students in meeting their personal achievement goals.

Academic Performance

Arlington ISD was rated “Met Standard” for 2016 by the Texas Education Agency with 115 distinctions earned across 33 campuses, four of which earned all possible distinctions for which they were eligible. To help our students and schools perform at high levels, resources and professional learning have been committed to develop and improve quality Tier I instruction, implement a system of academic interventions, reduce barriers and increase student access to dual credit and workforce readiness coursework and/or industry certifications, fully engage families and the community in the education process, secure measures to prevent campus violence, and implement strategies to improve the student completion rates.

Curriculum Revision

The District underwent a comprehensive curriculum audit in spring 2013. The curriculum management audit is a third-party examination of the curriculum design and delivery system of a school or school district. A curriculum audit is designed to reveal the extent to which officials and professional staff of a school district have developed and implemented a sound, valid and operational system of curriculum management. Such a system, set within the framework of adopted board policies, enables the school district to make maximum use of its human and financial resources in the education of its students. When fully operational, the system assures fiscal optimization while supporting positive student outcomes. In an effort to continuously improve and to ensure our students have access to a guaranteed and viable curriculum, the Academic Services department will rewrite and publish curriculum documents for selected Career and Technology Education (CTE) courses, all core content areas in grades K-2 and high school courses including Algebra II, Geometry, Chemistry, World History, Government and Economics. These documents clearly establish learning targets including an articulated learning progression aligned to state standards, meaningful resources, opportunities to monitor students’ progress toward mastery, etc.

Learning Framework

With our mission focused squarely on maximizing our students’ potential through relevant, innovative, and rigorous learning experiences, the AISD collaboratively developed the Arlington ISD Active Learning Cycle™, an instructional framework and the 7th and final step in the Teach for Understanding Planning Cycle™. This framework is centered on the design of the actual daily experience students have in the classroom as a result of a purposeful instructional plan. This year, the District will begin slowly implementing the framework within identified schools and over the next several years gradually expand implementation through training opportunities and coaching focused on supporting our teachers, students and staff in the learning process.

World Languages

In an effort to provide our learners with opportunities to prepare for employment in a global market, Arlington ISD has implemented programming focused on effective second language acquisition and cultural proficiency. Programming has been designed with an intended pathway that leads students towards language mastery beginning in the early childhood years and continuing through high school completion. In alignment with the District's core value of access for students, the world languages department is working to strategically expand dual language programs for elementary students throughout the system. These programs will immerse students in a target language and provide opportunities for language acquisition through instruction in the core content areas. Additionally, students will have opportunities to participate in Foreign Language at the Elementary School (FLES) at selected locations giving elementary learners the chance to engage in Languages Other Than English (LOTE) and acquire future high school and college credits through Pre-Advanced Placement (P-AP) and AP courses.

Leadership Development

Arlington ISD believes that its success depends on quality teaching and learning as well as effective leadership. Therefore, as part of the 2016-2021 *Achieve Today. Excel Tomorrow*. Strategic Plan, the District is working to enhance the core leadership competencies of leaders throughout the system. To accelerate this objective, the District has partnered with The Holdsworth Center, an Austin-based organization focused on providing world-class leadership development to support sustained transformational learning experiences and outcomes for students in the classroom.

As part of the work this year, the District will be engaging with a cross-section of stakeholders to design a leadership definition that brings clarity to the ideal organizational culture and behaviors needed to meet learners' needs. Finally, this effort will include the development of infrastructure and systems to identify, develop, place and support effective leaders through the District.

2014 Bond Program

On May 10, 2014, voters approved a \$663.1 million bond proposition. Proceeds of the bond issue are being used to build new facilities, upgrade and renovate existing facilities, address safety and security district-wide, upgrade technology infrastructure and equipment, provide fine arts equipment, and purchase new buses and white fleet vehicles.

The 2016-17 fiscal year was the third year of the five-year bond program. Two new elementary schools and six multi-purpose activity centers opened during 2016-17. Construction continued on the new Dan Dipert Career and Technical Center and a new districtwide Agricultural Science Center, and both opened for the 2017-18 school year. These two new facilities, in collaboration with our higher education partners, will provide an expansion of technical dual credit and industry certification coursework for students and families across the district.

Ninety-eight construction projects are currently active. Architectural design work is underway for a Fine Arts Center and an Athletics Complex that will be constructed side-by-side on property located in the entertainment district. Design work is also underway on 39 renovation and life cycle replacement projects. Construction on all of the projects currently in design is scheduled to begin by late summer 2018. Thirty renovation and life cycle replacement projects are in construction phase and 27 are in close-out phase.

Other Major Initiatives

In alignment with the district's strategic plan, year three of Positive Behavioral Interventions and Supports (PBIS) implementation has begun with the goal to promote a physically and emotionally safe learning environment to improve student academic and behavior outcomes. PBIS emphasizes systems development guided by six important principles:

- Develop a continuum of scientifically based behavior and academic interventions and supports
- Use data to make decisions and solve problems
- Arrange the environment to prevent the development and occurrence of problem behavior

- Teach and encourage pro-social skills and behaviors
- Implement evidence-based behavioral practices with fidelity and accountability
- Screen universally and monitor student performance and progress continuously

Finally, other major initiatives include the expansion of PK opportunities, further implementation of a system-wide customer service strategy and the creation of a comprehensive professional learning plan designed to foster the growth and development of the district’s teachers and staff in support of students’ goal attainment through access to innovative learning opportunities.

Long-term Financial Planning

The Board recognizes the significance of adopting balanced budgets, sustaining a healthy fund balance, and long-range financial planning. To these ends, the Board has adopted a policy that sets forth parameters for annual budget development and targets the unassigned General Fund fund balance at two-months of operating expenditures. The parameters include prioritizing resources into programs that promote student achievement growth, maintaining competitive compensation to attract and retain a highly qualified workforce, board approval of staffing ratios, balancing the budget with limited use of surplus fund balance for one-time expenditures, and prioritizing any necessary reductions in areas that have the least impact on instruction. Multi-year budget forecasts are presented to the Board each summer and are considered by the Board when evaluating the impact of potential new initiatives. Strategies included in the *Achieve Today. Excel Tomorrow*. Strategic Plan focus resources and long-range planning on District priorities in a manner that will help protect the District’s financial well-being.

In May 2016 the Texas Supreme Court issued a final ruling in a long-running lawsuit over the state’s school finance system. Five plaintiff groups, representing more than 600 Texas school districts, and one intervenor sued the state in 2011 claiming that the current school finance system is unconstitutional. Arlington ISD was a member of the Texas Taxpayer and Student Fairness Coalition (“Coalition”), a coalition of more than 400 school districts that was one of the plaintiff groups suing the State. A state district judge ruled in favor of the plaintiff school districts in August 2014 stating that the system is inadequate, arbitrary, inequitable and has created a de facto statewide ad valorem tax in violation of the state constitution. The judge further ruled that the system is unsuitable for the provision of the constitutionally-required general diffusion of knowledge. On appeal by the State, the Texas Supreme Court reversed the lower court ruling stating that the system was flawed but constitutional. The Supreme Court urged the state legislature to revise the system. The 85th Texas Legislature met in regular session in spring 2017 and in a special session in summer 2017. School finance was debated in both sessions, but no additional money was appropriated for the Foundation School Program and no changes were made to the funding formulas. The Legislature did vote during the First Called Session to create a Commission on Public School Finance. The Commission is charged with developing recommendations to address the public school finance system, including:

- Defining the purpose of the public school finance system and the relationship between state and local funding in that system;
- The appropriate levels of local maintenance and operations and interest and sinking fund tax effort necessary to implement a public school finance system that complies with the requirements under the Texas Constitution; and
- Policy changes to the public school finance system necessary to adjust for student demographics and the geographic diversity in the state.

The commission’s report is due December 31, 2018, and their findings will inform the debate on school finance during the 86th Legislative session, which will convene January 10, 2019.

Awards and Acknowledgements

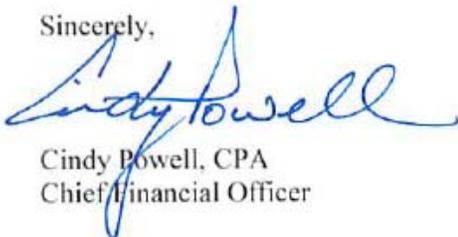
Innovative programs, teachers and volunteers are all key to the success of AISD students. TEA currently rates each district and campus as “Met Standard” or “Improvement Required.” AISD has a district rating of “Met Standard,” and 71 AISD campuses are rated Met Standard. Three campuses are rated “Improvement Required.” This year the District is continuing its efforts to improve and is working toward a goal of having the District and all schools achieving the Met Standard rating for 2018 Accountability.

The Government Finance Officers Association (“GFOA”) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Arlington Independent School District for its comprehensive annual financial report for the year ended June 30, 2016. This was the 38th consecutive year that the Arlington Independent School District has received this prestigious award. In order to be awarded a Certificate of Achievement, the District published a comprehensive annual financial report that was easy to read and was efficiently organized. This report satisfied both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Additionally, the Association of School Business Officials International (“ASBO”) awarded a Certificate of Excellence in Financial Reporting by School Systems to the Arlington Independent School District for the 28th consecutive year. The Certificate of Excellence in Financial Reporting for School Systems Program is a voluntary program sponsored by ASBO to foster excellence in the preparation and issuance of school system financial reports. A Certificate of Excellence is awarded to those school systems that have voluntarily submitted their comprehensive annual financial report (“CAFR”) for review by an ASBO Panel of Review. Upon completion of a vigorous technical review, the panel of review members concluded that the Arlington Independent School District’s financial report met the criteria for excellence in financial reporting. We believe that our current CAFR continues to meet the requirements of the Certificate of Excellence in Financial Reporting by School Systems program, and we are submitting it to ASBO to determine its eligibility for another certificate.

The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of the finance department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. We would also like to thank the members of the Board of Trustees for their interest and support in planning and conducting the financial operations of the District in a responsible and progressive manner.

Sincerely,



Cindy Powell, CPA
Chief Financial Officer



Dr. Marcelo Cavazos
Superintendent



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Arlington Independent School
District, Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO



ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

The Certificate of Excellence in Financial Reporting
is presented to

Arlington Independent School District

for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2016.

The CAFR has been reviewed and met or exceeded
ASBO International's Certificate of Excellence standards.

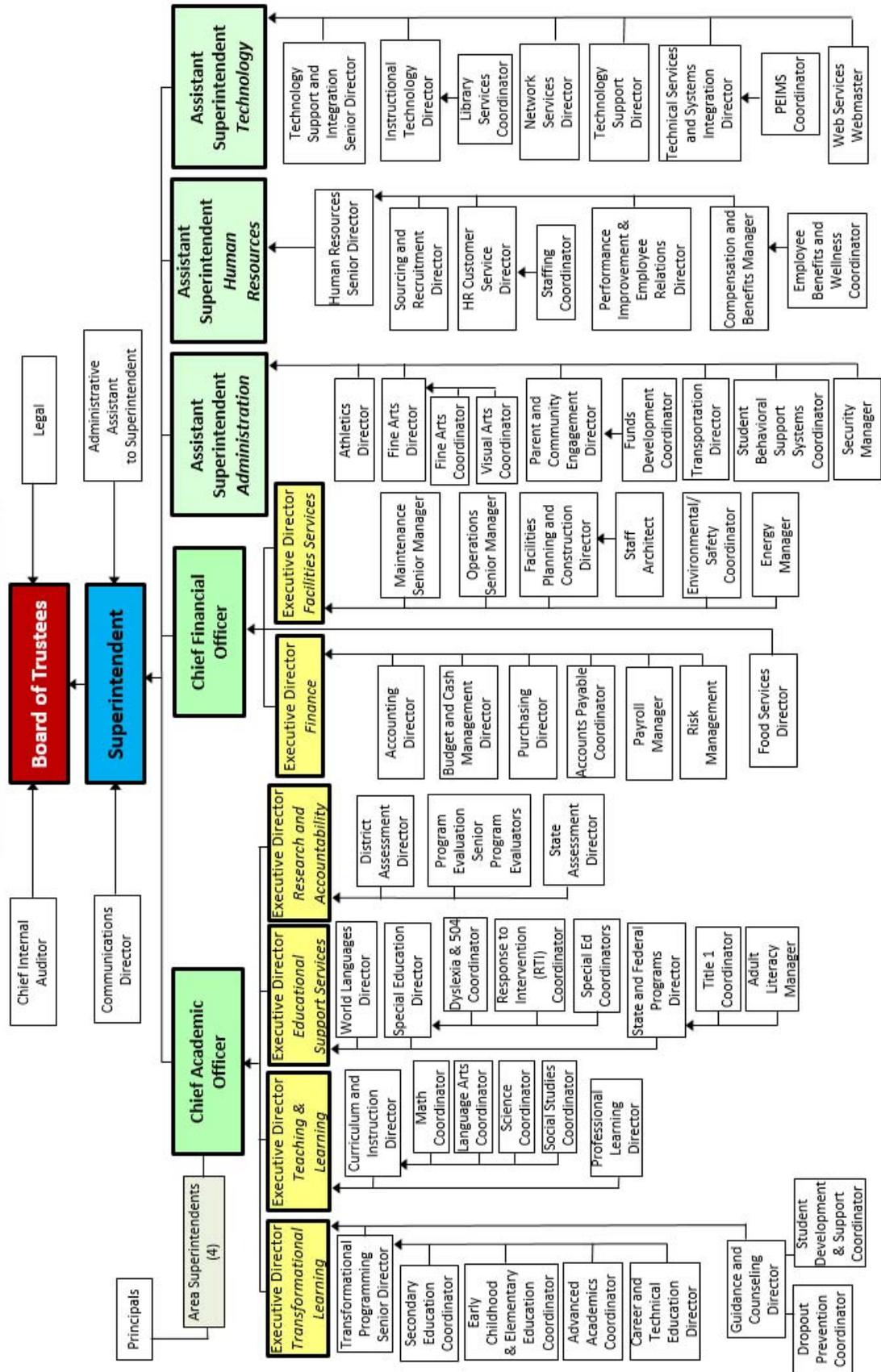


A handwritten signature in black ink, appearing to read 'Anthony N. Dragona'. The signature is written over a horizontal line.

Anthony N. Dragona, Ed.D., RSBA
President

A handwritten signature in black ink, appearing to read 'John D. Musso'. The signature is written over a horizontal line.

John D. Musso, CAE, RSBA
Executive Director



FINANCIAL SECTION



Arlington

INDEPENDENT SCHOOL DISTRICT

More Than a Remarkable Education

REPORT OF INDEPENDENT AUDITORS

To the Board of Trustees
Arlington Independent School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Arlington Independent School District (the "District") as of and for the year ended June 30, 2017, and the related notes to 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 fraud or error.

Auditor's Responsibility

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

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

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

To the Board of Trustees
Arlington Independent School District

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2017, and the respective changes in financial position, the respective budgetary comparison schedule for the general fund and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 through 22, and pension information on pages 75 through 77 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

To the Board of Trustees
Arlington Independent School District

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, flowing style.

Houston, Texas
October 30, 2017



Arlington

INDEPENDENT SCHOOL DISTRICT

More Than a Remarkable Education

MANAGEMENT'S DISCUSSION AND ANALYSIS



Arlington

INDEPENDENT SCHOOL DISTRICT

More Than a Remarkable Education

ARLINGTON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Comprehensive Annual Financial Report, we, the managers of Arlington Independent School District ("District"), discuss and analyze the District's financial performance for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information furnished in our letter of transmittal on pages xi - xvii, the independent auditors' report on pages 1 through 3, and the District's basic financial statements which begin on page 25.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the District exceeded its liabilities and deferred inflows at the close of the fiscal year by \$217,992,221 (net position). Of this amount \$149,027,332 (unrestricted net position), or 68.4%, may be used to meet the District's ongoing obligations.
- The District's total net position decreased by \$48.5 million, after the prior period adjustment of \$1.3 million.
- As of the close of the fiscal year, the District's governmental funds reported combined ending fund balances of \$494,917,056 which is \$35,544,819 less than the previous year. 38.1% of the combined fund balance, or \$188,562,124, is available for spending at the District's discretion (unassigned balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$188,562,124 36.2% of total general fund expenditures.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements, notes to those statements, and other supplementary information.

The basic financial statements include two types of statements that present different views of the District:

- 1) *Government-wide financial statements* provide information about the activities of the District as a whole and present both a long-term and short-term view of the District's finances. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 25 through 27).
- 2) *Fund financial statements* (starting on page 28) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For general governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. For proprietary activities, fund financial statements tell how goods or services of the District were sold to external customers and how funds were accumulated and costs were allocated internally among various functions. The remaining fund financial statement, the fiduciary statement, provides financial information about activities for which the District acts solely as a trustee or agent for the benefit of parties outside of the District. The fiduciary statement can be found on page 39

ARLINGTON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS (continued)

The notes to the financial statements, which start on page 40, provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements.

This annual report contains other supplementary information in addition to the basic financial statements and the notes to the financial statements. This Management’s Discussion and Analysis is required supplementary information under governmental accounting standards. The report sections labeled “Required TEA Schedules” and “Federal Awards Section” contain data used by monitoring or regulatory agencies for assurance that the District is using supplied funds in compliance with the terms of grants. The “Statistical Section,” which is unaudited, includes selected financial and demographic information, generally presented on a multi-year basis.

OVERVIEW OF THE FINANCIAL STATEMENTS

Table I summarizes the major features of the District’s financial statements, including the portion of the District government they cover and the types of information they contain.

Table I Arlington Independent School District MAJOR FEATURES OF THE DISTRICT’S FINANCIAL STATEMENTS				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
<i>Scope</i>	Entire District’s government (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary	Activities the District operates similar to private businesses	Instances in which the District is the trustee or agent for someone else’s resources
<i>Required financial statements</i>	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures & Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses and Changes in Fund Net Position • Statement of Cash Flows 	<ul style="list-style-type: none"> • Statement of Fiduciary Assets and Liabilities
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets, deferred outflows/inflows of resources and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital and short-term and long-term	All assets and liabilities, both financial and capital and short-term and long-term
<i>Type of inflow/outflow information</i>	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during the year or soon after year end; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	Agency funds do not report revenues and expenditures

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

Government-wide Financial Statements

The government-wide financial statements – consisting of the Statement of Net Position and the Statement of Activities – report information about the District as a whole. These statements are designed to provide readers with a broad overview of the District's finances. The government-wide statements apply the accrual basis of accounting, which is similar to the accounting basis used by most private-sector companies. The Statement of Net Position includes all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The two government-wide financial statements report the District's net position and changes in them. Net position (the difference between assets, deferred inflows/outflows and liabilities) provides one measure of the District's financial health, or financial position. 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 additional factors as well, such as changes in the District's property tax base, state funding, or its average daily attendance and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, we divide the District into two kinds of activities:

- *Governmental activities* – Most of the District's basic services are reported here, including instruction, student support services, transportation, maintenance, and general administration. Property taxes, state aid, and state and federal grants finance most of these activities.
- *Business-type activities* – The District's food service operation is reported here. The District charges a fee to "customers" to help it cover the cost of services it provides in the food and nutrition program.

Fund Financial Statements

The fund financial statements provide detailed information about the District's most significant funds, as opposed to the District as a whole. Laws and bond covenants 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. The District's administration establishes other funds to help it control and manage money for particular purposes. The three kinds of funds used by the District – governmental, proprietary and fiduciary – use different accounting approaches:

- *Governmental funds* – Most of the District's basic services are reported in governmental funds. These funds use modified accrual accounting (an accounting 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. Governmental fund information helps users determine the availability of financial resources to finance the District's programs. 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.

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

- *Proprietary funds* – Services for which the District charges a fee (whether the users are outside customers or other units of the District) are reported in proprietary funds. Proprietary funds use the same accounting methods employed in the government-wide financial statements.

The District maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The District accounts for its Food Service operation as an enterprise fund. *Internal service funds* are used to accumulate and allocate costs internally among various functions. The District accounts for its workers' compensation and Print Shop programs as internal service funds. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

- *Fiduciary funds* – The District is the trustee, or fiduciary, for money raised by student activities. These resources can be used only for the student groups that raised the funds; therefore, they are recorded in separate fiduciary funds. 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.

THE DISTRICT AS A WHOLE

Net Position. The District's combined net position were \$218.0 million at June 30, 2017. A large portion of net position (\$43.0 million or 20%) reflects the District's investment in capital assets (e.g., land, buildings, furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's net position (\$26.0 million or 12%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$149.0 million or 68%) may be used to meet the government's ongoing obligations.

Table II
NET POSITION
in thousands

	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 617,653	\$ 631,946	\$ 13,726	\$ 12,613	\$ 631,379	\$ 644,559
Capital assets	628,449	563,028	11,045	10,500	639,494	573,528
Total Assets	1,246,102	1,194,974	24,771	23,113	1,270,873	1,218,087
Total Deferred Outflows of Resources	80,062	65,197	4,301	3,479	84,363	68,676
Current liabilities	126,795	104,003	547	1,900	127,342	105,903
Long term liabilities	976,341	895,661	8,923	8,361	985,264	904,022
Total Liabilities	1,103,136	999,664	9,470	10,261	1,112,606	1,009,925
Total Deferred Inflows of Resources	23,160	9,721	1,478	621	24,638	10,342
Net Position						
Net Investment in capital assets	31,929	70,467	11,045	10,500	42,974	80,967
Restricted	18,912	17,448	7,079	5,210	25,991	22,658
Unrestricted	149,027	162,871			149,027	162,871
Total Net Position	\$ 199,868	\$ 250,786	\$ 18,124	\$ 15,710	\$ 217,992	\$ 266,496

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

Changes in Net Position. Total net position of the District decreased by \$49.8 million over last year (see Table III) due to governmental activities and business-type activities throughout the year. Of this change *Governmental Activities* decreased net position by \$50.9 million, while *Business-type Activities* decreased net position by \$2.4 million. Separate discussions for the changes in net position of the governmental activities and business type activities are presented below.

Governmental activities. Revenues from governmental activities and transfers, were \$645.2 million. The cost of all governmental programs and services were \$696.1 million. The net effect of these items resulted in a decrease in *Governmental Activities* net position of \$50.9 million.

Table III
CHANGES IN NET POSITION
in thousands

	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Revenues						
Program Revenues:						
Charges for services	\$ 5,869	\$ 3,189	\$ 6,125	\$ 5,772	\$ 11,994	\$ 8,961
Operating grants	67,640	90,045	27,529	26,222	95,169	116,267
Capital grants			844		844	
General Revenues:						
Property taxes	317,652	302,276			317,652	302,276
State Aid - Formula Grants	236,250	237,366			236,250	237,366
Grants and contributions not restricted	11,277	7,718			11,277	7,718
Investment earnings	5,238	1,967	61	23	5,299	1,990
Other	1,376	8,654			1,376	8,654
Total Revenues	645,302	651,215	34,559	32,017	679,861	683,232
Expenses						
Instruction, curriculum and media	397,420	420,382			397,420	420,382
Instructional and school leadership	43,947	41,510			43,947	41,510
Student support services	53,611	50,162			53,611	50,162
Food services	421	807	33,528	33,604	33,949	34,411
Cocurricular activities	10,844	10,234			10,844	10,234
General administration	9,291	8,969			9,291	8,969
Facilities maintenance, security and data processing	141,260	86,658			141,260	86,658
Community services	2,729	2,340			2,729	2,340
Debt service	27,959	28,398			27,959	28,398
Facilities repairs and maintenance	4,893	1,599			4,893	1,599
Intergovernmental charges	3,753	3,040			3,753	3,040
Total Expenses	696,128	654,099	33,528	33,604	729,656	687,703
Excess (deficiency) before transfers	(50,826)	(2,884)	1,031	(1,587)	(49,795)	(4,471)
Special items						
Transfers	(93)	(136)	93	136		
Increase (Decrease) in Net Position	(50,919)	(3,020)	1,124	(1,451)	(49,795)	(4,471)
Net Position - Beginning	250,786	253,806	15,711	17,161	266,497	270,967
Prior Period Adjustment			1,289		1,289	
Net Position - Ending	\$ 199,868	\$ 250,786	\$ 18,124	\$ 15,710	\$ 217,992	\$ 266,496

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

Figure 1 graphically depicts the sources of governmental activities revenue. Property taxes and state foundation aid (accounted for as “state aid – formula grants”) are the District’s chief sources of operating revenues. Both of these revenue streams continue to change dramatically from year to year due to changes in property values and components in the funding formulas used by the State of Texas to calculate state aid payments.

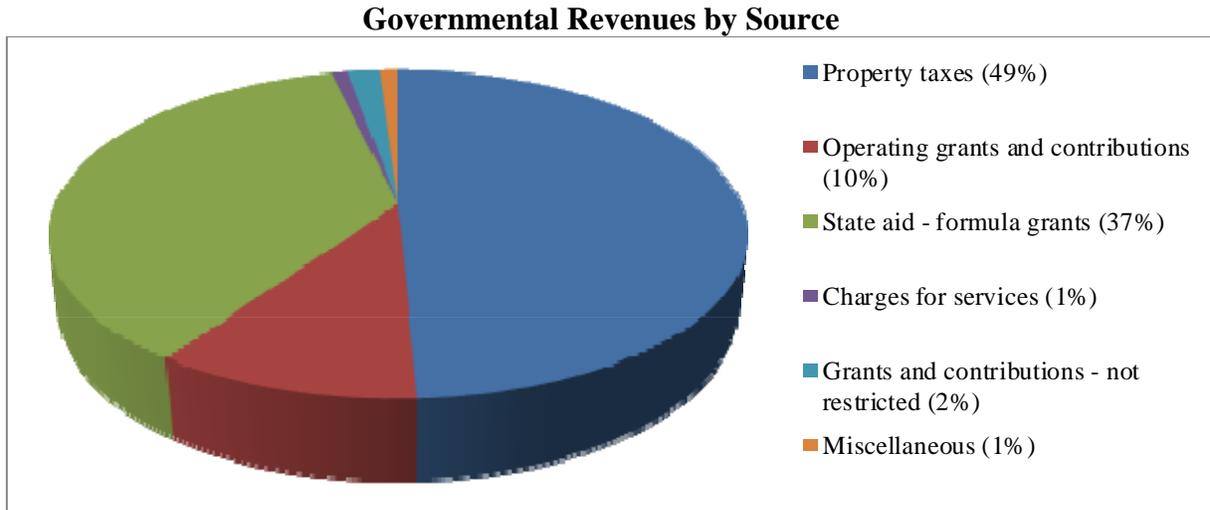


Figure 1

Revenues for governmental activities decreased by \$6.0 million in 2016-17. Major changes in revenue items are examined in more detail, below:

- State aid decreased by \$1.1 million due to a combination of lower student enrollment of 1,029 students and changes in property values that factored into the state funding formulas. State revenue also decreased by an additional \$7 million due to the Instructional Materials Allotment for the 2015-17 state biennium, the majority of which was received and recorded as revenue in the prior year. Finally, these decreases in revenue were offset by a grant from the state for high quality prekindergarten programs, which resulted in an increase to state revenue of \$960,720.
- In 2016-17 the District’s M&O taxes increased \$17.6 million due to a 9.44% increase in certified property values, and due to strong collection trends.
- Investment income increased by \$3.2 million compared to the prior year, following the trend of rising interest rates for short-term investments throughout the 2017 fiscal year.
- The District received less in federal grant revenue compared to the prior year, resulting in a decrease in federal funding of \$8.5 million. Offsetting this reduction, the District received increased payments of \$1.1 million for participating in the federal School Health and Related Services (SHARS) program.

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

Governmental Expenses by Function

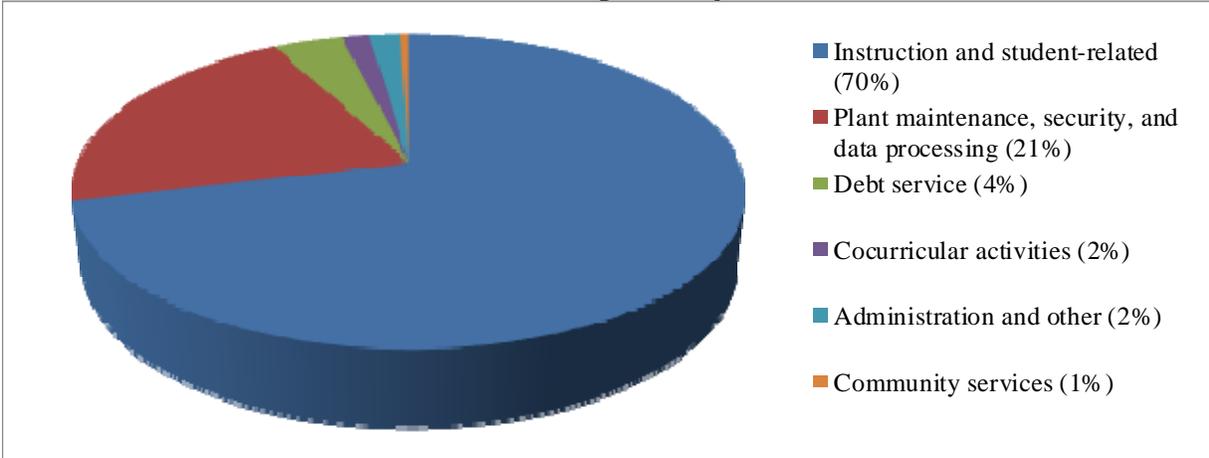


Figure 2

Payroll, accounting for approximately 74.3% of total expenses, is the most significant operating expense incurred by the District and is recorded in the majority of functional categories. Payroll expenses were \$13.1 million (or 2.9%) higher than last year primarily due to pay increases and additional positions. In order to recruit and retain the best possible employees, the Board of Trustees approved a 4.46% raise based on the mid-point of the salary schedule for all auxiliary employees. All other employees received a 2% increase on base salary. The Board also approved the addition of 136 new positions for new facilities and program changes, primarily consisting of teachers and other positions that provide direct student support.

Contracted services increased by approximately \$48.9 million primarily for bond construction projects (design professionals, engineers, construction contractors, etc.) and technology installation contracts related to the bond program. Additionally, expenditures for utilities increased by \$1.2 million due to weather conditions and increased square footage for new facilities that were brought on-line during the year.

Supplies decreased approximately \$16.9 million primarily due to net decreases in textbook purchases, reading materials and non-capital technology purchases made from bond funds, offset by an increase in grant supply expenses. Textbook purchases decreased \$6.5 million because the District was required by the state to purchase several complete sets of newly adopted textbooks in the prior year using funds from the state Instructional Materials Allotment. These purchases were not repeated in the current year. Similarly, reading materials decreased \$2.1 million primarily because student readers and other classroom reading materials were purchased in the prior year for special programs, and these same purchases were not repeated in the 2017 fiscal year. Expenditures were also reduced in the current year for non-capital bond technology, resulting in further decreases of approximately \$9.8 million. These decreases were offset by an increase in grant expenses for supplies for approximately \$1.3 million, largely due to non-capital expenditures for bond program deficiency improvement projects..

Table IV presents the total costs of the District's largest programs as well as the *net costs* (total costs less fees generated by the activities and operating grants) of those programs. The net cost is the financial burden that was borne by the District's taxpayers for each of these functions.

The cost of all governmental activities this year was \$696.1 million compared to \$654.1 million last year. As shown in the Statement of Activities on pages 26 - 27 the amount that our taxpayers ultimately financed for these activities through District taxes was \$317.7 million (or 45.6%). The remaining costs were paid by state aid (\$236.3 million), those who directly benefited from the programs (\$5.9 million), other governments and organizations that subsidized certain programs with grants and contributions (\$67.5 million), and miscellaneous other revenues (\$17.9 million).

ARLINGTON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS (continued)

Table IV
COSTS OF SELECTED GOVERNMENTAL ACTIVITIES
in thousands

	Total Costs			Net Costs		
	2017	2016	% Change	2017	2016	% Change
Instruction	\$ 376,229	\$ 399,052	-6%	\$ 332,027	\$ 333,381	0%
School Leadership	32,502	31,586	3%	30,200	29,342	3%
Plant Maintenance	120,283	69,186	74%	115,251	65,972	75%

Business-type Activities. The only business-type activity operated by the District is its food service operation. Food Service revenues and transfers were \$34.7 million, and expenses were \$33.5 million. The net effect of these items resulted in an increase of \$1.1 million in net position, ending the year at \$18.1 million. This activity provides important services to our students through food service operations.

The food service operation derives its revenues from two main sources – meal sales and federal Child Nutrition Program funding (see graph at Figure 3 below). Breakfast and lunch sales generated \$3.8 million in revenues during the year, an increase of \$24,230 over the prior year. This increase was partly because prices for full-priced lunches increased by 10 cents for 2016-17, while prices for full-priced breakfasts remained the same. This increase in price was required to comply with the provisions of the federal Healthy, Hunger-Free Kids Act (Act) that became effective July 1, 2011. The Act requires school districts participating in the federal National School Lunch Program (NSLP) to gradually increase the price of “paid” lunches to match the federal reimbursement received for “free” lunches. The District also received increased revenue from the NSLP, School Breakfast, and Commodities programs totaling \$27.5 million, \$1.2 million more than prior year revenues for these same programs. This increase is due to the rising number of students who qualified for free and reduced price meals, which continued to follow the existing upward trend in 2016-17, and increases in reimbursements for the growing After-School Snack component of the NSLP. The balance of revenue was generated through a la carte sales at \$2.0 million, state matching funds at \$184,963 and catering operations at \$95,225.

Business-Type Revenues by Source

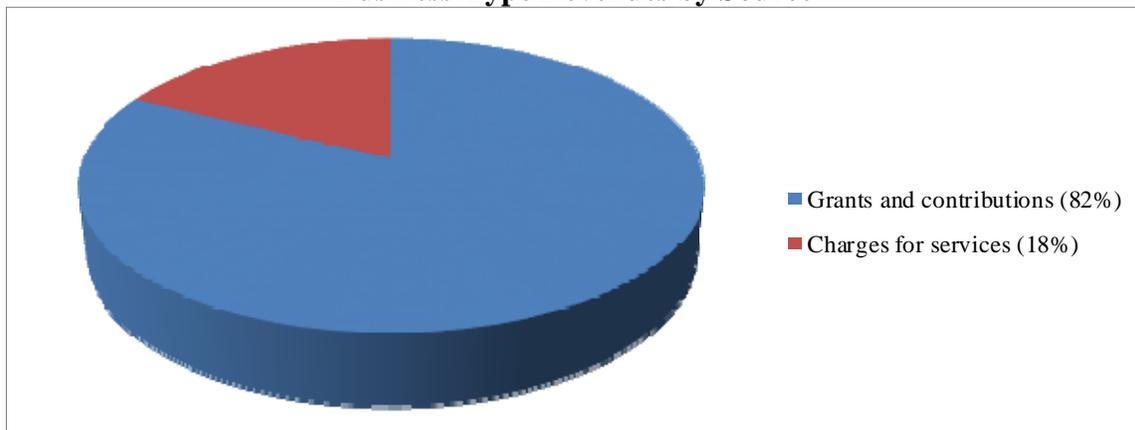


Figure 3

Total operating expenses were approximately \$176,457 less than last year for several reasons. Similar to the Governmental Activities discussion, payroll costs increased by \$320,980 partly because of the effects of the 4.66% pay increase for all auxiliary employees and the 2% across-the-board pay increase for all other employees. Payroll costs also increased for the addition of 17 new positions to serve students at two new elementary schools, and the addition of one technology specialist to support the Food Service data

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

management system. Also included in the overall salary expense is the fund's proportionate share of the unfunded TRS pension liability required under GASB 68. Unlike the reporting requirements for governmental activities above, GASB 68 requires statements for business-type activities to record an actual expense for the appropriate unfunded liability associated with pension plans. These increases in payroll costs were offset by decreases due to naturally occurring vacancies and unfilled positions during the year. Aside from payroll, an additional decrease was noted in contracted services of \$647,250, primarily due to a recalculation of the amount the District recovers from the Food Service Fund on an annual basis for indirect costs provided by the General Fund. Finally, depreciation expense on fund-owned assets was recognized for \$1.6 million, an increase of \$196,020 over the prior year. It is important to note that \$1.3 million of USDA Commodities was originally recorded as deferred revenue at the end of 2015-16 and, accordingly, was reflected as commodities revenue in the current year. Those commodities should have been recognized as revenue upon receipt in the 2015-16 fiscal year. In order to properly recognize commodities revenue in the current year, a prior period adjustment for \$1.3 million was posted.

THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, bond covenants, and segregation for particular purposes.

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

As the District completed the year, its governmental funds (as presented in the Balance Sheet on pages 28 - 29) reported combined fund balances of \$494.8 million, which is \$35.6 million less than last year's combined fund balances. Of the total amount, 38%, or \$188.6 million, is *unassigned fund balance* which is available for spending at the District's discretion. The remainder of fund balance is not available for new spending because it is classified as non-spendable, restricted, committed or assigned for the following items: Inventory and prepaid items (\$1.8 million); debt service (\$27.8 million); federal, state and local grants (\$737,936); capital acquisition and liquidation of contracts and purchase orders of the prior period (\$234.1 million); and special projects (\$41.9 million).

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$188.6 million, while the total fund balance was \$199.5 million. During fiscal year 2017, total fund balance of the General Fund decreased by \$5.3 million. Revenues increased by \$14.6 million, as detailed below:

- Higher tax collections were due to increased property values and strong collection trends, which resulted in an increase of \$16.7 million.
- Lower state aid revenue of \$2.9 million was due to lower student enrollment and the effect of higher property values in the state funding formulas, which were offset by an increase of \$2.0 million for funds received as a result of a property value appeal based on property values from the 2014 tax year.
- Higher investments revenue resulted in an increase of \$1.2 million.
- Lower miscellaneous revenues of \$3.4 million were largely due to a \$5.3 million refund that was received in the prior year when the Grand Prairie TIF closed, which was not repeated in the current year.
- Reimbursements from the SHARS program increased, resulting in an additional \$1.1 million in revenue.

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

General Fund expenditures increased over the prior year by \$38.1 million. The overall increase in expenditures was primarily due to \$13.8 million in salaries for the net effect of pay raises and new positions (4.66% increase for all auxiliary personnel, 2% increase for all other employees and 136 new positions, respectively). Additionally, contracted maintenance and repair costs increased \$1.2 million for technology maintenance contracts, vehicle repairs and increased maintenance on buildings and infrastructure. Miscellaneous contracted services also increased \$1.1 million primarily for the READ 180 literacy intervention program for struggling students, and for payments to the City of Arlington for temporary contracted fire watch and traffic control at two elementary campuses that opened at the beginning of the year. Other operating expenses increased by \$924,474 due to additional employee travel for professional learning and for additional amounts paid into the City of Arlington Tax Increment Financing District (TIF) based on higher property values on TIF properties. Finally, capital outlay increased by approximately \$17.4 million primarily due to three distinct projects that were funded entirely from surplus fund balance:

- The District purchased land for the purpose of building a new facility for fine arts and a new facility for athletics at a cost of \$9.4 million. These facilities will be constructed using bond proceeds from the District's 2014 bond program.
- The Board committed excess fund balance in 2015-16 to construct an addition at Sam Houston High School to accommodate the growing student enrollment at that site. During 2016-17, approximately \$9.3 million was spent for this purpose, with the remaining work to be completed in the subsequent fiscal year.
- The Board approved the use of \$464,496 to install net-zero environmental features for water reclamation, solar power, wind turbines and related controls at the District's new agricultural science center. The main facility was constructed using proceeds from the District's 2014 bond program, and will open during 2017-18.

The Natural Gas Special Revenue Fund has a total fund balance of \$30.4 million at year-end, all of which is committed for special projects. Fund balance increased \$942,250 over the previous year primarily due to natural gas royalties and interest earnings.

The Debt Service Fund has a total fund balance of \$27.8 million at year-end, all of which is restricted to service the District's outstanding debt. Fund balance increased by \$2.1 million from the previous year-end primarily as a result of the issuance of new bonds netted against payments for bond principal and interest. The District's overall debt administration is discussed in greater detail below.

The Capital Projects Fund ended the current fiscal year with a fund balance of \$236.6 million. Of this total, \$225.0 million is restricted to liquidate contracts and to pay for capital acquisitions of the prior period primarily for ongoing projects from the 2014 bond program (one small project for drainage repair at one location is budgeted as the last remaining project from the 2009 bond program). The remaining \$11.6 million is committed for future construction or to service general obligation debt. The Capital Projects fund balance decreased by \$33.4 million during the year, the net result of bond sales and project expenditures. Although capital expenditures reduce available fund balances, they create new assets for the District as reported in the Statement of Net Position and as discussed in Note IV.E. to the financial statements. The District's capital asset fund is discussed in more detail below.

Nonmajor Governmental Funds, which includes Special Revenue Funds other than the Natural Gas Fund, ended the year with a combined fund balance of \$737,936 an increase of \$127,791 over the previous year. The primary special revenue fund that traditionally carries a fund balance is the Instructional Materials Allotment fund that is used to record the allotment and activity for state approved textbooks for students. Various other special revenue funds may also carry a fund balance if the oversight entity allows unused funds from one year to be carried forward to future years.

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

Proprietary funds. As mentioned earlier, the District's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. Net position of the Enterprise Fund, which is used to account for the District's food service operation, was \$18.2 million at year-end. Of this total, \$7.1 million was restricted for federal and state programs at year-end. Net position increased by \$1.1 million over the year because charges for meals, combined with reimbursed meals costs from participation in the National School Lunch, School Breakfast, and Commodities programs, were higher than total operating costs for the year. It is important to note that \$1.3 million of USDA Commodities was recorded as deferred revenue at the end of 2015-16 and, accordingly, was originally reflected as commodities revenue in the current year. Those commodities should have been recognized as revenue upon receipt in the 2015-16 fiscal year. In order to properly recognize commodities revenue in the current year, a prior period adjustment for \$1.3 million was posted. The District's Food and Nutrition Services program is discussed in more detail in the *Business-Type Activities* discussion, above.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Board of Trustees revised the District's budget several times. Significant budget amendments affected the following areas:

- 1) An amendment for \$1.1 million made shortly after the beginning of the new fiscal year to re-appropriate campus budget allocations not spent at the end of the preceding year (referred to as "carryover funds").
- 2) An increase of \$9.3 million funded from surplus fund balance for the acquisition of real property in east Arlington for the future construction of District facilities.
- 3) A decrease of \$3,250,000 for construction of an addition at Sam Houston High School that will not be completed by June 30, 2017.
- 4) An increase of \$494,496 funded from surplus fund balance for the "net zero environmental features" of the agricultural science center. These features, including solar panels, a water reclamation system, wind turbines and associated controls, were not part of the original program scope, but were added to the project as instructional elements that can be utilized by students in grades K-12 throughout the District.
- 5) Changes made to revise estimates of revenues and expenditures based on the latest information on property valuations, student attendance, interest earnings, and operating costs. The following is a summary of the most significant amendments in this category:
 - a. \$5.0 million increase in property tax revenues due to higher-than-anticipated 2016 certified property values. Certified values are received on July 25th each year, after the annual budget is adopted in June. Estimates are used for the original budget.
 - b. \$350,000 increase in TIF revenue and an increase of \$526,000 in TIF expenditures due to higher-than-anticipated certified property values for the TIF.
 - c. \$500,000 decrease in state revenue to reflect decreases in average daily attendance.
 - d. \$1.0 million decrease in salary expense, including associated benefits, tutoring, and extra duty pay and substitutes, due to decreased student enrollment, staff vacancies, and analysis of actual expenditure trends.
- 6) An increase of \$377,000 in operating transfers out to the local construction fund for control optimization project.

ARLINGTON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS (continued)

The District’s General Fund fund balance of \$199.5 million reported on pages 28 - 29 differs from the final budgetary fund balance of \$170.2 million reported in the budgetary comparison statement on page 35. The difference is largely due to the net effect of favorable and unfavorable variances as explained below:

- **Property Taxes** - Ended the year with a net \$6.7 million favorable variance mainly because property values were higher than anticipated and collections remained strong during the fiscal year. Additionally, interest revenue was \$1.2 million higher than budgeted due to favorable economic conditions and healthy fund balance levels.
- **State Foundation Aid** - Higher than the final budget by \$3.7 million primarily due to higher than expected attendance by students in special populations and to receipt of prior year foundation payment of \$2.0 million.
- **Federal Program Revenues** – Ended the year with a favorable variance of \$2.6 million due to higher than anticipated reimbursements in the SHARS program.
- **Employee Compensation and Related Employment Benefits**- Ended the year with a \$6.0 million favorable variance primarily because of position vacancy patterns that occurred during the year.
- **Contracted services** - The total favorable variance for contracted services was \$2.3 million primarily because utility expenditures were lower due to mild winter weather conditions and successful efforts to reduce consumption.
- **Supplies and Materials** - \$2.4 million less than the final budget. In this expenditure category are campus allotments (budgeted mainly in general supplies) that had a year-end balance of \$1.1 million that will be re-appropriated in the 2017-18 fiscal year, and \$.7 million in unused carryover funds from previous years.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2017, the District had \$639.5 million invested (net of accumulated depreciation) in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, maintenance, and food service (see Table V below).

Table V
CAPITAL ASSETS
(Net of depreciation, In thousands)

	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Land	\$ 78,257	\$ 68,367	\$ 401	\$ 401	\$ 78,658	\$ 68,768
Buildings and improvements	387,931	374,757	2,468	2,562	390,399	377,319
Furniture and equipment	31,808	31,489	8,178	7,538	39,986	39,027
Construction in progress	130,453	88,414			130,453	88,414
Total	\$ 628,449	\$ 563,027	\$ 11,047	\$ 10,501	\$ 639,496	\$ 573,528

In November 2009, AISD voters approved a \$197.5 million bond package to pay for new construction, building maintenance, buses, fine arts instruments and uniforms, and technology equipment. The District has issued 100% of the bonds for the 2009 authorization and has completed all but one project that was purposefully held to complete in conjunction with a project that is part of the 2014 Bond Program, described below. The 2016-17 Capital Projects Fund budget included \$5.3 million from the 2009 bond authorization, including \$250,000 for drainage repair at Webb Elementary School and \$5.1 million of surplus bond funds

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

for renovations at Sam Houston High School. The funds for Sam Houston High School renovations were expended during 2016-17, leaving only the drainage repair project at Webb Elementary School which will be completed during 2017-18.

In May 2014, Arlington voters approved a \$663.1 million bond package. Proceeds from the bond issue will be used to build new facilities, upgrade and renovate existing facilities, address safety and security districtwide, upgrade technology infrastructure and equipment, provide fine arts equipment, and purchase transportation and white fleet service vehicles. This bond program is planned as a five-year program. The first sale of bonds for the 2014 bond program was ordered by the Board of Trustees on June 26, 2014, and allowed the sale of \$176,320,000 of the voted authorization. The second sale of bonds was ordered by the Board of Trustees on June 25, 2015, and allowed for the sale of general obligation bonds using \$233,255,000 of the voted authorization. On June 23, 2016, the Board of Trustees ordered the third sale of bonds, allowing for the sale of general obligation bonds using \$126,038,000 of the voted authorization. The fourth sale of bonds was ordered by the Board of Trustees on June 8, 2017, and allowed for the sale of general obligation bonds using \$91,594,000 of the voted authorization. During the year approximately \$158.2 million was spent on projects related to the 2014 bond program. Additional information regarding the bond package, including a bond overview, project summaries, project schedules, and the Citizens' Bond Oversight Committee may be found at the AISD Bond webpage, www.aisd.net/bond. The following 2014 bond projects were budgeted during the 2016-17 fiscal year:

Activity centers at the six traditional high schools	\$ 23,839,669
Districtwide career and technology center/Ag Science Center	43,068,606
Districtwide Fine Arts Center/Land	34,500,000
Districtwide Athletic Complex/Land	5,000,000
New elementary campuses	17,701,785
Dual language/fine arts academies	17,653,056
Special education alternative curriculum centers	6,325,715
Condition deficiency/Life cycle replacements	213,657,740
Technology	20,982,107
Fine Arts	3,829,780
Purchase of new buses/white fleet for transportation	3,676,129

In addition to the bond projects, this year's major capital additions funded through other sources cost \$20.5 million and included:

From Local Construction Fund:	
Condition deficiency work at the Enterprise Centre	\$ 1,298,660
From General Fund:	
Land Purchase for new facilities	9,401,234
Renovation/addition at Sam Houston High School	9,345,706
Net-zero environmental features for water reclamation/solar power/ Wind turbines at the District's new agricultural science center	464,496

Other maintenance projects and additional construction needs beyond those items included in the 2009 and the 2014 bond packages may be identified during the 2018 year. These additional needs will be considered on a case-by-case basis. If necessary, Construction Fund fund balance could be used to pay for identified projects, in which case the Construction Fund budget would be amended during the year to appropriate fund balance for these purposes. More detailed information about the District's capital assets is presented in Note IV.E. to the financial statements.

ARLINGTON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS (continued)

Debt

At year-end, the District had total debt outstanding of \$836.6 million versus \$764.7 million last year – an increase of 9.4% (see Table VI.) The increase is the net result of scheduled debt retirements and the issuance of new bonds. As discussed above, AISD voters approved a \$197.5 million bond package in November 2009, and 100% of that authorization has been issued. The voters also approved a \$663.1 million bond package in May 2014. As of June 30, 2017, \$127.5 million of the authorized bonds remained unissued. However, the Board of Trustees ordered the fourth sale of bonds for the 2014 bond program on June 8, 2017. The order allowed for the sale of general obligation bonds using \$91,594,000 of the voted authorization with the sale closing in July, 2017.

Table VI
OUTSTANDING DEBT
(In thousands)

	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Bonds Payable	\$ 761,892	\$ 707,493	\$	\$	\$ 761,892	\$ 707,493
Bond Premiums	68,184	50,087			68,184	50,087
Accrued interest	2,131	1,436			2,131	1,436
Accrued Service Benefits	259	315			259	315
Notes Payable	4,103	5,360			4,103	5,360
	<u>\$ 836,569</u>	<u>\$ 764,691</u>	<u>\$</u>	<u>\$</u>	<u>\$ 836,569</u>	<u>\$ 764,691</u>

Moody’s Investor Service, Inc. rates the District’s general obligation bonds Aa1. Standard and Poor’s assigned the District a credit rating of AA. Bonds with these ratings are judged to be of very high quality by all standards.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed property valuation. The current debt limitation for the District is \$2,296,113,181, which significantly exceeds the District’s outstanding general obligation debt.

Other obligations include accrued service benefits, a note payable and rebatable arbitrage. More detailed information about the District’s long-term liabilities is presented in Note IV.F. to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES

The District’s elected and appointed officials considered many factors when setting the 2017-18 general operating budget and tax rate. Three main issues influenced the 2017-18 budget development – the District’s Strategic Plan, adopted budget parameters and fund balance. Each of these issues is discussed in detail below.

- 1) **Strategic Plan:** The Board of Trustees adopted the 2016-2021 *Achieve Today. Excel Tomorrow* which is a continuation of the 2012-2015 plan with an increased focus on student success. The Strategic Plan has been instrumental in the budget development process since the inception of the plan. All budget and personnel requests were examined in relationship to their necessity in helping the District achieve the mission of the Strategic Plan, which is to empower and engage all students to be contributing, responsible citizens striving for their maximum potential through relevant, innovative and rigorous learning experiences. In order to achieve the District’s vision to be a premier school district and a leader in education, the budget is focused on the following performance objective categories:

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

- a. Academic achievement
- b. College readiness
- c. Workforce readiness
- d. Leadership, citizenship and responsibility

More detailed information concerning the District's *Achieve Today. Excel Tomorrow.* strategic plan may be found on the District's website (www.aisd.net).

- 2) **Budget Parameters:** The Board of Trustees adopted Budget Parameters to set forth the Board's expectations for future budgets and to create a framework for annually developing a budget. These budget parameters include expectations for a balanced budget, budget allocations staffing formulas, and employee compensation. The Budget Parameters were adopted into Board Policy CE(LOCAL).
- a. The Board recognizes the need to target resources into programming that supports achievement growth for all schools, including supplemental resources for schools facing specific additional instructional needs.
 - b. The Board seeks to maintain competitive compensation levels in an effort to recruit and retain a highly qualified workforce and shall consider adjustments necessary for the District to be competitive in this area.
 - c. Staffing ratios shall meet or exceed state standards and shall be approved by the Board before the staffing process begins.
 - d. The Board recognizes its fiduciary responsibility to adopt a balanced budget, but recognizes that some limited use of fund balance may be appropriate for non-recurring expenditures or to sustain services.
 - e. If projected expenditures exceed projected revenue and budget reductions become necessary, the District will first seek budget reductions with the least impact on classrooms.
- 3) **Fund Balance:** The District strives to maintain a fund balance that will provide a sufficient source of funds for operations during periods when the cash flow does not. Property taxes, the District's primary revenue source, are collected mainly in December and January of each fiscal year while state funds flow in the fall and in August. Expenditures occur at a fairly even pace over the twelve months of the fiscal year. When financial statements are prepared for the period ending June 30, fund balance should be close to the calculated amount necessary to fund the expenditures that will occur between the following July through December, when tax collections begin to flow in. Maintaining a sufficient fund balance allows the District to avoid the interest expense on money borrowed to meet cash flow needs. Credit rating agencies consider a district's fund balance to be adequate if it exceeds two months of operating expenditures, and they will take into account all resources available for general operations, including those in Special Revenue Funds.

The 2017-18 General Fund budget has a deficit of \$29,428,169. This deficit is due largely to the strategic one-time use of \$17,100,000 of surplus fund balance to construct an addition at Sam Houston High School. The Board committed surplus fund balance for this use on November 5, 2015. Construction began during the 2016-2017 fiscal year and will continue into spring 2018. \$10,447,520 of the original appropriation is budgeted in 2017-2018 for its completion. Additionally, Turning Point Junior High School and High School are now consolidated, and the Board has approved \$300,000 of surplus fund balance for kitchen renovations at the newly consolidated Turning Point. Without these one-time expenditures, the operating budget would have a deficit of \$18,680,649. The Board and administration recognize this budget deficit and have already begun evaluating strategies to reduce expenditures in future years while still supporting the goals and objectives of the strategic plan. Fund balance at June 30, 2018 is projected to be \$164,754,574. This budget enables Arlington ISD to maintain a healthy total fund balance of 3.75

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

months of operating reserve for the fiscal year beginning July 1, 2018. This healthy fund balance provides stability given the uncertainty of future revenues and expenditures.

A summary of the 2017-18 General Operating budget is presented in Table VII below.

Table VII
Arlington Independent School District
Summary of General Operating Fund Budget

Fund	2017-2018 Original Budget	2016-2017 Original Budget	Change From 2015-16
Revenues & Other Resources	\$ 497,836,694	\$ 497,219,744	\$ 616,950
Expenditures & Other Uses	527,264,863	528,954,280	(1,689,417)
Budgeted Surplus/(Deficit)	(29,428,169)	(31,734,536)	2,306,367
Beginning Fund Balance	194,182,743*	204,724,888	(10,542,145)
Ending Fund Balance	\$ 164,754,574*	\$ 172,990,352	\$ (8,235,778)

* Projected as of date the 2016-17 budget was adopted

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, please contact the Finance Department at Arlington Independent School District, 1203 W. Pioneer Parkway, Arlington, Texas, 76013.

BASIC FINANCIAL STATEMENTS



Arlington

INDEPENDENT SCHOOL DISTRICT

More Than a Remarkable Education

ARLINGTON INDEPENDENT SCHOOL DISTRICT

Exhibit A-1

STATEMENT OF NET POSITION

June 30, 2017

Data Control Codes	Governmental Activities	Business-type Activities	Total	
Assets				
1110	Cash and cash equivalents	\$ 536,027,803	\$ 9,479,091	\$ 545,506,894
1225	Property taxes receivables, net	8,046,764		8,046,764
1240	Due from other governments	72,130,062		72,130,062
1260	Internal balances	(1,289,483)	1,289,483	
1290	Other receivables, net	921,299	1,491	922,790
1300	Inventories	1,363,668	2,955,932	4,319,600
1410	Prepaid items	452,906		452,906
Capital assets not subject to depreciation:				
1510	Land	78,257,243	401,223	78,658,466
1580	Construction in progress	130,453,400		130,453,400
Capital assets net of depreciation:				
1520	Buildings and improvements, net	387,931,252	2,467,457	390,398,709
1530	Furniture and equipment, net	31,807,375	8,176,518	39,983,893
1000	Total Assets	1,246,102,289	24,771,195	1,270,873,484
Deferred Outflows of Resources				
1700	Deferred charge on refunding	12,668,378		12,668,378
1705	Deferred outflows - pension	67,393,465	4,300,715	71,694,180
	Total Deferred Outflows of Resources	80,061,843	4,300,715	84,362,558
Liabilities				
2110	Accounts payable	47,065,571	476,503	47,542,074
2140	Interest payable	11,028,614		11,028,614
2150	Payroll deductions and withholdings	7,855,033		7,855,033
2160	Accrued wages payable	54,599,877	70,167	54,670,044
2200	Accrued expenses	5,804,172		5,804,172
2300	Unearned revenue	442,384		442,384
Noncurrent Liabilities:				
2501	Due within one year	48,935,714		48,935,714
2502	Due in more than one year	787,631,920		787,631,920
2540	Net pension liability	139,773,155	8,923,226	148,696,381
2000	Total Liabilities	1,103,136,440	9,469,896	1,112,606,336
Deferred Inflows of Resources				
2605	Deferred inflows - pension	23,159,563	1,477,922	24,637,485
	Total Deferred Inflows of Resources	23,159,563	1,477,922	24,637,485
Net Position				
3200	Net investment in capital assets	31,929,478	11,045,198	42,974,676
Restricted for:				
3820	Federal and state programs	737,936	7,078,894	7,816,830
3850	Debt service	18,173,383		18,173,383
3900	Unrestricted	149,027,332		149,027,332
3000	Total Net Position	\$ 199,868,129	\$ 18,124,092	\$ 217,992,221

See Notes to the Basic Financial Statements

ARLINGTON INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2017

Data Control Codes	Functions/Programs	Expenses	Program Revenue		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
	Governmental activities:				
11	Instruction	\$ 376,229,465	\$ 728,288	\$ 43,474,515	\$
12	Instructional resources and media services	7,243,900		809,353	
13	Curriculum and staff development	13,947,095		6,614,558	
21	Instructional leadership	11,444,870	11,283	3,070,977	
23	School leadership	32,501,719		2,301,585	
31	Guidance, counseling, and evaluation services	30,557,058		3,027,718	
32	Social work services	3,243,077		1,310,620	
33	Health services	6,429,062		433,927	
34	Student transportation	13,381,080	56,029	603,785	
35	Food service	421,005		700,542	
36	Extracurricular activities	10,843,567	1,484,668	338,976	
41	General administration	9,290,805		409,390	
51	Plant, maintenance and operations	120,283,327	3,456,014	1,576,303	
52	Security and monitoring services	8,737,173		414,957	
53	Data processing services	12,241,900	10,720	2,216,510	
61	Community services	2,729,040	121,529	336,460	
72	Interest on long-term debt	27,958,981			
81	Facilities repairs and maintenance	4,892,556			
95	Payments to Juvenile Justice Alternative Education Programs	77,478			
97	Payments to Tax Increment Fund	1,677,277			
99	Intergovernmental charges	1,997,237			
TG	Total governmental activities	<u>696,127,672</u>	<u>5,868,531</u>	<u>67,640,176</u>	
	Business-type activities				
35	National School Breakfast and Lunch	33,527,597	6,124,630	27,528,703	843,665
TB	Total business-type activities	<u>33,527,597</u>	<u>6,124,630</u>	<u>27,528,703</u>	<u>843,665</u>
TP	Total primary government	<u>\$ 729,655,269</u>	<u>\$ 11,993,161</u>	<u>\$ 95,168,879</u>	<u>\$ 843,665</u>

Data Control Codes	General revenues
	Taxes:
MT	Property taxes, levied for general purposes
DT	Property taxes, levied for debt service
SF	State-aid formula grants not restricted
GC	Grants and contributions not restricted
IE	Investment earnings
MI	Miscellaneous
FR	Transfers
TR	Total general revenues and transfers
CN	Change in net position
NB	Net position - beginning
PA	Prior period adjustments
NE	Net position - ending

See Notes to the Basic Financial Statements

Exhibit B-1

Net (Expense) Revenue and Changes in Net Position

Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (332,026,662)	\$	\$ (332,026,662)
(6,434,547)		(6,434,547)
(7,332,537)		(7,332,537)
(8,362,610)		(8,362,610)
(30,200,134)		(30,200,134)
(27,529,340)		(27,529,340)
(1,932,457)		(1,932,457)
(5,995,135)		(5,995,135)
(12,721,266)		(12,721,266)
279,537		279,537
(9,019,923)		(9,019,923)
(8,881,415)		(8,881,415)
(115,251,010)		(115,251,010)
(8,322,216)		(8,322,216)
(10,014,670)		(10,014,670)
(2,271,051)		(2,271,051)
(27,958,981)		(27,958,981)
(4,892,556)		(4,892,556)
(77,478)		(77,478)
(1,677,277)		(1,677,277)
(1,997,237)		(1,997,237)
<u>(622,618,965)</u>		<u>(622,618,965)</u>
	969,401	969,401
	969,401	969,401
<u>(622,618,965)</u>	<u>969,401</u>	<u>(621,649,564)</u>

237,332,902		237,332,902
80,319,360		80,319,360
236,250,430		236,250,430
11,276,867		11,276,867
5,238,265	61,586	5,299,851
1,375,808		1,375,808
(93,020)	93,020	
<u>571,700,612</u>	<u>154,606</u>	<u>571,855,218</u>
(50,918,353)	1,124,007	(49,794,346)
250,786,482	15,710,617	266,497,099
	1,289,468	1,289,468
<u>\$ 199,868,129</u>	<u>\$ 18,124,092</u>	<u>\$ 217,992,221</u>

ARLINGTON INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2017

Data Control Codes	General Fund	Debt Service Fund	Capital Projects Fund	Natural Gas Special Revenue Fund
Assets				
1110 Cash and cash equivalents	\$ 207,978,824	\$ 21,886,381	\$ 119,589,575	\$ 30,263,131
1120 Current investments			151,120,730	
Receivables:				
1210 Property taxes receivable - current	3,131,898			
1220 Property taxes receivable - delinquent	11,385,484	3,572,666		
1230 Allowance for uncollectible taxes (credit)	(8,409,255)	(1,634,029)		
1240 Receivables from other governments	62,029,478			
1260 Due from other funds	4,485,251	5,376,979	458,819	58,624
1290 Other receivables	761,373		44,701	55,159
1300 Inventories, at cost	1,363,668			
1410 Prepaid items	438,073			
1000 Total Assets	\$ 283,164,794	\$ 29,201,997	\$ 271,213,825	\$ 30,376,914
Liabilities				
2110 Accounts payable	\$ 11,804,165	\$	\$ 34,662,449	\$
2150 Payroll deduction and withholdings	7,855,033			
2160 Accrued wages payable	52,014,290			
2170 Due to other funds	5,727,568			
2200 Accrued expenditures	1,718,658			
2300 Unearned revenue - other	141,531			
2000 Total Liabilities	79,261,245		34,662,449	
Deferred Inflows of Resources				
2600 Unavailable revenue - property taxes	4,450,314	1,404,402		
Total Deferred Inflows of Resources	4,450,314	1,404,402		
Fund Balances:				
Non-Spendable:				
3410 Inventories	1,363,668			
3430 Prepaid items	438,073			
Restricted:				
3450 Federal/State funds grant restrictions				
3470 Capital acquisitions and contractual oblig.			224,989,653	
3480 Retirement of long-term debt		27,797,595		
Committed:				
3510 Construction	7,754,294			
3545 Other committed			11,561,723	30,376,914
Assigned:				
3590 Other purposes	1,335,076			
3600 Unassigned	188,562,124			
3000 Total fund balances	199,453,235	27,797,595	236,551,376	30,376,914
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 283,164,794	\$ 29,201,997	\$ 271,213,825	\$ 30,376,914

See Notes to the Basic Financial Statements.

Exhibit C-1

Total Nonmajor Governmental Funds	Total Governmental Funds
\$ 24,405	\$ 379,742,316
	151,120,730
	3,131,898
	14,958,150
	(10,043,284)
10,100,584	72,130,062
2,548,263	12,927,936
60,066	921,299
	1,363,668
	438,073
<u>\$ 12,733,318</u>	<u>\$ 626,690,848</u>
\$ 423,979	\$ 46,890,593
	7,855,033
2,585,587	54,599,877
8,684,963	14,412,531
	1,718,658
300,853	442,384
<u>11,995,382</u>	<u>125,919,076</u>
	5,854,716
	<u>5,854,716</u>
	1,363,668
	438,073
737,936	737,936
	224,989,653
	27,797,595
	7,754,294
	41,938,637
	1,335,076
	188,562,124
<u>737,936</u>	<u>494,917,056</u>
<u>\$ 12,733,318</u>	<u>\$ 626,690,848</u>



Arlington

INDEPENDENT SCHOOL DISTRICT

More Than a Remarkable Education

ARLINGTON INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF BALANCE SHEET FOR GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET POSITION
June 30, 2017

Exhibit C-2

<u>Data Control Codes</u>		
	Total fund balance, governmental funds (from C-1)	\$ 494,917,056
	Amounts reported for governmental activities in the statement of net position (A-1) are different because:	
1	Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets at historical cost, net of accumulated depreciation are reported in the governmental activities of the Statement of Net Position	628,449,270
2	Property taxes receivable have been levied and are due this year, but are not available soon enough to pay for the current period's expenditures, these property taxes (net of allowance for uncollectible accounts) are deferred in the fund financial statements.	5,854,716
3	Long-term liabilities, including bonds payable and net pension liability, are not due and payable in the current period, and therefore are not reported as liabilities in the funds.	(974,701,025)
4	Deferred inflows of resources and deferred outflow of resources related to pensions	44,233,902
5	Addition of Internal Service Fund net position.	<u>1,114,210</u>
19	Net position of governmental activities	<u><u>\$ 199,868,129</u></u>

See Notes to the Basic Financial Statements.

ARLINGTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

Data Control Codes		General Fund	Debt Service Fund	Capital Projects Fund
Revenues				
5700	Local and intermediate sources	\$ 247,197,617	\$ 80,791,428	\$ 3,129,081
5800	State program revenues	260,124,383	2,779,630	
5900	Federal program revenues	8,024,024	587,138	
5020	Total revenues	<u>515,346,024</u>	<u>84,158,196</u>	<u>3,129,081</u>
Expenditures				
Current:				
0011	Instruction	315,368,232		10,556,394
0012	Instruction resources and media services	6,293,340		
0013	Curriculum and staff development	6,990,690		1,932
0021	Instructional leadership	8,035,317		
0023	School leadership	29,572,620		
0031	Guidance, counseling and evaluation services	26,916,277		
0032	Social work services	1,818,207		
0033	Health services	5,887,759		
0034	Student transportation	12,502,113		1,622,737
0035	Food services			
0036	Extracurricular activities	9,902,329		538,193
0041	General administration	8,643,058		22,620
0051	Facilities maintenance and operations	46,375,916		71,934,999
0052	Security and monitoring services	7,844,694		312,062
0053	Data processing services	9,297,839		3,536,006
0061	Community services	410,049		
Debt service:				
0071	Principal on long-term debt	1,258,305	52,066,714	
0072	Interest on long-term debt	150,008	28,251,725	
0073	Bond issuance costs and fees		589,948	870,482
Capital outlay:				
0081	Facilities acquisition and construction	19,213,475		74,438,925
Intergovernmental:				
0095	Payments to juvenile justice alt. ed. prgm.	77,478		
0097	Payments to tax increment fund	1,677,277		
0099	Other intergovernmental charges	1,997,237		
6030	Total Expenditures	<u>520,232,220</u>	<u>80,908,387</u>	<u>163,834,350</u>
1100	Excess (deficiency) of revenues over expenditures	<u>(4,886,196)</u>	<u>3,249,809</u>	<u>(160,705,269)</u>
Other Financing Sources (Uses)				
7911	Issuance of bonds		67,561,368	109,420,000
7915	Transfers in			377,000
7916	Premium or discount on issuance of bonds		9,693,397	17,490,482
8911	Transfers out	(385,457)		
8949	Payment to Bond Refunding Escrow Agent		(78,429,994)	
7080	Total other financing sources and uses	<u>(385,457)</u>	<u>(1,175,229)</u>	<u>127,287,482</u>
1200	Net change in fund balances	(5,271,653)	2,074,580	(33,417,787)
0100	Fund Balance - July 1 (Beginning)	<u>204,724,888</u>	<u>25,723,015</u>	<u>269,969,163</u>
3000	Fund Balance - June 30 (Ending)	<u>\$ 199,453,235</u>	<u>\$ 27,797,595</u>	<u>\$ 236,551,376</u>

See Notes to the Basic Financial Statements.

Exhibit C-3

Natural Gas Special Revenue Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
\$ 951,319	\$ 196,025	\$ 332,265,470
	3,068,514	265,972,527
	35,124,602	43,735,764
<u>951,319</u>	<u>38,389,141</u>	<u>641,973,761</u>
	23,137,227	349,061,853
	439,313	6,732,653
	6,348,153	13,340,775
	2,597,433	10,632,750
	358,032	29,930,652
	1,386,383	28,302,660
	1,209,760	3,027,967
	50,427	5,938,186
	14,209	14,139,059
	419,998	419,998
	11,777	10,452,299
9,069		8,674,747
	1,595	118,312,510
		8,156,756
		12,833,845
	2,194,023	2,604,072
		53,325,019
		28,401,733
		1,460,430
		93,652,400
		77,478
		1,677,277
		1,997,237
<u>9,069</u>	<u>38,168,330</u>	<u>803,152,356</u>
<u>942,250</u>	<u>220,811</u>	<u>(161,178,595)</u>
		176,981,368
		377,000
		27,183,879
	(93,020)	(478,477)
		(78,429,994)
	<u>(93,020)</u>	<u>125,633,776</u>
942,250	127,791	(35,544,819)
<u>29,434,664</u>	<u>610,145</u>	<u>530,461,875</u>
<u>\$ 30,376,914</u>	<u>\$ 737,936</u>	<u>\$ 494,917,056</u>

ARLINGTON INDEPENDENT SCHOOL DISTRICT*Exhibit C-4***RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES***For the Year Ended June 30, 2017***Data
Control
Codes**

	Net change in fund balances - total governmental funds (from C-3)	\$ (35,544,819)
	Amounts reported for governmental activities in the statement of activities (B-1) are different because:	
	Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
1	Governmental funds capital outlays	93,545,497
2	Governmental activities depreciation expense	(27,280,228)
3	Capital contributions from the governmental activities to business-type activities are not reported in the governmental fund financial statements	(843,665)
4	Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(1,131,612)
5	The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(72,410,233)
6	Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds.	(19,672,592)
7	Pension contributions made during the current fiscal year are reported as expenditures in the governmental funds and are reported as deferred outflows and reductions in net pension liability as opposed to expenses in the statement of activity.	12,300,951
8	Internal service funds are used by management to charge the costs of printing and risk management, to individual funds. The net revenue (expense) of the internal service funds is reported as governmental activities. (See D-2)	118,348
	Change in net position of governmental activities (see B-1)	\$ (50,918,353)

See Notes to the Basic Financial Statements.

ARLINGTON INDEPENDENT SCHOOL DISTRICT

Exhibit C-5

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
ORIGINAL BUDGET, AMENDED FINAL (GAAP BASIS) AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2017**

Data Control Codes		Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget
		Original	Final		
Revenues					
5700	Local revenues	\$ 234,875,453	\$ 240,503,247	\$ 247,197,617	\$ 6,694,370
5800	State program revenues	256,879,291	256,379,291	260,124,383	3,745,092
5900	Federal program revenues	5,465,000	5,465,000	8,024,024	2,559,024
5000	Total revenues	497,219,744	502,347,538	515,346,024	12,998,486
Expenditures					
Current:					
0011	Instruction	325,620,751	321,316,546	315,368,232	5,948,314
0012	Instructional resources and media services	6,197,117	6,610,153	6,293,340	316,813
0013	Curriculum and staff development	6,482,359	7,783,404	6,990,690	792,714
0021	Instructional leadership	8,847,237	8,483,880	8,035,317	448,563
0023	School leadership	30,390,401	30,178,963	29,572,620	606,343
0031	Guidance, counseling and evaluation services	27,869,893	27,840,329	26,916,277	924,052
0032	Social work services	1,807,322	2,079,871	1,818,207	261,664
0033	Health services	5,948,470	6,156,670	5,887,759	268,911
0034	Student transportation	12,190,496	12,662,562	12,502,113	160,449
0036	Extracurricular activities	9,799,156	10,279,761	9,902,329	377,432
0041	General administration	8,722,387	9,115,300	8,643,058	472,242
0051	Facilities maintenance and operations	45,852,352	46,525,264	46,375,916	149,348
0052	Security and monitoring services	7,264,263	7,860,123	7,844,694	15,429
0053	Data processing services	9,736,227	9,768,739	9,297,839	470,900
0061	Community services	393,035	532,382	410,049	122,333
Debt Service:					
0071	Principal on long-term debt	1,258,306	1,308,306	1,258,305	50,001
0072	Interest on long-term debt	150,008	150,008	150,008	
Capital Outlay:					
0081	Facilities acquisition and construction	17,100,000	23,855,067	19,213,475	4,641,592
Intergovernmental:					
0095	Payments to Juvenile Justice Alt. Ed. Prgm.	90,000	175,000	77,478	97,522
0097	Payments to tax increment fund	1,151,315	1,677,315	1,677,277	38
0099	Other governmental charges	2,083,185	2,083,185	1,997,237	85,948
6030	Total Expenditures	528,954,280	536,442,828	520,232,220	16,210,608
1100	Excess (deficiency) of revenues over expenditures	(31,734,536)	(34,095,290)	(4,886,196)	29,209,094
Other Financing Sources (Uses):					
8911	Transfers out		(377,000)	(385,457)	(8,457)
7080	Total other financing sources (uses)		(377,000)	(385,457)	(8,457)
1200	Net change in fund balances	(31,734,536)	(34,472,290)	(5,271,653)	29,200,637
0100	Fund balances - beginning	204,724,888	204,724,888	204,724,888	
3000	Fund balances - ending	\$ 172,990,352	\$ 170,252,598	\$ 199,453,235	\$ 29,200,637

See Notes to the Basic Financial Statements.

ARLINGTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2017

Exhibit D-1

	<u>Enterprise Fund</u>	<u>Internal Service Funds</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 9,479,091	\$ 5,164,757
Receivables:		
Due from other funds	1,386,872	146,313
Other receivables	1,491	
Inventories, at cost	2,955,932	
Prepaid items		14,833
Total current assets	<u>13,823,386</u>	<u>5,325,903</u>
Capital assets:		
Land	401,223	
Building and improvements	4,063,919	
Furniture and equipment	16,372,531	
Accumulated depreciation	<u>(9,792,475)</u>	
Total non-current assets	<u>11,045,198</u>	
Total Assets	<u>24,868,584</u>	<u>5,325,903</u>
Deferred Outflows of Resources		
Deferred outflows - pension	<u>4,300,715</u>	
Total Deferred Outflows of Resources	<u>4,300,715</u>	
Liabilities		
Current Liabilities:		
Accounts payable	476,505	174,976
Accrued wages payable	70,167	
Due to other funds	19,474	29,116
Accrued expenses		4,085,514
Total current liabilities	<u>566,146</u>	<u>4,289,606</u>
Non-current liabilities:		
Net pension liability	<u>8,923,226</u>	
Total non-current liabilities	<u>8,923,226</u>	
Total Liabilities	<u>9,489,372</u>	<u>4,289,606</u>
Deferred Inflows of Resources		
Deferred inflows - pension	<u>1,477,922</u>	
Total Deferred Inflows of Resources	<u>1,477,922</u>	
Net Position		
Net investment in capital assets	11,045,198	
Restricted for food service	7,156,807	
Unrestricted		1,036,297
Total Net Position	<u>\$ 18,202,005</u>	<u>\$ 1,036,297</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	<u>\$ (77,913)</u>	
Net position of business-type activities	<u>\$ 18,124,092</u>	

See Notes to the Basic Financial Statements.

ARLINGTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2017

Exhibit D-2

	<u>Enterprise Fund</u>	<u>Internal Service Funds</u>
Operating Revenues		
Charges for Services	\$ 5,939,667	\$ 2,219,175
State Program Revenues	184,963	
Total Operating Revenues	<u>6,124,630</u>	<u>2,219,175</u>
Operating Expenses		
Payroll costs	13,498,411	
Purchased and contracted services	2,347,201	200,559
Supplies and materials	15,970,406	154,727
Other operating costs	148,662	
Claims expense and other operating expenses		1,786,198
Depreciation	1,550,455	
Total Operating Expenses	<u>33,515,135</u>	<u>2,141,484</u>
Operating Income (Loss)	<u>(27,390,505)</u>	<u>77,691</u>
Non-Operating Revenues (Expenses)		
Investment earnings	58,772	43,471
National School Breakfast Program	5,937,216	
National School Lunch Program	19,157,173	
Donated Commodities	2,358,324	
CACFP Supper Program	75,990	
Loss on disposal of property	(12,462)	
Total Nonoperating Revenues (Expenses)	<u>27,575,013</u>	<u>43,471</u>
Income (Loss) before Transfers and Capital Contributions	184,508	121,162
Capital contributions	843,665	
Transfers in	<u>93,020</u>	<u>8,457</u>
Change in Net Position	1,121,193	129,619
Net Position - July 1 (Beginning)	15,791,344	
Prior period adjustments	1,289,468	
Net Position - June 30 (Ending)	<u>\$ 18,202,005</u>	<u>\$ 1,036,297</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	<u>\$ 2,814</u>	
Change in net position of business-type activities on Exhibit B-1	<u>\$ 1,124,007</u>	

See Notes to the Basic Financial Statements.

ARLINGTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For The Year Ended June 30, 2017

Exhibit D-3

	Enterprise Fund	Governmental Activities - Internal Service Funds
Cash Flows from Operating Activities:		
Cash received from customers	\$ 5,940,944	\$ 2,171,703
Cash received from outside sources	184,963	
Cash payments for insurance claims		(1,488,716)
Cash payments to suppliers for goods and services	(17,670,281)	(196,348)
Cash payments to employees	(12,195,057)	(200,559)
Net Cash Provided by (Used for) Operating Activities	<u>(23,739,431)</u>	<u>286,080</u>
Cash Flows from Non-Capital Financing Activities:		
Advances from other funds	93,020	
Federal and state assistance - Food service and related	23,624,254	
Net Cash Provided by Non-Capital Financing Activities	<u>23,717,274</u>	
Cash Flows from Capital and Related Financing Activities:		
Capital contributions	843,665	
Acquisition of capital assets	(1,264,270)	
Net Cash (Used for) Capital and Related Financing Activities	<u>(420,605)</u>	
Cash Flows from Investing Activities:		
Interest on investments	58,772	43,471
Net Cash Provided by (Used for) Investing Activities	<u>58,772</u>	<u>43,471</u>
Net Change in Cash and Cash Equivalents	(383,990)	329,551
Cash and Cash Equivalents at Beginning of Year	9,863,081	4,835,206
Cash and Cash Equivalents at End of Year	<u>\$ 9,479,091</u>	<u>\$ 5,164,757</u>
Reconciliation to Balance Sheet		
Cash and Cash Equivalents Per Cash Flow	<u>\$ 9,479,091</u>	<u>\$ 5,164,757</u>
Cash and Cash Equivalents per Balance Sheet	<u>\$ 9,479,091</u>	<u>\$ 5,164,757</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating (Loss)	\$ (27,390,505)	\$ 77,691
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	1,550,455	
Donated Commodities	2,358,324	
Change in Assets, Liabilities, Deferred Inflows and Outflows:		
(Increase) decrease in Receivables	1,277	
(Increase) decrease in Interfund Receivables	(1,177,374)	47,472
(Increase) decrease in Deferred Outflows - Pensions	(3,378,619)	
(Increase) decrease in Inventories	(337,980)	
(Increase) decrease in Prepaid Items		267,819
Increase (decrease) in Deferred Inflows - Pension	137,357	
Increase (decrease) in Accounts Payable	(66,456)	(18,405)
Increase (decrease) in Accrued Wages Payable	3,709	
Increase (decrease) in Interfund Payables	19,474	(88,497)
Increase (decrease) in Net Pension Liability	4,540,907	
Net Cash Provided by (Used for) Operating Activities	<u>\$ (23,739,431)</u>	<u>\$ 286,080</u>
Supplemental information:		
Non-cash transaction - Donated commodities received	\$ 2,358,324	\$
Total non-cash transactions	<u>\$ 2,358,324</u>	<u>\$</u>

See Notes to the Basic Financial Statements.

ARLINGTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
June 30, 2017

Exhibit E-1

Assets

Cash and cash equivalents	\$ 4,823,710
Total Assets	\$ 4,823,710

Liabilities

Accounts payable	\$ 108,993
Due to student groups	4,714,717
Total Liabilities	\$ 4,823,710

See Notes to the Basic Financial Statements.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Arlington Independent School District (“District”) is an independent public educational agency operating under applicable laws and regulations of the State of Texas. The District is autonomously governed by a seven-member Board of Trustees elected by the District's residents.

The District prepares its basic financial statements in conformity with U.S. generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in Statement on Auditing Standards No. 69, as amended by Statement on Auditing Standards No.'s 91 and 93 of the American Institute of Certified Public Accountants; and it complies with the most recent requirements of the Texas Education Agency's Financial Accountability System Resource Guide (the "Resource Guide" or FASRG) and the requirements of contracts and grants of agencies from which it receives funds.

The following is a summary of the most significant accounting policies.

A. Reporting Entity

The Board of Trustees (“Board”), a seven member group, has governance responsibilities over all activities related to public elementary and secondary education in the City of Arlington and portions of the Cities of Grand Prairie and Dalworthington Gardens, and the Town of Pantego. Because members of the Board are elected by the public, they have the authority to make decisions, appoint administrators and managers, and significantly influence operations; and they have primary accountability for fiscal matters. The District is not included in any other governmental “reporting entity” as defined by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus; an amendment of GASB Statements No. 14 and No. 34.* The District is not financially accountable for any other organizations; therefore, no component units are included within the reporting entity. The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding entities.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Interfund activities between governmental funds, and between governmental funds and proprietary funds, appear in the governmental and proprietary fund financial statements. However, all interfund transactions between governmental funds have been eliminated on the government-wide statements. Interfund transactions between governmental funds and internal service funds have not been eliminated to the extent that services have been provided and used. Interfund transactions remain in the government-wide statements for activities between governmental funds and proprietary funds.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Government-wide and Fund Financial Statements (continued)

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

Major Governmental Funds

General Fund - The General Fund is the District's general operating fund. It is used to account for all financial transactions except those required to be accounted for in another fund. Major revenue sources include local property taxes and state funding under the Foundation School Program. Expenditures include all costs associated with the daily operations of the schools except for costs incurred by programs accounted for in the Special Revenue Funds, Capital Projects Fund, Debt Service Fund, and Proprietary Funds. The General Fund is a budgeted fund, and any fund balances are considered resources available for current operations.

Debt Service Fund - The Debt Service Fund, which is a budgeted fund, accounts for the resources accumulated and payments made on long-term general obligation debt of government funds. Revenues include collections on general property taxes, state funding under the Instructional Facilities and Existing Debt Allotments, and earnings on investments of the fund. Expenditures of the fund are for retirement of bond principal and payment of interest on bonded debt. The fund balance represents amounts that will be used for retirement of bonds and payment of interest in the future.

Capital Projects Fund - The Capital Projects Fund accounts for all proceeds of bond issues and earnings on investments of the fund. Revenue from the sale of bonds is used for acquiring school sites, constructing and equipping new school facilities, renovating existing facilities, and replacing transportation, technology, and various other equipment. This is a budgeted fund.

Natural Gas Special Revenue Fund - During recent years, the District has engaged in leasing the mineral rights to its various properties for the extraction of natural gas. This activity has resulted in a significant inflow of contract signing bonuses and royalty payments for the District. During the year ended August 31, 2011, the Board of Trustees committed these inflows for future special projects

Major Proprietary Funds

Enterprise Fund - The Enterprise Fund, which is a budgeted fund, accounts for the food service operation that is financed and operated in a manner similar to a private business, where the determination of net income is necessary or useful for sound financial administration. The cost of providing meals to the student population and other outside groups is recovered primarily through meal charges and reimbursements from the federal government.

Internal Service Fund - The Internal Service Fund accounts for the management of the District's Print Shop and worker's compensation insurance. The cost of these activities are allocated to the other funds of the District on a cost reimbursement basis. These are not budgeted funds.

Fiduciary Fund

Agency Fund - The Agency Fund, which is an unbudgeted fund, accounts for the activities of student groups. The student activity funds account for monies collected principally through fund-raising efforts of the students and District-sponsored student groups. Collections and disbursements of these funds are generally controlled by the student group itself under the supervision of a member of the professional staff. These funds have no equity, assets are equal to liabilities, and the funds do not include revenues and expenditures for general operations of the District. The District's main involvement with these funds is to provide stewardship by accounting for the funds.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual are principally certain inter-governmental revenues, property taxes and investment income. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Funds received from federal, state and other grants designated for payment of specific District expenditures 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.

The proprietary fund types are accounted for on an economic resources measurement focus. Operating revenues and expenses are distinguished from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

Management's Use of Estimates

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

D. Assets, Liabilities, Deferred Outflows/Inflows and Net Position or Fund Balances

1. Cash and cash equivalents

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities, Deferred Outflows/Inflows and Net Position or Fund Balances (continued)

2. Investments

Investments consist largely of money market funds and government investment pools. The District's investments are carried at fair value based on quoted market prices at year-end, in accordance with U.S. generally accepted accounting principles. Investments having a maturity of three months or less are reported as cash and cash equivalents.

The District categorizes fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District's local government investment pools are recorded at amortized costs as permitted by GASB Statement No. 79 *Certain Investment Pools and Pool Participants*.

3. Receivables and payables

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

Property taxes are levied each year by October 1 based upon property valuations as of January 1. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

Tax collections are prorated between the General Fund and Debt Service Fund based on the tax rate adopted by the Board. The District is permitted under the Texas Education Code to levy taxes up to \$1.17 per \$100 of assessed valuation for general governmental services other than debt service on general obligation bonds. The tax rate which may be levied to service general obligation bonds is not limited. For the current fiscal year, the Board of Trustees set tax rates applicable to general governmental services and to debt service of \$1.04 per \$100 valuation and \$0.350080 per \$100 valuation, respectively, based on a net assessed valuation of \$22,961,131,839.

Delinquent property tax receivables are prorated between the General Fund and Debt Service Fund based on rates adopted for the year of the levy. Allowance for uncollectible tax receivables is based on historical experience in collecting property taxes. Management periodically reviews outstanding property taxes and establishes an allowance adequate to reflect the anticipated net collectible balance. The District is prohibited from writing off property taxes without specific statutory authority from the Texas Legislature. The property tax receivable allowance is equal to 57.0% of total outstanding property taxes at June 30, 2017.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities, Deferred Outflows/Inflows and Net Position or Fund Balances (continued)

4. Inventories and prepaid items

In the General Fund, inventory is valued at cost, using the weighted-average method. A computerized inventory system automatically updates inventory values. This valuation is not materially different from the first-in, first-out valuation method. Inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed rather than when purchased.

In the General Fund, certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/ expenses when consumed rather than when purchased.

In the Enterprise Fund, inventory is valued at cost, using the weighted-average method, except for food commodities, which are recorded at market values supplied by the Texas Department of Human Services. Commodities are received at no cost to the District; however, their fair market value is recorded as inventory and revenue when received. As the commodities are consumed, inventory is relieved and expenditures are charged.

5. Capital assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The District does not have any public domain (“infrastructure”) capital assets. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of two years or more.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives, as well as the cost of land, are not depreciated.

Capital assets are depreciated over the estimated useful lives of the assets on a straight-line basis over the following estimated useful lives:

Buildings and improvements	20-40 years
Furniture and equipment	5-12 years

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair market value on the date donated.

6. Long-term obligations

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 appropriate effective interest and straight-line methods.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as 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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities, Deferred Outflows/Inflows and Net Position or Fund Balances (continued)

7. Accrued service benefits

Accrued service benefits are accrued as a liability in the government-wide financial statements. Eligibility for accrued service benefits for the employees of the Arlington Independent School District is determined by length of continuous service with the District and approval for retirement benefits under provisions of the Teacher Retirement System of Texas.

Benefits are available to employees hired before January 1, 1985, and are based on years of experience with the District, accumulated eligible local sick leave days and accumulated ineligible local sick leave days.

8. Compensated absences

All administrative and full-time hourly employees of the District receive up to three weeks of vacation each calendar year. If the employee does not use the vacation time by December 31 of the following year, it is lost and may not be carried forward. Employees may accumulate as many as fifty days of local personal leave, which can be carried forward from year to year. The time is forfeited if not used before the employee leaves the District. Therefore, no accrual for compensated absences is included in the accompanying financial statements.

9. 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.

10. Deferred outflows/inflows of resources

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

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

- Deferred outflows of resources for refunding – Reported in the government-wide financial statement of net position, this deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities, Deferred Outflows/Inflows and Net Position or Fund Balances (continued)

10. Deferred outflows/inflows of resources (continued)

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

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

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

11. Net position and fund balances

Net position on the Statement of Net Position include the following:

Net investment in capital assets – the component of net position that reports capital assets less both the accumulated depreciation and the outstanding balance of debt and is directly attributable to the acquisition, construction, or improvement of these capital assets.

Restricted for federal and state programs – the component of net position that reports the difference between assets and liabilities related to federal and state programs that consist of assets with constraints placed on their use by granting agencies.

Restricted for debt service – the component of net position that reports the difference between assets, deferred inflows of resources and liabilities adjusted on a government-wide basis that consists of assets with constraints placed on their use by the bond covenants.

Unrestricted net position – the difference between the assets, deferred inflows of resources and liabilities that are not reported in net position net investment in capital assets, or restricted net position.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities, Deferred Outflows/Inflows and Net Position or Fund Balances (continued)

11. Net position and fund balances (continued)

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

It is the District's policy to consider restricted- net position to have been depleted before unrestricted- net position is applied.

In the fund financial statements, governmental funds report fund balances as either a non-spendable fund balance or a spendable fund balance.

Non-spendable Fund Balance

Non-spendable fund balance is that portion of fund balance that is not expendable. Examples of non-spendable fund balance include inventories and prepaid items.

Spendable Fund Balance

Spendable fund balance includes restricted, committed, assigned, and unassigned components. These components can be described as follows:

Restricted fund balance – the component of the spendable fund balance constrained to a specific purpose by a provider, such as a creditor, grantor, contributor, or law or regulation of other governments. Restricted fund balance includes funds for debt service, construction programs, and resources from other granting agencies.

Committed Fund Balance – the component of the spendable fund balance constrained to a specific purpose by Board. A Board resolution is required to establish a fund balance commitment. Only the action that constitutes the most binding constraint of the Board can be considered a commitment for fund balance classification purposes. The Board has committed the funds in the general fund of \$7.8 million, the natural gas fund \$30.4 million and \$11.6 million construction fund revenues and other resources generated through transactions other than bond issues for projects to be determined by the Board of Trustees.

Assigned Fund Balance – the component of the spendable fund balance that is spendable or available for appropriation but has been tentatively earmarked for some specific purpose by the Superintendent. Board Policy CE (Local) was amended in August 2011 by the Board of Trustees to provide the Superintendent with this authorization. The District has assigned fund balance in the amount of \$1.4 million for general fund encumbrances.

Unassigned Fund Balance – the component of the spendable fund balance which may be spent for any legal purpose. This portion of the total fund balance in the general fund is available to finance operating expenditures.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities, Deferred Outflows/Inflows and Net Position or Fund Balances (continued)

11. Net position and fund balances (continued)

The District strives to maintain an unassigned fund balance in the general fund equal to a minimum of 16.67% of the District's general fund operating expenditures. In the event that unassigned fund balance falls below the target level, the Board shall, within 24 months, adopt a plan to restore this balance to the target level.

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

12. Data control codes

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

E. Implementation of New Standards

In the current fiscal year, the District implemented the following new standards:

GASB Statement No. 77, Tax Abatement Disclosures, applies to financial reports of all state and local governmental entities, addresses the reduction of tax revenues resulting from an agreement between a government and an individual in which the government forgoes tax revenues and the individual promises to take specific action as a result of the agreement that contributes to the economic development to benefit the government or citizens of the government, and relates to agreements entered into by the reporting government or agreements entered into by other governments that reduce the reporting government's tax revenues. In fiscal year 2017, the District did not have any tax abatement agreements that require disclosures.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(continued)

A. Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net position (continued)

The final element of that reconciliation explains that “long-term liabilities, including bonds payable and net pension liability, are not due and payable in the current period and therefore are not reported as liabilities in the funds.” The details of this \$974,701,025 difference are as follows:

Bonds payable	\$ (761,892,139)
Less: Deferred charge on refunding (to be amortized as interest expense)	12,668,378
Add: Issuance premium (to be amortized over life of debt)	(68,183,499)
Add: Accumulated accretion on capital appreciation bonds	(2,130,869)
Accrued service benefits	(258,943)
Notes payable	(4,102,184)
Accrued interest payable	(11,028,614)
Net pension liability	<u>(139,773,155)</u>
 Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	 <u>\$ (974,701,025)</u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *total net changes in fund balance – governmental funds* and *change in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation states that “the issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.” The details of this (\$72,410,233) difference are as follows:

Debt issued or incurred:	
General obligation bonds	\$ (176,981,368)
Plus premium	(27,183,879)
Loans	
Principal repayments:	
General obligation bonds	52,066,714
Payment to escrow agent for refunding	78,429,995
Notes payable	<u>1,258,305</u>
 Net adjustment to decrease changes in fund balance - total governmental funds to arrive at changes in net position of governmental activities	 <u>\$ (72,410,233)</u>

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(continued)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities (continued)

Another element of that reconciliation states that “some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds.” The details of the \$(19,672,592) difference are as follows:

Accrued service benefits	\$ 55,623
Accrued interest	(537,029)
Amortization of bond premiums	3,934,675
Amortization of deferred charge on refunding	(1,461,153)
Accretion on capital appreciation bonds	(23,945)
Pension expense for the pension plan measurement year	<u>(21,640,763)</u>
 Net adjustment to decrease changes in fund balance - total governmental funds to arrive at changes in net position of governmental activities	 <u>\$ (19,672,592)</u>

Another element of that reconciliation states that “internal service funds are used by management to charge the costs of printing and risk management to individual funds. The net reserve (expense) of the internal service funds is reported as governmental activities.” The details of this \$118,348 difference are as follows:

Change in net position of the internal service funds	\$ 121,162
Less: income from charges to business-type activities	<u>(2,814)</u>
 Net adjustment to increase changes in fund balance - total governmental funds to arrive at changes in net position of governmental activities	 <u>\$ 118,348</u>

III. STEWARDSHIP COMPLIANCE AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting

The District is legally required to adopt budgets for the General Fund, Debt Service Fund, Capital Projects Fund, and Enterprise Fund. Each budget is presented on the modified accrual basis of accounting, except for the Enterprise Fund, which is on a full accrual basis. Both modified accrual basis and full accrual basis are consistent with generally accepted accounting principles. The District is not legally required to adopt Special Revenue Fund budgets.

The District follows these procedures preparing and approving its annual budget:

1. The superintendent or his designate prepares a budget covering all estimated revenues and proposed expenditures of the District for the next succeeding fiscal year. The budget is prepared by generic fund type and function.
2. Ten days after public notice of the meeting has been given, a public hearing is held, allowing the public to comment on the proposed budget.
3. A public meeting of the Board of Trustees is called for the purpose of adopting the budget. The State Board of Education requires that the budget be prepared no later than June 30th of each year.
4. Budget data must be received by the Texas Education Agency on or before December 15 each year. The legal level of budgetary control is at the function level within each generic fund type. Budget amounts are as originally adopted, or as amended by the Board on June 21, 2017. Once a budget is approved, it can be amended at the function and fund level only by approval of a majority of the members of the Board of Trustees. Changes can be made to the budget at any detail within the function level without an amendment approved by the Board. During the year, several budget amendments were made with Board approval. The most significant amendments were for carryover funding; issuance of bonds and supplemental appropriations for bond projects; mid-year adjustment of local and state revenues and appropriations and operating costs; and year-end adjustments to revise estimates of revenues and expenditures based on the latest information on student attendance, interest earnings, and operating costs. All budget appropriations lapse at year-end.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the School Depository Act. The depository bank places approved pledged securities for safekeeping and trust with the District's agent 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.

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 the District 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. The District maintains an investment policy which authorizes the District to invest in obligations of the U.S. Treasury and U.S. agencies, municipal securities and repurchase agreements and the State Treasurer's investment pool or similar public fund investment pools. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy.

Custodial Credit Risk – Deposits – In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The collateral shall always be held by an independent third party with whom the District has a current custodial agreement. The District is not exposed to custodial credit risk for its deposits as all are covered by depository insurance or securities pledged to the District and held by a third-party custodian.

At June 30, 2017, the carrying value of the District's deposits (other than the temporary investments listed below) was \$13,875,071 and the bank balance was \$19,845,405. The District's cash deposits at June 30, 2017, and during the year then ended, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

Investments

As of June 30, 2017, the District's investments consisted of balances held by Lone Star Local Government Investment Pool (LSIP), Texas Local Government Investment Pool (TexPool), LOGIC Local Government Investment Pool, and Fidelity Money Market.

LSIP is a Texas public investment pool sponsored by the Texas Association of School Boards (TASB) for investment of funds by state and local government entities, primarily local school districts. The Board has entered into an agreement with First Public, LLC (First Public), a Texas limited liability company and a member of the National Association of Securities Dealers, Securities Investor Protection Corporation, and Municipal Securities Rulemaking Board, pursuant to which First Public serves as administrator of LSIP's operations. American Beacon Advisors, Fort Worth, Texas, and Standish Mellon Asset Management Company, LLC, Pittsburgh, Pennsylvania, provide investment management services to LSIP regarding the investment and reinvestment of the pool's assets. The fund's credit quality is excellent as its portfolio is composed of U. S. government and U. S. agency securities. Investments in LSIP provide for investment in securities with maturities and returns generally greater than money market instruments. LSIP is marked-to-market daily to maintain an accurate net asset value. The District's fair value in LSIP is the same as the value of the pool shares.

IV. DETAILED NOTES ON ALL FUNDS (continued)

A. Deposits and Investments (continued)

TexPool is a public funds investment pool created by the Texas Treasury Safekeeping Trust Company (the Trust Company) to provide a safe environment for the placement of local government funds. The portfolio consists of U.S. Treasury and government agency securities, repurchase agreements, certain mutual funds, collateralized repurchase and reverse repurchase agreements, no-load money market mutual funds regulated by the Securities and Exchange Commission and rated AAA or equivalent by at least one nationally recognized statistical rating organization, securities lending programs, and certificates of deposit. TexPool is overseen by the State Comptroller of Public Accounts and administered by Federated Investors, Inc. The State Street Bank is the custodial bank. TexPool follows chapter 2256 of the Texas Public Funds Investment Act. TexPool uses amortized cost rather than fair value to report net assets to compute share prices. The fair value of the position in TexPool is the same as the value of TexPool shares. Accordingly, the District's investments in TexPool are stated at amortized cost, which approximates fair value.

Local Government Investment Cooperative (LOGIC) (the "Pool") was organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code, and operates as a public funds investment pool under the Public Funds Investment Act. LOGIC is organized and existing as a business trust under the laws of the State of Texas with all Participant funds and all investment assets held and managed in trust by a Board of Trustees for the benefit of the Participants. The Board of Trustees is LOGIC's governing body and is comprised of employees, officers or elected officials of Participant Government Entities or individuals who do not have a business relationship with the Pool and are qualified to advise it. A maximum of two advisory board members represent the Co-Administrators of the Pool. The Portfolio assets are marked to market daily using the fair value method. Due to the fact that amortized cost, which generally approximates the market value of the assets, has been deemed to be a proxy for fair value, Portfolio assets are valued on the basis of the amortized cost valuation technique.

As noted in the District's Significant Accounting Policies, the District reports its local government investment pools at amortized cost as permitted by GASB Statement No. 79 Certain External Investment Pools and Pool Participants. In addition, Lone Star, TexPool and LOGIC do not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. The pools do not impose any liquidity fees or redemption gates.

The District's temporary investments at June 30, 2017, are shown below:

Investments:	Fair Value	Percentage of Investments	Weighted Average Maturity (Days)
Local Government Investment Pools:			
Lone Star	80,553,197	15.0%	25
TexPool	7,262,254	1.4%	34
LOGIC	448,640,082	83.6%	25
Total Local Government Investment Pools	<u>536,455,533</u>	<u>100.0%</u>	

IV. DETAILED NOTES ON ALL FUNDS (continued)

A. Deposits and Investments (continued)

Custodial Credit Risk – Investments – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District’s investments in the external investment pools (Lonestar, TexPool and LOGIC), are not exposed to custodial risk. External investment pools are not subject to custodial risk because investments are not evidenced by securities that exist in physical or book entry form. State law limits investments in public funds investment pools to those rated no lower than AAA or AAAM or an equivalent rating by at least one nationally recognized rating service. As of June 30, 2017, the District’s investments in Lonestar was rated AAA and, TexPool and LOGIC were rated AAAM. Fidelity money market had a rating of AAA.

Credit Risk – This is the risk that a security issuer may default on an interest or principal payment. State law limits investments in local government pools to those that are rated AAA or equivalent by at least one Nationally Recognized Statistical Rating Organization (NRSRO). The District controls and monitors this risk by purchasing quality rated instruments that have been evaluated by agencies such as Standard and Poor’s (S&P) or Moody’s Investors Service, or by investing in public fund investment pools rated no lower than AAA or AAAM. The District’s investments in Lonestar and LOGIC were rated AAA and TexPool was rated AAAM. Fidelity money market had a rating of AAA.

Interest-rate Risk – This type of risk occurs when potential purchasers of debt securities do not agree to pay face value for those securities if interest rates rise. The District’s investment policy does not allow the purchase of investments that would expose the District to interest-rate risk.

Concentration Risk – This type of risk is defined as positions of 5 percent or more in the securities of a single issuer. The District is not exposed to concentration risk because the investment portfolio mainly consists of external investment pools.

B. Receivables

Receivables due from other governments, as of June 30, 2017 for the District’s major, nonmajor, and propriety funds in the aggregate are as follows. All receivables are expected to be collected within one year.

	General Fund	Nonmajor Governmental Funds	Total
Due from the State of Texas	\$ 62,029,453	\$ 10,100,584	\$ 72,130,037
Due from the federal agencies	25		25
Total Due from Other Governments	\$ 62,029,478	\$ 10,100,584	72,130,062

The District expects to collect all receivables within one year of the end of the fiscal year period.

IV. DETAILED NOTES ON ALL FUNDS (continued)

C. Interfund Receivables, Payables, and Transfers

The composite of interfund balances as of June 30, 2017, is as follows. All interfund balances are expected to be repaid within one year.

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund:		
Capital Projects Fund (major governmental fund)	\$	\$ 458,819
Natural Gas Special Revenue Fund		58,624
Nonmajor Special Revenue Funds	4,485,251	
Debt Service Fund (major governmental fund)		4,965,498
Proprietary Fund		120,623
Internal Service Fund		124,000
Total General Fund	<u>4,485,251</u>	<u>5,727,568</u>
Debt Service Fund (major governmental fund):		
General Fund	4,965,498	
Nonmajor Special Revenue Funds	411,481	
	<u>5,376,979</u>	
Capital Projects Fund (major governmental fund):		
General Fund	458,819	
Natural Gas Special Revenue Fund:		
General Fund	58,624	
Nonmajor Special Revenue Funds:		
General Fund	2,522,002	7,007,253
Debt Service Fund (major governmental fund)		411,480
Proprietary Fund		1,266,230
Internal Service Fund	26,261	
	<u>2,548,263</u>	<u>8,684,963</u>
Proprietary Fund:		
General Fund	120,623	
Nonmajor Special Revenue Funds	1,266,230	
Internal Service Fund	19	19,474
	<u>1,386,872</u>	<u>19,474</u>
Internal Service Fund:		
General Fund	126,839	2,836
Nonmajor Special Revenue Funds		26,261
Proprietary Fund	19,474	19
Total Internal Service Fund	<u>146,313</u>	<u>29,116</u>
Total all funds	<u>\$ 14,461,121</u>	<u>\$ 14,461,121</u>

These interfund balances resulted from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and/or payments between funds are made.

The composition of interfund transfers for the year ended June 30, 2017 is as follows:

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
General Fund	Internal Service Fund	\$ 8,457
Nonmajor Special Revenue Fund	Enterprise Fund	93,020
General Fund	Capital Projects Fund	377,000
		<u>\$ 478,477</u>

The transfer from nonmajor Special Revenue Fund to Enterprise Fund was for the portion of revenue exceeding expenditures in the Summer Feeding Program, which is consider a part of the Enterprise Fund food service program.

IV. DETAILED NOTES ON ALL FUNDS (continued)

D. Operating Leases

The District leases building and office facilities and other equipment under noncancelable operating leases. Total costs for such leases were \$408,056 for the year ended June 30, 2017. The future minimum lease payments for all active operating leases can be summarized as follows:

<u>Year Ending June 30,</u>	<u>Amounts</u>
2018	\$ 123,156
2019	2,778
Total	<u>\$ 125,934</u>

E. Capital Assets

A summary of changes in governmental activities capital assets for the year ended June 30, 2017 as follows:

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>(Retirements)</u> <u>and Transfers</u>	<u>Balance</u> <u>June 30, 2017</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 68,366,674	\$ 9,890,569	\$	\$ 78,257,243
Construction in progress	88,414,317	63,491,609	(21,452,526)	130,453,400
Total Capital assets, not being depreciated	<u>156,780,991</u>	<u>73,382,178</u>	<u>(21,452,526)</u>	<u>208,710,643</u>
Capital assets, being depreciated:				
Buildings and improvements	767,364,318	12,543,600	20,546,997	800,454,915
Furniture and equipment	71,449,031	7,619,719	(1,029,910)	78,038,840
Total Capital assets, being depreciated	<u>838,813,349</u>	<u>20,163,319</u>	<u>19,517,087</u>	<u>878,493,755</u>
Less accumulated depreciation for:				
Land improvements				
Buildings and improvements	(392,606,588)	(19,978,939)	61,864	(412,523,663)
Furniture and Equipment	(39,960,086)	(7,301,288)	1,029,910	(46,231,465)
Total Accumulated depreciation	<u>(432,566,674)</u>	<u>(27,280,227)</u>	<u>1,091,774</u>	<u>(458,755,128)</u>
Governmental Capital Assets	<u>\$ 563,027,666</u>	<u>\$ 66,265,270</u>	<u>\$ (843,665)</u>	<u>\$ 628,449,270</u>

IV. DETAILED NOTES ON ALL FUNDS (continued)

E. Capital Assets (continued)

A summary of changes in the business-type activities capital assets for the year ended June 30, 2017 is as follows:

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>(Retirements)</u> <u>and Transfers</u>	<u>Balance</u> <u>June 30, 2017</u>
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 401,223	\$	\$	\$ 401,223
Total Capital assets, not being depreciated	<u>401,223</u>			<u>401,223</u>
Capital assets, being depreciated:				
Buildings and improvements	4,063,919			4,063,919
Furniture and equipment	14,552,874	1,264,270	555,387	16,372,531
Total Capital assets, being depreciated	<u>18,616,793</u>	<u>1,264,270</u>	<u>555,387</u>	<u>20,436,450</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,501,656)	(94,807)		(1,596,462)
Furniture and Equipment	(7,016,180)	(1,455,648)	275,815	(8,196,013)
Total Accumulated depreciation	<u>(8,517,836)</u>	<u>(1,550,455)</u>	<u>275,815</u>	<u>(9,792,475)</u>
Business-type Capital Assets	<u>\$ 10,500,180</u>	<u>\$ (286,185)</u>	<u>\$ 831,202</u>	<u>\$ 11,045,198</u>

Depreciation was charged to functions as follows:

<u>Function</u>	<u>Depreciation</u> <u>Expense</u>
Governmental Activities:	
Instruction	\$ 17,350,924
Instructional resources and media services	346,247
Curriculum and staff development	384,530
Instructional leadership	442,089
School leadership	1,627,142
Guidance, counseling and evaluation services	1,480,917
Social work services	100,031
Health services	323,955
Student transportation	687,831
Extracurricular activities	544,699
General administration	475,467
Plant maintenance and operations	2,550,841
Security and monitoring services	431,527
Data processing services	511,472
Community services	22,555
Total Governmental Activities	<u>27,280,227</u>
Business-type Activities:	
Food Services	1,550,455
Total Business-type Activities:	<u>1,550,455</u>
Total	<u>\$ 28,830,682</u>

IV. DETAILED NOTES ON ALL FUNDS (continued)

E. Capital Assets (continued)

Construction Commitments

The District has active construction projects as of June 30, 2017. Construction in progress and remaining commitments as of June 30, 2017 are as follows:

<u>Project</u>	<u>Approved Construction Budget</u>	<u>Construction in Progress</u>	<u>Estimated Remaining Commitment</u>
New Elementary Schools	\$ 48,000,000	\$ 34,233,019	\$ 13,766,981
Multipurpose Activity Centers	60,000,000	39,052,147	20,947,853
Condition deficiencies/Life cycle replacements	16,627,569	14,620,407	2,007,162
Fine Arts/Dual Language Academies	43,078,413	1,359,341	41,719,072
CTE Center/Ag Science Facility	48,753,500	40,950,936	7,802,564
Special Education Alternative Curriculum Centers	6,500,000	200,299	6,299,701
Workman Additions	11,872,405	37,251	11,835,154
	<u>\$ 234,831,887</u>	<u>\$ 130,453,400</u>	<u>\$ 104,378,487</u>

F. Long-Term Debt

Long-term debt of the District is comprised of bonds payable, capital leases payable, accrued service benefits, and two notes payable. Debt service requirements for general obligation bonds are payable from fund balance and future revenues of the Debt Service Fund which consists principally of property taxes collected by the District, state funding under the Instructional Facilities and Existing Debt Allotments and interest earnings. The General Fund has typically been used to liquidate capital leases and notes payable, in prior years.

The following is a summary of changes in long-term debt for governmental activities for the year ended June 30, 2017:

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2017</u>	<u>Due Within One Year</u>
Bonds payable	\$ 707,492,485	\$ 176,981,368	\$ (122,581,714)	\$ 761,892,139	\$ 48,306,370
Bond premiums	50,086,578	26,513,171	(8,416,248)	68,183,501	
Accreted interest	1,436,215	977,939	(283,287)	2,130,867	
Notes payable	5,360,489		(1,258,305)	4,102,184	549,503
Accrued service benefits	314,566	10,535	(66,158)	258,943	79,841
Total	<u>\$ 764,690,333</u>	<u>\$ 204,483,013</u>	<u>\$ (132,605,712)</u>	<u>\$ 836,567,634</u>	<u>\$ 48,935,714</u>

The notes payable is payable from the general fund. The same governmental funds used to pay the staff's salary have been used to liquidate the liability for compensated absences in the current and prior years.

IV. DETAILED NOTES ON ALL FUNDS (continued)

F. Long-Term Debt (continued)

Bond Issuances

On July 19, 2016, the District issued Unlimited Tax Refunding bonds, Series 2016B and 2016C in the amount of \$46,475,000 and \$21,086,368, respectively. The Series 2016 C consisted of both current interest bonds of \$16,575,000 and premium capital appreciation bonds of \$4,511,368. Series 2016B and 2016 C were used to refund the following:

<u>Refunded Series</u>	<u>Amount</u>
2006	\$ 8,310,000
2010A	12,705,000
2011A	28,410,000
2007	21,090,000
	<u>\$ 70,515,000</u>

The proceeds totaling \$78,429,995 were used to purchase U.S. government securities to advance refund the bonds. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds referenced above. As a result, the refunded bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide financial statement. The refunding transaction resulted in an accounting deferred loss of \$3,997,960 which is amortized over the life of the new refunding debt or the old refunded debt, whichever is shorter. However, the refunding transaction resulting in an economic gain of \$7,281,792, which is the present value savings between the old and new debt service payments.

Qualified School Construction Bonds ("QSCB's") are tax-credit bonds authorized through the American Recovery and Reinvestment Act. The QSCB program provides school districts the opportunity to issue interest free or very-low interest bonds to finance the construction, rehabilitation, or repair of a public school facility or for the acquisition of land on which such a facility is to be constructed. Purchasers of QSCB's issued in 2009 receive a federal tax credit instead of interest payments. Purchasers of QSCB's issued in 2011 receive interest payments from the issuer, and the issuer can elect to receive subsidy payments from the federal government equal to the lesser of (i) the amount of interest payable under such bond on such date, or (ii) the amount of interest which would have been payable under such bond on such date if such interest were determined at the applicable credit rate determined under section 54A(b)(3) of the Internal Revenue Code with respect to such bonds. The District received \$587,138 in subsidy payments from the federal government during the fiscal year ended June 30, 2017.

IV. DETAILED NOTES ON ALL FUNDS (continued)

F. Long-Term Debt (continued)

Bonds Payable

Bonded indebtedness of the District is reflected in the Statement of Net Position. Current requirements for principal and interest expenditures are accounted for in the Debt Service Fund in the fund financial statements.

A summary of changes in general obligation bonds for the year ended June 30, 2017, are as follows:

	Interest Rates	Original Amount	Range of Future Maturities	6/30/2016 Balances	Issued	Retired / Defeased	6/30/2017 Balances
2006 Refunding	4.00 to 5.00%	\$ 82,880,000	2015-26	\$ 8,310,000	\$	\$ 8,310,000	\$
2007 Refunding	4.00 to 5.00%	114,350,000	2015-21	25,730,000		25,730,000	
2009 Refunding	3.00 to 4.25%	12,465,000	2015-24	10,235,000		35,000	10,200,000
2009 QSCB	0.40%	36,320,000	2018-26	36,320,000			36,320,000
2010A Building	2.00 to 4.00%	29,435,000	2015-35	15,425,000		13,135,000	2,290,000
2011A Building	2.89 to 5.00%	50,717,485	2015-36	36,627,485		30,221,714	6,405,771
2011 QSCB	5.25 to 6.00%	13,655,000	2018-26	13,655,000			13,655,000
2011 Refunding	2.00 to 4.00%	19,479,966	2015-28	16,085,000		1,055,000	15,030,000
2012 Building	2.00 to 5.00%	24,885,000	2015-37	23,445,000		9,375,000	14,070,000
2013 Building	2.75 to 5.00%	16,390,000	2017-38	16,390,000		4,010,000	12,380,000
2013 Refunding	0.34 to 3.007%	76,482,234	2015-25	48,590,000		18,200,000	30,390,000
2014 Building	2.00 to 5.00%	16,180,000	2016-39	15,305,000		2,795,000	12,510,000
2014 Refunding	5.00%	72,020,000	2017-24	72,020,000		840,000	71,180,000
2014A Building	1.00 to 5.00%	159,485,000	2015-39	152,695,000		3,545,000	149,150,000
2015 Building	1.00 to 5.00%	220,300,000	2016-40	216,660,000		2,800,000	213,860,000
2016A Building	3.00 to 5.00%	109,420,000	2017-41		109,420,000	2,045,000	107,375,000
2016B Refunding	2.00-5.00%	46,475,000	2017-36		46,475,000		46,475,000
2016C Refunding	.85-1.603%	21,086,368	2017-21		21,086,368	485,000	20,601,368
Total Bonds Payable				\$ 707,492,485	\$ 176,981,368	\$ 122,581,714	\$ 761,892,139

The annual debt service for retirement of bond principal and interest are as follows:

Year Ending	Principal	Interest	Totals
June 30,			
2018	\$ 48,306,370	\$ 30,723,661	\$ 79,030,031
2019	47,763,751	28,985,647	76,749,398
2020	43,760,048	27,574,568	71,334,616
2021	36,941,970	26,291,612	63,233,582
2022	37,630,000	24,565,138	62,195,138
2023- 2027	167,595,000	100,502,792	268,097,792
2028 - 2032	132,255,000	69,373,148	201,628,148
2033 - 2037	155,535,000	39,891,920	195,426,920
2038 - 2041	92,105,000	7,847,302	99,952,302
	\$ 761,892,139	\$ 355,755,788	\$ 1,117,647,927

Rebatable Arbitrage Payable

The Tax Reform Act of 1986 requires that the excess interest earned on tax-exempt bond proceeds over interest cost must be remitted to the federal government. These arbitrage interest earnings are paid from the Capital Projects Funds and must be remitted every five years from date of issue. During the fiscal year ended June 30, 2017, no arbitrage payments were made to the IRS. Furthermore, there was no rebatable arbitrage liability at June 30, 2017.

IV. DETAILED NOTES ON ALL FUNDS (continued)

F. Long-Term Debt (continued)

Accreted Interest

In accordance with general obligation bond indentures, the District is required to compute, at the time of levying the tax, a rate of tax sufficient to provide a fund each year to pay the principal and interest as bonds mature and interest payments are due.

A portion of the Series 2011A bond issues was Capital Appreciation Bonds. These bonds were issued at a discount, and there are no scheduled interest payments due until maturity of the bonds. A portion of the difference between the principal received at issuance and the total amount due at maturity is accreted each year until the total liability equals the cash due at maturity. The 2011A bonds mature in fiscal years 2017 through 2021. As noted in this section, the 2016C bond issuance included premium capital appreciation bonds.

Accreted interest on bonds represents the accrued interest to date on the above issues and is summarized as follows:

<u>Issue</u>	<u>Amount Due at Maturity</u>	<u>Amount Received at Issue</u>	<u>Total To Be Accreted</u>	<u>Balance 6/30/16</u>	<u>Current Year Accretion</u>	<u>Additions / Maturities</u>	<u>Balance 6/30/17</u>
2011A	\$ 10,480,000	\$ 8,217,485	\$ 2,262,515	\$ 1,436,214	\$ 277,905	\$ (283,286)	\$ 1,430,833
2016C	5,265,000	4,511,368	753,632		29,326	670,708	700,034
	\$ 12,728,853	\$ 12,728,853	\$ 3,016,147	\$ 1,436,214	\$ 307,231	\$ 387,422	\$ 2,130,867

Prior Year Defeasance of Debt

In prior years, the District defeased general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust account to provide for all future debt service payments on the old bonds. Accordingly, trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2017, \$235,410,000 of defeased bonds remain outstanding.

Notes Payable

The notes payable represent loans with the State of Texas Energy Conservation Office. The first phase of the project began during May 2006. Total proceeds of \$1,886,308 from the loan were to be used for energy conservation measures at school locations throughout the District. This phase was completed during the fiscal year ending August 31, 2009. The related note matured in November 2012. The second phase resulted in additional construction draws of \$4,584,295 that were taken during the years ended August 31, 2009 and 2010. The related note accrues interest at a fixed rate of 3.0% and matures in August 2017. During the 2014 fiscal year, the District entered into a loan agreement with the State of Texas Energy Conservation Office. The proceeds of the loan will be disbursed to the District as costs are incurred by the District for energy conservation projects. The proceeds of the loan will not exceed \$4,984,031. Interest will accrue at a rate of 2.5% from the date of each disbursement to the District. The District is required by the agreement to submit quarterly principal and interest payments on both notes payable, based on 7 year amortizations. The total notes payable balance at year end is \$4,530,480 and annual maturities are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 549,503	\$ 100,397	\$ 649,900
2019	502,627	86,536	589,163
2020	515,311	73,852	589,163
2021	528,315	60,848	589,163
2022	541,647	47,516	589,163
2023-2026	1,464,781	59,147	1,523,928
	<u>\$ 4,102,184</u>	<u>\$ 428,296</u>	<u>\$ 4,530,480</u>

IV. DETAILED NOTES ON ALL FUNDS (continued)

G. Employee Benefits

The following is a summary of the various insurance, reimbursement and retirement programs provided by the District for the benefit of District employees and their dependents:

1. Insurance plans

Workers' Compensation Insurance (Self-Insured) – The District contracts with the TASB Risk Management Fund (“the Fund”) to facilitate all claims. The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and Chapter 504, Texas Labor Code. All districts participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

As a self-funded member of the Fund, the District is solely responsible for all claim costs, both reported and unreported. The Fund provides administrative services to its self-funded members including claims administration and customer service. The District is protected against higher than expected claims costs through the purchase of stop loss coverage. Deposits in the amount of \$250,000 for a required Loss Deposit Fund are included in other current assets on the Statement of Net Position.

The Fund engages the service of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is approved by the Fund’s Board of Trustees in February of the following year.

The Fund’s audited financial statements as of August 31, 2016, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

The costs associated with the self-insured plan are reported as interfund transactions. Accordingly, they are treated as operating revenues of the Workers’ Compensation Fund and operating expenditures/expenses of the General Fund and Enterprise Fund.

An actuarial study is performed on the plan to estimate the claims liability at the fiscal year-end. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The resultant liability calculation is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claim liabilities are evaluated periodically. The following summarizes the self-insured plan claims and liabilities for workers’ compensation:

Fiscal Year	Beginning of Year Accrual	Current Year Estimates	Claims Payments	End of Year Accrual
2016	\$ 4,085,514	\$ 1,328,447	\$ (1,328,447)	\$ 4,085,514
2017	4,085,514	1,516,432	(1,516,432)	4,085,514

Health Insurance (TRS ActiveCare) – Effective September 1, 2007, employees of the District were covered by TRS ActiveCare. TRS ActiveCare is a statewide health coverage program for public education employees established by the 77th Texas Legislature. The District contributed approximately \$260 per month per participant to the plan, and employees, at their option, authorized payroll withholdings to pay employee contributions and additional premiums for dependents. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS ActiveCare. That report may be obtained by visiting the TRS Web site at www.trs.state.tx.us, by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling (800) 223-8778.

IV. DETAILED NOTES ON ALL FUNDS (continued)

G. Employee Benefits (continued)

2. Defined benefit pension plan

Plan Description

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

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

Pension Plan Fiduciary Net Position

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

Benefits Provided

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

IV. DETAILED NOTES ON ALL FUNDS (continued)

G. Employee Benefits (continued)

2. Defined benefit pension plan (continued)

Contributions

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

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

	Contribution Rates	
	2017	2016
Member	7.70%	7.20%
Non-Employer Contributing Entity (State)	6.80%	6.80%
Employers	6.80%	6.80%

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

Contributions and pension expense for all contributions were as follows:

	Measurement	Fiscal Year
	Year (2016)	(2017)
	Contributions	TRS
	Made	Contributions
Employer (District) contributions	\$ 12,502,371	\$ 13,061,085
Member (Employee) contributions	28,167,530	30,655,580
Non-employer (State) on-behalf contributions	18,987,556	19,042,581

IV. DETAILED NOTES ON ALL FUNDS (continued)

G. Employee Benefits (continued)

2. Defined benefit pension plan (continued)

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

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

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

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

Actuarial Assumptions

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

Valuation Date	August 31, 2016
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.50%
Salary Increases including inflation	3.5% to 9.5%
Payroll Growth Rate	2.50%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

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

IV. DETAILED NOTES ON ALL FUNDS (continued)

G. Employee Benefits (continued)

2. Defined benefit pension plan (continued)

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, 2016 are summarized below:

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

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

IV. DETAILED NOTES ON ALL FUNDS (continued)

G. Employee Benefits (continued)

2. Defined benefit pension plan (continued)

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

Discount Rate Sensitivity Analysis – The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2016 Net Pension Liability.

	Discount Rate		
	1% Decrease (7%)	Current Rate (8%)	1% Increase (9%)
District's proportional share of the net pension liability	\$ 230,131,907	\$ 148,696,381	\$ 79,622,592

At June 30, 2017, the District reported a liability of \$148,696,381 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportion of the net pension liability	0.3935%
District's proportionate share of the collective net pension liability	\$ 148,696,381
State's proportionate share that is associated with the District	<u>225,379,353</u>
Total	<u>\$ 374,075,734</u>

The net pension liability was measured as of August 31, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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, 2015 thru August 31, 2016.

At August 31, 2016 the employer's proportion of the collective net pension liability was 0.3935% which was an decrease from its proportion measured as of August 31, 2015 of 0.39427%.

Change Since the Prior Actuarial Valuation

There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period. There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

For the year ended June 30, 2017, the District recognized pension expense of \$23,021,763, of which \$21,640,763 is attributable to governmental activities. The District also recognized total revenue of \$23,389,003 for support provided by the State.

IV. DETAILED NOTES ON ALL FUNDS (continued)

G. Employee Benefits (continued)

2. Defined benefit pension plan (continued)

At June 30, 2017, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,331,531	\$ (4,439,988)
Changes of assumptions	4,531,999	(4,121,666)
Net difference between projected and actual earnings on pension plan investments	28,653,995	(16,062,693)
Changes in proportion and differences between District contributions and proportionate share of contributions	25,111,420	(13,138)
District contributions subsequent to the measurement date	11,065,235	
Total	<u>\$ 71,694,180</u>	<u>\$ (24,637,485)</u>

\$11,065,235 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

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

Year ended June 30	Pension Expense Amount
2018	\$ (6,163,148)
2019	(6,163,148)
2020	(14,194,495)
2021	(5,546,082)
2022	(3,221,145)
2022	(703,442)
	<u>\$ (35,991,460)</u>

IV. DETAILED NOTES ON ALL FUNDS (continued)

G. Employee Benefits (continued)

3. Retiree Health Plan

Plan Description – The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas. TRS-Care 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 to the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS Web site at www.trs.state.tx.us, by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling (800) 223-8778.

Funding Policy. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas contribution rate was 1.00% of public school payroll for the period September 2015 through June 2017. Active public school employee contribution rates were 0.65% of public school payroll, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2017, 2016, and 2015. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For staff members funded by federal programs, the federal programs are required to contribute 1.00%. The District contributed 100% of the annual required contribution for fiscal year 2017, 2016, and 2015 which were as follows: \$2,580,445, \$2,430,840, and \$2,325,049, respectively.

State contributions to TRS made on behalf of the District's employees for the fiscal years ended June 30, 2017, June 30, 2016, and June 30, 2015, were \$3,742,808, \$3,604,720, and \$3,465,628, respectively. The amounts have been recognized as both revenue and expenditures in the General Fund.

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 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. These on-behalf payments must be recognized as equal revenues and expenditures/expenses by each reporting entity. For the fiscal years ended June 30, 2017, June 30, 2016, and June 30, 2015, the contributions made on behalf of the District were \$1,202,490, \$1,512,220, and \$1,127,012, respectively.

The Early Retiree Reinsurance Program (ERRP) is a provision of the Patient Protection and Affordable Care Act (PPACA) and provides reimbursement to plan sponsors for portion of the cost of providing health benefits to retirees between the ages of 55-64 and their covered dependents regardless of age. An "early retiree" is defined as a plan participant aged 55-64 is eligible for Medicare and is not covered by an active employee of the plan sponsor.

IV. DETAILED NOTES ON ALL FUNDS (continued)

H. Commitments and Contingencies

State and Federal Grants

The District receives monies under various state and federal grant project awards. These grants are subject to audit by the individual grantors and any disallowed costs arising from these audits would have to be refunded by the District. Management believes that the District has substantially complied with the terms and provisions of these grants, and any refunds, which might arise from these audits, would not be material.

Litigation

The District is a party to various legal actions, none of which is believed by administration to have a material effect on the financial condition of the District. Accordingly, no provision for losses has been recorded in the accompanying financial statements for such contingencies.

I. Risk Management

The District purchases commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

J. Excess Expenditure over Budgeted Appropriations

During the year-ended June 30, 2017, Child Nutrition depreciation exceeded budgeted amounts by \$554,907.

K. Subsequent Events

In July 2017, the District issued \$79,345,000 in Unlimited Tax School Building Bonds, Series 2017, to be used for (1) for acquisition, construction and equipment of school buildings and the purchase of school sites and school buses and (2) to pay the costs associated with the sale of the Bonds.

L. Shared Service Arrangement

The District has entered into a Shared Service Agreement (SSA) for services and reporting procedures for students with auditory impairments attending the Arlington Regional Day School Program for the Deaf (RDSPD). The District is the fiscal agent and is responsible for applying for, receiving, collecting, expending, and distributing all funds, regardless of source, in accordance with budget adopted by the RDSPD. The District provides accounting services and reports. The member Districts are Kennedale Independent School District, Mansfield Independent School District and Venus Independent School District. The SSA is accounted for in Fund 435.

M. Prior Period Adjustment

The United States Department of Agriculture Donated Commodities should be reported as revenues when received. The District had been recording unused commodities as unearned revenues. As such, the beginning net position in the Child nutrition Enterprise Fund was adjusted by \$1,289,468 to properly account for the commodities revenue received in the prior year.

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REQUIRED SUPPLEMENTARY INFORMATION



Arlington

INDEPENDENT SCHOOL DISTRICT

More Than a Remarkable Education

ARLINGTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
TEACHERS RETIREMENT SYSTEM OF TEXAS
For the Last Three Measurement Years ended August 31 ⁽¹⁾

Exhibit G-1

	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.3935%	0.3942%	0.2829%
District's proportionate share of the net pension liability	\$ 148,696,381	\$ 139,331,975	\$ 75,557,286
State's proportionate share of the net pension liability associated with the District	<u>225,379,353</u>	<u>219,091,643</u>	<u>190,008,374</u>
Total	<u>\$ 374,075,734</u>	<u>\$ 358,423,618</u>	<u>\$ 265,565,660</u>
District's covered-employee payroll (for Measurement Year)	\$ 391,215,683	\$ 375,129,379	\$ 367,187,392
District's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	38.01%	37.14%	20.58%
Plan fiduciary net position as a percentage of the total pension liability *	78.00%	78.43%	83.25%
Plan's net pension liability as a percentage of covered-employee payroll *	92.75%	91.94%	72.89%

The amounts presented for each Plan year which ends the preceding August 31 of the District's fiscal year.

Net pension liability is calculated using an new methodology and will be presented prospectively in accordance with GASB 68.

* Per Teacher Retirement System of Texas' comprehensive annual financial report.

⁽¹⁾ Ten year of data should be presented in this schedule, but data was unavailable prior to 2014
Net pension liability and related ratios will be presented as data becomes available.

ARLINGTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
TEACHERS RETIREMENT SYSTEM OF TEXAS
LAST FOUR FISCAL YEARS

Exhibit G-2

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 13,061,085	\$ 12,378,352	\$ 11,065,220	\$ 6,868,636
Contributions in relation to the contractual required contributions	<u>13,061,085</u>	<u>12,378,352</u>	<u>11,065,220</u>	<u>6,868,636</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
District's covered employee payroll	\$ 402,410,725	\$ 388,883,913	\$ 373,526,450	\$ 363,736,625
Contributions as a percentage of covered employee payroll	3.25%	3.18%	2.96%	1.89%

Notes to Required Supplementary Information - Pension

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

Changes of Assumptions

There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

Changes of Benefit Terms

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



Arlington

INDEPENDENT SCHOOL DISTRICT

More Than a Remarkable Education

OTHER SUPPLEMENTARY INFORMATION



Arlington

INDEPENDENT SCHOOL DISTRICT

More Than a Remarkable Education

Nonmajor Governmental Funds

Special Revenue Funds

The Special Revenue Funds are used to account for all federal, state and locally-funded grants. These grants are awarded to the District with the purpose of accomplishing specific educational goals. Grants included in the Special Revenue Funds are described below.

Fund Number	Fund Name & Description
206	McKinney - Vento Education for the Homeless Children and Youth - Variety of staff development and supplemental services.
211	Title I, Part A - Supplemental funds to schools with a high percentage of children from low income families to provide opportunities for all children to meet challenging state academic standards
220	English Literacy & Civics Education - Provide or support programs for educational services to adults who are beyond compulsory school attendance age, are not enrolled in school and function at less than secondary completion level.
223	Temporary Assistance for Needy Families (TANF) - Funds granted to provide education services to undereducated adult recipients of cash assistance under Temporary Assistance for Needy Families (TANF)
224	IDEA, Part B - Formula - Operate educational programs for children with disabilities.
225	IDEA, Part B - Preschool - Program for preschool children with disabilities.
242	Summer Feeding Program - Provide nutritious summer meals to low-income children when school is not in session.
244	Carl D. Perkins Technology - Provide career and technical education to develop new and/or improve career and technical education programs for paid and unpaid employment.
255	ESEA, Title II, Part A - TPTR (Teacher and Principal Training and Recruiting) - Increase student academic achievement through increasing the number of qualified teachers, assistant principals and principals.
263	ESEA, Title III, Part A - English Language Acquisition and Language Enhancement - Improve the education of limited English proficient children by assisting the children to learn English.

Nonmajor Governmental Funds (Continued)

Special Revenue Funds (Continued)

Fund Number	Fund Name & Description
288	Foreign Language Assistance Program - Provide supplemental funds to improve and expand foreign language programs for students.
289	Texas Literary Initiative - Improve school readiness and success in the areas of language and literacy for disadvantaged students.
315	SSA - IDEA B - Discretionary - Support ESC basic special education component, regional day
316	SSA - IDEA B - Formula (Deaf) - Operate educational programs for children with hearing
317	SSA - IDEA B - Preschool (Deaf) - Provide educational programs for preschool children with hearing disabilities.
340	SSA - IDEA C - Early Intervention (Deaf) - Provide educational programs for preschool children with hearing disabilities.
381	Adult Basic Education (ABE) - State - Funds granted to provide or support programs for adult education and literacy services to adults 16 and above, who do not have a high school diploma and are out of school.
385	Visually Impaired State - Provide teachers and services to students who are visually impaired.
397	Advanced Placement Incentives - Professional development of teachers teaching advanced
410	Instructional Materials Allotment - State funds allotted to school districts to purchase instructional materials and technology-related equipment and services.
411	Technology Allotment - Purchase technological software or equipment that contributes to student learning, or to pay for training for educational personnel involved in the use of such materials.
414	Texas Reading Initiative/Texas Reading, Math and Science - Funds granted to improve student achievement in reading, math and science.

Nonmajor Governmental Funds (Continued)

Special Revenue Funds (Continued)

Fund Number	Fund Name & Description
426	High Quality Pre-K - Provides additional resources for high quality Pre-K programs.
429	Other State Programs - Supplemental state funds for various educational and support programs.
435	Regional Day School for the Deaf - Provide funding for staff and services to students with auditory handicaps.
481	AISD Access - The communications department partners with News for My School to sell advertising in the <i>AUSD Achieving Excellence</i> e-newsletter. Proceeds are used to promote the District.
490	Other Local Programs - Supplemental local funds from other agencies to assist with educational programs and construction projects.
491	Emerging Leaders - Provide a leadership development program to further participating employees on the path to becoming a Principal.
497	Arlington Education Foundation - Nonprofit tax-exempt organization which raises private funds for the District.

ARLINGTON INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

June 30, 2017

Data Control Codes		206	211	220
		McKinney Homeless Education	Title I-A Improving Basic Programs	English Literacy & Civics Ed.
	Assets			
1110	Cash and cash equivalents	\$	\$ 24,405	\$
	Receivables:			
1240	Receivables from other governments	34,673	3,844,833	140,449
1260	Due from other funds		1,318,477	
1290	Other receivables		2,060	
1000	Total Assets	<u>\$ 34,673</u>	<u>\$ 5,189,775</u>	<u>\$ 140,449</u>
	Liabilities:			
	Current Liabilities:			
2110	Accounts payable	\$	\$ 118,169	\$ 4,131
2160	Accrued wages payable	4,784	941,606	27,807
2170	Due to other funds	29,889	4,130,000	108,511
2300	Unearned revenue - other			
2000	Total Liabilities	<u>34,673</u>	<u>5,189,775</u>	<u>140,449</u>
	Fund Balance:			
	Restricted:			
3450	Federal/State funds grant restrictions			
	Total Fund Balance			
4000	Total liabilities and fund balance	<u>\$ 34,673</u>	<u>\$ 5,189,775</u>	<u>\$ 140,449</u>

223 Temporary Assistance for Needy Families (TANF)	224 IDEA B - Formula	225 IDEA B - Preschool	242 Summer Feeding Program TDA	244 Carl D. Perkins Technology	255 Title II-A Principal Training
\$	\$	\$	\$	\$	\$
61,895	3,022,806	34,697 96,546	543,735	230,720	246,950 2,400
<u>\$ 61,895</u>	<u>\$ 3,022,806</u>	<u>\$ 131,243</u>	<u>\$ 543,735</u>	<u>\$ 230,720</u>	<u>\$ 249,350</u>
\$ 4,445 12,240 45,210	\$ 42,136 1,113,162 1,867,508	\$ 27,389 103,854	\$ 76 66,975 188,296	\$ 230,720	\$ 106 74,594 174,650
<u>61,895</u>	<u>3,022,806</u>	<u>131,243</u>	<u>255,347</u>	<u>230,720</u>	<u>249,350</u>
			288,388		
			288,388		
<u>\$ 61,895</u>	<u>\$ 3,022,806</u>	<u>\$ 131,243</u>	<u>\$ 543,735</u>	<u>\$ 230,720</u>	<u>\$ 249,350</u>

ARLINGTON INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

June 30, 2017

Data Control Codes		263	288	289
		Title III-A LEP	Foreign Language Grant	Texas Literary Initiative
	Assets			
1110	Cash and cash equivalents	\$	\$	\$
	Receivables:			
1240	Receivables from other governments	866,048	13	54,356
1260	Due from other funds	286,675		
1290	Other receivables			
1000	Total Assets	<u>\$ 1,152,723</u>	<u>\$ 13</u>	<u>\$ 54,356</u>
	Liabilities:			
	Current Liabilities:			
2110	Accounts payable	\$ 56,624	\$	\$
2160	Accrued wages payable	193,272		54,356
2170	Due to other funds	902,827	13	
2300	Unearned revenue - other			
2000	Total Liabilities	<u>1,152,723</u>	<u>13</u>	<u>54,356</u>
	Fund Balance:			
	Restricted:			
3450	Federal/State funds grant restrictions			
	Total Fund Balance			
4000	Total liabilities and fund balance	<u>\$ 1,152,723</u>	<u>\$ 13</u>	<u>\$ 54,356</u>

315	316	317	340	381
<u>IDEA B - Discretionary</u>	<u>IDEA B - Formula (Deaf)</u>	<u>IDEA B - Preschool (Deaf)</u>	<u>SSA - IDEA C - Early Intervention (Deaf)</u>	<u>Adult Basic Education (ABE)</u>
\$	\$	\$	\$	\$
30,077			1,979	49,000
1,748	8,911			
<u>\$ 31,825</u>	<u>\$ 8,911</u>	<u>\$</u>	<u>\$ 1,979</u>	<u>\$ 49,000</u>
\$ 31,318	\$ 8,911	\$	\$	\$ 2,513
507				10,030
			1,979	36,457
<u>31,825</u>	<u>8,911</u>	<u></u>	<u>1,979</u>	<u>49,000</u>
<u>\$ 31,825</u>	<u>\$ 8,911</u>	<u>\$</u>	<u>\$ 1,979</u>	<u>\$ 49,000</u>

ARLINGTON INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

June 30, 2017

		385	397	410
Data Control Codes		State Visual Impairment	Advanced Placement Incentive	Instructional Materials Allotment
Assets				
1110	Cash and cash equivalents	\$	\$	\$
Receivables:				
1240	Receivables from other governments	12,234		
1260	Due from other funds		23,775	521,934
1290	Other receivables			
1000	Total Assets	<u>\$ 12,234</u>	<u>\$ 23,775</u>	<u>\$ 521,934</u>
Liabilities:				
Current Liabilities:				
2110	Accounts payable	\$	\$	\$ 133,741
2160	Accrued wages payable	2,399		
2170	Due to other funds	9,827		
2300	Unearned revenue - other			228,947
2000	Total Liabilities	<u>12,226</u>	<u>23,775</u>	<u>362,688</u>
Fund Balance:				
Restricted:				
3450	Federal/State funds grant restrictions	8	23,775	159,246
	Total Fund Balance	<u>8</u>	<u>23,775</u>	<u>159,246</u>
4000	Total liabilities and fund balance	<u>\$ 12,234</u>	<u>\$ 23,775</u>	<u>\$ 521,934</u>

411	414	426	429
Technology Allotment	Texas Accelerated Science	High Quality Pre- K	Other State Programs
\$	\$	\$	\$
31,642	70,340	753,947	89,298
<u>\$ 31,642</u>	<u>\$ 70,340</u>	<u>\$ 753,947</u>	<u>\$ 89,298</u>
\$	\$	\$ 3,061	\$
		750,886	31,589
		753,947	50,795
		<u>753,947</u>	<u>82,384</u>
<u>31,642</u>	<u>70,340</u>		<u>6,914</u>
<u>31,642</u>	<u>70,340</u>		<u>6,914</u>
<u>\$ 31,642</u>	<u>\$ 70,340</u>	<u>\$ 753,947</u>	<u>\$ 89,298</u>

ARLINGTON INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

June 30, 2017

Data Control Codes		435	481	490
		Regional Day School for the Deaf	AISD Access	Other Local Programs
	Assets			
1110	Cash and cash equivalents	\$	\$	\$
	Receivables:			
1240	Receivables from other governments	82,874		
1260	Due from other funds		36,154	58,213
1290	Other receivables			58,006
1000	Total Assets	<u>\$ 82,874</u>	<u>\$ 36,154</u>	<u>\$ 116,219</u>
	Liabilities:			
	Current Liabilities:			
2110	Accounts payable	\$ 4,456	\$	\$
2160	Accrued wages payable	24,877		
2170	Due to other funds	53,541		
2300	Unearned revenue - other			4,750
2000	Total Liabilities	<u>82,874</u>	<u></u>	<u>4,750</u>
	Fund Balance:			
	Restricted:			
3450	Federal/State funds grant restrictions		36,154	111,469
	Total Fund Balance	<u></u>	<u>36,154</u>	<u>111,469</u>
4000	Total liabilities and fund balance	<u>\$ 82,874</u>	<u>\$ 36,154</u>	<u>\$ 116,219</u>

491	497	Total
Emerging Leaders	Arlington Education Foundation	Nonmajor Governmental Funds
<u> </u>	<u> </u>	<u> </u>
\$	\$	\$ 24,405
		10,100,584
10,000	81,448	2,548,263
		60,066
<u>\$ 10,000</u>	<u>\$ 81,448</u>	<u>\$ 12,733,318</u>
\$	\$ 14,292	\$ 423,979
		2,585,587
		8,684,963
	67,156	300,853
	<u>81,448</u>	<u>11,995,382</u>
<u>10,000</u>		<u>737,936</u>
<u>10,000</u>		<u>737,936</u>
<u>\$ 10,000</u>	<u>\$ 81,448</u>	<u>\$ 12,733,318</u>

ARLINGTON INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

Data Control Codes		206	211	220
		McKinney Homeless Education	Title I-A Improving Basic Programs	English Literacy & Civics Ed.
	Revenues			
5700	Local and Intermediate Sources	\$	\$	\$
5800	State Program Revenues			
5900	Federal Program Revenues	120,937	18,083,289	354,639
5020	Total Revenues	<u>120,937</u>	<u>18,083,289</u>	<u>354,639</u>
	Expenditures			
	Current:			
0011	Instruction		9,687,673	247,681
0012	Instructional Resources and Media Services		418,451	
0013	Curriculum and Instructional Staff Development		3,060,574	10,938
0021	Instructional Leadership	33,558	2,307,284	95,100
0023	School Leadership		57,277	
0031	Guidance, Counseling and Evaluation Services		128,510	920
0032	Social work services	70,214	782,813	
0033	Health Services			
0034	Student Transportation	13,206		
0035	Food Services			
0036	Cocurricular/Extracurricular Activities			
0051	Plant Maintenance and Operations			
0061	Community Services	3,959	1,640,707	
6030	Total Expenditures	<u>120,937</u>	<u>18,083,289</u>	<u>354,639</u>
1100	Excess (deficiency) of revenues over expenditures			
	Other Financing Sources (Uses)			
8911	Transfers out			
	Total Other Financing Sources (Uses)			
1200	Net change in fund balances			
0100	Fund Balance - July 1 (Beginning)			
3000	Fund Balance - June 30 (Ending)	<u>\$</u>	<u>\$</u>	<u>\$</u>

223 Temporary Assistance for Needy Families (TANF)	224 IDEA B - Formula	225 IDEA B - Preschool	242 Summer Feeding Program TDA	244 Carl D. Perkins Technology	255 Title II-A Principal Training
\$	\$	\$	\$	\$	\$
92,354	9,810,707	219,357	700,542	754,809	1,368,095
92,354	9,810,707	219,357	700,542	754,809	1,368,095
91,029	7,695,973	219,357		395,857	
	1,118,000			10,524	1,360,746
	48,162			28,815	7,349
1,325	898,145			319,613	
	50,427				
			419,998		
92,354	9,810,707	219,357	419,998	754,809	1,368,095
			280,544		
			(93,020)		
			(93,020)		
			187,524		
			100,864		
\$	\$	\$	\$ 288,388	\$	\$

ARLINGTON INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

		263	288	289
Data Control Codes		Title III-A LEP	Foreign Language Grant	Texas Literary Initiative
Revenues				
5700	Local, Intermediate and Out-of-State	\$	\$	\$
5800	State Program Revenues			
5900	Federal Program Revenues	2,500,155		1,038,138
5020	Total Revenues	<u>2,500,155</u>		<u>1,038,138</u>
Expenditures				
Current:				
0011	Instruction	1,595,496		715,217
0012	Instructional Resources and Media Services			
0013	Curriculum and Instructional Staff Development	580,093		172,100
0021	Instructional Leadership	38,814		28
0023	School Leadership	755		
0031	Guidance, Counseling and Evaluation Services			
0032	Social work services			
0033	Health Services			
0034	Student Transportation	861		
0035	Food Services			
0036	Cocurricular/Extracurricular Activities			
0051	Facilities Maintenance and Operations			
0061	Community Services	284,136		150,793
6030	Total Expenditures	<u>2,500,155</u>		<u>1,038,138</u>
1100	Excess (deficiency) of revenues over expenditures			
Other Financing Sources (Uses)				
8911	Transfers out			
	Total Other Financing Sources (Uses)			
1200	Net change in fund balances			
0100	Fund Balance - July 1 (Beginning)			
3000	Fund Balance - June 30 (Ending)	<u>\$</u>	<u>\$</u>	<u>\$</u>

315	316	317	340	381
<u>IDEA B - Discretionary</u>	<u>IDEA B - Formula (Deaf)</u>	<u>IDEA B - Preschool (Deaf)</u>	<u>SSA - IDEA C - Early Intervention (Deaf)</u>	<u>Adult Basic Education (ABE)</u>
\$	\$	\$	\$	\$
				166,044
42,043		13	2,474	
<u>42,043</u>		<u>13</u>	<u>2,474</u>	<u>166,044</u>
42,043		13	2,474	135,509
				29,715
				820
<u>42,043</u>		<u>13</u>	<u>2,474</u>	<u>166,044</u>
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

ARLINGTON INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

		385	397	410
<u>Data Control Codes</u>		<u>State Visual Impairment</u>	<u>Advanced Placement Incentive</u>	<u>Instructional Materials Allotment</u>
Revenues				
5700	Local, Intermediate and Out-of-State	\$	\$	\$
5800	State Program Revenues	23,744	20,250	713,196
5900	Federal Program Revenues		37,050	
5020	Total Revenues	<u>23,744</u>	<u>57,300</u>	<u>713,196</u>
Expenditures				
Current:				
0011	Instruction	23,744		894,398
0012	Instructional Resources and Media Services			
0013	Curriculum and Instructional Staff Development		20,250	
0021	Instructional Leadership			
0023	School Leadership			
0031	Guidance, Counseling and Evaluation Services		37,050	
0032	Social work services			
0033	Health Services			
0034	Student Transportation			
0035	Food Services			
0036	Cocurricular/Extracurricular Activities			
0051	Facilities Maintenance and Operations			
0061	Community Services			
6030	Total Expenditures	<u>23,744</u>	<u>57,300</u>	<u>894,398</u>
1100	Excess (deficiency) of revenues over expenditures			<u>(181,202)</u>
Other Financing Sources (Uses)				
8911	Transfers out			
	Total Other Financing Sources (Uses)			
1200	Net change in fund balances			(181,202)
0100	Fund Balance - July 1 (Beginning)	<u>8</u>	<u>23,775</u>	<u>340,448</u>
3000	Fund Balance - June 30 (Ending)	<u>\$ 8</u>	<u>\$ 23,775</u>	<u>\$ 159,246</u>

411	414	426	429
<u>Technology Allotment</u>	<u>Texas Accelerated Science</u>	<u>High Quality Pre-K</u>	<u>Other State Programs</u>
\$	\$	\$	\$
		938,608	373,400
		<u>938,608</u>	<u>373,400</u>
		814,101	5,858
			464
		14,928	8,608
			356,733
			142
			1,595
		<u>109,579</u>	
		<u>938,608</u>	<u>373,400</u>
<u>31,642</u>	<u>70,340</u>		<u>6,914</u>
<u>\$ 31,642</u>	<u>\$ 70,340</u>	<u>\$</u>	<u>\$ 6,914</u>

ARLINGTON INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

		435	481	490
<u>Data Control Codes</u>		<u>Regional Day School for the Deaf</u>	<u>AISD Access</u>	<u>Other Local Programs</u>
Revenues				
5700	Local, Intermediate and Out-of-State	\$	\$	\$ 115,202
5800	State Program Revenues	523,272		
5900	Federal Program Revenues			
5020	Total Revenues	<u>523,272</u>		<u>115,202</u>
Expenditures				
Current:				
0011	Instruction	518,423		3,733
0012	Instructional Resources and Media Services			
0013	Curriculum and Instructional Staff Development			
0021	Instructional Leadership			
0023	School Leadership			
0031	Guidance, Counseling and Evaluation Services			
0032	Social work services			
0033	Health Services			
0034	Student Transportation			
0035	Food Services			
0036	Cocurricular/Extracurricular Activities			
0051	Facilities Maintenance and Operations			
0061	Community Services	4,849		
6030	Total Expenditures	<u>523,272</u>		<u>3,733</u>
1100	Excess (deficiency) of revenues over expenditures			<u>111,469</u>
Other Financing Sources (Uses)				
8911	Transfers out			
	Total Other Financing Sources (Uses)			
1200	Net change in fund balances			111,469
0100	Fund Balance - July 1 (Beginning)		36,154	
3000	Fund Balance - June 30 (Ending)	<u>\$</u>	<u>\$ 36,154</u>	<u>\$ 111,469</u>

491	497	
Emerging Leaders	Arlington Education Foundation	Total Nonmajor Governmental Funds
\$ 310,000	\$ 80,823	\$ 196,025
		3,068,514
		35,124,602
310,000	80,823	38,389,141
	48,648	23,137,227
	20,398	439,313
		6,348,153
		2,597,433
300,000		358,032
		1,386,383
		1,209,760
		50,427
		14,209
		419,998
	11,777	11,777
		1,595
		2,194,023
300,000	80,823	38,168,330
10,000		220,811
		(93,020)
		(93,020)
10,000		127,791
		610,145
\$ 10,000	\$	\$ 737,936

ARLINGTON INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
June 30, 2017

Exhibit H-3

	752	770	
	<u>Print Shop</u>	<u>Workers' Compensation Fund</u>	<u>Total</u>
Assets			
Current assets:			
Cash and cash equivalents	\$ 40,874	\$ 5,123,883	\$ 5,164,757
Receivables:			
Due from other funds	8,457	137,856	146,313
Prepaid items	14,833		14,833
Total Current Assets	<u>64,164</u>	<u>5,261,739</u>	<u>5,325,903</u>
Total Assets	<u>64,164</u>	<u>5,261,739</u>	<u>5,325,903</u>
Liabilities			
Current Liabilities:			
Accounts payable	35,047	139,929	174,976
Due to other funds	29,116		29,116
Accrued expenses		4,085,514	4,085,514
Total current liabilities	<u>64,163</u>	<u>4,225,443</u>	<u>4,289,606</u>
Total Liabilities	<u>64,163</u>	<u>4,225,443</u>	<u>4,289,606</u>
Net Position			
Unrestricted	1	1,036,296	1,036,297
Total Net Position	<u>\$ 1</u>	<u>\$ 1,036,296</u>	<u>\$ 1,036,297</u>

ARLINGTON INDEPENDENT SCHOOL DISTRICT*Exhibit H-4***COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION****INTERNAL SERVICE FUNDS***For the Year Ended June 30, 2017*

	752	770	
	Print Shop	Workers' Compensation Fund	Total
Operating Revenues			
Charges for services	\$ 432,987	\$ 1,786,188	\$ 2,219,175
Total operating revenues	<u>432,987</u>	<u>1,786,188</u>	<u>2,219,175</u>
Operating Expenses			
Purchased and contracted services	200,559		200,559
Supplies and materials	154,727		154,727
Claims expense and other operating expenses		1,786,198	1,786,198
Total operating expenses	<u>355,286</u>	<u>1,786,198</u>	<u>2,141,484</u>
Operating Income (Loss)	<u>77,701</u>	<u>(10)</u>	<u>77,691</u>
Non-Operating Revenues (Expenses)			
Earnings - temporary deposits and investments		43,471	43,471
Total non-operating revenues (expenses)		<u>43,471</u>	<u>43,471</u>
Income (loss) before transfers	77,701	43,461	121,162
Transfers			
Transfers in	<u>8,457</u>		<u>8,457</u>
Change in Net Position	86,158	43,461	129,619
Net Position - July 1 (Beginning)	<u>(86,157)</u>	<u>992,835</u>	<u>906,678</u>
Net Position - June 30 (Ending)	<u>\$ 1</u>	<u>\$ 1,036,296</u>	<u>\$ 1,036,297</u>

ARLINGTON INDEPENDENT SCHOOL DISTRICT

Exhibit H-5

COMBINING STATEMENT OF CASH FLOWS

INTERNAL SERVICE FUNDS

For The Year Ended June 30, 2017

	752	770	
	Print Shop	Workers' Compensation Fund	Total
Increase (Decrease) in Cash and Cash Equivalents			
Cash Flows from Operating Activities:			
Cash received from user charges	\$ 432,987	\$ 1,738,716	\$ 2,171,703
Cash payments for insurance claims		(1,488,716)	(1,488,716)
Cash payments to suppliers	(196,348)		(196,348)
Cash payments for other operating expenses	(200,559)		(200,559)
Net Cash Provided by (Used for) Operating Activities	<u>36,080</u>	<u>250,000</u>	<u>286,080</u>
Cash Flows from Investing Activities:			
Interest on investments		43,471	43,471
Net Cash Provided by Investing Activities		<u>43,471</u>	<u>43,471</u>
Net Increase (decrease) in Cash and Cash Equivalents	36,080	293,471	329,551
Cash and Cash Equivalents at Beginning of Year	4,794	4,830,412	4,835,206
Cash and Cash Equivalents at End of Year	<u>\$ 40,874</u>	<u>\$ 5,123,883</u>	<u>\$ 5,164,757</u>
Reconciliation to Balance Sheet:			
Cash and Cash Equivalents Per Cash Flow	\$ 40,874	\$ 5,123,883	\$ 5,164,757
Cash and Cash Equivalents per Balance Sheet	<u>\$ 40,874</u>	<u>\$ 5,123,883</u>	<u>\$ 5,164,757</u>
Reconciliation of Operating Income to Net Cash Provided by operating Activities:			
Operating Income (Loss)	\$ 77,701	\$ (10)	\$ 77,691
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation			
Change in Assets and Liabilities:			
Decrease (increase) in Receivables			
Decrease (increase) in Interfund Receivables		47,472	47,472
Decrease (increase) in Prepaid Items	17,819	250,000	267,819
Increase (decrease) in Accounts Payable	29,057	(47,462)	(18,405)
Increase (decrease) in Interfund Payables	(88,497)		(88,497)
Net Cash Provided by (Used for) Operating Activities	<u>\$ 36,080</u>	<u>\$ 250,000</u>	<u>\$ 286,080</u>

FIDUCIARY FUND

Agency Fund

Student Activity Fund – An unbudgeted fund that accounts for the receipt and disbursement of monies from student activity organizations. This fund has no equity; assets are equal to liabilities, and it does not include revenues and expenditures for general operations of the school district.



Arlington

INDEPENDENT SCHOOL DISTRICT

More Than a Remarkable Education

ARLINGTON INDEPENDENT SCHOOL DISTRICT*Exhibit H-6***STATEMENT OF CHANGES IN ASSETS AND LIABILITIES****AGENCY FUNDS***For the Year Ended June 30, 2017*

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2017</u>
Student Activities				
Assets				
Cash and cash equivalents	\$ 4,762,573	\$ 8,734,228	\$ 8,673,090	\$ 4,823,710
Liabilities				
Accounts payable	\$ 137,180	\$ 108,993	\$ 108,994	\$ 108,993
Due to student groups	4,625,393	8,734,228	8,673,090	4,714,717
Total liabilities	<u>\$ 4,762,573</u>	<u>\$ 8,843,221</u>	<u>\$ 8,782,084</u>	<u>\$ 4,823,710</u>



Arlington
INDEPENDENT SCHOOL DISTRICT
More Than a Remarkable Education

REQUIRED TEA SCHEDULES

Section 21.256, Texas Education Code, requires an annual audit and authorizes the State Board of Education, with the approval of the State Auditor, to prescribe minimum regulations and report forms for the annual audit. *The Financial Accountability System Resource Guide* of the Texas Education Agency prescribes the forms and formats to be filed with the Texas Education Agency. This section fulfills the requirements for certain forms and formats required to be filed with the Texas Education Agency.

ARLINGTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
For the Year Ended June 30, 2017

<u>Last Ten Fiscal Years</u>	<u>Tax Rates</u>		<u>Net Assessed/Appraised Value For School Tax Purposes</u>	<u>Beginning Balance 7/1/2016</u>
	<u>Maintenance</u>	<u>Debt Service</u>		
2008 and prior	Various	Various	Various	\$ 9,084,139
2009	1.040000	0.232000	20,905,800,393	597,924
2010	1.040000	0.232000	20,756,079,556	749,787
2011	1.040000	0.295000	19,349,036,480	555,750
2012	1.040000	0.265500	19,472,765,823	569,970
2013	1.040000	0.261000	19,779,331,339	971,726
2014	1.040000	0.252170	20,220,917,724	1,095,313
2015	1.040000	0.308110	21,265,403,194	1,770,775
2016	1.040000	0.372950	21,317,959,305	4,977,169
2017	1.040000	0.350080	22,961,131,839	
1000 TOTALS				<u><u>\$ 20,372,553</u></u>

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

Exhibit J-1

20	31	32	40	50
Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustments	Ending Balance 6/30/2017
\$	\$ 45,222	\$ 8,262	\$ (1,269,871)	\$ 7,760,784
	9,883	2,205	(1,110)	584,726
	13,267	2,960	(398)	733,162
	16,365	4,642	(7,077)	527,666
	56,607	14,451	71,489	570,401
	68,754	17,254	(158,050)	727,668
	135,145	32,769	(151,995)	775,404
	128,375	38,032	(836,434)	767,934
	2,012,622	721,742	(786,646)	1,456,159
<u>319,178,101</u>	<u>235,663,872</u>	<u>79,328,085</u>	<u></u>	<u>4,186,144</u>
<u>\$ 319,178,101</u>	<u>\$ 238,150,112</u>	<u>\$ 80,170,402</u>	<u>\$ (3,140,092)</u>	<u>18,090,048</u>
	Total taxes receivable per Exhibit C-1			<u>\$ 18,090,048</u>
<u>\$ 1,162,912</u>	<u>\$ 1,162,912</u>			

ARLINGTON INDEPENDENT SCHOOL DISTRICT

Exhibit J-4

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION -

ORIGINAL BUDGET, AMENDED FINAL AND ACTUAL - CHILD NUTRITION

For the Year Ended June 30, 2017

Data Control Codes	Child Nutrition				
	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget	
	Original	Final			
Operating Revenues					
5700	Local revenues	\$ 6,623,297	\$ 6,123,297	\$ 5,939,667	\$ (183,630)
5800	State program revenues	196,000	184,000	184,963	963
	Total operating revenues	<u>6,819,297</u>	<u>6,307,297</u>	<u>6,124,630</u>	<u>(182,667)</u>
Operating Expenses					
6100	Payroll costs	13,957,877	14,957,877	13,498,411	1,459,466
6200	Professional and contracted services	3,401,259	3,546,259	2,347,201	1,199,058
6300	Curriculum and instructional staff	16,643,909	16,698,909	15,970,406	728,503
6400	Other operating costs	148,662	148,662	148,662	
6449	Depreciation	995,548	995,548	1,550,455	(554,907)
	Total operating expenses	<u>35,147,255</u>	<u>36,347,255</u>	<u>33,515,135</u>	<u>2,832,120</u>
1100	Operating income (loss)	<u>(28,327,958)</u>	<u>(30,039,958)</u>	<u>(27,390,505)</u>	<u>2,649,453</u>
Non-Operating Revenues (Expenses)					
7020	Investment earnings	8,000	8,000	58,772	50,772
7952	National School Breakfast	5,947,258	5,947,258	5,937,216	(10,042)
7953	National School Lunch	19,995,788	19,995,788	19,157,173	(838,615)
7954	U.S.D.A. donated commodities	2,380,584	2,380,584	2,358,324	(22,260)
7989	CACFR Supper Program			75,990	75,990
8951	Loss in disposal of property			(12,462)	(12,462)
	Total non-operating revenues (expenses)	<u>28,331,630</u>	<u>28,331,630</u>	<u>27,575,013</u>	<u>(756,617)</u>
	Income (loss) before transfers	3,672	(1,708,328)	184,508	1,892,836
Capital Contributions and Transfers					
7915	Operating transfers in			93,020	93,020
7957	Capital contribution			843,665	843,665
1200	Net change in net position	<u>3,672</u>	<u>(1,708,328)</u>	<u>1,121,193</u>	<u>2,829,521</u>
0100	Net position - July 1 (beginning)	<u>15,791,344</u>	<u>15,791,344</u>	<u>15,791,344</u>	
	Prior period adjustments	<u>1,289,468</u>	<u>1,289,468</u>	<u>1,289,468</u>	
3000	Net position - June 30 (ending)	<u>\$ 17,084,484</u>	<u>\$ 15,372,484</u>	<u>\$ 18,202,005</u>	<u>\$ 2,829,521</u>

ARLINGTON INDEPENDENT SCHOOL DISTRICT

Exhibit J-5

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -

ORIGINAL BUDGET, AMENDED FINAL AND ACTUAL - DEBT SERVICE FUND

For the Year Ended June 30, 2017

		Debt Service			
		Budgeted Amounts		Actual	Variance with
Data	Control	Original	Final	Amounts,	Final Budget
Codes				Budgetary Basis	
Revenues					
5700	Local revenues	\$ 80,888,247	\$ 79,138,247	\$ 80,791,428	\$ 1,653,181
5800	State program revenues	2,037,757	2,037,757	2,779,630	741,873
5900	Federal program revenues	584,932	584,932	587,138	2,206
	Total revenues	<u>83,510,936</u>	<u>81,760,936</u>	<u>84,158,196</u>	<u>2,397,260</u>
Expenditures					
Debt Service:					
0071	Debt service expenditures	52,066,714	52,066,714	52,066,714	
0072	Interest on long-term debt	28,251,725	28,251,725	28,251,725	
0073	Bond issuance costs and fees	257,789	840,135	589,948	250,187
	Total expenditures	<u>80,576,228</u>	<u>81,158,574</u>	<u>80,908,387</u>	<u>250,187</u>
1100	Excess (deficiency) of revenues over expenditures	<u>2,934,708</u>	<u>602,362</u>	<u>3,249,809</u>	<u>2,647,447</u>
Other Financing Sources (Uses)					
7901	Refunding bonds issued	69,194,918	77,262,213	67,561,368	(9,700,845)
7916	Premium or discount on issuance of			9,693,397	9,693,397
8949	Payment to Bond Refunding Escrow	(69,194,918)	(78,430,918)	(78,429,994)	924
	Total other financing sources (uses)	<u>(69,194,918)</u>	<u>(78,430,918)</u>	<u>(78,429,994)</u>	<u>924</u>
1200	Net change in fund balance	2,934,708	(566,343)	2,074,580	2,640,923
0100	Fund balances - beginning	<u>25,723,015</u>	<u>25,723,015</u>	<u>25,723,015</u>	
3000	Fund balances - ending	<u>\$ 28,657,723</u>	<u>\$ 25,156,672</u>	<u>\$ 27,797,595</u>	<u>\$ 2,640,923</u>

ARLINGTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
ORIGINAL BUDGET, AMENDED FINAL AND ACTUAL - CAPITAL PROJECTS FUND
For the Year Ended June 30, 2017

Exhibit J-6

Data Control Codes		Capital Projects Fund			
		Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget
		Original	Final		
	Revenues				
5700	Local revenues	\$ 1,350,000	\$ 1,350,000	\$ 3,129,081	\$ 1,779,081
	Total revenues	<u>1,350,000</u>	<u>1,350,000</u>	<u>3,129,081</u>	<u>1,779,081</u>
	Expenditures				
	Current:				
0011	Instruction	14,252,523	14,572,915	10,556,394	4,016,521
0012	Instruction resources and media services				
0013	Curriculum and instructional staff		101,966	1,932	100,034
0021	Instructional leadership				
0023	School leadership				
0034	Student transportation	3,676,130	3,609,592	1,622,737	1,986,855
0035	Food services				
0036	Extracurricular activities		760,000	538,193	221,807
0041	General administration		122,620	22,620	100,000
0051	Plant maintenance and operations	240,028,992	231,487,625	71,934,999	159,552,626
0052	Security and monitoring services	108,900	607,981	312,062	295,919
0053	Data processing services	10,443,551	9,411,112	3,536,006	5,875,106
0061	Community services				
	Debt Service:				
0073	Bond issuance costs and fees		870,482	870,482	
	Capital Outlay:				
0081	Facilities acquisition and construction	146,640,222	134,157,020	74,438,925	59,718,095
	Total expenditures	<u>415,150,318</u>	<u>395,701,313</u>	<u>163,834,350</u>	<u>231,866,963</u>
1100	Excess (deficiency) of revenues over expenditures	<u>(413,800,318)</u>	<u>(394,351,313)</u>	<u>(160,705,269)</u>	<u>233,646,044</u>
	Other Financing Sources (Uses)				
7911	Capital-related Debt Issued (Regular Bonds)	126,038,000	126,915,000	109,420,000	(17,495,000)
7915	Operating transfers in			377,000	377,000
7916	Premium or discount on issuance of bonds			17,490,482	17,490,482
	Total other financing sources (uses)	<u>126,038,000</u>	<u>126,915,000</u>	<u>127,287,482</u>	<u>372,482</u>
1200	Net change in fund balance	(287,762,318)	(267,436,313)	(33,417,787)	234,018,526
0100	Fund balances - beginning	<u>269,969,163</u>	<u>269,969,163</u>	<u>269,969,163</u>	
3000	Fund balances - ending	<u>\$ (17,793,155)</u>	<u>\$ 2,532,850</u>	<u>\$ 236,551,376</u>	<u>\$ 234,018,526</u>

STATISTICAL SECTION
(Unaudited)

Statistical Tables are used to provide detailed data on the physical, economic, social and political characteristics of a government. They are intended to provide financial report users with a broader and more complete understanding of the government and its financial affairs than it is possible from the basic financial statements.

The District's Statistical Tables usually cover ten fiscal years and often present data from outside the accounting records. The tables are unaudited due to the nature of the information contained therein.

	Page
Financial Trends	114
<p>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</p>	
Revenue Capacity	124
<p>The schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</p>	
Debt Capacity	133
<p>The schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</p>	
Demographic and Economic Information	137
<p>The schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</p>	
Operating Information	143
<p>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</p>	

ARLINGTON INDEPENDENT SCHOOL DISTRICT

Net Position By Component

Last Ten Fiscal Years

(Unaudited)

	2017	2016	2015	2014
Governmental Net Position				
Net investment in capital assets	\$ 31,929,478	\$ 70,466,966	\$ 94,478,337	\$ 63,648,331
Restricted for federal and state programs	737,936	610,145	384,459	3,267,869
Restricted for debt service	18,173,383	16,838,551	15,936,844	13,376,345
Unrestricted	<u>149,027,332</u>	<u>162,870,820</u>	<u>143,006,519</u>	<u>219,267,502</u>
Total Governmental Net Position	<u>199,868,129</u>	<u>250,786,482</u>	<u>253,806,159</u>	<u>299,560,047</u>
Business-Type Net Position				
Net investment in capital assets	11,045,198	10,500,180	10,278,226	9,573,377
Restricted for federal and state programs	<u>7,078,894</u>	<u>5,210,435</u>	<u>6,882,026</u>	<u>11,105,771</u>
Total Business-Type Net Position	<u>18,124,092</u>	<u>15,710,615</u>	<u>17,160,252</u>	<u>20,679,148</u>
Total Primary Government Net Position				
Net investment in capital assets	42,974,676	80,967,146	104,756,563	73,221,708
Restricted for federal and state programs	7,816,830	5,820,580	7,266,485	14,373,640
Restricted for debt service	18,173,383	16,838,551	15,936,844	13,376,345
Unrestricted	<u>149,027,332</u>	<u>162,870,820</u>	<u>143,006,519</u>	<u>219,267,502</u>
Total Primary Government Net Position	<u>\$ 217,992,221</u>	<u>\$ 266,497,097</u>	<u>\$ 270,966,411</u>	<u>\$ 320,239,195</u>

Note: The District's fiscal year end date was changed from August 31 to June 30, with the fiscal year ended June 30, 2012 being a ten month conversion year.

Source: The Statement of Net Position for the Arlington Independent School District

Table 1

	2013	2012	2011	2010	2009	2008
\$	69,384,718	\$ 108,758,102	\$ 141,209,274	\$ 147,771,497	\$ 130,115,177	\$ 127,761,100
	3,545,144	4,012,243	765,793	591,708		
	13,151,459	13,521,565	10,372,956	11,514,055	11,493,475	11,179,949
	<u>175,806,732</u>	<u>121,565,824</u>	<u>31,612,353</u>	<u>17,856,878</u>	<u>41,275,183</u>	<u>32,833,653</u>
	<u>261,888,053</u>	<u>247,857,734</u>	<u>183,960,376</u>	<u>177,734,138</u>	<u>182,883,835</u>	<u>171,774,702</u>
	8,031,599	6,490,976	6,836,367	5,073,483	4,842,862	4,743,464
	<u>10,397,105</u>	<u>8,758,026</u>	<u>6,332,092</u>	<u>6,441,746</u>	<u>4,613,342</u>	<u>2,747,825</u>
	<u>18,428,704</u>	<u>15,249,002</u>	<u>13,168,459</u>	<u>11,515,229</u>	<u>9,456,204</u>	<u>7,491,289</u>
	77,416,317	115,249,078	148,045,641	152,844,980	134,958,039	132,504,564
	13,942,249	12,770,269	765,793	591,708		
	13,151,459	13,521,565	10,372,956	11,514,055	11,493,475	11,179,949
	<u>175,806,732</u>	<u>121,565,824</u>	<u>37,944,445</u>	<u>24,298,624</u>	<u>45,888,525</u>	<u>35,581,478</u>
\$	<u>280,316,757</u>	<u>263,106,736</u>	<u>197,128,835</u>	<u>189,249,367</u>	<u>192,340,039</u>	<u>179,265,991</u>

ARLINGTON INDEPENDENT SCHOOL DISTRICT

Expenses, Program Revenues, and Net Expenses

Last Ten Fiscal Years

(Unaudited)

	2017	2016	2015	2014
Expenses				
Governmental activities:				
Instruction	\$ 376,229,465	\$ 399,051,889	\$ 321,641,711	\$ 347,695,598
Instructional resources and media services	7,243,900	8,129,652	6,568,327	7,048,633
Curriculum and instructional staff development	13,947,095	13,199,858	11,706,779	10,292,439
Instructional leadership	11,444,870	9,924,616	6,918,312	7,124,368
School leadership	32,501,719	31,585,630	26,454,600	27,253,780
Guidance, counseling, and evaluation services	30,557,058	29,579,678	26,178,274	25,530,501
Social work services	3,243,077	2,700,653	2,360,625	2,326,072
Health services	6,429,062	5,992,175	5,025,111	5,501,273
Pupil transportation	13,381,080	11,888,600	12,436,347	10,901,683
Food services	421,005	807,280	591,766	388,674
Cocurricular/extracurricular activities	10,843,567	10,234,216	8,954,157	9,412,633
General administration	9,290,805	8,969,032	7,733,533	7,033,855
Facilities maintenance and operations	120,283,327	69,186,113	49,693,227	51,447,854
Security and monitoring services	8,737,173	7,287,373	6,309,707	5,144,430
Data processing services	12,241,900	10,186,722	14,815,067	8,197,313
Community services	2,729,040	2,339,909	2,902,788	3,179,647
Debt service - interest on long-term debt	27,958,981	28,397,762	21,421,011	15,486,058
Bond issuance cost and fees	-	-	-	-
Facilities repairs and maintenance	4,892,556	1,599,431	38,440,109	1,413,049
Payments to Juvenile Justice Alt. Ed. Program	77,478	72,885	67,467	53,396
Payments to Tax Increment Fund	1,677,277	1,096,490	7,028,326	7,565,996
Other intergovernmental charges	1,997,237	1,869,421	1,916,015	1,782,827
Total governmental activities	<u>696,127,672</u>	<u>654,099,385</u>	<u>579,163,259</u>	<u>554,780,079</u>
Business-type activities:				
Food services	<u>33,527,597</u>	<u>33,604,463</u>	<u>30,500,382</u>	<u>30,208,241</u>
Total Expenses	<u>729,655,269</u>	<u>687,703,848</u>	<u>609,663,641</u>	<u>584,988,320</u>
Program Revenues				
Governmental activities:				
Charges for services	5,868,531	3,188,625	3,136,176	2,864,989
Operating grants and contributions	<u>67,640,176</u>	<u>90,044,617</u>	<u>70,491,908</u>	<u>65,603,117</u>
Total governmental activities	<u>73,508,707</u>	<u>93,233,242</u>	<u>73,628,084</u>	<u>68,468,106</u>
Business-type activities:				
Charges for services	6,124,630	5,772,190	5,982,774	6,197,429
Operating grants and contributions	<u>28,372,368</u>	<u>26,222,815</u>	<u>25,714,657</u>	<u>26,175,558</u>
Total business-type activities	<u>34,496,998</u>	<u>31,995,005</u>	<u>31,697,431</u>	<u>32,372,987</u>
Total Program Revenues	<u>108,005,705</u>	<u>125,228,247</u>	<u>105,325,515</u>	<u>100,841,093</u>
Net Expenses	<u>\$ (621,649,564)</u>	<u>\$ (562,475,601)</u>	<u>\$ (504,338,126)</u>	<u>\$ (484,147,227)</u>

Note: The District's fiscal year end date was changed from August 31 to June 30, with the fiscal year ended June 30, 2012 being a ten month conversion year.

Source: The Statement of Activities for the Arlington Independent School District

Table 2

2013	2012	2011	2010	2009	2008
\$ 326,972,420	\$ 292,381,916	\$ 348,387,954	\$ 333,613,428	\$ 319,106,962	\$ 318,135,876
6,274,891	5,963,914	6,897,415	7,124,969	6,762,018	6,858,837
9,499,551	6,701,859	10,215,377	9,817,622	9,359,461	7,619,668
6,687,141	5,435,172	7,334,939	7,370,271	6,965,450	8,380,036
25,724,635	21,294,889	26,790,801	26,025,054	25,854,423	26,363,944
23,682,670	17,621,819	22,504,083	21,797,944	21,258,719	20,717,715
2,138,454	1,780,216	2,336,399	2,402,024	2,051,433	1,869,664
5,108,523	4,840,254	5,197,041	5,221,341	5,157,522	5,108,663
10,203,605	8,976,259	11,096,233	11,221,782	10,909,491	10,737,715
432,435	344,969	322,046	527,576	546,162	971,941
8,833,151	8,147,211	9,483,994	8,834,971	8,543,218	8,750,235
6,540,185	5,499,431	6,986,698	7,344,859	7,559,030	7,438,693
50,879,295	45,045,408	54,973,176	55,179,227	49,624,734	47,461,306
4,942,866	3,835,434	4,839,013	5,272,936	4,904,875	4,978,604
7,628,023	6,664,602	8,134,179	7,559,353	7,395,250	7,417,080
3,115,412	2,835,888	3,991,485	3,615,273	3,195,293	1,624,189
19,368,480	16,860,954	19,944,575	19,288,178	18,973,025	18,400,544
-	-	-	-	493,392	358,554
970,785	-	-	-	-	68,543
41,125	266,250	350,625	402,500	494,910	380,750
3,817,396	3,507,648	3,526,152	4,676,718	2,690,197	2,123,889
1,668,202	1,234,497	1,557,935	1,592,312	1,588,962	1,475,596
<u>524,529,245</u>	<u>459,238,590</u>	<u>554,870,120</u>	<u>538,888,338</u>	<u>513,434,527</u>	<u>507,242,042</u>
<u>28,573,344</u>	<u>25,529,203</u>	<u>25,846,331</u>	<u>25,344,736</u>	<u>23,939,432</u>	<u>24,331,289</u>
<u>553,102,589</u>	<u>484,767,793</u>	<u>580,716,451</u>	<u>564,233,074</u>	<u>537,373,959</u>	<u>531,573,331</u>
2,956,248	2,682,308	2,992,981	2,981,285	2,733,447	2,896,183
62,110,376	55,880,066	123,583,489	106,339,356	67,719,599	68,070,746
<u>65,066,624</u>	<u>58,562,374</u>	<u>126,576,470</u>	<u>109,320,641</u>	<u>70,453,046</u>	<u>70,966,929</u>
6,233,987	5,744,326	6,296,733	6,913,729	7,146,249	7,324,929
25,409,362	21,856,266	21,051,104	20,385,549	18,573,326	17,100,511
<u>31,643,349</u>	<u>27,600,592</u>	<u>27,347,837</u>	<u>27,299,278</u>	<u>25,719,575</u>	<u>24,425,440</u>
<u>96,709,973</u>	<u>86,162,966</u>	<u>153,924,307</u>	<u>136,619,919</u>	<u>96,172,621</u>	<u>95,392,369</u>
<u>\$ (456,392,616)</u>	<u>\$ (398,604,827)</u>	<u>\$ (426,792,144)</u>	<u>\$ (427,613,155)</u>	<u>\$ (441,201,338)</u>	<u>\$ (436,180,962)</u>

ARLINGTON INDEPENDENT SCHOOL DISTRICT

General Revenues and Total Change in Net Position

Last Ten Fiscal Years
(Unaudited)

	2017	2016	2015	2014
Net expense				
Governmental activities	\$ (622,618,965)	\$ (560,866,143)	\$ (505,535,175)	\$ (486,311,973)
Business-type activities	969,401	(1,609,458)	1,197,049	2,164,746
Total net expenses	<u>(621,649,564)</u>	<u>(562,475,601)</u>	<u>(504,338,126)</u>	<u>(484,147,227)</u>
General Revenues				
Governmental Activities				
Taxes				
Property taxes levied for general purposes	237,332,902	222,354,931	216,566,195	206,070,657
Property taxes levied for debt service	80,319,360	79,922,367	65,816,287	51,143,124
State Aid Formula Grants	236,250,430	237,366,093	239,828,021	248,873,467
Grants and contributions - not restricted	11,276,867	7,718,245	9,131,377	8,593,641
Investment earnings	5,238,265	1,966,781	458,884	237,042
Miscellaneous local and intermediate revenue	1,375,808	8,653,947	10,103,186	9,145,584
Transfers out	(93,020)	(135,898)	(307,475)	(79,552)
Total Government Activities	<u>571,700,612</u>	<u>557,846,466</u>	<u>541,596,475</u>	<u>523,983,963</u>
Business-type Activities				
Unrestricted investment earnings	61,586	23,923	6,030	6,146
Grants and contributions - not restricted	-	-	8,000	-
Transfers in	93,020	135,898	307,475	79,552
Total Business-type Activities	<u>154,606</u>	<u>159,821</u>	<u>321,505</u>	<u>85,698</u>
Total General Revenues	<u>571,855,218</u>	<u>558,006,287</u>	<u>541,917,980</u>	<u>524,069,661</u>
Change in Net Position				
Governmental activities	(50,918,353)	(3,019,677)	36,061,300	37,671,990
Business-type activities	1,124,007	(1,449,637)	1,518,554	2,250,444
Total change in net position	<u>\$ (49,794,346)</u>	<u>\$ (4,469,314)</u>	<u>\$ 37,579,854</u>	<u>\$ 39,922,434</u>

Source: The Statement of Activities for the Arlington Independent School District

Note: The District's fiscal year end date was changed from August 31 to June 30, with the fiscal year ended June 30, 2012 being a ten month conversion year.

Table 3

2013	2012	2011	2010	2009	2008
\$ (459,462,621)	\$ (400,676,216)	\$ (428,293,650)	\$ (429,567,697)	\$ (442,981,481)	\$ (436,275,113)
3,070,005	2,071,389	1,501,506	1,954,542	1,780,143	94,151
<u>(456,392,616)</u>	<u>(398,604,827)</u>	<u>(426,792,144)</u>	<u>(427,613,155)</u>	<u>(441,201,338)</u>	<u>(436,180,962)</u>
200,219,710	196,230,568	192,163,019	209,744,123	213,225,430	203,831,754
50,876,378	50,736,898	55,384,589	47,297,808	48,103,125	46,996,542
209,684,541	208,267,754	175,464,300	157,265,155	168,943,843	176,346,363
9,835,162	4,421,877	6,513,486	4,892,850	2,768,238	1,582,590
418,043	470,629	378,193	451,996	1,994,577	8,240,277
6,209,381	4,445,848	4,758,899	4,858,323	19,215,304	5,170,591
(99,159)	-	(142,598)	(92,255)	(159,903)	(26,633)
<u>477,144,056</u>	<u>464,573,574</u>	<u>434,519,888</u>	<u>424,418,000</u>	<u>454,090,614</u>	<u>442,141,484</u>
10,538	9,154	9,126	12,228	24,869	114,114
-	-	-	-	-	-
<u>99,159</u>	<u>-</u>	<u>142,598</u>	<u>92,255</u>	<u>159,903</u>	<u>26,633</u>
<u>109,697</u>	<u>9,154</u>	<u>151,724</u>	<u>104,483</u>	<u>184,772</u>	<u>140,747</u>
<u>477,253,753</u>	<u>464,582,728</u>	<u>434,671,612</u>	<u>424,522,483</u>	<u>454,275,386</u>	<u>442,282,231</u>
17,681,435	63,897,358	6,226,238	(5,149,697)	11,109,133	5,866,371
<u>3,179,702</u>	<u>2,080,543</u>	<u>1,653,230</u>	<u>2,059,025</u>	<u>1,964,915</u>	<u>234,898</u>
<u>\$ 20,861,137</u>	<u>\$ 65,977,901</u>	<u>\$ 7,879,468</u>	<u>\$ (3,090,672)</u>	<u>\$ 13,074,048</u>	<u>\$ 6,101,269</u>

ARLINGTON INDEPENDENT SCHOOL DISTRICT

Fund Balances, Governmental Funds Last Ten Fiscal Years (Unaudited)

	2017	2016	2015	2014
Governmental Funds				
General Fund				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-
Nonspendable	1,801,741	1,768,805	1,713,539	1,606,801
Restricted	-	1,388,971	578,140	2,870,621
Committed	7,754,294	17,100,000	4,729,182	22,729,187
Assigned	1,335,076	1,531,994	7,086,126	8,474,064
Unassigned	<u>188,562,124</u>	<u>182,935,118</u>	<u>174,656,116</u>	<u>153,115,642</u>
Total General Fund	<u>199,453,235</u>	<u>204,724,888</u>	<u>188,763,103</u>	<u>188,796,315</u>
All Other Governmental Funds				
<i>Reserved, reported in:</i>				
Debt Service Fund	-	-	-	-
Capital Projects Fund	-	-	-	-
Special Revenue Funds	-	-	-	-
<i>Unreserved, reported in:</i>				
Capital Projects Fund	-	-	-	-
Special Revenue Funds	-	-	-	-
<i>Restricted, reported in:</i>				
Debt Service Fund	27,797,595	25,723,015	22,539,596	17,263,838
Capital Projects Fund	224,989,653	259,672,376	166,150,566	30,150,719
Special Revenue Funds	737,936	610,145	384,459	397,248
<i>Committed, reported in:</i>				
Capital Projects Fund	11,561,723	10,296,787	9,022,742	9,022,741
Special Revenue Funds	30,376,914	29,434,664	28,335,237	25,825,072
<i>Unassigned, reported in:</i>				
Special Revenue Funds	-	-	(2,284)	(2,284)
Total All Other Governmental Funds	<u>295,463,821</u>	<u>325,736,987</u>	<u>226,430,316</u>	<u>82,657,334</u>
Total Governmental Funds	<u>\$ 494,917,056</u>	<u>\$ 530,461,875</u>	<u>\$ 415,193,419</u>	<u>\$ 271,453,649</u>

Note: During the fiscal year 2011, the District adopted GASB Statement No. 54. Implementing this standard affected the presentation of fund balance on the governmental funds balance sheet.

Note: The District's fiscal year end date was changed from August 31 to June 30, with the fiscal year ended June 30, 2012 being a ten month conversion year.

Source: The Balance Sheet of Governmental Funds for the Arlington Independent School District

Table 4

	2013	2012	2011	2010	2009	2008
\$	-	\$ -	\$ -	\$ 2,885,729	\$ 1,747,764	\$ 2,337,995
	-	-	-	72,834,097	72,201,941	82,792,531
	1,628,288	2,321,489	1,442,647	-	-	-
	3,340,521	3,426,730	3,139,278	-	-	-
	24,295,514	-	-	-	-	-
	2,279,066	1,796,695	1,110,123	-	-	-
	<u>124,747,892</u>	<u>131,710,852</u>	<u>82,699,694</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>156,291,281</u>	<u>139,255,766</u>	<u>88,391,742</u>	<u>75,719,826</u>	<u>73,949,705</u>	<u>85,130,526</u>
	-	-	-	10,893,002	11,493,475	11,179,949
	-	-	-	7,212,480	402,724	337,560
	-	-	-	131,285	19,871	354,240
	-	-	-	60,228,753	21,591,851	22,034,951
	-	-	-	18,909,781	22,566,161	7,966,570
	17,991,873	19,943,320	10,319,240	-	-	-
	52,341,698	74,596,781	78,507,888	-	-	-
	204,623	585,883	765,793	-	-	-
	7,960,557	9,773,397	7,867,404	-	-	-
	24,099,660	21,763,063	20,878,309	-	-	-
	(410)	-	-	-	-	-
	<u>102,598,001</u>	<u>126,662,444</u>	<u>118,338,634</u>	<u>97,375,301</u>	<u>56,074,082</u>	<u>41,873,270</u>
\$	<u>258,889,282</u>	<u>265,918,210</u>	<u>206,730,376</u>	<u>173,095,127</u>	<u>130,023,787</u>	<u>127,003,796</u>

ARLINGTON INDEPENDENT SCHOOL DISTRICT

Governmental Funds Expenditures and Debt Service Ratio¹

Last Ten Fiscal Years

(Unaudited)

	2017	2016	2015	2014
Expenditures				
Governmental Activities				
11 Instruction	\$ 349,061,853	\$ 365,893,789	\$ 341,740,353	\$ 333,760,496
12 Instructional resources and media services	6,732,653	7,670,575	6,965,671	6,759,756
13 Curriculum and staff development services	13,340,775	12,654,301	12,037,844	10,105,982
Total function 10	<u>369,135,281</u>	<u>386,218,665</u>	<u>360,743,868</u>	<u>350,626,234</u>
21 Instructional leadership	10,632,750	9,311,191	7,380,990	6,836,929
23 School leadership	29,930,652	29,197,851	27,774,460	25,939,275
Total function 20	<u>40,563,402</u>	<u>38,509,042</u>	<u>35,155,450</u>	<u>32,776,204</u>
31 Guidance, counseling, and evaluation services	28,302,660	27,506,017	27,418,043	24,417,906
32 Social work services	3,027,967	2,514,049	2,576,150	2,325,244
33 Health services	5,938,186	5,550,290	5,370,810	5,233,736
34 Student transportation	14,139,059	17,733,858	12,987,216	13,196,865
35 Food service	419,998	817,318	592,272	388,210
36 Extracurricular activities	10,452,299	9,815,077	9,548,432	9,065,988
Total function 30	<u>62,280,169</u>	<u>63,936,609</u>	<u>58,492,923</u>	<u>54,627,949</u>
41 General administration	8,674,747	8,392,718	8,253,048	6,739,452
Total function 40	<u>8,674,747</u>	<u>8,392,718</u>	<u>8,253,048</u>	<u>6,739,452</u>
51 Plant maintenance and operations	118,312,510	67,898,753	51,982,273	50,130,534
52 Security and monitoring services	8,156,756	7,085,194	6,591,625	5,207,624
53 Data processing services	12,833,845	11,543,132	15,350,755	9,408,419
Total function 50	<u>139,303,111</u>	<u>86,527,079</u>	<u>73,924,653</u>	<u>64,746,577</u>
61 Community services	2,604,072	2,227,766	2,990,839	3,178,207
Total function 60	<u>2,604,072</u>	<u>2,227,766</u>	<u>2,990,839</u>	<u>3,178,207</u>
71 Debt service				
71 Principal on long-term debt	53,325,019	53,223,746	41,178,329	41,621,319
72 Interest on long-term debt	28,401,733	25,591,148	23,127,591	16,065,298
73 Bond issuance costs and fees	1,460,430	1,669,609	1,375,241	485,189
Total function 70	<u>83,187,182</u>	<u>80,484,503</u>	<u>65,681,161</u>	<u>58,171,806</u>
81 Facilities acquisition/construction	93,652,400	87,295,513	38,440,109	17,302,865
Total function 80	<u>93,652,400</u>	<u>87,295,513</u>	<u>38,440,109</u>	<u>17,302,865</u>
95 Payments to Juvenile Justice Alt. Ed. Program	77,478	72,885	67,467	53,396
97 Payments to Tax Increment Fund	1,677,277	1,096,490	7,028,326	7,565,996
99 Other intergovernmental charges	1,997,237	1,869,421	1,916,015	1,782,827
Total function 90	<u>3,751,992</u>	<u>3,038,796</u>	<u>9,011,808</u>	<u>9,402,219</u>
Total Expenditures	<u>\$ 803,152,356</u>	<u>\$ 756,630,691</u>	<u>\$ 652,693,859</u>	<u>\$ 597,571,513</u>
Debt Service as a % of noncapital expenditures:	11.52%	11.94%	10.65%	10.03%

¹ Includes General, Debt Service, Capital Projects, and Special Revenue Funds; Excludes capital expenditures and bond issuance costs and fees.

Note: The District's fiscal year end date was changed from August 31 to June 30, with the fiscal year ended June 30, 2012 being a ten month conversion year.

Source: Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds - Governmental Funds

Table 5

	2013	2012	2011	2010	2009	2008
\$	315,443,325	\$ 282,673,930	\$ 337,517,461	\$ 321,288,764	\$ 306,723,075	\$ 303,669,652
	6,013,136	5,701,051	6,627,414	6,842,736	6,512,774	6,650,970
	9,347,159	6,613,513	10,075,614	9,651,957	9,262,192	7,594,366
	<u>330,803,620</u>	<u>294,988,494</u>	<u>354,220,489</u>	<u>337,783,457</u>	<u>322,498,041</u>	<u>317,914,988</u>
	6,408,693	5,253,816	7,086,068	7,156,101	6,790,192	8,378,649
	<u>24,550,708</u>	<u>20,425,269</u>	<u>25,630,104</u>	<u>24,875,316</u>	<u>24,788,344</u>	<u>24,864,910</u>
	<u>30,959,401</u>	<u>25,679,085</u>	<u>32,716,172</u>	<u>32,031,417</u>	<u>31,578,536</u>	<u>33,243,559</u>
	22,666,317	16,979,919	21,652,300	20,957,060	20,489,517	19,751,286
	2,137,027	1,736,929	2,245,542	2,402,098	2,055,563	1,869,337
	4,872,288	4,623,820	4,956,320	4,993,365	4,946,724	4,907,937
	12,524,372	8,723,934	15,807,145	10,714,690	10,529,201	12,265,659
	433,000	349,393	323,496	639,414	593,065	456,308
	<u>8,467,395</u>	<u>7,804,876</u>	<u>9,094,628</u>	<u>8,470,813</u>	<u>8,184,309</u>	<u>8,612,057</u>
	<u>51,100,399</u>	<u>40,218,871</u>	<u>54,079,431</u>	<u>48,177,440</u>	<u>46,798,379</u>	<u>47,862,584</u>
	6,285,394	5,466,109	6,654,255	7,052,625	7,281,396	7,479,662
	<u>6,285,394</u>	<u>5,466,109</u>	<u>6,654,255</u>	<u>7,052,625</u>	<u>7,281,396</u>	<u>7,479,662</u>
	49,651,274	43,947,936	53,716,243	53,638,705	47,613,777	47,193,293
	5,540,877	3,780,303	4,905,258	5,246,305	4,699,965	4,712,767
	<u>8,440,673</u>	<u>7,158,556</u>	<u>9,272,962</u>	<u>7,588,830</u>	<u>7,182,359</u>	<u>7,922,556</u>
	<u>63,632,824</u>	<u>54,886,795</u>	<u>67,894,463</u>	<u>66,473,840</u>	<u>59,496,101</u>	<u>59,828,616</u>
	3,111,373	2,835,888	4,013,529	3,615,273	3,194,170	1,604,699
	<u>3,111,373</u>	<u>2,835,888</u>	<u>4,013,529</u>	<u>3,615,273</u>	<u>3,194,170</u>	<u>1,604,699</u>
	37,769,533	37,834,692	38,553,033	28,870,288	29,539,530	32,378,416
	20,349,329	10,554,395	20,227,161	19,431,220	20,028,332	19,353,333
	<u>682,386</u>	<u>587,366</u>	<u>686,532</u>	<u>468,727</u>	<u>258,622</u>	<u>1,062,200</u>
	<u>58,801,248</u>	<u>48,976,453</u>	<u>59,466,726</u>	<u>48,770,235</u>	<u>49,826,484</u>	<u>52,793,949</u>
	18,511,812	14,201,868	14,016,545	7,712,002	555,969	1,312,178
	<u>18,511,812</u>	<u>14,201,868</u>	<u>14,016,545</u>	<u>7,712,002</u>	<u>555,969</u>	<u>1,312,178</u>
	41,125	266,250	350,625	402,500	494,910	380,750
	3,817,396	3,507,648	3,526,152	4,676,718	2,690,197	2,123,889
	<u>1,668,202</u>	<u>1,234,497</u>	<u>1,557,935</u>	<u>1,592,312</u>	<u>1,588,962</u>	<u>1,475,596</u>
	<u>5,526,723</u>	<u>5,008,395</u>	<u>5,434,712</u>	<u>6,671,530</u>	<u>4,774,069</u>	<u>3,980,235</u>
\$	<u>568,732,794</u>	<u>\$ 492,261,958</u>	<u>\$ 598,496,322</u>	<u>\$ 558,287,819</u>	<u>\$ 526,003,145</u>	<u>\$ 526,020,470</u>
	10.70%	10.18%	10.20%	8.79%	9.44%	9.92%

ARLINGTON INDEPENDENT SCHOOL DISTRICT

Governmental Funds Revenues

Last Ten Fiscal Years¹

(Unaudited)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Federal Sources				
Federal grants	\$ <u>43,735,764</u>	\$ <u>51,213,473</u>	\$ <u>42,136,553</u>	\$ <u>41,952,884</u>
State Sources				
State education finance program	262,601,123	260,906,490	264,223,711	270,883,707
State grants and other sources	<u>3,371,404</u>	<u>9,567,134</u>	<u>12,912,613</u>	<u>9,900,166</u>
Total State Sources	<u>265,972,527</u>	<u>270,473,624</u>	<u>277,136,324</u>	<u>280,783,873</u>
Local Sources				
Property taxes	318,783,874	301,184,470	281,717,598	261,295,774
Capital Projects Funds	3,129,081	1,172,821	1,381,326	1,185,374
Athletic/extracurricular activities	742,334	699,435	647,589	638,644
Other local sources	<u>9,610,181</u>	<u>11,941,213</u>	<u>10,911,176</u>	<u>6,863,764</u>
Total Local Sources	<u>332,265,470</u>	<u>314,997,939</u>	<u>294,657,689</u>	<u>269,983,556</u>
Total Revenues	\$ <u>641,973,761</u>	\$ <u>636,685,036</u>	\$ <u>613,930,566</u>	\$ <u>592,720,313</u>

¹ Includes General, Debt Service, Capital Projects, and Special Revenue Funds

Note: The District's fiscal year end date was changed from August 31 to June 30, with the fiscal year ended June 30, 2012 being a ten month conversion year.

Source: Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds

Table 6

2013	2012	2011	2010	2009	2008
<u>\$ 43,385,720</u>	<u>\$ 36,002,530</u>	<u>\$ 97,835,232</u>	<u>\$ 80,665,294</u>	<u>\$ 37,598,710</u>	<u>\$ 33,431,030</u>
228,966,201	219,479,345	197,935,860	180,200,696	199,547,501	210,863,521
<u>8,966,911</u>	<u>11,896,826</u>	<u>7,008,854</u>	<u>7,268,336</u>	<u>1,947,977</u>	<u>1,582,590</u>
<u>237,933,112</u>	<u>231,376,171</u>	<u>204,944,714</u>	<u>187,469,032</u>	<u>201,495,478</u>	<u>212,446,111</u>
251,505,877	246,967,468	251,384,848	262,647,327	269,654,275	250,828,296
785,629	758,161	807,012	692,089	849,536	1,313,291
665,371	716,770	705,751	890,184	712,894	722,281
<u>9,670,141</u>	<u>7,365,653</u>	<u>9,094,658</u>	<u>(527,152)</u>	<u>14,677,265</u>	<u>14,516,562</u>
<u>262,627,018</u>	<u>255,808,052</u>	<u>261,992,269</u>	<u>263,702,448</u>	<u>285,893,970</u>	<u>267,380,430</u>
<u>\$ 543,945,850</u>	<u>\$ 523,186,753</u>	<u>\$ 564,772,215</u>	<u>\$ 531,836,774</u>	<u>\$ 524,988,158</u>	<u>\$ 513,257,571</u>

ARLINGTON INDEPENDENT SCHOOL DISTRICT
Other Financing Sources and Uses and Net Change in Fund Balances
Last Ten Fiscal Years
(Unaudited)

	2017	2016	2015	2014
Excess of revenues over (under) expenditures	\$ (161,178,595)	\$ (119,945,655)	\$ (38,763,293)	\$ (4,851,200)
Other financial sources (uses):				
General long-term debt issued	176,981,368	220,300,000	159,485,000	16,180,000
General long-term debt refunding				72,020,000
Premium or discount on issuance of bonds	27,183,879	14,618,702	18,221,181	8,081,458
Sale of real and personal property			2,886	35,384
Proceeds from capital leases				
Loan Issuance	-	431,307	4,113,971	433,107
Transfers in	377,000			
Transfers out	(478,477)	(135,898)	(307,475)	(79,552)
Payment to escrow agent	(78,429,994)			(79,254,833)
Natural gas lease			987,500	
Total other financing sources (uses)	<u>125,633,776</u>	<u>235,214,111</u>	<u>182,503,063</u>	<u>17,415,564</u>
Net change in fund balances	<u>\$ (35,544,819)</u>	<u>\$ 115,268,456</u>	<u>\$ 143,739,770</u>	<u>\$ 12,564,364</u>

Note: The District's fiscal year end date was changed from August 31 to June 30, with the fiscal year ended June 30, 2012 being a ten month conversion year.

Source: Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds

Table 7

2013	2012	2011	2010	2009	2008
\$ (24,786,944)	\$ 30,924,795	\$ (33,724,107)	\$ (26,451,045)	\$ (1,014,987)	\$ (12,762,899)
16,390,000	44,364,966	64,372,485			
76,482,234			65,755,000	12,465,000	114,350,000
7,667,322	4,733,364	2,644,506	1,748,110	430,700	5,508,050
69,561	34,881	395,149	917,386		574,010
		89,815	219,578		70,215
			974,566	3,924,908	
2,799	1,925,679		3,585,325	18,896	32,243
(98,958)	(1,925,679)	(142,598)	(3,677,580)	(156,799)	(20,876)
(82,754,942)	(20,870,172)			(12,647,727)	(118,844,460)
					4,045,194
<u>17,758,016</u>	<u>28,263,039</u>	<u>67,359,357</u>	<u>69,522,385</u>	<u>4,034,978</u>	<u>5,714,376</u>
<u>\$ (7,028,928)</u>	<u>\$ 59,187,834</u>	<u>\$ 33,635,250</u>	<u>\$ 43,071,340</u>	<u>\$ 3,019,991</u>	<u>\$ (7,048,523)</u>

Table 8

ARLINGTON INDEPENDENT SCHOOL DISTRICT
 Appraised Value and Actual Value of Taxable Property
 Last Ten Fiscal Years
 (Unaudited)

Fiscal Year	<u>Appraised Value</u>			Total Estimated Taxable Value	Total Direct Rate
	Residential or Real Property	Personal Property	Less: Exemptions		
2008	\$ 19,836,493,860	\$ 4,011,609,057	\$ 3,773,706,485	\$ 20,074,396,432	1.610000
2009	20,718,304,882	4,232,461,721	4,044,966,210	20,905,800,393	1.278000
2010	20,903,886,353	4,346,942,585	4,494,749,382	20,756,079,556	1.272000
2011	20,041,660,089	3,858,013,644	4,550,637,253	19,349,036,480	1.272000
2012	20,018,366,118	4,131,626,701	4,677,226,996	19,472,765,823	1.335000
2013	20,281,235,605	4,289,821,428	4,792,406,539	19,778,650,494	1.305500
2014	20,953,089,907	4,746,111,559	4,992,128,887	20,707,072,579	1.301000
2015	21,668,162,540	5,218,291,540	5,125,379,155	21,761,074,925	1.292170
2016	22,082,482,932	3,911,103,646	5,576,541,645	21,317,959,305	1.412952
2017	24,109,273,225	4,869,585,583	6,017,727,003	22,961,131,839	1.390080

Source: Tarrant County

ARLINGTON INDEPENDENT SCHOOL DISTRICT

Direct and Overlapping Property Tax Rates

Last Ten Fiscal Years

(Unaudited)

<u>Fiscal Year</u>	<u>Local Maintenance</u>	<u>Debt Service</u>	<u>Total</u>	<u>Tarrant County²</u>	<u>City of Arlington</u>	<u>City of Fort Worth</u>	<u>City of Grand Prairie</u>	<u>Town of Pantego</u>	<u>City of Dalworthington Gardens</u>
2007-08	1.040000	0.238000	1.278000	0.720277	0.648000	0.855000	0.669998	0.373270	0.262739
2008-09	1.040000	0.232000	1.272000	0.713857	0.648000	0.855000	0.669998	0.373270	0.262739
2009-10	1.040000	0.232000	1.272000	0.713567	0.648000	0.855000	0.669998	0.373270	0.262739
2010-11	1.040000	0.295000	1.335000	0.713537	0.648000	0.855000	0.669998	0.373270	0.262739
2011-12	1.040000	0.265500	1.305500	0.724867	0.648000	0.855000	0.669998	0.410000	0.262739
2012-13	1.040000	0.261000	1.301000	0.724867	0.648000	0.855000	0.669998	0.410000	0.262739
2013-14	1.040000	0.252170	1.292170	0.741397	0.648000	0.855000	0.669998	0.420000	0.262739
2014-15	1.040000	0.308110	1.348110	0.741397	0.648000	0.855000	0.669998	0.420000	0.262739
2015-16	1.040000	0.372952	1.412952	0.741397	0.648000	0.855000	0.669998	0.420000	0.253670
2016-17	1.040000	0.350080	1.390080	0.726027	0.644800	0.835000	0.669998	0.420000	0.273979

¹Includes rates for operating and debt service costs

²Includes Tarrant County, Tarrant County College, Tarrant Regional Water District, JPS Health Network, and Tarrant County Emergency Services District

Source: Tarrant County and City of Grand Prairie

Table 10

ARLINGTON INDEPENDENT SCHOOL DISTRICT

Direct and Overlapping Property Tax Levies
 Last Ten Fiscal Years
 (Unaudited)

Fiscal Year	AISD Property Tax Levy	Tarrant County ¹	Overlapping Levies					City of Dalworthington Gardens
			City of Arlington	City of Fort Worth	City of Grand Prairie	Town of Pantego		
2008	\$ 252,530,606	\$ 733,412,806	\$ 112,644,235	\$ 320,374,571	\$ 61,700,580	\$ 899,974	\$ 747,602	
2009	252,351,441	774,430,479	116,732,720	336,676,822	65,699,162	932,155	754,256	
2010	250,819,373	789,844,701	115,724,665	345,778,617	64,170,530	939,334	790,591	
2011	251,394,282	774,047,114	110,604,993	341,028,726	62,231,126	903,789	789,284	
2012	248,339,784	798,447,284	111,088,494	348,384,651	63,267,520	988,951	799,455	
2013	252,776,355	808,754,010	113,513,529	355,057,237	62,804,427	1,003,031	855,580	
2014	263,208,691	823,644,959	115,683,433	362,833,021	65,947,913	1,004,406	839,569	
2015	286,681,027	878,365,639	120,801,020	399,125,408	74,340,365	1,021,855	850,853	
2016	301,216,129	917,135,535	125,022,763	421,938,109	82,529,622	1,047,712	849,150	
2017	319,178,101	976,317,394	134,099,513	449,236,836	89,688,553	1,118,430	925,504	

¹ Includes Tarrant County, Tarrant County College, Tarrant Regional Water District, JPS Health Network, and Tarrant County Emergency Services District

Source: Tarrant County and City of Grand Prairie

ARLINGTON INDEPENDENT SCHOOL DISTRICT

Principal Property Taxpayers
Current Year and Nine Years Ago
(Unaudited)

	2017			2008		
	October 2016	Rank	Percentage	October 2007	Rank	Percentage
	Taxable		of Total	Taxable		of Total
	<u>Value</u>		<u>Value</u>	<u>Value</u>		<u>Value</u>
General Motors Corp.	\$ 194,060,776	1	0.85 %	\$ 381,705,370	1	1.90 %
Arlington Highlands LTD	180,490,513	2	0.79	49,023,518	10	0.24
Parks at Arlington, LP.	161,938,140	3	0.71	144,693,332	3	0.72
Bell Helicopter Textron, Inc	144,838,513	4	0.63	146,469,956	2	0.73
Grand Prairie Premium Outlets LP	137,978,670	5	0.60			0.00
Oncor Electric Delivery Co., LLC	132,586,207	6	0.58	136,810,056	4	0.68
Bre RC Lincoln Square TX LP	115,597,422	7	0.50	60,015,624	6	0.30
Six Flags Fund II LTD	100,837,024	8	0.44	59,790,771	7	0.30
Republic Beverage	86,561,687	9	0.38	54,228,509	8	0.27
LSREF3 (BRAVO) LLC*	75,414,000	10	0.33			0.00
Southwestern Bell				103,601,852	5	0.52
Usmd Surgical Hospital of Arlington				51,443,186	9	0.26
	<u>\$ 1,330,302,952</u>		<u>5.79 %</u>	<u>\$ 1,187,782,174</u>		<u>5.92 %</u>

Source: Tarrant Appraisal District

Table 12

ARLINGTON INDEPENDENT SCHOOL DISTRICT

Property Tax Levies and Collections

Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Adjusted Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy	Delinquent Taxes	Amount	Percentage of Levy
2008	\$ 251,362,250	\$ 248,501,872	98.86	\$ 2,335,320	\$ 250,837,192	99.79
2009	262,764,490	259,113,481	98.61	2,007,553	261,121,034	99.37
2010	259,090,293	255,811,075	98.73	857,623	256,668,698	99.07
2011	251,394,282	249,404,594	99.21	1,846,712	251,251,306	99.94
2012	248,339,783	243,830,921	98.18	4,320,329	248,151,250	99.92
2013	252,693,760	247,680,443	98.02	3,461,488	251,141,931	99.39
2014	263,208,691	257,643,578	97.89	2,961,005	260,604,583	99.01
2015	286,681,027	282,062,140	98.39	2,943,867	285,006,007	99.42
2016	301,212,106	296,234,937	98.35	2,734,364	298,969,301	99.26
2017	319,178,101	314,991,957	98.69			

Source: Tarrant County

ARLINGTON INDEPENDENT SCHOOL DISTRICT

Outstanding Debt By Type

Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Governmental Activities			Total Primary Government	Percentage of Personal Income	Total Outstanding Debt Per Capita
	General Obligation Bonds	Contractual Obligations	Capital Financing Agreements (Capital Leases)			
2008	\$ 439,831,070	\$ 1,490,420	\$ 332,429	\$ 441,653,919	0.68	\$ 1,228
2009	412,879,198	2,273,511	240,452	415,393,161	¹	1,125
2010	450,540,000	5,400,345	206,130	456,146,475	¹	1,269
2011	477,462,485	4,694,885	211,961	482,369,331	¹	1,238
2012	478,628,769	3,909,136	131,428	482,669,333	¹	1,187
2013	459,641,810	3,045,158	59,636	462,746,604	¹	1,159
2014	449,112,552	2,765,052	-	451,877,604	¹	1,189
2015	579,044,900	6,032,928	-	585,077,828	¹	1,558
2016	759,015,278	5,360,489	-	764,375,767	¹	2,015
2017	863,898,137	4,102,184	-	868,000,321	¹	2,280

¹ Data was not available

Source: Notes to the Basic Financial Statements

Table 14

ARLINGTON INDEPENDENT SCHOOL DISTRICT
Ratio of Net Bonded Debt to Assessed Value and Net Bonded Debt Per Capita
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Population	Assessed Value	Gross Bonded Debt	Less Debt Service Funds ⁽¹⁾	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
2008	369,150	\$ 20,074,396,432	\$ 439,831,070	\$ 11,179,949	\$ 428,651,121	2.14	1,161
2009	370,450	20,905,800,393	412,879,198	11,493,475	401,385,723	1.92	1,084
2010	380,085	20,756,079,556	450,540,000	10,893,002	439,646,998	2.12	1,157
2011	389,967	19,349,036,480	477,462,485	10,319,240	467,143,245	2.41	1,198
2012	389,967	19,472,765,823	465,377,451	19,943,320	445,434,131	2.29	1,142
2013	389,967	19,779,331,339	459,641,810	17,991,873	441,649,937	2.23	1,133
2014	380,084	20,220,917,724	449,112,552	17,263,838	431,848,714	2.14	1,136
2015	375,600	21,265,403,194	579,044,900	22,539,596	556,505,304	2.62	1,482
2016	379,370	21,317,959,304	759,015,278	25,723,015	733,292,263	3.44	1,933
2017	380,740	22,961,131,805	893,303,853	18,173,383	875,130,470	3.81	2,298

Note: The District's fiscal year end date was changed from August 31 to June 30, with the fiscal year ended June 30, 2012 being a ten month conversion year.

Source: Arlington Independent School District CAFR notes to the financial statements

⁽¹⁾ This is the amount of Restricted for Debt Service Net Position

ARLINGTON INDEPENDENT SCHOOL DISTRICT

Statement of Direct and Overlapping Debt

June 30, 2017

(Unaudited)

<u>Government Entity</u>	<u>Net Amount Outstanding Debt</u>	<u>Estimated Percentage Applicable¹</u>	<u>Estimated Share of Direct and Overlapping Debt²</u>
Tarrant County ³	\$ 365,020,000	14.77 %	\$ 53,913,454
City of Fort Worth	720,525,000	0.02	144,105
City of Arlington	416,890,000	80.82	336,930,498
City of Grand Prairie	237,175,000	37.28	88,418,840
Town of Pantego	90,000	97.39	87,651
City of Dalworthington Gardens	1,945,000	97.45	1,895,403
			<hr/>
Subtotal, Overlapping Bonded Debt			481,389,951
			<hr/>
Arlington Independent School District direct debt	863,898,137	100.00	863,898,137
			<hr/>
Total direct and overlapping debt			<u>\$ 1,345,288,088</u>
Ratio of total direct and overlapping debt to:			
Assessed valuations for 2016 (\$22,962,499,073)		5.86 %	
Full valuations for 2016 (\$28,978,858,808)		4.64 %	
Amount of total direct and overlapping debt per:			
Enrollment (62,181)	\$ 21,635		
Average daily attendance (56,982.30)	23,609		
Per capita (estimated district population - 380,740)	3,533		

Source: Tarrant County, City of Fort Worth, City of Arlington, City of Grand Prairie, Town of Pantego,
City of Dalworthington Gardens

¹ Estimated geographical percentage of the area of each entity that is within the boundaries of the Arlington Independent School District.

² This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the District.

³ Includes Tarrant County, Tarrant County College, and JPS Health Network

Table 16

ARLINGTON INDEPENDENT SCHOOL DISTRICT

Legal Debt Margin Information

Last Ten Fiscal Years

(Unaudited)

<u>Fiscal Year</u>	<u>Debt Limit</u>	<u>Total Net Debt Applicable to Limit</u>	<u>Legal Debt Margin</u>	<u>Total Net Debt Applicable to Limit as a Percentage of Debt Limit</u>
2008	\$ 2,007,439,643	\$ 428,651,121	\$ 1,578,788,522	21.35
2009	2,090,580,039	401,385,723	1,689,194,316	19.20
2010	2,075,607,956	439,646,998	1,635,960,958	21.18
2011	1,934,903,648	467,143,245	1,467,760,403	24.14
2012	1,947,276,582	445,434,131	1,501,842,451	22.87
2013	1,977,865,049	427,855,904	1,550,009,145	21.63
2014	2,076,933,696	550,925,843	1,526,007,853	26.53
2015	2,176,107,493	556,505,304	1,619,602,189	25.57
2016	2,131,795,931	733,292,263	1,398,503,668	34.40
2017	2,296,113,181	863,898,137	1,432,215,044	37.62

Legal debt margin calculation for fiscal year 2017:

Debt Limit (10% of Assessed Value)	\$ 2,296,113,181
Debt Applicable to Limit	863,898,137
Legal Debt Margin	<u>\$ 1,432,215,044</u>

ARLINGTON INDEPENDENT SCHOOL DISTRICT
Demographic and Economic Statistics
Last Ten Fiscal Years
(Unaudited)

<u>Period Ending</u>	<u>City of Arlington Population¹</u>	<u>Fort Worth Arlington Metro Division Population²</u>	<u>Fort Worth Arlington Metro Division Personal Income</u>	<u>Per Capita Personal Income²</u>	<u>City of Arlington Unemployment Rate³</u>
2008	369,150	1,738,231	\$ 66,704,614,625	\$ 38,375	5.5
2009	370,450	4	4	4	4
2010	380,085	4	4	4	4
2011	389,967	2,231,390	4	4	8.3
2012	389,967	2,290,239	4	4	6.7
2013	389,967	2,409,121	4	4	5.6
2014	380,084	4	4	4	5.0
2015	375,600	4	4	4	3.9
2016	379,370	4	4	4	3.9
2017	380,740	4	4	4	4.0

¹ Source: City of Arlington operating budget projection

² Source: Texas Workforce Commission or DSHS

³ Source: Arlington Chamber of Commerce

⁴ Data not available

ARLINGTON INDEPENDENT SCHOOL DISTRICT

Principal Employers
 Ranked for Current Year and 2008
 (Unaudited)

			2017		
<u>Taxpayer</u>	<u>Type of Business</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	
Arlington Independent School District	Public Education	8,200	1	4.02 %	
University of Texas at Arlington	Higher Education	5,300	2	2.60	
General Motors	Automobile Assembly	4,484	3	2.20	
Texas Health Resources	Health Care/Medical Service	4,063	4	1.99	
Six Flags Over Texas	Amusement Park	3,800 ¹	5	1.86	
The Parks Mall	Retail	3,500	6	1.72	
GM Financial	Financial Service	3,300	7	1.62	
City of Arlington	Government	2,509	8	1.23	
J.P. Morgan Chase	Financial Service	1,965	9	0.96	
Texas Rangers	Sports/Entertainment	1,881 ¹	10	0.92	
Arlington Memorial Hospital	Medical Center				
Americredit	Finance				
Providian Financial	Finance				
		<u>39,002</u>		<u>19.14 %</u>	

¹ Includes part-time and peak seasonal employees

Source: City of Arlington (Total Arlington labor force in 2017 and 2008 was 203,794 and 196,060 respectively)

2008		
<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
8,391	1	4.28 %
5,422	2	2.77
2,600	4	1.33
		-
3,200	3	1.63
		-
		-
2,325	5	1.19
1,900	6	0.97
1,800	7	0.92
1,300	8	0.66
1,300	9	0.66
1,200	10	0.61
<u>29,438</u>		<u>15.01 %</u>

ARLINGTON INDEPENDENT SCHOOL DISTRICT

Full-Time Equivalent District Campus Employees

Last Ten Fiscal Years

(Unaudited)

	2017	2016	2015	2014	2013	2012	2011
CLASSROOM TEACHERS	4,150.3	4,132.0	4,089.1	4,113.2	4,051.2	3,931.4	4,148.3
<i>Athletic Trainer</i>	12.0	12.0	12.0	12.0	12.0	10.0	5.0
<i>Audiologist</i>	2.0	2.0	2.0	2.0	2.0	2.0	2.0
<i>Counselor</i>	166.0	169.0	161.0	149.4	148.5	147.6	145.6
<i>Educational Diagnostician</i>	57.9	57.0	53.1	51.9	50.5	49.6	48.5
<i>Librarian</i>	71.0	68.0	70.0	64.7	68.9	68.5	69.0
<i>LSSP/Psychologist</i>	23.0	24.0	21.0	17.9	19.0	17.0	17.0
<i>Occupational/Music Therapist</i>	15.0	9.0	9.0	9.0	9.2	9.0	8.0
<i>Other Campus Professional Personnel</i>	91.9	72.9	55.7	58.9	73.4	49.0	51.8
<i>Other Non-Instructional Prof. Personnel</i>	274.1	190.0	167.8	148.1	154.3	144.2	169.8
<i>Physical Therapist</i>	0.0	5.0	5.0	4.0	4.0	4.0	4.0
<i>Psychological Associate</i>	0.0	0.0		0.0	0.0	0.0	3.0
<i>School Nurse</i>	80.7	75.9	77.8	77.4	75.9	74.2	74.8
<i>Social Worker</i>	16.0	9.0	18.0	21.0	15.9	13.0	14.0
<i>Speech Therapist/Language Pathologist</i>	53.2	53.7	48.2	46.7	49.9	57.5	54.2
<i>Teacher Facilitator/Supervisor</i>	147.6	157.5	151.8	145.6	146.4	141.3	149.2
<i>Work-Based Learning Site Coordinator</i>	0.2	0.1					
PROFESSIONAL SUPPORT	1,010.6	905.1	852.4	808.6	829.9	786.9	815.9
<u>Campus Administration:</u>							
<i>Principal</i>	78.8	75.0	75.0	72.0	71.5	72.7	73.8
<i>Assistant Principal</i>	134.8	135.8	126.8	128.4	126.1	120.1	129.0
<i>Teacher Supervisor</i>	1.0						
<u>Central Administration:</u>							
<i>Superintendent</i>	1.0	1.0	1.0	1.0	1.0	1.0	1.0
<i>Asst/Assoc/Deputy Superintendent</i>	9.0	9.0	6.9	7.0	4.3	5.0	5.0
<i>Athletic Director</i>	0.0	3.0	1.0	1.0	1.0	1.0	3.0
<i>Director-Personnel</i>	0.0	2.0	3.0	3.0	3.0	3.0	4.0
<i>Program Dir/Exec Dir/Instr Officer</i>	26.0	13.0	13.0	12.0	11.8	12.0	13.0
<i>Teacher Supervisor</i>	34.9	17.0	19.0	21.0	21.7	22.0	28.0
ADMINISTRATIVE STAFF	285.5	255.8	245.7	245.4	240.4	236.8	256.8
<i>Certified Interpreter</i>	6.9	5.9	5.8	5.9	6.7	5.9	5.9
<i>Educational Aide</i>	807.6	805.1	805.0	852.7	835.0	792.8	982.1
PARAPROFESSIONAL STAFF	814.5	811.0	810.8	858.6	841.7	798.7	988.0
AUXILIARY PERSONNEL	2,037.0	2,038.0	2,066.1	2,029.2	2,006.0	1,950.5	1,967.4
TOTAL EMPLOYEES	8,297.9	8,142.0	8,064.1	8,055.0	7,969.2	7,704.3	8,176.4

SOURCE: PEIMS reports: Staff FTE by Role (PRF4D007/PDM1-110-006)

Table 19

2010	2009	2008
4,124.0	4,073.7	4,065.3

8.5	9.9	9.3
2.0	2.0	2.0
130.4	134.0	129.6
50.5	49.8	48.9
67.6	68.0	67.3
14.0	16.0	16.0
7.0	7.9	6.0
38.3	35.0	97.6
150.3	156.3	155.0
4.0	4.0	2.0
3.0	3.0	3.0
73.3	74.0	74.2
11.0	11.0	10.7
56.2	56.5	59.0
167.4	241.3	173.4

783.5	868.7	854.0
-------	-------	-------

71.7	71.3	72.5
101.5	102.1	99.4

1.0	1.0	1.0
5.0	5.5	6.0
3.0	3.0	3.0
4.0	3.0	4.0
14.0	11.2	38.4
27.0	11.0	1.0

227.2	208.1	225.3
-------	-------	-------

4.9	4.9	4.9
958.4	934.2	868.4

963.3	939.1	873.3
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1,980.8	2,015.4	2,108.1
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8,078.8	8,105.0	8,126.0
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Arlington

INDEPENDENT SCHOOL DISTRICT

More Than a Remarkable Education

ARLINGTON INDEPENDENT SCHOOL DISTRICT

Operating Statistics
Last Ten Fiscal Years
(Unaudited)

<u>Fiscal Year</u>	<u>Enrollment</u> ¹	<u>General Fund Operating Expenditures</u>	<u>Cost Per Pupil</u>	<u>Percentage Change</u>	<u>Teaching Staff</u>	<u>Pupil- Teacher Ratio</u>	<u>Percentage of Students Receiving Free or Reduced-Price Meals</u>
2008	62,863	\$ 428,581,183	\$ 6,818	6.26	4,063	15.47	54.40
2009	63,045	427,156,330	6,775	-0.62	4,236	14.88	54.70
2010	63,487	401,668,574	6,327	-6.61	4,228	15.02	59.72
2011	64,484	392,297,791	6,084	-3.84	4,301	14.99	62.98
2012	64,703	374,817,746	5,793	-4.78	3,931	16.46	65.34
2013	65,001	424,144,895	6,525	12.64	4,051	16.05	68.29
2014	64,688	456,594,071	7,058	8.17	4,113	15.73	68.42
2015	63,882	498,228,268	7,799	10.50	4,089	15.62	68.13
2016	63,210	485,172,883	7,676	-1.59	4,132	15.30	69.33
2017	62,181	520,232,220	8,366	9.00	4,150	14.98	69.23

Note: The District's fiscal year end date was changed from August 31 to June 30, with the fiscal year ended June 30, 2012 being a ten month conversion year.

¹Amounts reported to the Texas Education Agency Public Education Information Management System (PEIMS)

ARLINGTON INDEPENDENT SCHOOL DISTRICT

Capital Asset Information

June 30, 2017

(Unaudited)

	2017	2016	2015	2014	2013	2012
<u>Schools</u>						
Buildings	72	72	75	74	74	73
Portable buildings	159	159	178	175	175	176
Stadiums	2	2	2	3	3	3
Square Feet	8,822,763	8,822,763	8,737,066	8,695,043	8,687,448	8,679,853
Maximum Capacity	74,986	74,986	74,986	74,986	74,386	74,386
Enrollment	63,210	63,210	63,882	64,688	65,001	64,703
Vehicles	11	11	15	4	3	3
<u>Administration</u>						
Buildings	11	11	11	8	8	8
Portable buildings	2	2	3	3	3	3
Square Feet	313,679	313,679	310,607	165,767	165,767	165,767
Vehicles	6	6	12	10	11	13
<u>Maintenance and Operations</u>						
Buildings	7	7	7	3	3	3
Square Feet	99,666	99,666	99,666	128,376	128,376	128,376
Vehicles	215	215	199	184	182	189
<u>Transportation</u>						
Buildings	1	1	1	1	1	1
Square Feet	65,878	65,878	65,878	65,878	65,878	65,878
Vehicles	250	250	257	257	257	259
<u>Food Services</u>						
Buildings	3	3	3	3	3	3
Square Feet	103,774	103,774	103,774	97,436	97,436	97,436
Vehicles	28	28	26	18	16	16

Source: District records

Table 21

2011	2010	2009	2008
73	73	73	73
178	173	173	167
3	3	3	3
8,679,853	8,672,258	8,672,258	8,658,491
74,386	74,386	74,386	74,386
64,484	63,487	63,045	62,863
3	3	3	3
8	8	8	8
3	3	3	3
165,767	165,767	165,767	165,767
11	11	11	11
3	3	3	3
128,376	128,376	128,376	128,376
189	189	189	192
1	1	1	1
65,878	65,878	65,878	65,878
239	239	239	239
3	3	3	3
97,436	97,436	97,436	97,436
15	14	14	13



Arlington

INDEPENDENT SCHOOL DISTRICT

More Than a Remarkable Education

FEDERAL AWARDS SECTION



Arlington

INDEPENDENT SCHOOL DISTRICT

More Than a Remarkable Education

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
Arlington Independent School District
Arlington, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Arlington Independent School District (the “District”), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated October 30, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 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 "Whitley Penn LLP". The signature is written in a cursive, flowing style.

Houston, Texas
October 30, 2017

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

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

Report on Compliance for Each Major Federal Program

We have audited Arlington Independent School District’s (the “District”) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District’s major federal programs for the year ended June 30, 2017. The District’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

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

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

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

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



Houston, Texas
October 30, 2017

ARLINGTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2017

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance with major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	None

Identification of major programs

Name of Federal Program or Cluster	CFDA Numbers
US Department of Agriculture	
Special Education Cluster:	
IDEA-B Formula	84.027A
IDEA-B Preschool	84.173A
IDEA-B Discretionary (Deaf)	84.027A
ESEA, Title I, Part A – Improving Basic Program	84.010A
Title I – School Improvement Program	84.010A
ESEA, Title II, Part A – Teacher/Principal Training	84.367A
Title III, Part A, LEP	84.365A
Title III, Part A, Immigrant	84.365A
Title III, Part A, Unaccompanied Children and Youth	84.365B
Dollar Threshold Considered Between Type A and Type B Federal Programs	\$1,919,898
Auditee qualified as low risk auditee?	No

ARLINGTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended June 30, 2017

II. Financial Statement Findings

None Noted

III. Federal Awards Findings And Questioned Costs

None Noted

ARLINGTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2017

Exhibit K-1
Page 1 of 2

(1) Federal Grantor/ Pass-Through Grantor/ Program Title	District Fund Number	(2) Federal CFDA Number	2(A) Pass Through Entity Identifying Number	(3) Federal Expenditures
U.S. Department of Defense				
Direct Programs:				
<i>ROTC</i>	199	12.000	None	\$ 109,941
Total U.S. Department of Defense				<u>109,941</u>
U.S. Department of Health and Human Services				
Passed Through Texas Health and Human Services				
Commission:				
Medicaid Cluster:				
<i>Medicaid Administrative Claims (MAC)</i>	199	93.778	None	198,770
Total Medicaid Cluster				<u>198,770</u>
Total Passed Through Texas Health and Human Services				<u>198,770</u>
Passed Through Fort Worth I.S.D.:				
TANF Cluster:				
<i>Temporary Assistance for Needy Family (TANF)</i>	223	93.558	81712559-000	95,270
Total TANF Cluster				<u>95,270</u>
Total Passed Through Fort Worth I.S.D.				<u>95,270</u>
Total U.S. Department of Health and Human Services				<u>294,040</u>
U.S. Department of Education				
Passed Through Texas Education Agency:				
<i>ESEA, Title I, Part A - Improving Basic Programs</i>	211	84.010A	16610101220901	2,024,725
<i>ESEA, Title I, Part A - Improving Basic Programs</i>	211	84.010A	17610101220901	16,219,822
<i>Title I - School Improvement Program</i>	216	84.010A	17610112220901	409,603
<i>Carl D. Perkins Basic Grant</i>	244	84.048A	16420006220901	14,650
<i>Carl D. Perkins Basic Grant</i>	244	84.048A	17420006220901	751,436
<i>ESEA Title II, Part A, Teacher/Principal Training</i>	255	84.367A	16694501220901	187,935
<i>ESEA Title II, Part A, Teacher/Principal Training</i>	255	84.367A	17694501220901	1,223,349
<i>Title III, Part A, LEP</i>	263	84.365A	16671001220901	614,884
<i>Title III, Part A, LEP</i>	263	84.365A	17671001220901	1,746,361
<i>Title III, Part A, Immigrant</i>	263	84.365A	16671003220901	14,283
<i>Title III, Part A, Immigrant</i>	263	84.365A	17671003220901	165,446
<i>Title III, Part A, Unaccompanied Children and Youth</i>	263	84.365B	15671103711004	12,477
<i>Summer School LEP</i>	289	84.369A	69551602	24,775
<i>Texas Literacy Initiative (TLI)</i>	289	84.371C	156460037110002	925,736
<i>Texas Literacy Initiative (TLI)</i>	289	84.371C	166460037110002	114,604
<i>IDEA, Part C (Deaf)</i>	340	84.181A	163911012209013911	495
<i>IDEA, Part C (Deaf)</i>	340	84.181A	173911012209013911	1,979
<i>Texas Advance Placement Initiative</i>	397	84.000	02501601	11,700
<i>AP/IB Test Fee Subsidies</i>	397	84.330B	51061701	25,350

ARLINGTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2017

Exhibit K-1
Page 2 of 2

(1) Federal Grantor/ Pass-Through Grantor/ Program Title	District Fund Number	(2) Federal CFDA Number	2(A) Pass Through Entity Identifying Number	(3) Federal Expenditures
U.S. Department of Education (continued)				
Passed Through Texas Education Agency: (continued)				
Special Education Cluster:				
<i>IDEA-B Formula</i>	224	84.027A	166600012209016600	\$ 159,784
<i>IDEA-B Formula</i>	224	84.027A	176600012209016600	9,954,613
<i>IDEA-B Preschool</i>	225	84.173A	166610012209016610	5,080
<i>IDEA-B Preschool</i>	225	84.173A	176610012209016610	220,909
<i>IDEA-B Discretionary (Deaf)</i>	315	84.027A	17660011220901	43,370
<i>IDEA-B Discretionary (Deaf)</i>	317	84.173A	166600112209016673	12
Total Special Education Cluster:				<u>10,383,768</u>
Total Passed Through Texas Education Agency				<u>34,873,378</u>
Passed Through Fort Worth I.S.D.:				
<i>Federal Adult Education</i>	220	84.002	81712555-000	354,551
<i>Adult Education Professional Development</i>	220	84.002	81712560-000	11,284
Total Passed Through Fort Worth I.S.D.				<u>365,835</u>
U.S. Department of Education (continued)				
Passed Through Region X Education Service Center:				
<i>McKinney Vento Homeless Education</i>	206	84.196	16-037	30,819
<i>McKinney Vento Homeless Education</i>	206	84.196	17-033	93,341
Total Passed Through Region X Education Service Center				<u>124,160</u>
Total Passed Through Programs				<u>35,363,373</u>
Total Department of Education				<u>35,363,373</u>
U.S. Department of Agriculture				
Passed Through Texas Department of Agriculture				
<i>CACFP Supper Program</i>	701	10.558	01017	75,990
Child Nutrition Cluster:				
<i>Summer Feeding Program</i>	242	10.559	01017	700,542
<i>Non-Cash Assistance (Commodities)</i>				
<i>National School Lunch Program</i>	701	10.555	01017	2,358,324
Total Passed Through Texas Department of Agriculture				<u>3,058,866</u>
Passed Through Texas Education Agency:				
<i>National School Lunch Program</i>	701	10.555	71301701	19,157,173
<i>School Breakfast Program</i>	701	10.553	71401701	5,937,216
Total Passed Through Texas Education Agency				<u>25,094,389</u>
Total Child Nutrition Cluster				<u>28,153,255</u>
Total Department of Agriculture				<u>28,229,245</u>
Total Expenditures of Federal Awards				<u>\$ 63,996,599</u>

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

Note 2 - Summary of Significant Accounting Policies

The District accounts for all awards under federal programs in the General and Certain Special Revenue and Enterprise Funds in accordance with the Texas Education Agency’s *Financial Accountability System Resource Guide*. These programs are accounted for using a current financial resources measurement focus.

The modified accrual basis of accounting is used for the General and Special Revenue funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the liability is incurred, if measurable, except for certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

The accrual basis of accounting is used for the Enterprise Fund. This basis of accounting recognizes revenue 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.

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

Note 3 - Reconciliation of Basic Financial Statements

The following is a reconciliation of expenditures of federal awards program per the Schedule of Expenditures of Federal Awards and expenditures reported in the financial statements as follows:

Total federal sources per financial statements for Governmental Funds	\$ 43,735,764
Total grants from federal agencies per financial statements for Enterprise Fund	27,528,703
Qualified School Construction Bond (QSCB) interest subsidy payments recorded in the Debt Service Fund	(587,138)
School Health and Related services (SHARS) reimbursements not reported in the Schedule of Expenditures of Federal Awards	<u>(6,680,728)</u>
Total federal expenditures on Schedule of Expenditures of Federal Awards	<u>\$ 63,996,601</u>

ARLINGTON INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2017

Federal regulations, Title 2 U.S. Code of Federal Regulations Section 200.511 states, “The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee must prepare a summary schedule of prior audit findings.” The summary schedule of prior audit findings must report the status of the following:

- All audit findings included in the prior audit’s schedule of findings and questioned costs and
- All audit findings reported in the prior audit’s summary schedule of prior audit findings except audit findings listed as corrected.

The Summary Schedule of Prior Audit Findings for the year ended June 30, 2017, has been prepared to address these requirements.

I. Prior Audit Findings

None Noted

ARLINGTON INDEPENDENT SCHOOL DISTRICT

CORRECTIVE ACTION PLAN

For the Year Ended June 30, 2017

Federal regulations, Title 2 U.S. Code of Federal Regulations §200.511 states, “At the completion of the audit, the auditee must prepare, in a document separate from the auditor's findings described in §200.516 Audit findings, a corrective action plan to address each audit finding included in the current year auditor's reports.”

As part of this responsibility, the District’s corrective action plans are presented below.

I. Corrective Action Plan

Not Applicable

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DO NOT PRINT IN REPORT

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

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	\$2,130,867
SF11	Net Pension Assets (1920) at fiscal year-end.	\$-0-
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$148,696,381
SF13	Pension Expense (6147) at fiscal year-end.	\$23,021,763