

**ELGIN INDEPENDENT  
SCHOOL DISTRICT**

**Annual Financial Report  
for the Fiscal Year Ended  
August 31, 2016**



# ELGIN INDEPENDENT SCHOOL DISTRICT

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**ELGIN INDEPENDENT SCHOOL DISTRICT**  
**Annual Financial Report**  
**Year Ended August 31, 2016**  
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## CERTIFICATE OF BOARD

Elgin Independent School District

Name of School District

Bastrop

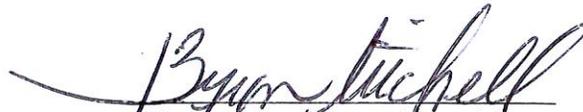
County

011-902

Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one)  approved  disapproved for the fiscal year ended August 31, 2016 at a meeting of the Board of Trustees of such school district on the 12<sup>th</sup> day of December, 2016.

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

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

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

## **FINANCIAL SECTION**



MAXWELL LOCKE & RITTER LLP

*Accountants and Consultants*

*An Affiliate of CPAmerica International*

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Austin, TX 78701

Round Rock: 303 East Main Street

Round Rock, TX 78664

## **INDEPENDENT AUDITORS' REPORT**

The Board of Trustees of  
Elgin Independent School District:

### **Report on the Financial Statements**

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

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

*"A Registered Investment Advisor"*

*This firm is not a CPA firm*

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

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

## **Opinions**

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

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the District's proportionate share of the net pension liability, and the schedule of District contributions on pages 5 through 12, 44, and 45, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual fund statements, other schedules, and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Maxwell Locke + Ritter LLP*

Austin, Texas  
December 7, 2016

# ELGIN INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

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

## FINANCIAL HIGHLIGHTS

- The District's net position at August 31, 2016 was approximately \$10.8 million.
- The fund balance for the General Fund at August 31, 2016 was approximately \$16.1 million, an increase of approximately \$281 thousand from the prior year.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

The government-wide financial statements distinguish functions of the District that are principally supported by taxes, intergovernmental revenues, and user fees and charges (governmental activities). The governmental activities of the District include the education of District students and the programs necessary to support such education.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements.

By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The District maintains numerous governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund and Debt Service Fund as they are considered to be major funds. Data from the other funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The District adopts an annual appropriated budget for the General Fund. A budgetary comparison statement has been provided for this fund to demonstrate compliance with this budget. Supplementary budgetary comparison schedules have also been prepared for the Food Service and Debt Service Funds and are included in the Combining and Individual Fund Statements section of this report.

**Fiduciary Funds** - The District is the trustee, or *fiduciary*, for certain funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

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

**Other Information** - The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to basic financial statements. Certain information required by the Texas Education Agency and the federal government regarding tax collection and grant expenditures is also presented along with required supplementary information related to the District's contributions to a cost-sharing pension plan with the Teacher Retirement System of Texas.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

This two-year comparison provides an indication of the District's financial wellbeing. Increases and decreases in net position may serve over time as a useful indicator of a government's financial position. At August 31, 2016, the District's combined assets and deferred outflows of resources exceeded its liabilities and deferred inflows by approximately \$10.8 million, which is an increase of approximately \$3.6 million from the prior year combined net position of approximately \$7.2 million.

Net position at August 31, 2016 as compared to August 31, 2015, can be presented as follows:

**Elgin Independent School District's  
Net Position**

	(in thousands)	
	August 31, 2016	August 31, 2015
Current assets:		
Cash and temporary investments	\$ 20,477	\$ 18,503
Property taxes, net	767	771
Due from other governments	1,120	1,307
Other assets	43	43
Total current assets	22,407	20,624
Non-current assets-		
Capital assets, net of accumulated depreciation	60,098	61,069
Total assets	\$ 82,505	\$ 81,693
Deferred outflows of resources:		
Deferred charges on refundings	\$ 1,641	\$ 1,787
Pension contributions after measurement date	814	765
Deferred outflows related to pension liability	3,691	352
Total deferred outflows of resources	\$ 6,146	\$ 2,904
Current liabilities:		
Accounts payable and accrued liabilities	\$ 3,127	\$ 2,240
Bond interest payable	378	485
Bonds and accretion payable	4,191	3,955
Capital lease payable	224	255
Due to other governments	2	-
Unearned revenue	198	76
Total current liabilities	8,120	7,011
Long-term liabilities:		
Bonds and accretion payable	59,782	64,327
Capital lease payable	147	356
Net pension liability	9,127	4,377
Total liabilities	\$ 77,176	\$ 76,071
Deferred inflows of resources-		
Deferred inflows related to pension liability	\$ 677	\$ 1,339
Net position:		
Net investment in capital assets	\$ (1,080)	\$ (4,804)
Restricted	1,828	1,337
Unrestricted	10,050	10,654
Total net position	\$ 10,798	\$ 7,187

The District covers 165 square miles and is located in the northwest portion of Bastrop County, with segments in eastern Travis County and southern Lee County. Property values have increased an average of 5% over the last five years. Enrollment has increased by 6% over the last five years.

Investment in capital assets (e.g., land, buildings and improvements, and furniture and equipment) less any related debt used to acquire those assets that is still outstanding is a negative \$1.1 million, meaning that the District has incurred more debt than it has capital assets at this point in time and/or that capital assets are being depreciated at a faster rate than debt is being paid down. 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, generally property taxes, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's net position, \$1.8 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$10.1 million, may be used to meet the District's ongoing obligations.

Net position may be restricted for a variety of uses by the District. These restrictions are imposed by bond covenants or grant agreements. Restricted net assets are available for use in the designated areas only. Unrestricted net position may be used by the District to meet ongoing operating obligations as determined by the Board of Trustees (the "Board").

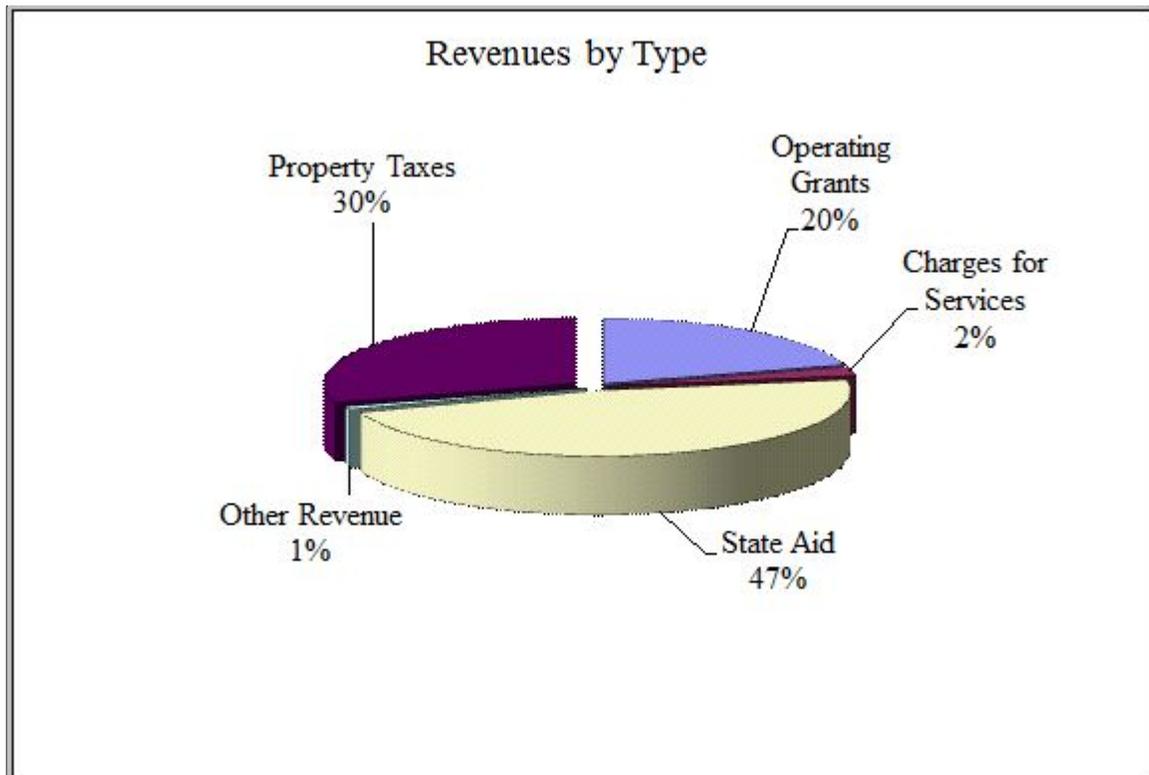
## Government-wide activities

Governmental activities increased the District's net position by \$3.6 million for the year ended August 31, 2016. Key elements of this increase are as follows:

### Elgin Independent School District's Changes in Net Position

	(in thousands)	
	Year Ended August 31, 2016	Year Ended August 31, 2015
Revenues:		
Program revenues:		
Charges for services	\$ 1,078	\$ 914
Operating grants and contributions	10,444	8,918
General revenues:		
Property taxes	15,302	14,200
State aid - formula grants	24,256	23,345
Investment earnings	102	54
Miscellaneous	279	174
Total revenues	51,461	47,605
Expenses:		
Instruction	23,988	23,085
Instructional resources and media services	609	661
Curriculum and staff development	1,044	642
Instructional leadership	1,861	1,606
School leadership	2,365	2,114
Guidance, counseling and evaluation services	1,560	1,085
Social work services	274	149
Health services	279	258
Student transportation	1,847	1,630
Food services	2,673	2,651
Extracurricular activities	1,489	1,454
General administration	1,580	1,391
Facilities maintenance and operations	4,683	4,517
Security and monitoring services	272	239
Data processing services	707	684
Community services	379	301
Debt service	1,998	2,617
Facilities acquisition and construction	9	43
Payments related to shared services arrangements	21	21
Other intergovernmental charges	212	199
Total governmental activities	47,850	45,347
Change in net position	3,611	2,258
Prior period adjustment	-	(4,948)
Net position beginning	7,187	9,877
Net position ending	\$ 10,798	\$ 7,187

Overall property taxes account for 30% of the District's revenue sources while state funding represents 47%. Operating grants account for 20% of revenue sources.



## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

### Governmental funds

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$18,313,508. Of this amount, \$15,372,194 constitutes unassigned fund balance available for use in the General Fund activities at the District's discretion. The remainder of the fund balance is nonspendable, restricted or assigned to indicate that it is nonspendable due to being in the form of prepaid items or it is not available for new spending because it will be used for bond projects, debt service and other obligations of the District.

The Texas Education Agency recommends that districts keep a fund balance that is between 12% to 20% of annual general fund operating expenditures. As a measure of the General Fund's liquidity, unassigned fund balance represents 41% of the total General Fund expenditures.

The Debt Service Fund has a total fund balance of \$683,450, all of which is restricted for the payment of debt service. The net decrease in fund balance during the year in the Debt Service Fund was \$16,676. This decrease was primarily due an increase in principal debt payments.

Other governmental funds, which consist of the Capital Projects and Special Revenue Funds, have total fund balances of \$1,551,051, an increase of \$512,910 since last year. Overall, fund balance related to the Special Revenue Funds has increased by \$519,116, and the fund balance for the Capital Projects Fund has decreased by \$6,206. Combining schedules for the Special Revenue and Capital Projects Funds are provided in this report on pages 47 through 54.

## BUDGETARY HIGHLIGHTS

The District had general fund budget amendments during the 2015-16 fiscal year that increased the budget by \$1,553,302. The major amendment was for \$1.3 million for the Career and Technology building at Elgin High School and roof improvements at Elgin Elementary. There was also an amendment for the transfer of \$522,000 from the General Fund to the Debt Service Fund to make annual debt service payments.

Key differences between the final amended budget and actual amounts can be briefly summarized as follows:

- Excess budgeted instructional expenditures related to the teacher growth fund, campus supplies and materials, and contracted services
- Excess budgeted student transportation expenditures related to contracted services, fuel and capital outlay
- Excess budgeted extracurricular activities related to travel expenditures
- Excess budgeted facilities maintenance and operations expenditures related to payroll, utilities and contracted services

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

The District's investment in capital assets for its governmental activities at August 31, 2016 amounts to approximately \$60.1 million (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, and furniture and equipment.

**Elgin Independent School District  
Capital Assets  
(Net of accumulated depreciation)**

Land	\$ 1,485,355
Construction in progress	1,935,456
Buildings and improvements	55,011,723
Furniture and equipment	<u>1,665,298</u>
Total	<u>\$ 60,097,832</u>

Additional information on the District's capital assets can be found in Note 7 of this report.

### Long-term Debt

At the end of the current fiscal year the District had total bonded debt outstanding of approximately \$58.7 million. The bonded debt constitutes a direct obligation of the District from a continuing, direct ad valorem tax levied against all taxable property of the District without legal limit as to rate or amount. The bonds are also guaranteed by the corpus of the Permanent School fund of the State of Texas. Both Standard & Poor's Rating Services and Moody's Investors Services have provided bond ratings of A+ and A1, respectively, to the District's outstanding debt obligations.

Additional information on the District's long-term debt can be found in Note 9 of this report.

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

The District's elected and appointed officials considered population growth and available resources from State revenues and tax revenues when setting the fiscal year 2017 budget and tax rate. The student population increased by approximately 1.0%. Assessed property values increased by approximately 10.11% over last year. The District adopted a \$39,095,687 budget for fiscal year 2017. The budget will be funded through a \$1.54 overall tax rate consisting of a \$1.17 M&O tax rate and \$0.37 I&S tax rate, State Per Capita and Foundation revenues, and other local revenues. The total tax rate adopted is the same total tax rate adopted in fiscal year 2016. The 2017 fiscal year budget is approximately 3.5% more than the 2016 fiscal year final amended budget. If the District does not incur any unforeseen expenditures or reductions in revenues, it should accomplish the task of educating the students in the District with the available resources.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Business Services Department at Elgin Independent School District: (512) 281-3434.

## **BASIC FINANCIAL STATEMENTS**

**ELGIN INDEPENDENT SCHOOL DISTRICT**  
**Statement of Net Position**  
**August 31, 2016**

	<b>Governmental Activities</b>
<b>ASSETS:</b>	
Cash and temporary investments	\$ 20,476,796
Receivables:	
Property taxes - delinquent	1,128,275
Allowance for uncollectible taxes	(361,048)
Due from other governments	1,120,343
Other receivables	20,077
Inventory	16,251
Prepaid items	6,813
Capital assets (net of accumulated depreciation):	
Land	1,485,355
Construction in progress	1,935,456
Buildings and improvements	55,011,723
Furniture and equipment	1,665,298
	82,505,339
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>	
Deferred charges on bond refundings	1,640,328
Pension contributions after measurement date	814,257
Deferred outflows related to pension liability	3,691,384
	6,145,969
<b>LIABILITIES:</b>	
Current liabilities:	
Accounts payable	1,477,989
Payroll deductions and withholdings	244,608
Accrued wages payable	1,404,285
Bond interest payable	377,816
Bonds payable	3,795,000
Accretion payable	396,152
Capital lease payable	223,686
Due to other governments	2,237
Unearned revenue	197,653
Noncurrent liabilities:	
Bonds payable	58,652,551
Accretion payable	1,129,333
Capital lease payable	146,986
Net pension liability	9,127,203
	77,175,499
<b>DEFERRED INFLOWS OF RESOURCES-</b>	
Deferred inflows related to pension liability	677,340
<b>NET POSITION:</b>	
Net investment in capital assets	(1,080,063)
Restricted for:	
Debt service	486,898
Food service	1,341,412
Unrestricted	10,050,222
	\$ 10,798,469

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

**ELGIN INDEPENDENT SCHOOL DISTRICT**  
**Statement of Activities**  
**Year Ended August 31, 2016**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Changes in</u>
			<u>Contributions</u>	<u>Net Position</u>
				<u>Governmental</u>
				<u>Activities</u>
<b>Governmental activities:</b>				
Instruction	\$ 23,987,778	281,524	3,608,049	(20,098,205)
Instructional resources and media services	609,051	-	148,187	(460,864)
Curriculum and staff development	1,044,144	-	399,272	(644,872)
Instructional leadership	1,861,437	-	458,485	(1,402,952)
School leadership	2,365,211	-	178,329	(2,186,882)
Guidance, counseling, and evaluation services	1,559,500	-	445,714	(1,113,786)
Social work services	273,823	-	150,674	(123,149)
Health services	278,741	-	14,250	(264,491)
Student transportation	1,847,263	-	191,945	(1,655,318)
Food services	2,673,459	418,986	2,444,174	189,701
Extracurricular activities	1,488,953	348,018	47,815	(1,093,120)
General administration	1,579,633	30,015	69,019	(1,480,599)
Facilities maintenance and operations	4,682,437	-	208,747	(4,473,690)
Security and monitoring services	271,791	-	5,809	(265,982)
Data processing services	706,680	-	29,526	(677,154)
Community services	379,165	-	30,605	(348,560)
Debt service	1,997,645	-	2,013,494	15,849
Facilities acquisition and construction	9,403	-	-	(9,403)
Payments related to shared services arrangements	21,274	-	-	(21,274)
Other intergovernmental charges	212,349	-	-	(212,349)
Total governmental activities	<u>\$ 47,849,737</u>	<u>1,078,543</u>	<u>10,444,094</u>	<u>(36,327,100)</u>
General revenues:				
Property taxes levied for general purposes				\$ 11,628,872
Property taxes levied for debt service				3,673,459
State aid-formula grants				24,255,534
Investment earnings				102,346
Miscellaneous				278,672
Total general revenues				<u>39,938,883</u>
Change in net position				3,611,783
Net position - beginning				<u>7,186,686</u>
Net position - ending				<u>\$ 10,798,469</u>

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

**ELGIN INDEPENDENT SCHOOL DISTRICT**

**Balance Sheet  
Governmental Funds  
August 31, 2016**

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS:</b>				
Cash and temporary investments	\$ 18,065,825	702,344	1,708,627	20,476,796
Receivables:				
Property taxes - delinquent	861,710	266,565	-	1,128,275
Allowance for uncollectible taxes	(275,747)	(85,301)	-	(361,048)
Due from other governments	764,188	4,068	352,087	1,120,343
Due from other funds	132,188	-	-	132,188
Other receivables	18,524	-	1,553	20,077
Inventory	-	-	16,251	16,251
Prepaid items	6,813	-	-	6,813
Total assets	<u>\$ 19,573,501</u>	<u>887,676</u>	<u>2,078,518</u>	<u>22,539,695</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b>				
Liabilities:				
Accounts payable	\$ 1,368,544	-	109,445	1,477,989
Payroll deductions and withholdings	244,608	-	-	244,608
Accrued wages payable	1,277,299	-	126,986	1,404,285
Due to other funds	-	-	132,188	132,188
Due to other governments	2,237	-	-	2,237
Unearned revenue	15,843	22,962	158,848	197,653
Total liabilities	<u>2,908,531</u>	<u>22,962</u>	<u>527,467</u>	<u>3,458,960</u>
Deferred inflows of resources-				
Deferred revenue - property taxes	585,963	181,264	-	767,227
Fund balances:				
Nonspendable-				
Prepaid items	6,813	-	-	6,813
Restricted for:				
Retirement of long-term debt	-	683,450	-	683,450
Food service	-	-	1,341,412	1,341,412
Assigned to:				
Retirement of long-term debt	700,000	-	-	700,000
Campus activities	-	-	209,639	209,639
Unassigned	15,372,194	-	-	15,372,194
Total fund balances	<u>16,079,007</u>	<u>683,450</u>	<u>1,551,051</u>	<u>18,313,508</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 19,573,501</u>	<u>887,676</u>	<u>2,078,518</u>	
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds				\$ 60,097,832
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds				767,227
The following liabilities and deferred inflows and outflows of resources are not due and payable in the current period and, therefore, are not reported in the funds:				
Bonds payable, including premiums				(62,447,551)
Less: Deferred charges on refundings				1,640,328
Accretion payable				(1,525,485)
Bond interest payable				(377,816)
Capital lease payable				(370,672)
Net pension liability				(9,127,203)
Pension contributions after measurement date				814,257
Deferred outflows related to pension liability				3,691,384
Deferred inflows related to pension liability				(677,340)
Net position of governmental activities				<u>\$ 10,798,469</u>

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

**ELGIN INDEPENDENT SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended August 31, 2016**

	General	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>				
Local and intermediate sources	\$ 12,381,246	3,689,518	695,109	16,765,873
State program revenues	25,804,281	2,013,494	353,204	28,170,979
Federal program revenues	495,663	-	5,536,956	6,032,619
Total revenues	38,681,190	5,703,012	6,585,269	50,969,471
<b>EXPENDITURES:</b>				
Current:				
Instruction	19,622,880	-	1,868,296	21,491,176
Instructional resources and media services	430,840	-	122,687	553,527
Curriculum and staff development	599,437	-	372,564	972,001
Instructional leadership	1,309,092	-	387,315	1,696,407
School leadership	2,056,007	-	26,949	2,082,956
Guidance, counseling, and evaluation services	1,038,029	-	384,828	1,422,857
Social work services	116,460	-	140,364	256,824
Health services	247,114	-	-	247,114
Student transportation	1,838,777	-	95,444	1,934,221
Food services	-	-	2,465,220	2,465,220
Extracurricular activities	1,222,759	-	145,003	1,367,762
General administration	1,406,647	-	-	1,406,647
Facilities maintenance and operations	4,200,630	-	47,548	4,248,178
Security and monitoring services	254,076	-	-	254,076
Data processing services	642,064	-	-	642,064
Community services	324,936	-	13,722	338,658
Debt service	259,195	6,386,282	-	6,645,477
Facilities acquisition and construction	2,075,696	-	-	2,075,696
Payments related to shared services arrangements	21,274	-	-	21,274
Other intergovernmental charges	212,349	-	-	212,349
Total expenditures	37,878,262	6,386,282	6,069,940	50,334,484
Excess (deficiency) of revenues over (under) expenditures	802,928	(683,270)	515,329	634,987
<b>OTHER FINANCING SOURCES (USES):</b>				
Issuance of refunding bonds	-	8,220,000	-	8,220,000
Premium on sale of bonds	-	651,612	-	651,612
Payment to refunded bond escrow agent	-	(8,732,437)	-	(8,732,437)
Proceeds on sale of real property	-	-	3,000	3,000
Transfers in	-	527,419	-	527,419
Transfers out	(522,000)	-	(5,419)	(527,419)
Total other financing sources (uses)	(522,000)	666,594	(2,419)	142,175
Net change in fund balances	280,928	(16,676)	512,910	777,162
Fund balances - beginning	15,798,079	700,126	1,038,141	17,536,346
Fund balances - ending	\$ 16,079,007	683,450	1,551,051	18,313,508

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

**ELGIN INDEPENDENT SCHOOL DISTRICT**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**Year Ended August 31, 2016**

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Net change in fund balances-total governmental funds	\$ 777,162
Amounts reported for <i>governmental activities</i> in the statement of activities 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.	
Capital outlay	2,598,263
Disposal of capital assets	(2,967)
Depreciation expense	(3,565,999)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in deferred tax revenue	(3,981)
Bond and capital lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.	
Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Bond proceeds, including premiums	(8,871,612)
Payment to refunded bond escrow agent	8,732,437
Repayment of bond principal	3,955,000
Repayment of capital lease principal	239,661
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Change in accretion payable	(299,065)
Change in bond interest payable	106,765
Amortization of deferred charges on bond refundings	(184,577)
Amortization of bond premiums	830,048
Pension contributions made after the measurement date	814,257
Adjustment for ending deferred inflows and outflows related to net pension liability	(1,513,609)
Change in net position of governmental activities	<u>\$ 3,611,783</u>

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

**ELGIN INDEPENDENT SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**General Fund**  
**Year Ended August 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Local and intermediate sources	\$ 11,939,480	12,002,304	12,381,246	378,942
State program revenues	25,396,846	25,396,846	25,804,281	407,435
Federal program revenues	390,400	390,400	495,663	105,263
Total revenues	<u>37,726,726</u>	<u>37,789,550</u>	<u>38,681,190</u>	<u>891,640</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction	20,287,104	19,657,600	19,622,880	34,720
Instructional resources and media services	446,358	446,358	430,840	15,518
Curriculum and staff development	444,759	630,838	599,437	31,401
Instructional leadership	1,373,687	1,334,223	1,309,092	25,131
School leadership	2,086,619	2,138,619	2,056,007	82,612
Guidance, counseling, and evaluation services	1,070,027	1,046,027	1,038,029	7,998
Social work services	140,123	127,123	116,460	10,663
Health services	250,783	256,783	247,114	9,669
Student transportation	2,139,266	2,143,766	1,838,777	304,989
Extracurricular activities	1,354,712	1,310,168	1,222,759	87,409
General administration	1,422,104	1,485,014	1,406,647	78,367
Facilities maintenance and operations	4,877,987	4,438,946	4,200,630	238,316
Security and monitoring services	286,336	286,336	254,076	32,260
Data processing services	757,887	750,887	642,064	108,823
Community services	260,995	330,995	324,936	6,059
Debt service	259,195	259,195	259,195	-
Facilities acquisition and construction	20,784	2,379,150	2,075,696	303,454
Payments related to shared services arrangements	30,000	30,000	21,274	8,726
Other intergovernmental charges	203,000	213,000	212,349	651
Total expenditures	<u>37,711,726</u>	<u>39,265,028</u>	<u>37,878,262</u>	<u>1,386,766</u>
Excess (deficiency) of revenues over (under) expenditures	<u>15,000</u>	<u>(1,475,478)</u>	<u>802,928</u>	<u>2,278,406</u>
<b>OTHER FINANCING USES-</b>				
Transfers out	-	(700,000)	(522,000)	178,000
Total other financing uses	-	(700,000)	(522,000)	178,000
Net change in fund balance	15,000	(2,175,478)	280,928	2,456,406
Fund balance - beginning	15,798,079	15,798,079	15,798,079	-
Fund balance - ending	<u>\$ 15,813,079</u>	<u>13,622,601</u>	<u>16,079,007</u>	<u>2,456,406</u>

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

**ELGIN INDEPENDENT SCHOOL DISTRICT**  
**Statement of Fiduciary Net Position**  
**Agency Fund**  
**August 31, 2016**

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	<u>Agency Fund</u>
<b>ASSETS-</b>	
Cash and temporary investments	\$ 29,192
Total assets	<u>\$ 29,192</u>
<b>LIABILITIES:</b>	
Accounts payable	\$ 4,004
Due to student groups	<u>25,188</u>
Total liabilities	<u>\$ 29,192</u>

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

# ELGIN INDEPENDENT SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED AUGUST 31, 2016

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **The Financial Reporting Entity**

This report includes those activities, organizations and functions which are related to the Elgin Independent School District (the "District") and which are controlled by or dependent upon the District's governing body, the Board of Trustees (the "Board"). The Board, a seven member group, is the level of government which has governance responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the District. Since the District receives funding from local, state and federal government sources, it must comply with the requirements of the entities providing those funds. However, the District is not included in any other governmental "reporting entity" as defined by Statement No. 14 of the Governmental Accounting Standards Board ("GASB"), since Board members are elected by the public and have decision making authority. In addition, there are no component units included within the reporting entity.

The accounting policies of the District comply with the rules prescribed by the Texas Education Agency's ("TEA") Financial Accountability System Resource Guide. These accounting policies conform to generally accepted accounting principles applicable to state and local governments.

#### **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. The effect of interfund activity has been removed from these statements. Governmental activities, which 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 District has no business-type activities.

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

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

## **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the fiduciary fund statements, although agency funds have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, and 2) operating grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Major revenue sources considered susceptible to accrual include state and federal program revenues and interest income. No accrual for property taxes collected within sixty days of year end has been made as such amounts are deemed immaterial; delinquent property taxes at year end that are not collected within sixty days of year end are reported as deferred inflows of resources.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

The District reports the following major governmental funds:

The General Fund includes financial resources used for general operations. It is a budgeted fund, and any unassigned fund balances are considered resources available for current operations.

The Debt Service Fund includes debt service taxes and other revenues collected to retire bond principal and to pay interest due. It is a budgeted fund.

Additionally, the District reports the following fund types:

Special Revenue Funds are governmental funds which include resources restricted, committed, or assigned for specific purposes by a grantor or the Board. Federally financed programs where unused balances are returned to the grantor at the close of specified project periods are accounted for in these funds. The District uses project accounting to maintain integrity for the various sources of funds.

The Capital Projects Fund includes the proceeds from sales of bonds and other revenues to be used for authorized construction and other capital asset acquisitions.

The Agency Fund is an unbudgeted fund and is used to account for activities of student groups and other types of activities requiring clearing accounts. This fund has no equity, assets are equal to liabilities, and it does not include revenues and expenditures for general operations of the District.

### **Budgetary Information**

Budgets are prepared annually for the General Fund, Debt Service Fund, and Food Service Fund (special revenue fund) on the modified accrual basis, which is consistent with generally accepted accounting principles. A formal budget is prepared by August 20th and is adopted by the Board at a public meeting after ten days public notice of the meeting has been given. The legal level of control for budgeted expenditures is the function level within the budgeted funds. Amendments to the budget are required prior to expending amounts greater than the budgeted amounts at the function level. Budgets are controlled at the departmental or campus level, the same level at which responsibility for operations is assigned. The budget was amended by the Board as needed throughout the year.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31<sup>st</sup>, and encumbrances outstanding at that time are to be either canceled or provided for in the subsequent year's budget. There were no material outstanding encumbrances at August 31, 2016 that were provided for in the subsequent year's budget.

### **Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity**

Cash and Cash Equivalents - The District considers all liquid investments with original maturities of 90 days or less to be cash equivalents.

Investments - Temporary investments throughout the year consisted of investments in external investment pools, which are recognized at amortized cost. The District is entitled to invest any and all of its funds in certificates of deposit, direct debt securities of the United States of America or the State of Texas, certain Federal agency securities and other types of municipal bonds, fully collateralized repurchase agreements, commercial paper and local government investment pools. The District's investment policies and types of investments are governed by Section 2256 of the Texas Government Code ("Public Funds Investment Act"). The District's management believes that it complied with the requirements of the Public Funds Investment Act and the District's investment policy. The District accrues interest on temporary investments based on the terms and effective interest rates of the specific investments.

Capital Assets - Capital assets, which include land, construction in progress, buildings and improvements, and furniture and equipment, are reported in the governmental activities column in the government-wide financial statements. The District has no infrastructure assets. Capital assets are defined by the District as assets with an initial, individual cost of \$5,000. Such assets are recorded at historical cost if purchased or at acquisition value at the date of donation, if donated. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized. Capital assets (other than land and construction in progress) are depreciated using the straight line method over the following estimated useful lives: buildings and improvements - 10 to 30 years, furniture and equipment - 5 to 15 years.

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

Accumulated Sick Leave Liability - The State of Texas (the "State") has created a minimum sick leave program consisting of five days of sick leave per year with no limit on accumulation and transferability among districts for every person regularly employed in Texas public schools. Each district's local board is required to establish a sick leave plan. Local school districts may provide additional sick leave beyond the State minimum. The District's policy is not to provide reimbursement upon termination of employment with the District. Accordingly, no liability for accrued compensated absences has been established by the District.

Fund Equity/Net Position - The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. See Note 10 for additional information on those fund balance classifications.

Inventories - Inventories consist of expendable supplies held for consumption. Inventories are charged to expenditures when consumed. Supply inventory is recorded at cost using the FIFO method.

Federal food commodities inventory is stated at fair value and at year-end is recorded as unearned revenue. Revenue is recognized at fair value when commodities are distributed to schools.

Prepaid Items - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are charged to expenditures when consumed.

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.

Deferred Outflows and Inflows of Resources - The District complies with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which provides guidance for reporting the financial statement elements of deferred outflows of resources, which represent the consumption of the District’s net position that is applicable to a future reporting period, and deferred inflows of resources, which represent the District’s acquisition of net position applicable to a future reporting period.

The District complies with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. See Note 8 and Note 12 for additional information on deferred inflows and outflows of resources.

Fair Value Measurements - The District adopted GASB Statement No. 72, *Fair Value Measurement and Application*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

- Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access
- Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity
- Level 3 are unobservable inputs that reflect the entity’s own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value:

- Market approach - uses prices generated by market transactions involving identical or comparable assets or liabilities
- Cost approach - uses the amount that currently would be required to replace the service capacity of an asset (replacement cost)
- Income approach - uses valuation techniques to convert future amounts to present amounts based on current market expectations.

Implementation of GASB Statement No. 72 did not have a significant impact on the District’s financial statements for the year ended August 31, 2016.

## Recently Issued Accounting Pronouncements

In June 2015, the GASB issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for fiscal years beginning after June 15, 2017. The objective of GASB Statement No. 75 is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. GASB Statement No. 75 establishes standards for measuring and recognizing liabilities, deferred outflows of resources and deferred inflows of resources, and expense/expenditures. GASB Statement No. 75 also identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. In addition, GASB Statement No. 75 addresses the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit other postemployment benefits plan and for employers whose employees are provided with defined contribution other postemployment benefits. Management is evaluating the effects that the full implementation of GASB Statement No. 75 will have on its financial statements for the year ended August 31, 2018.

## 2. CASH AND TEMPORARY INVESTMENTS

The Public Funds Investment Act authorizes the District to invest in funds under a written investment policy, which is approved annually by the Board. The primary objectives of the District's investment strategy, in order of priority, are preservation and safety of principal, liquidity and yield.

The District is authorized to invest in the following investment instruments provided that they meet the guidelines established in the investment policy:

- Obligations of, or guaranteed by, governmental entities
- Certificates of deposit and share certificates
- Fully collateralized repurchase agreements
- Banker's acceptance
- Commercial paper
- Money market funds and no-load mutual funds
- Public funds investment pools

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 deposits for safekeeping and trust with the District's agent approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. Therefore, the District is not exposed to custodial credit risk.

Under the depository contract, the District, at its own discretion, may invest funds in time deposits and certificates of deposit provided by the depository bank at interest rates approximating United States Treasury Bill rates.

At August 31, 2016, the carrying amount of the District’s deposits was \$9,566,876 and the bank balance was \$9,745,397.

The District’s deposits with financial institutions at August 31, 2016 and during the year ended August 31, 2016 were entirely covered by FDIC insurance or by pledged collateral held by the District’s agent bank in the District’s name. The deposits were collateralized in accordance with Texas law and TEA maintains copies of all safekeeping receipts in the name of the District.

In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit:

- Name of depository bank: Prosperity Bank
- Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$17,494,163.
- Largest cash, savings and time deposit combined account balance amounted to \$10,311,362 and occurred during the month of July 2016.
- Total amount of FDIC coverage at the time of highest combined balance was \$250,000.

Investments held at August 31, 2016 consisted of the following:

Type	Fair Value	Weighted Average Maturity (Days)	Standard & Poor’s Rating
Local governmental investment pools:			
Texas TERM	\$ 7,021,700	128	AAAf - AAAm
Lone Star	<u>3,917,412</u>	1	AAAm
Total	<u>\$ 10,939,112</u>		

The District had investments in two external local government investment pool at August 31, 2016: Lone Star Investment Pool (“Lone Star”) and Texas TERM Local Investment Pool (“Texas TERM”). Although Lone Star is not registered with the SEC as an investment company, it operates in a manner consistent with the SEC’s Rule 2a7-of the Investment Company Act of 1940. These investments are stated at amortized cost in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

Lone Star is governed by an eleven member board of trustees, in which all of the members are also participants in Lone Star. The board meets quarterly to review operations, adopt or make changes to the investment policy, review financial activity and approve contractor agreements. Lone Star also has an advisory board consisting of participants and nonparticipants. RBC Dain Rauscher, Inc. is an independent consultant for Lone Star that reviews daily operations, analyzes all investment transactions for compliance with the Public Funds Investment Act, and performs monitoring activities. The Bank of New York provides custody and valuation services for Lone Star. American Beacon Advisors and Standish Mellon provide other investment management services. Lone Star’s investment policy stipulates that it must invest in accordance with the Public Funds Investment Act.

TexasTERM Local Government Investment Pool (“TexasTERM”) is organized in conformity with the Public Funds Investment Act. TexasTERM provides for a fixed rate, fixed-term investment for a period of 60 days to one year. TexasTERM is overseen by an advisory board composed of participants and non-participant members elected by the participant shareholders of TexasTERM. The advisory board is responsible for the overall management of TexasTERM, including formulation and implementation of its investment and operating policies. In addition, the advisory board members select and oversee the activities of the investment advisor and custodian of TexasTERM and monitor investment performance and the method of valuing the shares. TexasTERM is a floating net assets value fund, which is a non-2a7 fund. It is a fundamental objective of TexasTERM to assure the return of principal and interest at the date planned for redemption of shares; however the net asset value of shares may fluctuate prior to the planned redemption date.

Credit Risk - At August 31, 2016, investments were included in local government investment pools in compliance with the District’s investment policy.

Custodial Credit Risk - Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution’s trust department or agent but not in the District’s name. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the District, and are held by either the counterparty or the counterparty’s trust department or agent not in the District’s name. At August 31, 2016, the District was not exposed to custodial credit risk.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investments in a single issuer. At August 31, 2016, the District was not exposed to concentration of credit risk.

Interest Rate Risk - As a means of minimizing risk of loss due to interest rate fluctuations, the investment policy requires that maturities for internally created pool fund groups will not exceed the dollar weighted average maturity of 180 days. Maturities of any other individual investment owned by the District should not exceed one year from the time of purchase. The Board may specifically authorize a longer maturity for a given investment, within legal limits. The District considers the holdings in a local government investment pool to have a one day weighted average maturity due to the fact that the share position can usually be redeemed each day at the discretion of the shareholders, unless there has been a significant change in value. At August 31, 2016, investments were included in local government investment pools which have a weighted average maturity of 128 days and 1 day for Texas TERM and Lone Star, respectively.

### **3. APPRAISAL DISTRICT**

The Texas Legislature in 1979 adopted a comprehensive Property Tax Code (the “Code”) which established a county-wide appraisal district and an appraisal review board in each county in the State. The Bastrop Central Appraisal District (the “Appraisal District”) is responsible for the recording and appraisal of all property in the District. Under the Code, the District’s Board sets the tax rates on property and the Appraisal District’s tax department provides tax collection services. The Appraisal District is required under the Code to assess property at 100% of its appraised value. Further, real property must be reappraised at least every four years. Under certain circumstances, taxpayers and taxing units, including the District, may challenge orders of the Appraisal Review Board through various appeals and, if necessary, legal action.

Property taxes are levied as of October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, and penalties and interest that are ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period, including those property taxes expected to be collected during a 60 day period after the end of the District’s fiscal year. The assessed value at January 1, 2015, upon which the October 2015 levy was based, was \$1,013,763,136. The District levied taxes based on a combined tax rate of \$1.54 per \$100 of assessed valuation for local maintenance (general governmental services) and debt service.

In May 1993, the Texas Legislature passed Senate Bill 7. Senate Bill 7 significantly changed certain aspects of the school finance system relative to accountability, teacher appraisal, career ladder, funding allotments, district local share, distribution of Foundation School Funds, tax limitations and rollback tax provisions. Funding equalization for school districts is a major component of the bill. Districts with wealth per student in excess of \$319,500 are required to take action to bring their wealth down to the equalized State level. Each year, the TEA notifies school districts in which property wealth per Weighted Average Daily Attendance (“WADA”) meets or exceeds \$319,500. However, the final determination of whether a school district will be required to make recapture payments is based on the district’s tax effort and the extent to which the district’s wealth per WADA exceeds the first equalized wealth level of \$514,000. The District was not above the equalized wealth level for the 2015-2016 fiscal year.

**4. DUE FROM OTHER GOVERNMENTS**

The District participates in a variety of federal and state programs from which it receives grants to partially or fully fund certain activities. The District also receives entitlements from the State through the School Foundation and Per Capita Programs. These amounts are reported in the basic financial statements as Due from Other Governments and are summarized below at August 31, 2016.

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
State entitlements	\$ 745,864	-	-	745,864
Federal and state grants	-	-	352,087	352,087
Other	18,324	4,068	-	22,392
<b>Total</b>	<b>\$ 764,188</b>	<b>4,068</b>	<b>352,087</b>	<b>1,120,343</b>

**5. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds.” The composition of interfund balances at August 31, 2016 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Funds	\$ 132,188

During the year, the General Fund transferred \$522,000 and the Nonmajor Governmental Funds transferred \$5,419 to the Debt Service Fund for current year principal and interest payments.

**6. UNEARNED REVENUE**

At August 31, 2016, unearned revenue in governmental funds consisted of the following:

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
Federal and state grants	\$ -	-	158,848	158,848
Other	15,843	22,962	-	38,805
<b>Total</b>	<b>\$ 15,843</b>	<b>22,962</b>	<b>158,848</b>	<b>197,653</b>

## 7. CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 1,485,355	-	-	1,485,355
Construction in progress	-	1,935,456	-	1,935,456
Total capital assets, not being depreciated	1,485,355	1,935,456	-	3,420,811
Capital assets, being depreciated:				
Buildings and improvements	93,716,055	134,656	-	93,850,711
Furniture and equipment	5,655,223	528,151	(94,651)	6,088,723
Total capital assets, being depreciated	99,371,278	662,807	(94,651)	99,939,434
Less accumulated depreciation for:				
Buildings and improvements	(35,770,829)	(3,068,159)	-	(38,838,988)
Furniture and equipment	(4,017,269)	(497,840)	91,684	(4,423,425)
Total accumulated depreciation	(39,788,098)	(3,565,999)	91,684	(43,262,413)
Total capital assets, being depreciated, net	59,583,180	(2,903,192)	(2,967)	56,677,021
Governmental activities capital assets, net	\$ 61,068,535	(967,736)	(2,967)	60,097,832

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

**Governmental activities:**

Instruction	\$ 1,852,420
Instructional resources and media services	40,672
Curriculum and staff development	56,588
Instructional leadership	123,580
School leadership	194,089
Guidance, counseling, and evaluation services	97,991
Social work services	10,994
Health services	23,328
Student transportation	173,583
Food services	232,720
Extracurricular activities	115,430
General administration	132,789
Facilities maintenance and operations	396,544
Security and monitoring services	23,985
Data processing services	60,612
Community services	30,674
Total depreciation expense - governmental activities	<u>\$ 3,565,999</u>

**8. DEFERRED CHARGES ON BOND REFUNDINGS**

The following is a summary of changes in deferred charges on bond refundings for the year ended August 31, 2016:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Deferred charges on bond refundings	<u>\$ 1,787,468</u>	<u>37,437</u>	<u>(184,577)</u>	<u>1,640,328</u>

**9. LONG-TERM DEBT**

The following is a summary of changes in long-term debt for the year ended August 31, 2016:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
General obligation bonds	\$ 63,109,984	8,220,000	(12,650,000)	58,679,984
Premium on bonds	3,946,003	651,612	(830,048)	3,767,567
Capital lease payable	610,333	-	(239,661)	370,672
Accretion payable	1,226,420	299,065	-	1,525,485
Total	<u>\$ 68,892,740</u>	<u>9,170,677</u>	<u>(13,719,709)</u>	<u>64,343,708</u>

Bonded debt consists of the following at August 31, 2016:

General obligation bonds:

Series	Date of Issue	Amounts of Original Issue	Matures Through	Interest Rate	Outstanding at 8-31-16	Due Within One Year
2006	11-15-06	9,329,984	2029	4.00 - 4.125%	8,964,984	95,000
2007	7-1-07	33,980,000	2024	4.00 - 5.00%	10,110,000	1,600,000
2008	2-15-08	9,500,000	2028	3.50 - 4.00%	7,365,000	485,000
2012	6-1-12	8,860,000	2028	2.50 - 3.50%	7,545,000	465,000
2013	5-16-13	8,430,000	2028	2.50 - 3.50%	7,905,000	190,000
2014	6-5-14	8,720,000	2026	2.00 - 3.00%	8,570,000	150,000
2015	9-29-15	8,220,000	2025	2.00 - 4.00%	8,220,000	810,000
Total		<u>\$ 87,039,984</u>			<u>\$ 58,679,984</u>	<u>\$ 3,795,000</u>

For the general obligation bonds, the District has pledged as collateral the proceeds of a continuing, direct annual tax levied against taxable property within the District without limitation as to rate. The Texas Education Code generally prohibits issuance of additional ad valorem tax bonds if the tax rate needed to pay aggregate principal and interest amounts of the District's tax bond indebtedness exceeds \$0.50 per \$100 of assessed valuation of taxable property within the District. The District's debt service rate for the current year is \$0.37.

On September 29, 2015, the District issued \$8,220,000 of Series 2015 Unlimited Tax Refunding Bonds to refund \$8,695,000 of outstanding Series 2005 bond principal in order to lower its overall debt service requirements. The net proceeds of \$8,732,437 (after payment of \$139,175 in underwriting fees, insurance, and other issuance costs) was deposited with an escrow agent to provide the debt service payment on the bonds refunded. As a result, \$8,695,000 of bond principal is considered defeased and the liability for these bonds was removed from the basic financial statements. These defeased bonds were called during the current fiscal year and are no longer considered defeased at August 31, 2016. The reacquisition price exceeded the net carrying amount of the old debt by \$37,437. This amount is recorded as a deferred outflow of resources and amortized over the remaining life of the refunded debt which is shorter than the life of the new debt issued. The advance refunding reduced debt service payments by \$1,456,530 and resulted in an economic gain of \$1,354,190.

The annual principal installments for each of the outstanding issues vary each year. At August 31, 2016, the debt service requirements of bonded indebtedness to maturity are as follows:

Year Ended August 31,	Principal	Interest	Total
2017	\$ 3,795,000	2,680,692	6,475,692
2018	4,545,000	1,946,665	6,491,665
2019	4,685,000	1,799,556	6,484,556
2020	4,058,968	2,436,884	6,495,852
2021	4,701,016	1,792,636	6,493,652
2022 - 2026	25,610,000	5,743,896	31,353,896
2027 - 2029	11,285,000	718,040	12,003,040
Total	<u>\$ 58,679,984</u>	<u>17,118,369</u>	<u>75,798,353</u>

The outstanding Series 2006, Series 2013, and Series 2014 Bonds include both Serial and Capital Appreciation Bonds. The interest shown above, with respect to the Capital Appreciation Bonds, includes the interest to be paid on bonds maturing in the respective years and does not include accrued interest on bonds not maturing in those years.

In prior years, the District defeased outstanding general obligation bonds through the Series 2013 and Series 2014 Refunding Bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for the future debt service payments on the old bonds. Accordingly, the trust account assets and defeased bonds are not included in the District's financial statements. At August 31, 2016, outstanding bonds of \$14,620,000 are considered defeased.

As of August 31, 2016, there were no general obligation bonds authorized by voters of the District, but unissued.

The District financed the purchase of copiers through a capital lease agreement (the "Copier Agreement") with a finance company. The purchase price of the copiers was \$827,116 which equates to the capital lease principal amount. Under the terms of the Copier Agreement, principal and interest payments of \$14,955 are due monthly beginning on July 16, 2012 through June 16, 2017. At the end of the lease term, the District has a bargain purchase option allowing the District to purchase all copiers for one dollar. Per the Copier Agreement, the District has the option of purchasing the copiers starting in July 2014. The effective interest rate on the lease is 3.55%.

The District financed the purchase of a server through a capital lease agreement (the "Server Agreement") with a finance company. The purchase price of the server was \$47,739 which equates to the capital lease principal amount. Under the terms of the Second Server Agreement, principal and interest payments of \$16,908 are due annually beginning on August 31, 2015 through September 1, 2017. At the end of the lease term, the District has a bargain purchase option allowing the District to acquire the server for no consideration. The effective interest rate on the lease is 3.54%.

The District financed the purchase of teacher laptops through a capital lease agreement (the "Laptop Agreement") with a finance company. The purchase price of the server was \$321,341 which equates to the capital lease principal amount. Under the terms of the Laptop Agreement, principal and interest payments of \$69,851 are due annually beginning on January 1, 2015 through January 1, 2019. At the end of the lease term, the District has a bargain purchase option allowing the District to acquire the server for no consideration. The effective interest rate on the lease is 2.07%.

Capital lease payment requirements are as follows:

Year Ended August 31,	Principal	Interest	Total
2017	\$ 223,686	12,624	236,310
2018	80,045	6,715	86,760
2019	66,941	2,910	69,851
Total	<u>\$ 370,672</u>	<u>22,249</u>	<u>392,921</u>

## 10. FUND BALANCES

The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Those fund balance classifications are described below.

Nonspendable - Amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact.

Restricted - Amounts that can be spent only for specific purposes because of constraints imposed by external providers, or imposed by constitutional provisions or enabling legislation.

Committed - Amounts that can only be used for specific purposes pursuant to approval by formal action by the Board.

Assigned - For the General Fund, amounts that are appropriated by the Board that are to be used for specific purposes. For all other governmental funds, any remaining positive amounts not previously classified as nonspendable, restricted or committed.

Unassigned - Amounts that are available for any purpose; these amounts can be reported only in the District's General Fund.

The detail of the fund balances are included in the Governmental Funds Balance Sheet on page 15.

Fund balance of the District may be committed for a specific purpose by formal action of the Board, the District's highest level of decision-making authority. Commitments may be established, modified, or rescinded only through a resolution approved by the Board. The Board may also assign fund balance for a specific purpose.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

## 11. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

For the year ended August 31, 2016, revenues from local and intermediate sources in governmental funds consisted of the following:

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
Property taxes	\$ 11,451,538	3,618,706	-	15,070,244
Food service	-	-	418,564	418,564
Investment income	82,561	14,002	5,783	102,346
Penalties, interest, and other tax related income	179,257	56,810	-	236,067
Tuition and fees from patrons	271,045	-	-	271,045
Co-curricular student activities	88,160	-	259,858	348,018
Other	308,685	-	10,904	319,589
Total	<u>\$ 12,381,246</u>	<u>3,689,518</u>	<u>695,109</u>	<u>16,765,873</u>

## 12. DEFINED BENEFIT PENSION PLANS

### 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 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 TRS'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, in which the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

## Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' 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 83<sup>rd</sup> Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 83<sup>rd</sup> Texas Legislature, General Appropriations Act ("GAA") established the employer contribution rates for fiscal years 2014 and 2015. The 84<sup>th</sup> Texas Legislature GAA established the employer contribution rates for fiscal years 2016 and 2017.

	2015	2016
Contribution Rates:		
Member	6.7%	7.2%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
2015 District Contributions		\$ 814,257
2015 Member Contributions		\$ 1,842,618
2015 NECE On-behalf Contributions		\$ 1,163,647

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 GAA.

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

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

**Actuarial Assumptions**

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

Valuation Date	August 31, 2015
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.5%
Salary Increases including inflation	3.50% to 9.50%
Payroll Growth Rate	2.50%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

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

## Discount Rate

The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the 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 8.0%. 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 TRS' target asset allocation as of August 31, 2015 are summarized below:

	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio 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%
Hedge Funds (Stable Value)	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.

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

	<u>1% Decrease in Discount Rate (7.0%)</u>	<u>Discount Rate (8.0%)</u>	<u>1% Increase in Discount Rate (9.0%)</u>
District's proportionate share of the net pension liability	\$ 14,300,607	\$ 9,127,203	\$ 4,818,079

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

At August 31, 2016, the District reported a liability of \$9,127,203 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's Proportionate share of the collective net pension liability	\$ 9,127,203
State's proportionate share that is associated with the District	<u>13,887,393</u>
Total	<u>\$ 23,014,596</u>

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

At August 31, 2015 the employer's proportion of the collective net pension liability was 0.0258% which was an increase of 0.0094% from its proportion measured as of August 31, 2014.

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

*Economic Assumptions*

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

### *Mortality Assumptions*

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

### *Other Demographic Assumptions*

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

### *Actuarial Methods and Policies*

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

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

For the year ended August 31, 2016, the District recognized pension expense of \$1,513,609 and revenue of \$1,978,730 for support provided by the State.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 56,301	\$ 350,767
Changes in actuarial assumptions	236,633	325,619
Difference between projected and actual investment earnings	1,244,415	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	2,154,035	954
Contributions paid to TRS subsequent to the measurement date	<u>814,257</u>	<u>-</u>
Total	<u>\$ 4,505,641</u>	<u>\$ 677,340</u>

The \$814,257 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended August 31, 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:

	<u>Pension Expense Amount</u>
Year ended August 31:	
2017	\$ 536,911
2018	536,911
2019	536,909
2020	871,380
2021	305,914
Thereafter	226,019

### 13. 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 TRS. TRS-Care provides health care coverage for certain persons (and their dependents) who retired under TRS. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.02 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. 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](http://www.trs.state.tx.us) under the TRS Publications heading, by calling the TRS Communications Department at 1-800-223-8778, or by writing to the Communications Department of the TRS of Texas at 1000 Red River Street, Austin, Texas 78701.

Funding Policy - Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. Contribution rates and amounts are shown in the table below for fiscal years 2014-2016.

Contribution Rates:

Year	Active Member		State		School District	
	Rate	Amount	Rate	Amount	Rate	Amount
2016	.65%	\$ 166,344	1.0%	\$ 255,919	.55%	\$ 140,757
2015	.65%	154,450	1.0%	237,611	.55%	130,687
2014	.65%	145,128	1.0%	223,269	.55%	122,797

**14. HEALTH CARE COVERAGE**

During the year ended August 31, 2016, employees of the District were covered by a health insurance plan (the “Health Plan”). The District contributed \$175 per month per employee to the Health Plan, and employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. All contributions were paid to a licensed insurer. The Health Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

The District recognizes as revenues and expenditures retiree drug subsidy reimbursements under the provisions of Medicare Part D made by the federal government to TRS on behalf of the District. For the year ended August 31, 2016, reimbursements of \$73,734 were received by TRS and allocated to the District.

**15. RISK MANAGEMENT**

The District’s risk management program includes coverages through third party insurance providers for property, automobile liability, school professional liability, crime, workers compensation and other miscellaneous bonds. During the year ended August 31, 2016, there were no significant reductions in insurance coverage from coverage in the prior year. Losses in excess of the various deductible levels are covered through traditional indemnity coverage for buildings and contents, and vehicle liability with various insurance firms. Settled claims have not exceeded insurance limits for the past three years.

The District participates in a public entity risk pool for its workers compensation insurance (the Worker’s Compensation Plan”), administered by the Texas Association of School Boards Worker’s Compensation Self-Insurance Fund. The District pays overhead expenses annually and actual claims liabilities up to a maximum amount determined annually. Claims in excess of the District’s guaranteed annual cap are paid by the pool. The Worker’s Compensation Plan is documented by contractual agreement. The contract between the District, the licensed insurer and other participants of the self-funded pool is renewable in September 2017, and the terms of coverage and contributions and premium costs are included in the contractual provisions. Under the Worker’s Compensation Plan, the District’s estimated aggregate liability is \$1,414,009 for fiscal year 2015-16 of which \$1,182,380 has been paid. The District’s estimated outstanding loss and aggregate liability at August 31, 2016 was \$231,629 and is reflected with accounts payable in the District’s governmental funds balance sheet.

**16. COMMITMENTS AND CONTINGENCIES**

The District participates in a number of federal financial assistance programs. Although the District’s grant programs have been audited in accordance with the provisions of the Uniform Guidance through August 31, 2016, these programs are subject to financial and compliance audits. The amounts, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

At August 31, 2016, the District was obligated under operating leases for certain office equipment. Rent expenditures incurred under operating leases for the year ended August 31, 2016 were \$17,292. Future minimum lease payments on these operating leases is as follows:

2017	\$ 13,211
2018	2,219
2019	2,219
2020	1,849
Total	<u>\$ 19,499</u>

**17. SHARED SERVICES ARRANGEMENTS**

The District participates in a Shared Services Arrangement which provides speech therapists for special education to member districts, including Hays Consolidated ISD, Bastrop ISD, La Grange ISD, Smithville ISD, the City of Bastrop, the City of Smithville, Bastrop County and Region XIII Education Service Center. All services are provided by the fiscal agent and the member districts provide the funds to the fiscal agent.

**18. SUBSEQUENT EVENTS**

On October 13, 2016, the District issued \$7,785,000 of Series 2016A Unlimited Tax Refunding Bonds to refund \$8,964,984 of previously issued District bonds.

**REQUIRED  
SUPPLEMENTARY INFORMATION**

**ELGIN INDEPENDENT SCHOOL DISTRICT**  
**Schedule of the District's Proportionate Share of the Net Pension Liability**  
**Teacher Retirement System of Texas**  
**8/31/2016\*\***

	<u>2015*</u>	<u>2014*</u>	<u>2013*</u>
District's proportion of the net pension liability	\$ 0.0258%	0.0164%	0.0164%
District's proportionate share of the net pension liability	9,127,203	4,377,302	5,374,968
State's proportionate share of the net pension liability associated with the District	<u>13,887,393</u>	<u>11,787,479</u>	<u>14,469,625</u>
Total	<u>\$ 23,014,596</u>	<u>16,164,781</u>	<u>19,844,593</u>
District's covered-employee payroll (for Measurement Year)	\$ 23,761,108	22,326,922	21,154,912
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	38.41%	19.61%	25.41%
Plan fiduciary net position as a percentage of the total pension liability	78.43%	83.25%	78.17%
Plan's net pension liability as a percentage of covered employee payroll	91.94%	72.90%	93.10%

\* The amounts presented for each Plan year are as of August 31, plan information was unavailable prior to 2013.

**ELGIN INDEPENDENT SCHOOL DISTRICT**  
**Schedule of District Contributions**  
**Teacher Retirement System of Texas**  
**Last 10 Fiscal Years\***

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contributions	\$ 814,257	\$ 764,556	\$ 426,572	\$ 488,370	\$ 274,011
Contributions in relation to the contractual required contributions	<u>814,257</u>	<u>764,556</u>	<u>426,572</u>	<u>488,370</u>	<u>274,011</u>
Contribution deficiency (excess)	<u>\$ -</u>				
District's covered employee payroll	\$ 25,591,885	\$ 23,761,108	22,326,922	21,154,912	20,034,111
Contributions as a percentage of covered payroll	3.18%	3.22%	1.91%	2.31%	1.37%
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Contractually required contributions	\$ 331,234	\$ 304,601	\$ 354,261	\$ 237,053	\$ 209,025
Contributions in relation to the contractual required contributions	<u>331,234</u>	<u>304,601</u>	<u>354,261</u>	<u>237,053</u>	<u>209,025</u>
Contribution deficiency (excess)	<u>\$ -</u>				
District's covered employee payroll	20,529,357	\$ 20,230,568	18,690,630	17,533,279	16,635,204
Contributions as a percentage of covered payroll	1.61%	1.51%	1.90%	1.35%	1.26%

# ELGIN INDEPENDENT SCHOOL DISTRICT

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED AUGUST 31, 2016

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### 1. CHANGE IN ASSUMPTIONS

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

- The inflation assumption was decreased from 3.00% to 2.50%.
- The ultimate merit assumption for long-service employees was decreased from 1.25% to 1.00%.
- There were small adjustments in the service-based promotion/longevity component of the salary scale.
- The payroll growth assumption was lowered from 3.50% to 2.50%.
- The post-retirement mortality tables for non-disabled retirees and disabled retirees were updated to reflect recent TRS member experience.
- The pre-retirement mortality tables for active employees were updated to use 90% of the recently published RP-2014 mortality table for active employees.
- Previously it was assumed 10% of all members who had contributed in the past 5 years to be an active member. This methodology was modified to add a more explicit valuation of the rehire incidence in the termination liabilities, and therefore these 10% are no longer being counted as active members.
- There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of the termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.
- Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
- Small adjustments to the disability patterns were made for members consistent with experience and future expectations.
- For members that become disabled in the future, it is assumed 20% of them will choose a 100% joint and survivor annuity option.
- The method of using celled data in the valuation process was changed to now using individual data records to allow for better reporting of some items, such as actuarial gains and losses by source.

**COMBINING AND INDIVIDUAL FUND  
STATEMENTS**

**ELGIN INDEPENDENT SCHOOL DISTRICT**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**August 31, 2016**

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	<b>Special Revenue Funds</b>	<b>Capital Projects Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>ASSETS:</b>			
Cash and temporary investments	\$ 1,708,627	-	1,708,627
Receivables:			
Due from other governments	352,087	-	352,087
Other receivables	1,553	-	1,553
Inventory	16,251	-	16,251
Total assets	\$ 2,078,518	-	2,078,518
 <b>LIABILITIES AND FUND BALANCES:</b>			
Liabilities:			
Accounts payable	\$ 109,445	-	109,445
Accrued wages payable	126,986	-	126,986
Due to other funds	132,188	-	132,188
Unearned revenue	158,848	-	158,848
Total liabilities	527,467	-	527,467
Fund balances:			
Restricted	1,341,412	-	1,341,412
Assigned	209,639	-	209,639
Total fund balances	1,551,051	-	1,551,051
Total liabilities and fund balances	\$ 2,078,518	-	2,078,518

**ELGIN INDEPENDENT SCHOOL DISTRICT**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**Year Ended August 31, 2016**

	<b>Special Revenue Funds</b>	<b>Capital Projects Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>REVENUES:</b>			
Local and intermediate sources	\$ 695,094	15	695,109
State program revenues	353,204	-	353,204
Federal program revenues	5,536,956	-	5,536,956
Total revenues	<u>6,585,254</u>	<u>15</u>	<u>6,585,269</u>
<b>EXPENDITURES:</b>			
Current:			
Instruction	1,867,494	802	1,868,296
Instructional resources and media services	122,687	-	122,687
Curriculum and staff development	372,564	-	372,564
Instructional leadership	387,315	-	387,315
School leadership	26,949	-	26,949
Guidance, counseling, and evaluation services	384,828	-	384,828
Social work services	140,364	-	140,364
Student transportation	95,444	-	95,444
Food services	2,465,220	-	2,465,220
Extracurricular activities	145,003	-	145,003
Facilities maintenance and operations	47,548	-	47,548
Community services	13,722	-	13,722
Facilities acquisition and construction	-	-	-
Total expenditures	<u>6,069,138</u>	<u>802</u>	<u>6,069,940</u>
Net change in fund balances	516,116	(787)	515,329
<b>OTHER FINANCING SOURCES (USES):</b>			
Proceeds on sale of real property	3,000	-	3,000
Transfers out	-	(5,419)	(5,419)
Total other financing sources (uses)	3,000	(5,419)	(2,419)
Net change in fund balances	519,116	(6,206)	512,910
Fund balances - beginning	<u>1,031,935</u>	<u>6,206</u>	<u>1,038,141</u>
Fund balances - ending	<u>\$ 1,551,051</u>	<u>-</u>	<u>1,551,051</u>

**ELGIN INDEPENDENT SCHOOL DISTRICT**  
**Combining Balance Sheet**  
**Nonmajor Special Revenue Funds**  
**August 31, 2016**

	<b>Education for Homeless Children and Youth</b>	<b>Title I Grants to Local Educational Agencies</b>	<b>Migrant Education State Grant Program</b>	<b>Special Education Grants to States</b>	<b>Special Education Preschool Grants</b>	<b>National School Breakfast and Lunch Program</b>	<b>Summer Food Service Program for Children</b>
<b>Assets:</b>							
Cash and temporary investments	\$ -	-	-	-	-	1,217,267	112,470
Receivables:							
Due from other governments	1,000	68,714	8,728	76,552	1,000	98,094	-
Other receivables	-	-	-	-	-	1,553	-
Inventory	-	-	-	-	-	16,251	-
Total assets	<u>\$ 1,000</u>	<u>68,714</u>	<u>8,728</u>	<u>76,552</u>	<u>1,000</u>	<u>1,333,165</u>	<u>112,470</u>
<b>Liabilities and fund balances:</b>							
<b>Liabilities:</b>							
Accounts payable	\$ -	2,325	-	14,194	1,000	56,005	187
Accrued wages payable	-	24,951	-	37,895	-	31,780	-
Due to other funds	1,000	41,438	8,728	24,463	-	-	-
Unearned revenue	-	-	-	-	-	16,251	-
Total liabilities	<u>1,000</u>	<u>68,714</u>	<u>8,728</u>	<u>76,552</u>	<u>1,000</u>	<u>104,036</u>	<u>187</u>
<b>Fund balances:</b>							
Restricted	-	-	-	-	-	1,229,129	112,283
Assigned	-	-	-	-	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,229,129</u>	<u>112,283</u>
Total liabilities and fund balances	<u>\$ 1,000</u>	<u>68,714</u>	<u>8,728</u>	<u>76,552</u>	<u>1,000</u>	<u>1,333,165</u>	<u>112,470</u>

(continued)

**ELGIN INDEPENDENT SCHOOL DISTRICT**  
**Combining Balance Sheet**  
**Nonmajor Special Revenue Funds (continued)**  
**August 31, 2016**

	Career and Technical Education Basic Grants to States	Improving Teacher Quality State Grants	English Language Acquisition State Grants	21st Century Community Learning Centers	Medical Assistance Program	Elementary and Secondary School Counseling Programs	Innovative Approaches to Literacy Program
<b>Assets:</b>							
Cash and temporary investments	\$ -	-	-	-	8,239	-	-
Receivables:							
Due from other governments	3,106	20,385	8,053	13,989	-	42,381	1,241
Other receivables	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-
Total assets	<u>\$ 3,106</u>	<u>20,385</u>	<u>8,053</u>	<u>13,989</u>	<u>8,239</u>	<u>42,381</u>	<u>1,241</u>
<b>Liabilities and fund balances:</b>							
<b>Liabilities:</b>							
Accounts payable	\$ -	-	-	1,243	-	7,383	454
Accrued wages payable	-	-	-	12,746	-	16,836	-
Due to other funds	3,106	20,385	8,053	-	-	18,162	787
Unearned revenue	-	-	-	-	8,239	-	-
Total liabilities	<u>3,106</u>	<u>20,385</u>	<u>8,053</u>	<u>13,989</u>	<u>8,239</u>	<u>42,381</u>	<u>1,241</u>
<b>Fund balances:</b>							
Restricted	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 3,106</u>	<u>20,385</u>	<u>8,053</u>	<u>13,989</u>	<u>8,239</u>	<u>42,381</u>	<u>1,241</u>

(continued)

**ELGIN INDEPENDENT SCHOOL DISTRICT**  
**Combining Balance Sheet**  
**Nonmajor Special Revenue Funds (continued)**  
**August 31, 2016**

	Grants for State Assessments and Related Activities	Advanced Placement Initiatives	Instructional Materials Allotment	State Funded Special Revenue	Campus Activity	Texas Methodist Foundation	Elgin Education Foundation	Total Special Revenue Funds
<b>Assets:</b>								
Cash and temporary investments	\$ -	-	68,648	2,800	214,682	74,521	10,000	1,708,627
Receivables:								
Due from other governments	-	5,983	-	2,861	-	-	-	352,087
Other receivables	-	-	-	-	-	-	-	1,553
Inventory	-	-	-	-	-	-	-	16,251
Total assets	<u>\$ -</u>	<u>5,983</u>	<u>68,648</u>	<u>5,661</u>	<u>214,682</u>	<u>74,521</u>	<u>10,000</u>	<u>2,078,518</u>
<b>Liabilities and fund balances:</b>								
<b>Liabilities:</b>								
Accounts payable	\$ -	-	16,611	83	4,960	-	5,000	109,445
Accrued wages payable	-	-	-	2,778	-	-	-	126,986
Due to other funds	-	5,983	-	-	83	-	-	132,188
Unearned revenue	-	-	52,037	2,800	-	74,521	5,000	158,848
Total liabilities	<u>-</u>	<u>5,983</u>	<u>68,648</u>	<u>5,661</u>	<u>5,043</u>	<u>74,521</u>	<u>10,000</u>	<u>527,467</u>
<b>Fund balances:</b>								
Restricted	-	-	-	-	-	-	-	1,341,412
Assigned	-	-	-	-	209,639	-	-	209,639
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>209,639</u>	<u>-</u>	<u>-</u>	<u>1,551,051</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>5,983</u>	<u>68,648</u>	<u>5,661</u>	<u>214,682</u>	<u>74,521</u>	<u>10,000</u>	<u>2,078,518</u>

**ELGIN INDEPENDENT SCHOOL DISTRICT**  
**Combining Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Nonmajor Special Revenue Funds**  
**Year Ended August 31, 2016**

	Education for Homeless Children and Youth	Title I Grants to Local Educational Agencies	Migrant Education State Grant Program	Special Education Grants to States	Special Education Preschool Grants	National School Breakfast and Lunch Program	Summer Food Service Program for Children
<b>Revenues:</b>							
Local and intermediate sources	\$ -	-	-	-	-	421,230	2,418
State program revenues	-	-	-	-	-	20,755	-
Federal program revenues	3,378	930,759	129,068	792,894	11,397	2,412,795	49,675
Total revenues	<u>3,378</u>	<u>930,759</u>	<u>129,068</u>	<u>792,894</u>	<u>11,397</u>	<u>2,854,780</u>	<u>52,093</u>
<b>Expenditures:</b>							
Current:							
Instruction	3,378	651,273	86,702	553,593	11,397	-	-
Instructional resources and media services	-	-	-	-	-	-	-
Curriculum and staff development	-	193,838	795	9,486	-	-	-
Instructional leadership	-	78,011	41,571	132,353	-	-	-
School leadership	-	150	-	-	-	-	-
Guidance, counseling and evaluation services	-	-	-	2,018	-	-	-
Social work services	-	-	-	-	-	-	-
Student transportation	-	-	-	95,444	-	-	-
Food services	-	-	-	-	-	2,422,921	36,252
Extracurricular activities	-	-	-	-	-	-	-
Facilities maintenance and operations	-	-	-	-	-	47,548	-
Community services	-	7,487	-	-	-	-	-
Total expenditures	<u>3,378</u>	<u>930,759</u>	<u>129,068</u>	<u>792,894</u>	<u>11,397</u>	<u>2,470,469</u>	<u>36,252</u>
Excess of revenues over expenditures	-	-	-	-	-	384,311	15,841
<b>Other Financing Sources-</b>							
Proceeds on sale of real property	-	-	-	-	-	3,000	-
Net change in fund balances	-	-	-	-	-	387,311	15,841
Fund balances - beginning	-	-	-	-	-	841,818	96,442
Fund balances - ending	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,229,129</u>	<u>112,283</u>

(continued)

**ELGIN INDEPENDENT SCHOOL DISTRICT**  
**Combining Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Nonmajor Special Revenue Funds (continued)**  
**Year Ended August 31, 2016**

	Career and Technical Education Basic Grants to States	Improving Teacher Quality State Grants	English Language Acquisition State Grants	21st Century Community Learning Centers	Medical Assistance Program	Elementary and Secondary School Counseling Programs	Innovative Approaches to Literacy Program
<b>Revenues:</b>							
Local and intermediate sources	\$ -	-	-	-	-	-	-
State program revenues	-	-	-	-	-	-	-
Federal program revenues	54,493	120,564	82,814	13,989	8,689	639,572	279,078
Total revenues	<u>54,493</u>	<u>120,564</u>	<u>82,814</u>	<u>13,989</u>	<u>8,689</u>	<u>639,572</u>	<u>279,078</u>
<b>Expenditures:</b>							
Current:							
Instruction	51,993	24,463	76,667	-	1,271	23,708	56,359
Instructional resources and media services	-	-	-	-	-	-	122,687
Curriculum and staff development	2,500	93,803	6,147	-	5,750	10,701	36,794
Instructional leadership	-	-	-	-	299	78,078	57,003
School leadership	-	2,298	-	13,989	-	10,512	-
Guidance, counseling and evaluation services	-	-	-	-	1,369	370,162	-
Social work services	-	-	-	-	-	140,364	-
Student transportation	-	-	-	-	-	-	-
Food services	-	-	-	-	-	6,047	-
Extracurricular activities	-	-	-	-	-	-	-
Facilities maintenance and operations	-	-	-	-	-	-	-
Community services	-	-	-	-	-	-	6,235
Total expenditures	<u>54,493</u>	<u>120,564</u>	<u>82,814</u>	<u>13,989</u>	<u>8,689</u>	<u>639,572</u>	<u>279,078</u>
Excess of revenues over expenditures	-	-	-	-	-	-	-
<b>Other Financing Sources-</b>							
Proceeds on sale of real property	-	-	-	-	-	-	-
Net change in fund balances	-	-	-	-	-	-	-
Fund balances - beginning	-	-	-	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(continued)

**ELGIN INDEPENDENT SCHOOL DISTRICT**  
**Combining Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Nonmajor Special Revenue Funds (continued)**  
**Year Ended August 31, 2016**

	Grants for State Assessments and Related Activities	Advanced Placement Initiatives	Instructional Materials Allotment	State Funded Special Revenue	Campus Activity	Texas Methodist Foundation	Elgin Education Foundation	Total Special Revenue Funds
<b>Revenues:</b>								
Local and intermediate sources	\$ -	-	-	-	260,967	5,479	5,000	695,094
State program revenues	-	3,150	326,438	2,861	-	-	-	353,204
Federal program revenues	7,791	-	-	-	-	-	-	5,536,956
Total revenues	<u>7,791</u>	<u>3,150</u>	<u>326,438</u>	<u>2,861</u>	<u>260,967</u>	<u>5,479</u>	<u>5,000</u>	<u>6,585,254</u>
<b>Expenditures:</b>								
Current:								
Instruction	7,791	-	311,038	2,861	-	-	5,000	1,867,494
Instructional resources and media services	-	-	-	-	-	-	-	122,687
Curriculum and staff development	-	3,150	9,600	-	-	-	-	372,564
Instructional leadership	-	-	-	-	-	-	-	387,315
School leadership	-	-	-	-	-	-	-	26,949
Guidance, counseling and evaluation services	-	-	5,800	-	-	5,479	-	384,828
Social work services	-	-	-	-	-	-	-	140,364
Student transportation	-	-	-	-	-	-	-	95,444
Food services	-	-	-	-	-	-	-	2,465,220
Extracurricular activities	-	-	-	-	145,003	-	-	145,003
Facilities maintenance and operations	-	-	-	-	-	-	-	47,548
Community services	-	-	-	-	-	-	-	13,722
Total expenditures	<u>7,791</u>	<u>3,150</u>	<u>326,438</u>	<u>2,861</u>	<u>145,003</u>	<u>5,479</u>	<u>5,000</u>	<u>6,069,138</u>
Excess of revenues over expenditures	-	-	-	-	115,964	-	-	516,116
<b>Other Financing Sources-</b>								
Proceeds on sale of real property	-	-	-	-	-	-	-	3,000
Net change in fund balances	-	-	-	-	115,964	-	-	519,116
Fund balances - beginning	-	-	-	-	93,675	-	-	1,031,935
Fund balances - ending	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>209,639</u>	<u>-</u>	<u>-</u>	<u>1,551,051</u>

**ELGIN INDEPENDENT SCHOOL DISTRICT**  
**Major Governmental Fund - Debt Service Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**Year Ended August 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Local and intermediate sources	\$ 3,637,190	3,637,190	3,689,518	52,328
State program revenues	1,799,130	1,799,130	2,013,494	214,364
Total revenues	<u>5,436,320</u>	<u>5,436,320</u>	<u>5,703,012</u>	<u>266,692</u>
<b>EXPENDITURES-</b>				
Debt service	6,223,466	6,401,026	6,386,282	14,744
Total expenditures	<u>6,223,466</u>	<u>6,401,026</u>	<u>6,386,282</u>	<u>14,744</u>
Deficiency of revenues under expenditures	(787,146)	(964,706)	(683,270)	281,436
<b>OTHER FINANCING SOURCES (USES):</b>				
Issuance of refunding bonds	-	8,220,000	8,220,000	-
Premium on sale of bonds	-	651,612	651,612	-
Payment to refunded bond escrow agent	-	(8,947,397)	(8,732,437)	214,960
Transfers in	-	700,000	527,419	(172,581)
Total other financing sources, net	-	624,215	666,594	42,379
Net change in fund balance	(787,146)	(340,491)	(16,676)	323,815
Fund balance - beginning	<u>700,126</u>	<u>700,126</u>	<u>700,126</u>	<u>-</u>
Fund balance - ending	<u>\$ (87,020)</u>	<u>359,635</u>	<u>683,450</u>	<u>323,815</u>

**ELGIN INDEPENDENT SCHOOL DISTRICT**  
**Nonmajor Special Revenue Fund - Food Service**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**Year Ended August 31, 2016**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES:</b>				
Local and intermediate sources	\$ 459,199	459,199	421,230	(37,969)
State program revenues	26,500	26,500	20,755	(5,745)
Federal program revenues	2,262,907	2,262,907	2,412,795	149,888
Total revenues	<u>2,748,606</u>	<u>2,748,606</u>	<u>2,854,780</u>	<u>106,174</u>
<b>EXPENDITURES-</b>				
Current:				
Food services	2,560,302	2,807,024	2,422,921	384,103
Facilities maintenance and operations	57,500	57,500	47,548	9,952
Total expenditures	<u>2,617,802</u>	<u>2,864,524</u>	<u>2,470,469</u>	<u>394,055</u>
Excess (Deficiency) of revenues over (under) expenditures	130,804	(115,918)	384,311	500,229
<b>OTHER FINANCING SOURCES-</b>				
Gain on sale of real property	-	-	3,000	3,000
Net change in fund balances	130,804	(115,918)	387,311	503,229
Fund balance - beginning	841,818	841,818	841,818	-
Fund balance - ending	<u>\$ 972,622</u>	<u>725,900</u>	<u>1,229,129</u>	<u>503,229</u>

**ELGIN INDEPENDENT SCHOOL DISTRICT**  
**Schedule of Delinquent Taxes Receivable**  
**Year Ended August 31, 2016**

Years Ended	Tax Rates		Assessed/ Appraised Value for School Tax Purposes	Beginning Balance 8/31/2015	Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustment	Ending Balance 8/31/2016
	Maintenance	Debt Service							
2007 & Prior	Various	Various	\$ Various	\$ 116,939	-	7,947	1,744	(25,557)	81,691
2008	1.04	0.40	776,120,208	37,792	-	1,887	726	(745)	34,434
2009	1.04	0.44	836,970,743	49,870	-	5,633	2,383	-	41,854
2010	1.04	0.41	840,425,203	55,870	-	3,629	1,431	(68)	50,742
2011	1.04	0.50	858,363,312	66,781	-	9,026	4,340	409	53,824
2012	1.04	0.50	834,387,200	82,498	-	16,538	7,951	3,399	61,408
2013	1.17	0.37	873,949,606	125,352	-	35,213	11,136	3,539	82,542
2014	1.17	0.37	883,145,467	188,416	-	56,989	18,022	7,341	120,746
2015	1.17	0.37	943,149,397	376,719	-	129,482	40,947	(26,842)	179,448
2016	1.17	0.37	1,013,763,136	-	14,952,910	11,185,194	3,530,026	183,896	421,586
Totals				\$ 1,100,237	14,952,910	11,451,538	3,618,706	145,372	1,128,275

## **OTHER SCHEDULES**

**ELGIN INDEPENDENT SCHOOL DISTRICT**  
**EXHIBIT L-1 - SCHEDULE OF REQUIRED RESPONSES TO SELECTED**  
**SCHOOL FIRST INDICATORS**  
**As of August 31, 2016**

Data Control Codes	Description	Responses
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year-end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as 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.	\$ 1,525,485
SF11	Net Pension Assets (1920) at fiscal year-end.	\$ -
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$ 9,127,203
SF13	Pension Expense (6147) at fiscal year end.	\$ 1,513,609

**FEDERAL AWARDS SECTION**



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**INDEPENDENT AUDITORS' 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**

The Board of Trustees of  
Elgin Independent School District:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Elgin Independent School District (the "District"), as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 7, 2016.

**Internal Control Over Financial Reporting**

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

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

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

*"A Registered Investment Advisor"*

*This firm is not a CPA firm*

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 a 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 or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

*Maxwell Locke + Ritter LLP*

Austin, Texas  
December 7, 2016



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

The Board of Trustees of  
Elgin Independent School District:

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

We have audited Elgin 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 August 31, 2016. The District's major federal programs are identified in the summary of auditors' 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for 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.

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

*"A Registered Investment Advisor"*

*This firm is not a CPA firm*

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 August 31, 2016.

### **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.

*Maxwell Locke + Ritter LLP*

Austin, Texas  
December 7, 2016

**ELGIN INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended August 31, 2016**

Project Number	Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<b>Fund for the Improvement of Education Cluster</b>			
<b>Direct Funding:</b>			
S215E150091	Elementary and Secondary School Counseling Programs	84.215E	\$ 325,159
S215E150093	Elementary and Secondary School Counseling Programs	84.215E	322,953
CN-F2S-PLN-15-TX-05	Elementary and Secondary School Counseling Programs	84.215E	6,171
	Total CFDA Number 84.215E		654,283
S215G140035	Innovative Approaches to Literacy Program	84.215G	285,767
	<b>Total Fund for the Improvement of Education Cluster</b>		<b>940,050</b>
	<b>Total Direct Funding</b>		<b>940,050</b>
<b>Passed Through Texas Education Agency:</b>			
15610101011902	Title I Grants to Local Educational Agencies	84.010A	2,750
16610101011902	Title I Grants to Local Educational Agencies	84.010A	878,536
1661011201190200	Title I Grants to Local Educational Agencies	84.010A	18,083
17610101011902	Title I Grants to Local Educational Agencies	84.010A	52,447
	Total CFDA Number 84.010A		951,816
15615001011902	Migrant Education_State Grant Program	84.011A	31
16615001011902	Migrant Education_State Grant Program	84.011A	123,317
17615001011902	Migrant Education_State Grant Program	84.011A	8,728
	Total CFDA Number 84.011A		132,076
<b>Special Education Cluster</b>			
156600010119026600	Special Education_Grants to States	84.027A	32,511
166600010119026600	Special Education_Grants to States	84.027A	719,180
176600010119026600	Special Education_Grants to States	84.027A	41,203
	Total CFDA Number 84.027A		792,894
156610010119026610	Special Education_Preschool Grants	84.173A	2,845
166610010119026610	Special Education_Preschool Grants	84.173A	7,615
176610010119026610	Special Education_Preschool Grants	84.173A	1,000
	Total CFDA Number 84.173A		11,460
	<b>Total Special Education Cluster</b>		<b>804,354</b>
16420006011902	Career and Technical Education - Basic Grants to States	84.048A	55,512
1769502477110011	Twenty-First Century Community Learning Centers	84.287	13,989
15694501011902	Improving Teacher Quality State Grants	84.367A	12,054
16694501011902	Improving Teacher Quality State Grants	84.367A	111,430
	Total CFDA Number 84.367A		123,484
15671001011902	English Language Acquisition State Grants	84.365A	1,525
16671001011902	English Language Acquisition State Grants	84.365A	76,466
17671001011902	English Language Acquisition State Grants	84.365A	6,565
	Total CFDA Number 84.365A		84,556
69551502	Grants for State Assessments and Related Activities	84.369A	7,791
	<b>Total Passed Through Texas Education Agency</b>		<b>2,173,578</b>
<b>Passed Through Education Service Center Region XIII-</b>			
011902	Education for Homeless Children and Youth	84.196	3,378
	<b>Total Passed Through Education Service Center Region XIII</b>		<b>3,378</b>
	<b>TOTAL DEPARTMENT OF EDUCATION</b>		<b>3,117,006</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<b>Child Nutrition Cluster</b>			
<b>Passed Through Texas Education Agency:</b>			
71301601	National School Lunch Program	10.555	1,444,154
71401601	School Breakfast Program	10.553	792,266
	<b>Total Passed Through Texas Education Agency</b>		<b>2,236,420</b>
<b>Passed Through Texas Department of Agriculture-</b>			
	Summer Food Service Program for Children	10.559	49,675
	<b>Total Passed Through Texas Department of Agriculture</b>		<b>49,675</b>
<b>Passed Through the Texas Department of Human Services-</b>			
	Non-cash assistance - Food Distribution Program	10.555	176,375
	<b>Total Passed Through Texas Department of Human Services</b>		<b>176,375</b>
	<b>Total Child Nutrition Cluster</b>		<b>2,462,470</b>
	<b>TOTAL DEPARTMENT OF AGRICULTURE</b>		<b>2,462,470</b>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<b>Passed Through Texas Health and Human Services Commission-</b>			
	Medical Assistance Program	93.778	8,689
	<b>TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>		<b>8,689</b>
	<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<b>\$ 5,588,165</b>

The accompanying notes are an integral part of this schedule.

# ELGIN INDEPENDENT SCHOOL DISTRICT

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

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### 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Elgin Independent School District (the "District") under programs of the federal government for the year ended August 31, 2016. 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, change in net position, or cash flows of the District.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of Accounting**

The expenditures reported on the Schedule are reported using the modified accrual basis of accounting, with the exception of the National School Lunch Program, the School Breakfast Program, the Summer Feeding Program for Children, and the Food Distribution Program. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become available and measurable, and expenditures in the accounting period in which the fund liability is incurred, if measurable. Expenditures in the National School Lunch Program, the School Breakfast Program, the Summer Feeding Program for Children, and the Food Distribution Program are not specifically attributable to this revenue source and are shown on the Schedule in an amount equal to revenue for balancing purposes only. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited to reimbursement.

The District has elected to not use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

#### **Relationship to Basic Financial Statements**

Expenditures of federal awards are reported in the District's basic financial statements in the General Fund and special revenue funds.

**Relationship to Federal Financial Reports**

Amounts reported in the Schedule agree with the amounts reported in the related federal financial reports in all significant respects.

**Valuation of Non-cash Programs**

The District values revenues and expenditures for the Food Distribution Program based on the value of commodities received.

**ELGIN INDEPENDENT SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED AUGUST 31, 2016**

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**SECTION I - SUMMARY OF AUDITORS' RESULTS**

**FINANCIAL STATEMENTS**

Type of auditors' report issued on whether the financial statements were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

**FEDERAL AWARDS**

Internal control over major federal programs:

- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified?  yes  none reported

Type of auditors' report issued on compliance for major federal programs:

Special Education Cluster unmodified  
 Title I Grants to Local Education Agencies unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?  yes  no

Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
	Special Education Cluster:
84.027A	Special Education - Grants to States
84.173A	Special Education - Preschool Grants
84.010A	Title I Grants to Local Educational Agencies

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

Auditee qualified as low-risk auditee?  yes  no

# **ELGIN INDEPENDENT SCHOOL DISTRICT**

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED AUGUST 31, 2016**

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### **SECTION II - FINANCIAL STATEMENT FINDINGS**

No findings required to be reported in accordance with *Government Auditing Standards* for the years ended August 31, 2016 and 2015.

### **SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No findings or questioned costs required to be reported in accordance with 2 CFR 200.516(a) for the year ended August 31, 2016 or in accordance with Section 510(a) of OMB Circular A-133 for the year ended August 31, 2015.