

**ELGIN INDEPENDENT
SCHOOL DISTRICT**

**Annual Financial Report
for the Fiscal Year Ended
August 31, 2015**



ELGIN INDEPENDENT SCHOOL DISTRICT

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CERTIFICATE OF BOARD

Elgin Independent School District	Bastrop	011-902
Name of School District	County	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, 2015 at a meeting of the Board of Trustees of such school district on the 14th day of December, 2015.



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



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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, 2015, 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, 2015, 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.

Emphasis of Matter

As described in Note 1 and Note 18 to the financial statements, for the year ended August 31, 2015, the District adopted new accounting guidance, Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*, resulting in a restatement of the District's net position as of August 31, 2014. Our opinions are not modified with respect to this matter.

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, 54, and 55, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 10, 2015 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 10, 2015

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, 2015. 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, 2015 was approximately \$7.2 million.
- The fund balance for the General Fund at August 31, 2015 was approximately \$15.8 million, an increase of approximately \$675 thousand from the prior year.
- For the year ended August 31, 2015, the District adopted Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*. The implementation of these standards resulted in a prior period adjustment to net position of \$4,948,396 to recognize the net pension liability at the beginning of the measurement period ending August 31, 2014, and the deferred outflows of resources related to the District's contributions after the beginning of the measurement period through August 31, 2014.

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, 2015, the District's combined assets and deferred outflows of resources exceeded its liabilities and deferred inflows by approximately \$7.2 million, which is comparable to the prior year combined net position of approximately \$4.9 million, as restated.

Net position at August 31, 2015 as compared to August 31, 2014, can be presented as follows:

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

	(in thousands)	
	August 31, 2015	August 31, 2014
Current assets:		
Cash and temporary investments	\$ 18,503	\$ 18,804
Property taxes, net	771	875
Due from other governments	1,307	623
Other assets	43	32
Total current assets	20,624	20,334
Non-current assets-		
Capital assets, net of accumulated depreciation	61,069	62,638
Total assets	\$ 81,693	\$ 82,972
Deferred outflows of resources:		
Deferred charges on refundings	\$ 1,787	\$ 1,980
Pension contributions after measurement date	765	-
Pension actuarial losses	352	-
Total deferred outflows of resources	\$ 2,904	\$ 1,980
Current liabilities:		
Accounts payable and accrued liabilities	\$ 2,240	\$ 2,077
Bond interest payable	485	515
Bonds and accretion payable	3,955	3,475
Capital lease payable	255	496
Unearned revenue	76	118
Total current liabilities	7,011	6,681
Long-term liabilities:		
Bonds and accretion payable	64,327	68,385
Capital lease payable	356	9
Net pension liability	4,377	-
Total liabilities	\$ 76,071	\$ 75,075
Deferred inflows of resources-		
Deferred inflows related to pension liability	\$ 1,339	\$ -
Net position:		
Net investment in capital assets	\$ (4,804)	\$ (6,233)
Restricted	1,337	1,246
Unrestricted	10,654	14,864
Total net position	\$ 7,187	\$ 9,877

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 3% 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 \$4.8 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 (\$1.3 million) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$10.7 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").

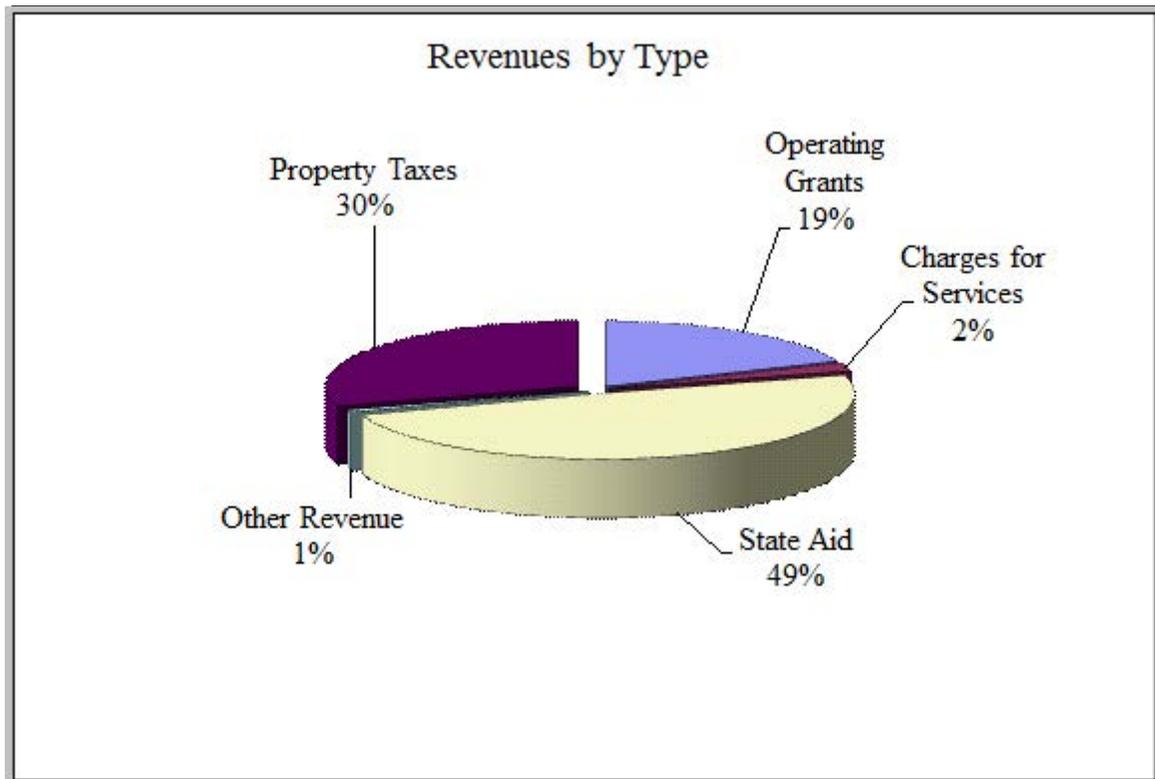
Government-wide activities

Governmental activities increased the District’s net position by \$2.3 million for the year ended August 31, 2015. Key elements of this increase are as follows:

**Elgin Independent School District’s
Changes in Net Position**

	(in thousands)	
	<u>Year Ended August 31, 2015</u>	<u>Year Ended August 31, 2014</u>
Revenues:		
Program revenues:		
Charges for services	\$ 914	\$ 1,000
Operating grants and contributions	8,918	8,393
General revenues:		
Property taxes	14,200	13,732
State aid - formula grants	23,345	21,491
Investment earnings	54	57
Miscellaneous	174	222
Total revenues	<u>47,605</u>	<u>44,895</u>
Expenses:		
Instruction	23,085	21,065
Instructional resources and media services	661	434
Curriculum and staff development	642	541
Instructional leadership	1,606	1,238
School leadership	2,114	2,097
Guidance, counseling and evaluation services	1,085	1,139
Social work services	149	112
Health services	258	289
Student transportation	1,630	1,842
Food services	2,651	2,420
Extracurricular activities	1,454	1,597
General administration	1,391	1,395
Facilities maintenance and operations	4,517	4,549
Security and monitoring services	239	214
Data processing services	684	584
Community services	301	280
Debt service	2,617	3,717
Facilities acquisition and construction	43	8
Payments related to shared services arrangements	21	26
Other intergovernmental charges	199	176
Total governmental activities	<u>45,347</u>	<u>43,723</u>
Change in net position	2,258	1,172
Net position beginning	9,877	8,705
Prior period adjustment	(4,948)	-
Net position ending	<u>\$ 7,187</u>	<u>\$ 9,877</u>

Overall property taxes account for 30% of the District’s revenue sources while state funding represents 49%. Operating grants account for 19% 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 \$17,536,346. Of this amount, \$15,090,626 constitutes unassigned fund balance available for use in the General Fund activities at the District's discretion. The remainder of the fund balance is restricted or assigned to indicate that 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 42% of the total General Fund expenditures.

The Debt Service Fund has a total fund balance of \$700,126, all of which is restricted for the payment of debt service. The net increase in fund balance during the year in the Debt Service Fund was \$101,996. This increase was primarily due an increase in property tax revenue and decrease in principal debt payments.

Other governmental funds, which consist of the Capital Projects and Special Revenue Funds, have total fund balances of \$1,038,141, a decrease of \$504,641 since last year. Overall, fund balance related to the Special Revenue Funds has increased by \$19,681, and the fund balance for the Capital Projects Fund has decreased by \$524,322. Combining schedules for the Special Revenue and Capital Projects Funds are provided in this report on pages 44 through 51.

BUDGETARY HIGHLIGHTS

The District had general fund budget amendments during the 2014-15 fiscal year that increased the budget by \$2,508,266. The major amendments were for the following items: (1) \$784,000 for a four classroom addition at Neidig Elementary; (2) \$884,505 for the iPad 1:1 initiative at the Elgin High School; (3) \$250,000 for a Career and Technology modular building at Elgin High School; (4) \$321,340 for teacher laptops; and (5) \$220,000 to replenish the teacher growth fund. There was also an amendment for the transfer of \$700,000 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, 2015 amounts to approximately \$61.1 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and furniture and equipment.

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

Land	\$ 1,485,355
Buildings and improvements	57,945,226
Furniture and equipment	1,637,954
Total	<u>\$ 61,068,535</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 \$63.1 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 2016 budget and tax rate. The student population increased by approximately 0.9%. Assessed property values increased by approximately 3.54% over last year. The District adopted a \$37,726,726 budget for fiscal year 2016. 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 2015. The 2016 fiscal year budget is approximately 3.2% more than the 2015 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, 2015

	Governmental Activities
ASSETS:	
Cash and temporary investments	\$ 18,502,968
Receivables:	
Property taxes - delinquent	1,100,237
Allowance for uncollectible taxes	(329,029)
Due from other governments	1,307,027
Other receivables	10,977
Inventory	24,793
Prepaid items	7,453
Capital assets (net of accumulated depreciation):	
Land	1,485,355
Buildings and improvements	57,945,226
Furniture and equipment	1,637,954
Total assets	81,692,961
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred charges on bond refundings	1,787,468
Pension contributions after measurement date	764,556
Pension actuarial losses	352,225
Total deferred outflows of resources	2,904,249
LIABILITIES:	
Current liabilities:	
Accounts payable	926,274
Payroll deductions and withholdings	221,364
Accrued wages payable	1,073,636
Bond interest payable	484,581
Bonds payable	3,955,000
Capital lease payable	254,600
Due to other governments	18,846
Unearned revenue	76,752
Noncurrent liabilities:	
Bonds payable	63,100,987
Accretion payable	1,226,420
Capital lease payable	355,733
Net pension liability	4,377,302
Total liabilities	76,071,495
DEFERRED INFLOWS OF RESOURCES-	
Deferred inflows related to pension liability	1,339,029
NET POSITION:	
Net investment in capital assets	(4,804,111)
Restricted for:	
Debt service	398,867
Food service	938,260
Unrestricted	10,653,670
Total net position	\$ 7,186,686

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

ELGIN INDEPENDENT SCHOOL DISTRICT
Statement of Activities
Year Ended August 31, 2015

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental activities:				
Instruction	\$ 23,084,812	196,815	3,366,262	(19,521,735)
Instructional resources and media services	661,498	-	243,160	(418,338)
Curriculum and staff development	642,100	-	310,399	(331,701)
Instructional leadership	1,605,706	-	386,543	(1,219,163)
School leadership	2,114,002	-	89,622	(2,024,380)
Guidance, counseling, and evaluation services	1,085,236	-	75,019	(1,010,217)
Social work services	148,658	-	14,346	(134,312)
Health services	257,880	-	8,313	(249,567)
Student transportation	1,629,669	-	49,067	(1,580,602)
Food services	2,651,182	439,674	2,124,637	(86,871)
Extracurricular activities	1,454,486	255,588	28,369	(1,170,529)
General administration	1,390,715	22,134	40,793	(1,327,788)
Facilities maintenance and operations	4,516,805	-	148,601	(4,368,204)
Security and monitoring services	239,122	-	2,911	(236,211)
Data processing services	683,741	-	17,220	(666,521)
Community services	301,074	-	15,680	(285,394)
Debt service	2,617,342	-	1,997,238	(620,104)
Facilities acquisition and construction	43,538	-	-	(43,538)
Payments related to shared services arrangements	20,450	-	-	(20,450)
Other intergovernmental charges	198,588	-	-	(198,588)
Total governmental activities	<u>\$ 45,346,604</u>	<u>914,211</u>	<u>8,918,180</u>	<u>(35,514,213)</u>
General revenues:				
Property taxes levied for general purposes				\$ 10,820,972
Property taxes levied for debt service				3,378,516
State aid-formula grants				23,344,964
Investment earnings				53,531
Miscellaneous				174,185
Total general revenues				<u>37,772,168</u>
Change in net position				2,257,955
Net position - beginning, as restated				<u>4,928,731</u>
Net position - ending				<u>\$ 7,186,686</u>

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

ELGIN INDEPENDENT SCHOOL DISTRICT

**Balance Sheet
Governmental Funds
August 31, 2015**

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:				
Cash and temporary investments	\$ 16,776,894	637,929	1,088,145	18,502,968
Receivables:				
Property taxes - delinquent	839,837	260,400	-	1,100,237
Allowance for uncollectible taxes	(251,951)	(77,078)	-	(329,029)
Due from other governments	922,281	62,197	322,549	1,307,027
Due from other funds	159,423	-	25	159,448
Other receivables	4,305	-	6,672	10,977
Inventory	-	-	24,793	24,793
Prepaid items	7,453	-	-	7,453
Total assets	<u>\$ 18,458,242</u>	<u>883,448</u>	<u>1,442,184</u>	<u>20,783,874</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:				
Liabilities:				
Accounts payable	\$ 806,558	-	119,716	926,274
Payroll deductions and withholdings	221,364	-	-	221,364
Accrued wages payable	981,956	-	91,680	1,073,636
Due to other funds	25	-	159,423	159,448
Due to other governments	18,846	-	-	18,846
Unearned revenue	43,528	-	33,224	76,752
Total liabilities	<u>2,072,277</u>	<u>-</u>	<u>404,043</u>	<u>2,476,320</u>
Deferred inflows of resources-				
Deferred revenue - property taxes	<u>587,886</u>	<u>183,322</u>	<u>-</u>	<u>771,208</u>
Fund balances:				
Nonspendable-				
Prepaid items	7,453	-	-	7,453
Restricted for:				
Retirement of long-term debt	-	700,126	-	700,126
Authorized construction	-	-	6,206	6,206
Food service	-	-	938,260	938,260
Assigned to:				
Retirement of long-term debt	700,000	-	-	700,000
Campus activities	-	-	93,675	93,675
Unassigned	<u>15,090,626</u>	<u>-</u>	<u>-</u>	<u>15,090,626</u>
Total fund balances	<u>15,798,079</u>	<u>700,126</u>	<u>1,038,141</u>	<u>17,536,346</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 18,458,242</u>	<u>883,448</u>	<u>1,442,184</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				\$ 61,068,535
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds				771,208
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				(67,055,987)
Less: Deferred charges on refundings				1,787,468
Accretion payable				(1,226,420)
Bond interest payable				(484,581)
Capital lease payable				(610,333)
Net pension liability				(4,377,302)
Pension contributions after measurement date				764,556
Pension actuarial losses				352,225
Deferred inflows related to pension liability				<u>(1,339,029)</u>
Net position of governmental activities				<u>\$ 7,186,686</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, 2015

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:				
Local and intermediate sources	\$ 11,385,550	3,425,146	634,503	15,445,199
State program revenues	24,782,577	1,997,238	637,091	27,416,906
Federal program revenues	433,805	-	4,698,234	5,132,039
Total revenues	<u>36,601,932</u>	<u>5,422,384</u>	<u>5,969,828</u>	<u>47,994,144</u>
EXPENDITURES:				
Current:				
Instruction	19,594,682	-	2,229,906	21,824,588
Instructional resources and media services	434,564	-	227,943	662,507
Curriculum and staff development	313,028	-	304,417	617,445
Instructional leadership	1,174,477	-	347,802	1,522,279
School leadership	1,982,673	-	2,560	1,985,233
Guidance, counseling, and evaluation services	975,613	-	41,223	1,016,836
Social work services	131,697	-	8,463	140,160
Health services	240,967	-	-	240,967
Student transportation	1,763,073	-	-	1,763,073
Food services	-	-	2,567,900	2,567,900
Extracurricular activities	1,212,199	-	157,677	1,369,876
General administration	1,297,440	-	-	1,297,440
Facilities maintenance and operations	4,009,745	-	53,370	4,063,115
Security and monitoring services	220,987	-	-	220,987
Data processing services	680,254	-	-	680,254
Community services	274,216	-	7,114	281,330
Debt service	276,104	6,020,388	-	6,296,492
Facilities acquisition and construction	794,888	-	526,094	1,320,982
Payments related to shared services arrangements	20,450	-	-	20,450
Other intergovernmental charges	198,588	-	-	198,588
Total expenditures	<u>35,595,645</u>	<u>6,020,388</u>	<u>6,474,469</u>	<u>48,090,502</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,006,287</u>	<u>(598,004)</u>	<u>(504,641)</u>	<u>(96,358)</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from capital lease	369,080	-	-	369,080
Transfers in	-	700,000	-	700,000
Transfers out	(700,000)	-	-	(700,000)
Total other financing sources (uses)	<u>(330,920)</u>	<u>700,000</u>	<u>-</u>	<u>369,080</u>
Net change in fund balances	675,367	101,996	(504,641)	272,722
Fund balances - beginning	<u>15,122,712</u>	<u>598,130</u>	<u>1,542,782</u>	<u>17,263,624</u>
Fund balances - ending	<u>\$ 15,798,079</u>	<u>700,126</u>	<u>1,038,141</u>	<u>17,536,346</u>

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, 2015

Net change in fund balances-total governmental funds	\$ 272,722
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	1,950,773
Disposal of capital assets	(57,514)
Depreciation expense	(3,463,158)
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	(103,784)
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.	
Repayment of bond principal	3,475,000
Proceeds from capital lease	(369,080)
Repayment of capital lease principal	263,927
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	(242,874)
Change in bond interest payable	29,997
Amortization of deferred charges on bond refundings	(192,626)
Amortization of bond premiums	345,726
Pension contributions made after the measurement date	764,556
Adjustment for ending deferred inflows and outflows related to net pension liability	(415,710)
Change in net position of governmental activities	<u>\$ 2,257,955</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, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Local and intermediate sources	\$ 11,059,200	11,422,577	11,385,550	(37,027)
State program revenues	23,727,725	24,828,881	24,782,577	(46,304)
Federal program revenues	322,000	322,000	433,805	111,805
Total revenues	<u>35,108,925</u>	<u>36,573,458</u>	<u>36,601,932</u>	<u>28,474</u>
EXPENDITURES:				
Current:				
Instruction	18,949,270	20,124,496	19,594,682	529,814
Instructional resources and media services	445,152	451,077	434,564	16,513
Curriculum and staff development	336,419	375,678	313,028	62,650
Instructional leadership	1,210,270	1,188,447	1,174,477	13,970
School leadership	1,895,241	1,999,248	1,982,673	16,575
Guidance, counseling, and evaluation services	1,024,391	1,021,874	975,613	46,261
Social work services	136,233	146,858	131,697	15,161
Health services	285,368	256,345	240,967	15,378
Student transportation	2,025,988	2,123,934	1,763,073	360,861
Extracurricular activities	1,475,231	1,382,209	1,212,199	170,010
General administration	1,297,652	1,359,008	1,297,440	61,568
Facilities maintenance and operations	4,206,810	4,295,916	4,009,745	286,171
Security and monitoring services	272,019	273,648	220,987	52,661
Data processing services	718,803	718,803	680,254	38,549
Community services	260,172	294,893	274,216	20,677
Debt service	189,344	276,195	276,104	91
Facilities acquisition and construction	-	946,000	794,888	151,112
Payments related to shared services arrangements	28,000	28,000	20,450	7,550
Other intergovernmental charges	197,000	199,000	198,588	412
Total expenditures	<u>34,953,363</u>	<u>37,461,629</u>	<u>35,595,645</u>	<u>1,865,984</u>
Excess (deficiency) of revenues over (under) expenditures	<u>155,562</u>	<u>(888,171)</u>	<u>1,006,287</u>	<u>1,894,458</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from capital lease	-	321,340	369,080	47,740
Transfers out	-	(700,000)	(700,000)	-
Total other financing uses, net	-	(378,660)	(330,920)	47,740
Net change in fund balance	155,562	(1,266,831)	675,367	1,942,198
Fund balance - beginning	<u>15,122,712</u>	<u>15,122,712</u>	<u>15,122,712</u>	<u>-</u>
Fund balance - ending	<u>\$ 15,278,274</u>	<u>13,855,881</u>	<u>15,798,079</u>	<u>1,942,198</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, 2015

	<u>Agency Fund</u>
ASSETS-	
Cash and temporary investments	\$ 160,150
Total assets	<u>\$ 160,150</u>
LIABILITIES:	
Accounts payable	\$ 6,848
Due to student groups	<u>153,302</u>
Total liabilities	<u>\$ 160,150</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, 2015

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. 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 31st, 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, 2015 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 an external investment pool. 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, 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 estimated fair 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) 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 District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*. 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. See Note 18 for the prior period adjustment related to the adoption of GASB Statements No. 68 and No. 71.

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.

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, 2015, the carrying amount of the District's deposits was \$8,981,155 and the bank balance was \$9,455,004.

The District's deposits with financial institutions at August 31, 2015 and during the year ended August 31, 2015 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 \$16,781,456.
- Largest cash, savings and time deposit combined account balance amounted to \$9,480,979 and occurred during the month of March 2015.
- Total amount of FDIC coverage at the time of highest combined balance was \$250,000.

Investments held at August 31, 2015 consisted of the following:

Type	Fair Value	Weighted Average Maturity (Days)	Standard & Poor's Rating
Local governmental investment pool- Lone Star	\$ 9,681,963	1	AAAm

The District had investments in one external local government investment pool at August 31, 2015: Lone Star Investment Pool (“Lone Star”). 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. This investment is stated at fair value which is the same as the value of the pool shares.

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.

The investments are reported by the District at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

Credit Risk - At August 31, 2015, investments were included in a local government investment pool 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, 2015, 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, 2015, 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, 2015, investments were included in a local government investment pool which has a weighted average maturity of one day.

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, 2014, upon which the October 2014 levy was based, was \$829,554,720. 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 \$504,000. The District was not above the equalized wealth level for the 2014-2015 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, 2015.

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
State entitlements	\$ 909,505	58,895	-	968,400
Federal and state grants	-	-	322,549	322,549
Other	12,776	3,302	-	16,078
Total	<u>\$ 922,281</u>	<u>62,197</u>	<u>322,549</u>	<u>1,307,027</u>

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, 2015 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Funds	\$ 159,423
Nonmajor Governmental Funds	General Fund	<u>25</u>
Total		<u>\$ 159,448</u>

During the year, the General Fund transferred \$700,000 to the Debt Service Fund for current year principal and interest payments.

6. UNEARNED REVENUE

At August 31, 2015, unearned revenue in governmental funds consisted of the following:

	General Fund	Nonmajor Governmental Funds	Total
Federal and state grants	\$ -	33,224	33,224
Other	43,528	-	43,528
Total	<u>\$ 43,528</u>	<u>33,224</u>	<u>76,752</u>

7. CAPITAL ASSETS

Capital asset activity for the year ended August 31, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated-				
Land	\$ 1,485,355	-	-	1,485,355
Total capital assets, not being depreciated	<u>1,485,355</u>	<u>-</u>	<u>-</u>	<u>1,485,355</u>
Capital assets, being depreciated:				
Buildings and improvements	92,333,972	1,382,083	-	93,716,055
Furniture and equipment	5,498,986	568,690	(412,453)	5,655,223
Total capital assets, being depreciated	<u>97,832,958</u>	<u>1,950,773</u>	<u>(412,453)</u>	<u>99,371,278</u>
Less accumulated depreciation for:				
Buildings and improvements	(32,756,196)	(3,014,633)	-	(35,770,829)
Furniture and equipment	(3,923,683)	(448,525)	354,939	(4,017,269)
Total accumulated depreciation	<u>(36,679,879)</u>	<u>(3,463,158)</u>	<u>354,939</u>	<u>(39,788,098)</u>
Total capital assets, being depreciated, net	<u>61,153,079</u>	<u>(1,512,385)</u>	<u>(57,514)</u>	<u>59,583,180</u>
Governmental activities capital assets, net	<u>\$ 62,638,434</u>	<u>(1,512,385)</u>	<u>(57,514)</u>	<u>61,068,535</u>

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

Governmental activities:

Instruction	\$ 1,751,837
Instructional resources and media services	38,852
Curriculum and staff development	27,986
Instructional leadership	105,003
School leadership	177,258
Guidance, counseling, and evaluation services	87,223
Social work services	11,774
Health services	21,543
Student transportation	157,625
Food services	229,580
Extracurricular activities	108,375
General administration	115,996
Facilities maintenance and operations	525,016
Security and monitoring services	19,757
Data processing services	60,817
Community services	24,516
Total depreciation expense - governmental activities	<u>\$ 3,463,158</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, 2015:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Deferred charges on bond refundings	<u>\$ 1,980,094</u>	<u>-</u>	<u>(192,626)</u>	<u>1,787,468</u>

9. LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended August 31, 2015:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
General obligation bonds	\$ 66,584,984	-	(3,475,000)	63,109,984
Premium on bonds	4,291,729	-	(345,726)	3,946,003
Capital lease payable	505,180	369,080	(263,927)	610,333
Accretion payable	983,546	242,874	-	1,226,420
Total	<u>\$ 72,365,439</u>	<u>611,954</u>	<u>(4,084,653)</u>	<u>68,892,740</u>

Bonded debt consists of the following at August 31, 2015:

General obligation bonds:

Series	Date of Issue	Amounts of Original Issue	Matures Through	Interest Rate	Outstanding at 8-31-15	Due Within One Year
2005	6-1-05	12,997,711	2024	3.25 - 4.50%	9,435,000	740,000
2006	11-15-06	9,329,984	2029	4.00 - 4.125%	9,054,984	90,000
2007	7-1-07	33,980,000	2024	5.00% 3.50 -	11,640,000	1,530,000
2008	2-15-08	9,500,000	2028	4.00% 2.50 -	7,830,000	465,000
2012	6-1-12	8,860,000	2028	3.50% 2.50 -	8,000,000	455,000
2013	5-16-13	8,430,000	2028	3.50% 2.00 -	8,430,000	525,000
2014	6-5-14	8,720,000	2026	3.00%	8,720,000	150,000
Total		<u>\$ 91,817,695</u>			<u>\$ 63,109,984</u>	<u>\$ 3,955,000</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.

The annual principal installments for each of the outstanding issues vary each year. At August 31, 2015, the debt service requirements of bonded indebtedness to maturity are as follows:

Year Ended August 31,	Principal	Interest	Total
2016	\$ 3,955,000	2,401,466	6,356,466
2017	3,765,000	2,863,692	6,628,692
2018	4,530,000	2,110,290	6,640,290
2019	4,695,000	1,942,206	6,637,206
2020	4,088,968	2,556,984	6,645,952
2021 - 2025	25,981,016	7,216,689	33,197,705
2026 - 2029	16,095,000	1,311,758	17,406,758
Total	<u>\$ 63,109,984</u>	<u>20,403,085</u>	<u>83,513,069</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 the current and prior year, 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, 2015, outstanding bonds of \$14,620,000 are considered defeased.

As of August 31, 2015, 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 \$28,169 which equates to the capital lease principal amount. Under the terms of the Server Agreement, principal and interest payments of \$9,884 are due annually beginning on February 1, 2014 through February 1, 2016. At the end of the lease term, the District has a bargain purchase option allowing the District to acquire the server for no consideration. Per the Server Agreement, the District has the option of purchasing the server starting in February 2014. The effective interest rate on the lease is 5.36%.

The District financed the purchase of a second server through a capital lease agreement (the “Second 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
2016	\$ 254,600	21,503	276,103
2017	224,640	11,669	236,309
2018	64,152	5,700	69,852
2019	66,941	2,911	69,852
Total	\$ 610,333	41,783	652,116

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, 2015, revenues from local and intermediate sources in governmental funds consisted of the following:

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
Property taxes	\$ 10,659,773	3,376,943	-	14,036,715
Food service	-	-	439,674	423,571
Investment income	42,948	3,746	6,837	53,531
Penalties, interest, and other tax related income	222,099	44,457	-	266,556
Tuition and fees from patrons	183,197	-	-	183,197
Co-curricular student activities	81,216	-	174,372	255,588
Other	196,317	-	13,620	209,937
Total	<u>\$ 11,385,550</u>	<u>3,425,146</u>	<u>634,503</u>	<u>15,445,199</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 the Teacher Retirement System of Texas ("TRS"). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

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

Pension Plan Fiduciary Net Position

Detailed information about 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, 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 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance ("OASDI") on certain employees effective for fiscal year 2015 as discussed in Note 1 of the TRS 2014 CAFR. The 83rd Texas Legislature, General Appropriations Act ("GAA") established the employer contribution rates for fiscal years 2014 and 2015.

	<u>2014</u>	<u>2015</u>
Contribution Rates:		
Member	6.4%	6.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
2015 District Contributions		\$ 764,556
2015 Member Contributions		\$ 1,591,994
2015 NECE On-behalf Contributions		\$ 1,116,412

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, when employing a retiree of TRS the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

Actuarial Assumptions

The total pension liability in the August 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2014
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	30 years
Asset Valuation Method	5 year Market Value
Discount Rate	8.00%
Long-term expected Investment Rate of Return*	8.00%
Salary Increases*	4.25% to 7.25%
Weighted-Average at Valuation Date	5.55%
Payroll Growth Rate	3.50%

* Includes Inflation of 3%

The actuarial methods and assumptions are primarily based on a study of actual experience for the four year period ending August 31, 2010 and adopted on April 8, 2011. With the exception of the post-retirement mortality rates for healthy lives and a minor change to the expected retirement age for inactive vested members stemming from the actuarial audit performed in the Summer of 2014, the assumptions and methods are the same as used in the prior valuation. When the mortality assumptions were adopted in 2011 they contained a significant margin for possible future mortality improvement. As of the date of the valuation there has been a significant erosion of this margin to the point that the margin has been eliminated. Therefore, the post-retirement mortality rates for current and future retirees was decreased to add additional margin for future improvement in mortality in accordance with the Actuarial Standards of Practice No. 35.

Discount Rate

The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2014 are summarized below:

	<u>Target Allocation</u>	<u>Real Return Geometric Basis</u>	<u>Long-Term Expected Portfolio Real Rate of Return*</u>
Global Equity			
U.S.	18%	7.0%	1.4%
Non-U.S. Developed	13%	7.3%	1.1%
Emerging Markets	9%	8.1%	0.9%
Directional Hedge Funds	4%	5.4%	0.2%
Private Equity	13%	9.2%	1.4%
Stable Value			
U.S. Treasuries	11%	2.9%	0.3%
Absolute Return	0%	4.0%	0.0%
Stable Value Hedge Funds	4%	5.2%	0.2%
Cash	1%	2.0%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	3.1%	0.0%
Real Assets	16%	7.3%	1.5%
Energy and Natural Resources	3%	8.8%	0.3%
Commodities	0%	3.4%	0.0%
Risk Parity			
Risk Parity	5%	8.9%	0.4%
Alpha	0%	0.0%	1.0%
Total	<u>100%</u>	<u>82.6%</u>	<u>8.7%</u>

* 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 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	\$ 7,821,972	\$ 4,377,302	\$ 1,801,330

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

At August 31, 2015, the District reported a liability of \$4,377,302 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	\$ 4,377,302
State's proportionate share that is associated with the District	<u>11,787,479</u>
Total	<u>\$ 16,164,781</u>

The net pension liability was measured as of August 31, 2014 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, 2013 through August 31, 2014.

At August 31, 2014 the employer's proportion of the collective net pension liability was 0.0164% which was a decrease of 0.00001% from its proportion measured as of August 31, 2013. The change in proportion was immaterial and therefore disregarded this year.

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

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

There was a change in employer contribution requirements that occurred after the measurement date of the net pension liability and the employer's reporting date. A 1.5% contribution for employers not paying OASDI on certain employees went into law effective September 1, 2014. The amount of the expected resultant change in the employer's proportion cannot be determined at this time.

For the year ended August 31, 2015, the District recognized pension expense of \$1,505,441 and revenue of \$1,089,731 for support provided by the State.

At August 31, 2015, 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	\$ 67,696	\$ -
Changes in actuarial assumptions	284,529	-
Difference between projected and actual investment earnings	-	1,337,882
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	-	1,147
Contributions paid to TRS subsequent to the measurement date	<u>764,556</u>	<u>-</u>
Total	<u>\$ 1,116,781</u>	<u>\$ 1,339,029</u>

The \$764,556 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, 2016. The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>Pension Expense Amount</u>
Year ended August 31:	
2016	\$ (275,372)
2017	(275,372)
2018	(275,372)
2019	(275,372)
2020	59,098
Thereafter	55,586

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. 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 under the TRS Publications heading, by calling the TRS Communications Department at 1-800-223-8778, or by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701.

Funding Policy - Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. Contribution rates and amounts are shown in the table below for fiscal years 2013-2015.

Contribution Rates:

Year	Active Member		State		School District	
	Rate	Amount	Rate	Amount	Rate	Amount
2015	.65%	\$ 154,450	1.0%	\$ 237,611	.55%	\$ 130,687
2014	.65%	145,128	1.0%	223,269	.55%	122,797
2013	.65%	137,502	0.5%	105,775	.55%	116,356

14. HEALTH CARE COVERAGE

During the year ended August 31, 2015, 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, 2015, reimbursements of \$69,715 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, 2015, 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 2016, 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 \$1,303,275 for fiscal year 2014-15 of which \$1,090,187 has been paid. The District's estimated outstanding loss and aggregate liability at August 31, 2015 was \$213,088 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 Single Audit Act Amendments of 1996 through August 31, 2015, 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, 2015, the District was obligated under operating leases for certain office equipment. Rent expenditures incurred under operating leases for the year ended August 31, 2015 were \$12,007. Future minimum lease payments on these operating leases is as follows:

2016	\$	17,292
2017		13,211
2018		2,219
2019		2,219
2020		1,849
Total	\$	<u>36,790</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. PRIOR PERIOD ADJUSTMENT

In accordance with the adoption of GASB Statements No. 68 and No. 71 in the current fiscal year, the District must record its proportionate share of the net pension liability related to its contributions to the TRS cost-sharing pension plan at the beginning of the measurement period ending August 31, 2014. In addition, the District must record a deferred outflow of resources for its contributions to TRS from the beginning of the measurement period through August 31, 2014. The effect of this change in accounting principle is as follows:

Net position - August 31, 2014	\$ 9,877,127
Net pension liability - August 31, 2013	(5,374,968)
District contributions - September 1, 2013 - August 31, 2014	<u>426,572</u>
Net position - August 31, 2014, as restated	<u>\$ 4,928,731</u>

19. SUBSEQUENT EVENTS

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.

**COMBINING AND INDIVIDUAL FUND
STATEMENTS**

ELGIN INDEPENDENT SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Governmental Funds
August 31, 2015

	Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds
ASSETS:			
Cash and temporary investments	\$ 1,081,939	6,206	1,088,145
Receivables:			
Due from other governments	322,549	-	322,549
Due from other funds	25	-	25
Other receivables	6,672	-	6,672
Inventory	24,793	-	24,793
Total assets	<u>\$ 1,435,978</u>	<u>6,206</u>	<u>1,442,184</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts payable	\$ 119,716	-	119,716
Accrued wages payable	91,680	-	91,680
Due to other funds	159,423	-	159,423
Unearned revenue	33,224	-	33,224
Total liabilities	<u>404,043</u>	<u>-</u>	<u>404,043</u>
Fund balances:			
Restricted	938,260	6,206	944,466
Assigned	93,675	-	93,675
Total fund balances	<u>1,031,935</u>	<u>6,206</u>	<u>1,038,141</u>
Total liabilities and fund balances	<u>\$ 1,435,978</u>	<u>6,206</u>	<u>1,442,184</u>

ELGIN INDEPENDENT SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended August 31, 2015

	Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds
REVENUES:			
Local and intermediate sources	\$ 632,731	1,772	634,503
State program revenues	637,091	-	637,091
Federal program revenues	4,698,234	-	4,698,234
Total revenues	<u>5,968,056</u>	<u>1,772</u>	<u>5,969,828</u>
EXPENDITURES:			
Current:			
Instruction	2,229,906	-	2,229,906
Instructional resources and media services	227,943	-	227,943
Curriculum and staff development	304,417	-	304,417
Instructional leadership	347,802	-	347,802
School leadership	2,560	-	2,560
Guidance, counseling, and evaluation services	41,223	-	41,223
Social work services	8,463	-	8,463
Food services	2,567,900	-	2,567,900
Extracurricular activities	157,677	-	157,677
Facilities maintenance and operations	53,370	-	53,370
Community services	7,114	-	7,114
Facilities acquisition and construction	-	526,094	526,094
Total expenditures	<u>5,948,375</u>	<u>526,094</u>	<u>6,474,469</u>
Net change in fund balances	19,681	(524,322)	(504,641)
Fund balances - beginning	<u>1,012,254</u>	<u>530,528</u>	<u>1,542,782</u>
Fund balances - ending	<u><u>\$ 1,031,935</u></u>	<u><u>6,206</u></u>	<u><u>1,038,141</u></u>

ELGIN INDEPENDENT SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Special Revenue Funds
August 31, 2015

	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
Assets:							
Cash and temporary investments	\$ -	-	-	-	-	882,169	96,442
Receivables:							
Due from other governments	-	73,214	10,222	63,272	850	65,274	-
Due from other funds	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	6,672	-
Inventory	-	-	-	-	-	24,793	-
Total assets	<u>\$ -</u>	<u>73,214</u>	<u>10,222</u>	<u>63,272</u>	<u>850</u>	<u>978,908</u>	<u>96,442</u>
Liabilities and fund balances:							
Liabilities:							
Accounts payable	\$ -	1,950	-	12,061	850	88,367	-
Accrued wages payable	-	17,852	-	29,088	-	23,930	-
Due to other funds	-	53,412	10,222	22,123	-	-	-
Unearned revenue	-	-	-	-	-	24,793	-
Total liabilities	<u>-</u>	<u>73,214</u>	<u>10,222</u>	<u>63,272</u>	<u>850</u>	<u>137,090</u>	<u>-</u>
Fund balances:							
Restricted	-	-	-	-	-	841,818	96,442
Assigned	-	-	-	-	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>841,818</u>	<u>96,442</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>73,214</u>	<u>10,222</u>	<u>63,272</u>	<u>850</u>	<u>978,908</u>	<u>96,442</u>

(continued)

ELGIN INDEPENDENT SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Special Revenue Funds (continued)
August 31, 2015

	Career and Technical Education Basic Grants to States	Improving Teacher Quality State Grants	English Language Acquisition State Grants	Medical Assistance Program	Elementary and Secondary School Counseling Programs	Innovative Approaches to Literacy Program	Grants for State Assessments and Related Activities
Assets:							
Cash and temporary investments	\$ -	-	-	7,246	-	-	-
Receivables:							
Due from other governments	-	26,554	8,128	-	45,852	25,000	-
Due from other funds	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-
Total assets	<u>\$ -</u>	<u>26,554</u>	<u>8,128</u>	<u>7,246</u>	<u>45,852</u>	<u>25,000</u>	<u>-</u>
Liabilities and fund balances:							
Liabilities:							
Accounts payable	\$ -	-	145	-	11,236	3,860	-
Accrued wages payable	-	-	2,246	-	18,564	-	-
Due to other funds	-	26,554	5,737	-	16,052	21,140	-
Unearned revenue	-	-	-	7,246	-	-	-
Total liabilities	<u>-</u>	<u>26,554</u>	<u>8,128</u>	<u>7,246</u>	<u>45,852</u>	<u>25,000</u>	<u>-</u>
Fund balances:							
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>\$ -</u>	<u>26,554</u>	<u>8,128</u>	<u>7,246</u>	<u>45,852</u>	<u>25,000</u>	<u>-</u>

(continued)

ELGIN INDEPENDENT SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Special Revenue Funds (continued)
August 31, 2015

	State Supplemental Visually Impaired	Advanced Placement Initiatives	Instructional Materials Allotment	Campus Activity	Elgin Education Foundation	Total Special Revenue Funds
Assets:						
Cash and temporary investments	\$ -	-	1,185	94,897	-	1,081,939
Receivables:						
Due from other governments	-	4,183	-	-	-	322,549
Due from other funds	-	-	-	25	-	25
Other receivables	-	-	-	-	-	6,672
Inventory	-	-	-	-	-	24,793
Total assets	<u>\$ -</u>	<u>4,183</u>	<u>1,185</u>	<u>94,922</u>	<u>-</u>	<u>1,435,978</u>
Liabilities and fund balances:						
Liabilities:						
Accounts payable	\$ -	-	-	1,247	-	119,716
Accrued wages payable	-	-	-	-	-	91,680
Due to other funds	-	4,183	-	-	-	159,423
Unearned revenue	-	-	1,185	-	-	33,224
Total liabilities	<u>-</u>	<u>4,183</u>	<u>1,185</u>	<u>1,247</u>	<u>-</u>	<u>404,043</u>
Fund balances:						
Restricted	-	-	-	-	-	938,260
Assigned	-	-	-	93,675	-	93,675
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>93,675</u>	<u>-</u>	<u>1,031,935</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>4,183</u>	<u>1,185</u>	<u>94,922</u>	<u>-</u>	<u>1,435,978</u>

ELGIN INDEPENDENT SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended August 31, 2015

	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
Revenues:							
Local and intermediate sources	\$ -	-	-	-	-	442,882	816
State program revenues	-	-	-	-	-	20,932	-
Federal program revenues	2,797	859,358	115,084	847,143	7,038	2,103,030	55,553
Total revenues	<u>2,797</u>	<u>859,358</u>	<u>115,084</u>	<u>847,143</u>	<u>7,038</u>	<u>2,566,844</u>	<u>56,369</u>
Expenditures:							
Current:							
Instruction	1,790	585,895	75,258	710,254	7,038	-	-
Instructional resources and media services	-	-	-	-	-	-	-
Curriculum and staff development	-	172,798	-	2,482	-	-	-
Instructional leadership	-	92,345	39,826	119,242	-	-	-
School leadership	-	1,206	-	-	-	-	-
Guidance, counseling and evaluation services	-	-	-	15,165	-	-	-
Social work services	1,007	-	-	-	-	-	-
Food services	-	-	-	-	-	2,515,140	52,760
Extracurricular activities	-	-	-	-	-	-	-
Facilities maintenance and operations	-	-	-	-	-	53,370	-
Community services	-	7,114	-	-	-	-	-
Total expenditures	<u>2,797</u>	<u>859,358</u>	<u>115,084</u>	<u>847,143</u>	<u>7,038</u>	<u>2,568,510</u>	<u>52,760</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-	-	(1,666)	3,609
Fund balances - beginning	-	-	-	-	-	843,484	92,833
Fund balances - ending	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>841,818</u>	<u>96,442</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, 2015

	Career and Technical Education Basic Grants to States	Improving Teacher Quality State Grants	English Language Acquisition State Grants	Medical Assistance Program	Elementary and Secondary School Counseling Programs	Innovative Approaches to Literacy Program	Grants for State Assessments and Related Activities
Revenues:							
Local and intermediate sources	\$ -	-	-	-	-	-	-
State program revenues	-	-	-	-	-	-	-
Federal program revenues	49,116	121,178	93,266	12,200	57,140	367,585	7,746
Total revenues	<u>49,116</u>	<u>121,178</u>	<u>93,266</u>	<u>12,200</u>	<u>57,140</u>	<u>367,585</u>	<u>7,746</u>
Expenditures:							
Current:							
Instruction	46,616	22,247	83,645	12,200	-	49,690	7,746
Instructional resources and media services	-	-	-	-	-	227,943	-
Curriculum and staff development	2,500	98,186	9,012	-	-	17,189	-
Instructional leadership	-	-	-	-	23,626	72,763	-
School leadership	-	745	609	-	-	-	-
Guidance, counseling and evaluation services	-	-	-	-	26,058	-	-
Social work services	-	-	-	-	7,456	-	-
Food services	-	-	-	-	-	-	-
Extracurricular activities	-	-	-	-	-	-	-
Facilities maintenance and operations	-	-	-	-	-	-	-
Community services	-	-	-	-	-	-	-
Total expenditures	<u>49,116</u>	<u>121,178</u>	<u>93,266</u>	<u>12,200</u>	<u>57,140</u>	<u>367,585</u>	<u>7,746</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-	-	-	-
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, 2015

	State Supplemental Visually Impaired	Advanced Placement Initiatives	Instructional Materials Allotment	Campus Activity	Elgin Education Foundation	Total Special Revenue Funds
Revenues:						
Local and intermediate sources	\$ -	-	-	175,415	13,618	632,731
State program revenues	2,656	2,250	611,253	-	-	637,091
Federal program revenues	-	-	-	-	-	4,698,234
Total revenues	<u>2,656</u>	<u>2,250</u>	<u>611,253</u>	<u>175,415</u>	<u>13,618</u>	<u>5,968,056</u>
Expenditures:						
Current:						
Instruction	2,656	-	611,253	-	13,618	2,229,906
Instructional resources and media services	-	-	-	-	-	227,943
Curriculum and staff development	-	2,250	-	-	-	304,417
Instructional leadership	-	-	-	-	-	347,802
School leadership	-	-	-	-	-	2,560
Guidance, counseling and evaluation services	-	-	-	-	-	41,223
Social work services	-	-	-	-	-	8,463
Food services	-	-	-	-	-	2,567,900
Extracurricular activities	-	-	-	157,677	-	157,677
Facilities maintenance and operations	-	-	-	-	-	53,370
Community services	-	-	-	-	-	7,114
Total expenditures	<u>2,656</u>	<u>2,250</u>	<u>611,253</u>	<u>157,677</u>	<u>13,618</u>	<u>5,948,375</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	-	17,738	-	19,681
Fund balances - beginning	-	-	-	75,937	-	1,012,254
Fund balances - ending	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>93,675</u>	<u>-</u>	<u>1,031,935</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, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Local and intermediate sources	\$ 3,372,500	3,470,069	3,425,146	(44,923)
State program revenues	1,952,973	1,952,973	1,997,238	44,265
Total revenues	<u>5,325,473</u>	<u>5,423,042</u>	<u>5,422,384</u>	<u>(658)</u>
EXPENDITURES-				
Debt service	6,023,735	6,023,735	6,020,388	3,347
Total expenditures	<u>6,023,735</u>	<u>6,023,735</u>	<u>6,020,388</u>	<u>3,347</u>
Deficiency of revenues under expenditures	(698,262)	(600,693)	(598,004)	2,689
OTHER FINANCING SOURCES-				
Transfers in	-	700,000	700,000	-
Net change in fund balance	(698,262)	99,307	101,996	2,689
Fund balance - beginning	598,130	598,130	598,130	-
Fund balance - ending	<u>\$ (100,132)</u>	<u>697,437</u>	<u>700,126</u>	<u>2,689</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, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Local and intermediate sources	\$ 454,800	454,800	442,882	(11,918)
State program revenues	24,000	24,000	20,932	(3,068)
Federal program revenues	<u>2,209,806</u>	<u>2,209,806</u>	<u>2,103,030</u>	<u>(106,776)</u>
Total revenues	<u>2,688,606</u>	<u>2,688,606</u>	<u>2,566,844</u>	<u>(121,762)</u>
EXPENDITURES-				
Current:				
Food services	2,329,420	2,654,420	2,515,140	139,280
Facilities maintenance and operations	<u>52,500</u>	<u>55,000</u>	<u>53,370</u>	<u>1,630</u>
Total expenditures	<u>2,381,920</u>	<u>2,709,420</u>	<u>2,568,510</u>	<u>140,910</u>
Excess (Deficiency) of revenues over (under) expenditures	306,686	(20,814)	(1,666)	19,148
Fund balance - beginning	<u>843,484</u>	<u>843,484</u>	<u>843,484</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,150,170</u>	<u>822,670</u>	<u>841,818</u>	<u>19,148</u>

**OTHER REQUIRED
SUPPLEMENTARY INFORMATION**

ELGIN INDEPENDENT SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Liability
Teacher Retirement System of Texas
August 31, 2015

	2014	2013
District's proportion of the net pension liability	\$ 0.0164%	0.0164%
District's proportionate share of the net pension liability	4,377,302	5,374,968
State's proportionate share of the net pension liability associated with the District	11,787,479	14,469,625
Total	\$ 16,164,781	19,844,593
District's covered-employee payroll (for Measurement Year)	\$ 22,326,922	21,154,912
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	19.61%	25.41%
Plan fiduciary net position as a percentage of the total pension liability	83.25%	78.17%
Plan's net pension liability as a percentage of covered employee payroll	72.90%	93.10%

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

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

* - Contribution information was not available prior to the fiscal year ended August 31, 2007.

OTHER SCHEDULES

ELGIN INDEPENDENT SCHOOL DISTRICT
Schedule of Delinquent Taxes Receivable
Year Ended August 31, 2015

Years Ended	Tax Rates		Assessed/ Appraised Value for School Tax Purposes	Beginning Balance 8/31/2014	Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustment	Ending Balance 8/31/2015
	Maintenance	Debt Service							
2006 & Prior	Various	Various	\$ Various	130,992	-	(33,681)	(7,859)	(91,632)	80,900
2007	1.37	0.28	704,029,151	45,468	-	(12,028)	(2,458)	(23,915)	36,039
2008	1.04	0.40	776,120,208	45,565	-	(9,941)	(3,824)	(21,538)	37,792
2009	1.04	0.44	836,970,743	65,320	-	8,003	3,386	(4,061)	49,870
2010	1.04	0.41	840,425,203	75,085	-	8,755	3,451	(7,009)	55,870
2011	1.04	0.50	858,363,312	97,766	-	16,916	8,132	(5,937)	66,781
2012	1.04	0.50	834,387,200	165,343	-	34,020	16,356	(32,469)	82,498
2013	1.17	0.37	873,949,606	236,430	-	59,775	18,903	(32,400)	125,352
2014	1.17	0.37	883,145,467	380,916	-	108,973	34,462	(49,065)	188,416
2015	1.17	0.37	829,554,720	-	14,084,334	10,478,981	3,306,394	77,760	376,719
Totals				<u>\$ 1,242,885</u>	<u>14,084,334</u>	<u>10,659,773</u>	<u>3,376,943</u>	<u>(190,266)</u>	<u>1,100,237</u>

ELGIN INDEPENDENT SCHOOL DISTRICT
EXHIBIT L-1 - SCHEDULE OF REQUIRED RESPONSES TO SELECTED
SCHOOL FIRST INDICATORS
As of August 31, 2015

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.	\$ 1,226,420
SF11	Net Pension Assets (1920) at fiscal year-end.	\$ -
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$ 4,377,302
SF13	Pension Expense (6147) at fiscal year end.	\$ 1,505,441

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, 2015, 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 10, 2015.

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 10, 2015



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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, 2015. 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 the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2015.

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 OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Maxwell Socha + Ritter LLP

Austin, Texas
December 10, 2015

ELGIN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended August 31, 2015

Project Number	Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<u>Direct Funding:</u>			
S215E150091	Elementary and Secondary School Counseling Programs	84.215E	\$ 35,915
S215E150093	Elementary and Secondary School Counseling Programs	84.215E	21,485
	Total CFDA Number 84.215E		57,400
S215G140035	Innovative Approaches to Literacy Program	84.215G	374,612
<u>Passed Through Texas Education Agency:</u>			
14610112011902102	Title I Grants to Local Educational Agencies	84.010A	2,048
156101011902	Title I Grants to Local Educational Agencies	84.010A	806,360
15610112011902102	Title I Grants to Local Educational Agencies	84.010A	16,688
166101011902	Title I Grants to Local Educational Agencies	84.010A	52,937
	Total CFDA Number 84.010A		878,033
15615001011902	Migrant Education_State Grant Program	84.011A	108,806
16615001011902	Migrant Education_State Grant Program	84.011A	8,885
	Total CFDA Number 84.011A		117,691
146600010119026600	Special Education_Grants to States	84.027A	28,055
156600010119026600	Special Education_Grants to States	84.027A	832,588
	Total CFDA Number 84.027A		860,643
146610010119026610	Special Education_Preschool Grants	84.173A	450
156610010119026610	Special Education_Preschool Grants	84.173A	6,720
	Total CFDA Number 84.173A		7,170
15420006011902	Career and Technical Education - Basic Grants to States	84.048A	50,248
14694501011902	Improving Teacher Quality State Grants	84.367A	11,896
15694501011902	Improving Teacher Quality State Grants	84.367A	111,188
	Total CFDA Number 84.367A		123,084
14671001011902	English Language Acquisition State Grants	84.365A	4,132
15671001011902	English Language Acquisition State Grants	84.365A	88,408
16671001011902	English Language Acquisition State Grants	84.365A	2,391
	Total CFDA Number 84.365A		94,931
69551402	Grants for State Assessments and Related Activities	84.369A	7,746
<u>Passed Through Education Service Center Region XIII:</u>			
011902	Education for Homeless Children and Youth	84.196	1,007
011902	Education for Homeless Children and Youth	84.196	1,790
	Total CFDA Number 94.196		2,797
TOTAL DEPARTMENT OF EDUCATION			2,574,355
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<u>Passed Through Texas Education Agency:</u>			
71301501	National School Lunch Program	10.555	1,339,967
71401501	School Breakfast Program	10.553	608,306
<u>Passed Through Texas Department of Agriculture-</u>			
	Summer Food Service Program for Children	10.559	55,553
<u>Passed Through the Texas Department of</u>			
<u>Human Services-</u>			
	Non-cash assistance - Food Distribution Program	10.555	154,757
TOTAL DEPARTMENT OF AGRICULTURE			2,158,583
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
<u>Passed Through Texas Health and Human Services Commission-</u>			
	Medical Assistance Program	93.778	12,200
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			12,200
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 4,745,138

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, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General - The accompanying schedule of expenditures of federal awards presents all federal expenditures of the Elgin Independent School District (the "District").

Basis of Accounting - The expenditures on the accompanying schedule of expenditures of federal awards are presented using the modified accrual basis of accounting, with the exception of the National School Lunch Program, School Breakfast Program, the Summer Feeding Program for Children, and the Food Distribution Program. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. 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, 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 accompanying schedule of expenditures of federal awards in an amount equal to revenue for balancing purposes only.

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 accompanying schedule of expenditures of federal awards agree with the amounts reported in the related federal financial reports in all significant respects.

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

ELGIN INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED AUGUST 31, 2015

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued: unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiencies identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

FEDERAL AWARDS

Internal control over major federal programs:

- Material weakness(es) identified? yes no
- Significant deficiencies identified that are not considered to be material weaknesses? yes none reported

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

Fund for the Improvement of Education Cluster unmodified

Child Nutrition Cluster unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? yes no

Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
	Fund for the Improvement of Education Cluster:
84.215E	Elementary and Secondary School Counseling Programs
84.215G	Innovative Approaches to Literacy Program
	Child Nutrition Cluster:
10.553	School Breakfast Program
10.555	National School Lunch Program
10.555	Noncash Food Distribution Program
10.559	Summer Food Service Program for Children

Dollar threshold used to distinguish between type A and type B programs:

\$300,000

Auditee qualified as low-risk auditee?

yes no

ELGIN INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED AUGUST 31, 2015

SECTION II - FINANCIAL STATEMENT FINDINGS

No findings or questioned costs required to be reported in accordance with *Government Auditing Standards* for the years ended August 31, 2015 and 2014.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings or questioned costs required to be reported in accordance with Section 510(a) of OMB Circular A-133 for the year ended August 31, 2015 and 2014.