

EASTLAND INDEPENDENT SCHOOL DISTRICT

*ANNUAL FINANCIAL REPORT*

*FOR THE YEAR ENDED AUGUST 31, 2016*

## *Introductory Section*

---

Eastland Independent School District  
Annual Financial Report  
For The Year Ended August 31, 2016

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
<b>INTRODUCTORY SECTION</b>		
Certificate of Board.....	1	
<b>FINANCIAL SECTION</b>		
Independent Auditor's Report.....	2	
Management's Discussion and Analysis (Required Supplementary Information).....	4	
<u>Basic Financial Statements</u>		
Government-wide Financial Statements:		
Statement of Net Position.....	11	A-1
Statement of Activities.....	12	B-1
Fund Financial Statements:		
Balance Sheet - Governmental Funds.....	13	C-1
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Position.....	14	C-1R
Statement of Revenues, Expenditures, and Changes in		
Fund Balances - Governmental Funds.....	15	C-2
Reconciliation of the Statement of Revenues, Expenditures, and Changes in		
Fund Balances of Governmental Funds to the Statement of Activities.....	16	C-3
Statement of Net Position - Internal Service Fund.....	17	D-1
Statement of Revenues, Expenses, and Changes in		
Fund Net Position - Internal Service Fund.....	18	D-2
Statement of Cash Flows - Proprietary Funds.....	19	D-3
Statement of Fiduciary Net Position - Fiduciary Funds.....	20	E-1
Statement of Changes in Fiduciary Net Position - Fiduciary Funds.....	21	E-2
Notes to the Financial Statements .....	22	
<u>Required Supplementary Information</u>		
Budgetary Comparison Schedules:		
General Fund.....	44	G-1
Schedule of the District's Proportionate Share of the		
Net Pension Liability - Teacher Retirement System Of Texas.....	46	G-2
Schedule of District's Contributions - Teacher Retirement System Of Texas.....	47	G-3
Notes to Required Supplementary Information.....	48	
<u>Combining Statements as Supplementary Information:</u>		
Combining Balance Sheet - All Nonmajor Governmental Funds.....	49	H-1
Combining Statement of Revenues, Expenditures and Changes in		
Fund Balances - All Nonmajor Governmental Funds.....	50	H-2

Eastland Independent School District  
Annual Financial Report  
For The Year Ended August 31, 2016

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
Special Revenue Funds:		
Combining Balance Sheet - Nonmajor Special Revenue Funds.....	51	H-3
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds.....	54	H-4
OTHER SUPPLEMENTARY INFORMATION SECTION		
Schedule of Delinquent Taxes Receivable.....	57	J-1
Budgetary Comparison Schedules Required by the Texas Education Agency: National School Breakfast and Lunch Program.....	59	J-2
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	60	
Schedule of Findings and Questioned Costs .....	62	
Summary Schedule of Prior Audit Findings.....	64	
Corrective Action Plan.....	65	
Schedule of Required Responses to Selected School First Indicators.....	66	K-1

CERTIFICATE OF BOARD

Eastland Independent School District  
Name of School District

Eastland  
County

067-903  
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one)   X   approved        disapproved for the year ended August 31, 2016, at a meeting of the board of trustees of such school district on the   9th   day of January, 2017.

Kelli Gray  
Signature of Board Secretary

[Signature]  
Signature of Board President

## *Financial Section*

**BURL D. LOWERY**  
**CERTIFIED PUBLIC ACCOUNTANT**  
311 CENTER AVENUE  
BROWNWOOD, TEXAS 76801

**Independent Auditor's Report**

To the Board of Trustees  
Eastland Independent School District  
P.O. Box 31  
Eastland, Texas 76448

**Report on the Financial Statements**

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

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

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

**Auditor's Responsibility**

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District'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 District's internal control. Accordingly, I 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.

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

**Opinions**

In my 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 Eastland Independent School District as of August 31, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedule of the District's proportionate share of the net pension liability and schedule of District pension contributions identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Eastland Independent School District's basic financial statements. The introductory section and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and other supplementary information 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 my opinion, the combining and individual nonmajor fund financial statements and other supplementary information are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

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

In accordance with *Government Auditing Standards*, I have also issued my report dated January 3, 2017 on my consideration of Eastland Independent School District's internal control over financial reporting and on my 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 my 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 Eastland Independent School District's internal control over financial reporting and compliance.



Burl D. Lowery  
Certified Public Accountant  
Brownwood, TX  
January 3, 2017



## **EASTLAND INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED FOR THE FISCAL YEAR ENDED AUGUST 31, 2016**

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

### **FINANCIAL HIGHLIGHTS**

- The District's total combined net assets were \$10,144,229 at August 31, 2016 and \$10,033,674 at August 31, 2015.
- During the year, the District's expenses were \$100,496 more than the \$10,688,541 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs was \$180,065 less than last year. The decrease in spending was from decreased bond issue costs, instruction costs, and other function level expenditures.
- The general fund reported a fund balance this year of \$2,779,561 as compared to a fund balance of \$2,286,528 in 2015.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts-*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual* parts of the government, reporting the District's operations in more detail than the government-wide statements.
- The *governmental funds* statements tell how *general government* services were financed in the *short-term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short-* and *long-term* financial information about the activities the government operates *like businesses*.
- *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a *trustee* or *agent* for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

## Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report information about the District's net assets and how they have changed. Net assets-the difference between the District's assets and liabilities- is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health improving or deteriorating, respectively.
- To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District's tax base.

The government-wide financial statements of the District include the *Governmental activities*. Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services and general administration. Property taxes and grants finance most of these activities.

## Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant *funds*-not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.
- The District includes the Eastland ISD Public Facility Corporation (PFC) Debt Service Fund and Capital Projects Fund in its fund financial statements. The PFC is a blended component unit of the Eastland Independent School District.

The District has the following kinds of funds:

- *Governmental funds*-Most of the District's basic services are included in governmental funds, which focus on (1) how *cash* and *other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Proprietary funds*-Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. The District has no Proprietary Fund Types.
- We use *internal service funds* to report activities that provide workers compensation insurance for the District's other programs and activities.

- *Fiduciary funds*-The District is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that-because of a trust arrangement-can be used only for the trust beneficiaries. 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 assets and a statement of changes in fiduciary net assets. We excluded these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations. These funds consist of (1) an agency fund - student activity funds that belong to the individual clubs and organizations and (2) scholarship trust funds that are used to provide scholarships to graduating seniors of the District.

## **FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

Net assets. The District's combined net positions were \$10,144,229 at August 31, 2016 and \$10,033,674 at August 31, 2015.

The District has a restricted net position of \$66,233, which is restricted for state and federal programs in amounting to \$14,863, \$14 restricted for debt service, and \$51,356 restricted for capital projects, which leaves \$1,913,690 of unrestricted net position at August 31, 2016. The unrestricted net position represents resources available to fund the programs of the District next year. The net investment in capital assets was \$8,164,306.

**Changes in net assets.** The District's total revenues were \$10,688,541. A significant portion, 43%, of the District's revenue comes from taxes. State aid foundation grants provide 41% of the revenue, and federal and state operating grants provide 13% of the revenues for the District. Only 2% relates to charges for services.

The total cost of all programs and services was \$10,588,045; 57% of these costs are for instruction and instructional related services. (Expenditure Functions 11, 12, and 13)

### **Governmental Activities**

- Property tax rates in 2015-2016 were \$1.04 per \$100, the same as in 2014-2015. Taxable values increased approximately 4%. The increased values provided the District with approximately \$171,476 more revenue than the prior year.

## **FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

Revenues from governmental fund types totaled \$10,688,541, amounting to a decrease of \$1,085,964 (approximately 9.22%) over the preceding year. The decrease in revenues is a result of the FEMA capital grant that was received in the prior year.

### **General Fund Budgetary Highlights**

Over the course of the year, the District revised its budget. Final budgeted expenditures were \$270,888 more than actual expenditures. Actual revenues were \$320,985 more than the final budgeted amount. The net change in fund balance had a positive variance of \$493,033. The District had adopted a balanced budget with a zero net change in fund balance; the actual net change in fund balance was an increase of \$493,033.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of 2016, the District had invested \$19,705,882 in a broad range of capital assets, including land, buildings, equipment, vehicles, and infrastructure. The net capital assets amounting to \$11,858,668 represents a net decrease (including additions and deductions) of \$534,960 (a 4.32% decrease) from last

year. The additions to capital assets during the year included additional costs added to the new FEMA Safe Room Dome and Gymnasium.

### **Long Term Debt**

At year-end, the District had long-term debt consisting of bonds, capital leases, and notes outstanding totaling \$3,678,997. A more detailed analysis of the long-term debt is discussed in Note F of the Notes to the Financial Statements.

### **Short Term Debt**

The District borrowed \$1,452,752 to use for payment of allowable FEMA costs that were payable prior to the receipt of the FEMA reimbursements for those costs. The short-term loan was due on August 15, 2015, but the District had not received the FEMA reimbursements by that time. The bank note due date was extended until October 15, 2015. As the District received the reimbursements from FEMA, the money was deposited into an interest and sinking fund to accumulate the funds to fully pay the debt. The short-term loan has a 3.0% rate. The FEMA note was paid in full on September 18, 2015 after receiving a reimbursement of \$1,368,344 on September 17, 2015.

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

- Appraised values used for the 2016-2017 budget preparation was \$459,661,383, which is \$1,648,813 less than the prior year. The tax rate of \$1.04 for 2016-2017 has remained the same as in the prior year. The increased valuations will provide the District with approximately \$171,476 more tax revenue for 2016-2017. The District's summary of finances for state aid for 2016-2017 is indicating a decrease in state aid of \$25,766. This includes the foundation and available school fund revenue sources.
- General operating fund spending increases in the 2016-2017 budget. The District has budgeted total expenditures of \$9,223,602 for 2016-2017. That amounts to approximately 2% more expenditures than the original budgeted expenditures for 2015-2016.
- In addition, state foundation revenue fluctuates with student enrollment. The District's estimated refined average daily attendance on the 2016-2017 Summary of Finances is 1,050 students. The final refined average daily attendance for 2015-2016 was 1,025. The District's enrollment as of October 2016 was 1,150.

These indicators were taken into account when adopting the general fund budget for 2016-2017. The amount of unrestricted net position available for appropriation as of August 31, 2016 in the general fund budget is \$2,779,561. General Fund revenues and expenditures budgeted are both \$9,223,602 for 2016-2017.

Actual final general fund revenues for 2015-2016 were \$9,737,506 and actual final general fund expenditures were \$9,244,473. The actual net change in fund balance was an increase of \$493,033. The District had amended its budgeted revenues and budgeted expenditures to \$9,341,722 for 2015-2016 an increase of 3% over the original budget.

If these estimated revenues and expenditures are realized, the District's budgetary general fund balance is not expected to change appreciably by the close of the 2016-2017 school year.

### **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 Administration Office.

EASTLAND INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS - TABLES

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets. The District's combined net positions were \$10,144,229 at August 31, 2016 and \$10,033,674 at August 31, 2015.

Table 1  
Eastland Independent School District's Net Position

	Governmental Activities	
	2016	2015
Current Assets:		
Cash and cash equivalents	\$2,954,178	\$2,695,368
Property taxes receivable net of uncollectible	\$90,247	\$90,219
Due from other governments	\$253,726	\$1,597,831
Other receivables	\$2,061	\$0
Internal balances	\$0	\$929
Total Current Assets	<u>\$3,300,212</u>	<u>\$4,384,347</u>
Capital Assets:		
Land	\$647,216	\$647,216
Construction in progress	\$0	\$0
Buildings and improvements, net	\$9,997,236	\$10,348,719
Equipment and vehicles, net	\$803,723	\$968,051
Infrastructure, net	\$410,492	\$429,642
Net Capital Assets	<u>\$11,858,667</u>	<u>\$12,393,628</u>
Restricted Assets:		
Cash in Bank	\$51,375	\$167,486
Total Assets	<u>\$15,210,254</u>	<u>\$16,945,461</u>
Deferred Outflows of Resources:		
Deferred Outflow Related to Pensions	<u>\$953,721</u>	<u>\$207,192</u>
Current Liabilities:		
Accounts payable	\$74,466	\$160,958
Accrued liabilities	\$395,215	\$300,101
Short-term debt	\$0	\$1,452,752
Due to other governments	\$0	\$261,159
Unearned revenues	\$12,585	\$16,600
Total Current Liabilities	<u>\$482,266</u>	<u>\$2,191,570</u>
Long-term Liabilities:		
Capital lease	\$436,384	\$498,946
Capital leases - FEMA Safe Room	\$1,278,771	\$1,351,538
Maintenance tax note	\$518,518	\$547,903
Lease revenue bonds - QSCB - Public Facilities Corporation	\$409,210	\$450,835
Lease revenue refunding bonds - Public Facilities Corporation	\$1,036,114	\$1,134,964
Net pension liability	\$1,729,787	\$722,276
Total Long-term Liabilities	<u>\$5,408,784</u>	<u>\$4,706,462</u>
Total Liabilities	<u>\$5,891,050</u>	<u>\$6,898,032</u>
Deferred Inflows of Resources:		
Deferred inflows related to pensions	<u>\$128,696</u>	<u>\$220,946</u>
Net Position:		
Net Investment in capital assets	\$8,164,306	\$8,388,423
Restricted for state and federal programs	\$14,863	\$4,518
Restricted for debt service	\$14	\$17
Restricted for capital projects	\$51,356	\$70,129
Unrestricted	\$1,913,690	\$1,570,587
Total Net Position	<u>\$10,144,229</u>	<u>\$10,033,674</u>

EASTLAND INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS - TABLES

Table 2  
Eastland Independent School District's Changes in Net Position

	Governmental Activities	
	2016	2015
Program Revenues:		
Charges for services	\$240,376	\$255,007
Operating grants and contributions	\$1,407,998	\$1,131,688
Capital grants and contributions	\$0	\$1,323,211
General Revenues:		
Property taxes	\$4,583,610	\$4,635,580
State aid - formula	\$4,355,258	\$4,322,262
Investment earnings	\$12,679	\$12,255
Other revenues	\$88,620	\$94,502
Total Revenues	<u>\$10,688,541</u>	<u>\$11,774,505</u>
Expenditures:		
Instruction	\$5,874,844	\$5,619,678
Instructional resources and media services	\$110,047	\$94,815
Curriculum development and staff development	\$34,899	\$34,966
Instructional Leadership	\$115,108	\$114,080
School leadership	\$663,766	\$579,720
Guidance and counseling services	\$199,815	\$190,191
Health services	\$59,982	\$52,955
Student (pupil) transportation	\$114,144	\$91,278
Food services	\$472,292	\$479,441
Curricular/extracurricular activities	\$488,752	\$524,804
General administration	\$445,821	\$417,903
Plant maintenance & operation	\$1,268,158	\$928,308
Security and monitoring services	\$36,638	\$5,191
Data processing services	\$206,999	\$198,658
Community services	\$50,963	\$53,259
Interest on long-term debt	\$123,889	\$93,177
Bond issuance costs and fees	\$2,500	\$10,000
Capital outlay	\$0	\$0
Payments to fiscal agent/member districts SSA	\$188,810	\$411,101
Other intergovernmental charges	\$130,618	\$132,265
Total Expenditures	<u>10,588,045</u>	<u>10,031,790</u>
Excess (Deficiency) Before Other Resources, Uses, Transfers, and Special Items	\$100,496	\$1,742,715
Other Resources (Uses)		
Transfers In (Out)	<u>0</u>	<u>0</u>
Total Other Resources (Uses)	<u>0</u>	<u>0</u>
Special Items:		
Extraordinary Item Inflow	\$191,549	\$428,255
Extraordinary Item outflow	<u>(\$181,491)</u>	<u>(\$350,368)</u>
Increase (Decrease) in Net Position	\$110,554	\$1,820,602
Net Position - Beginning	\$10,033,675	\$9,031,413
Prior Period Adjustments	<u>\$0</u>	<u>(\$818,341)</u>
Net Position - Ending	<u>\$10,144,229</u>	<u>\$10,033,674</u>

**EASTLAND INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS - TABLES**

**Table 3  
Eastland Independent School District's Capital Assets**

	Governmental Activities	
	2016	2015
Land	\$647,216	\$647,216
Construction in progress	\$0	\$0
Buildings and improvements	\$16,220,865	\$16,205,367
Equipment and vehicles	\$2,191,950	\$2,191,950
Infrastructure	645,851	645,851
<b>Total Capital Assets</b>	<b>\$19,705,882</b>	<b>\$19,690,384</b>
<b>Total Accumulated Depreciation</b>	<b>\$7,847,214</b>	<b>\$7,296,756</b>
<b>Net Capital Assets</b>	<b><u>\$11,858,668</u></b>	<b><u>\$12,393,628</u></b>

**Table 4  
Eastland Independent School District's Long-term Debt**

	Governmental Activities	
	2015	2015
Capital lease	\$436,384	\$498,946
Capital lease - FEMA Safe Room	\$1,278,771	\$1,351,538
Maintenance tax note	\$518,518	\$547,903
Lease revenue bonds - QSCB - Public Facilities Corporation	\$409,210	\$450,835
Lease revenue refunding bonds - Public Facilities Corporation	\$1,036,114	\$1,134,964
	<u>\$3,678,997</u>	<u>\$3,984,186</u>
Net Pension Liability	\$1,729,787	\$722,276
<b>Total Long-Term Debt</b>	<b><u>\$5,408,784</u></b>	<b><u>\$4,706,462</u></b>

## *Basic Financial Statements*



**EASTLAND INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**AUGUST 31, 2016**

Data Control Codes		1	Governmental Activities
<b>ASSETS:</b>			
1110	Cash and Cash Equivalents	\$	2,954,178
1225	Property Taxes Receivable (Net)		90,247
1240	Due from Other Governments		253,726
1290	Other Receivables (Net)		2,061
Capital Assets:			
1510	Land		647,216
1520	Buildings and Improvements, Net		9,997,236
1530	Furniture and Equipment, Net		803,723
1590	Infrastructure, Net		410,492
1800	Restricted Assets		51,375
1000	Total Assets		<u>15,210,254</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
1705	Deferred Outflow Related to Pensions		953,721
1700	Total Deferred Outflows of Resources		<u>953,721</u>
<b>LIABILITIES:</b>			
2110	Accounts Payable		74,466
2165	Accrued Liabilities		395,215
2300	Unearned Revenue		12,585
Noncurrent Liabilities:			
2501	Due Within One Year		317,980
2502	Due in More Than One Year		3,361,017
2540	Net Pension Liability		1,729,787
2000	Total Liabilities		<u>5,891,050</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
2605	Deferred Inflow Related to Pensions		128,696
2600	Total Deferred Inflows of Resources		<u>128,696</u>
<b>NET POSITION:</b>			
3200	Net Investment in Capital Assets		8,164,306
Restricted For:			
3820	State and Federal Programs		14,863
3850	Debt Service		14
3860	Capital Projects		51,356
3900	Unrestricted		1,913,690
3000	Total Net Position	\$	<u>10,144,229</u>

The accompanying notes are an integral part of this statement.

**EASTLAND INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED AUGUST 31, 2016**

Data Control Codes	Functions/Programs	1 Expenses	3 Program Revenues		4 Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
			Charges for Services			
						Governmental Activities
	Governmental Activities:					
11	Instruction	\$ 5,874,844	\$ 19,750	\$ 900,585	\$	(4,954,509)
12	Instructional Resources and Media Services	110,047	--	7,801		(102,246)
13	Curriculum and Staff Development	34,899	--	190		(34,709)
21	Instructional Leadership	115,108	--	7,586		(107,522)
23	School Leadership	663,766	--	48,004		(615,762)
31	Guidance, Counseling, & Evaluation Services	199,815	--	16,721		(183,094)
33	Health Services	59,982	--	4,784		(55,198)
34	Student Transportation	114,144	--	5,264		(108,880)
35	Food Service	472,292	128,419	321,758		(22,115)
36	Cocurricular/Extracurricular Activities	488,752	60,583	16,221		(411,948)
41	General Administration	445,821	--	24,814		(421,007)
51	Facilities Maintenance and Operations	1,268,158	--	36,040		(1,232,118)
52	Security and Monitoring Services	36,638	--	44		(36,594)
53	Data Processing Services	206,999	--	12,469		(194,530)
61	Community Services	50,963	31,624	5,717		(13,622)
72	Interest on Long-term Debt	123,889	--	--		(123,889)
73	Bond Issuance Costs and Fees	2,500	--	--		(2,500)
93	Payments Related to Shared Services Arrangements	188,810	--	--		(188,810)
99	Other Intergovernmental Charges	130,618	--	--		(130,618)
TG	Total Governmental Activities	10,588,045	240,376	1,407,998		(8,939,671)
TP	Total Primary Government	\$ 10,588,045	\$ 240,376	\$ 1,407,998		(8,939,671)
	General Revenues:					
MT	Property Taxes, Levied for General Purposes					4,583,610
IE	Investment Earnings					12,679
GC	Grants and Contributions Not Restricted to Specific Programs					4,355,258
MI	Miscellaneous					88,620
	Special and Extraordinary Items:					
E1	Extraordinary Item Inflow					191,549
E2	Extraordinary Item Outflow					(181,491)
TR	Total General Revenues					9,050,225
CN	Change in Net Position					110,554
NB	Net Position - Beginning					10,033,675
NE	Net Position - Ending					\$ 10,144,229

The accompanying notes are an integral part of this statement.

**EASTLAND INDEPENDENT SCHOOL DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**AUGUST 31, 2016**

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds
<b>ASSETS:</b>			
1110 Cash and Cash Equivalents	\$ 2,939,640	\$ 9,015	\$ 2,948,655
1225 Taxes Receivable, Net	90,247	--	90,247
1240 Due from Other Governments	204,331	49,395	253,726
1290 Other Receivables	2,061	--	2,061
1800 Restricted Assets	51,375	--	51,375
1000 Total Assets	<u>3,287,654</u>	<u>58,410</u>	<u>3,346,064</u>
<b>LIABILITIES:</b>			
Current Liabilities:			
2110 Accounts Payable	\$ 2,498	\$ --	\$ 2,498
2160 Accrued Wages Payable	330,055	40,570	370,625
2170 Due to Other Funds	66,445	--	66,445
2200 Accrued Expenditures	6,263	2,963	9,226
2300 Unearned Revenue	12,585	--	12,585
2000 Total Liabilities	<u>417,846</u>	<u>43,533</u>	<u>461,379</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Deferred Revenue	90,247	--	90,247
2600 Total Deferred Inflows of Resources	<u>90,247</u>	<u>--</u>	<u>90,247</u>
<b>FUND BALANCES:</b>			
Restricted Fund Balances:			
3450 Federal/State Funds Grant Restrictions	--	14,863	14,863
3470 Capital Acquisitions & Contractual Obligations	51,356	--	51,356
3480 Retirement of Long-Term Debt	--	14	14
3600 Unassigned	2,728,205	--	2,728,205
3000 Total Fund Balances	<u>2,779,561</u>	<u>14,877</u>	<u>2,794,438</u>
Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 3,287,654</u>	<u>\$ 58,410</u>	<u>\$ 3,346,064</u>

The accompanying notes are an integral part of this statement.

**EASTLAND INDEPENDENT SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**AUGUST 31, 2016**

Total fund balances - governmental funds balance sheet	\$ 2,794,438
--	--------------

Amounts reported for governmental activities in the Statement of Net Position  
are different because:

Capital assets used in governmental activities are not reported in the funds.	11,858,667
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	90,247
Payables for bond principal which are not due in the current period are not reported in the funds.	(1,445,324)
Payables for capital leases which are not due in the current period are not reported in the funds.	(1,715,155)
Payables for bond interest which are not due in the current period are not reported in the funds.	(15,365)
Payables for notes which are not due in the current period are not reported in the funds.	(518,517)
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(1,729,787)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(128,696)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	<u>953,721</u>

Net position of governmental activities - Statement of Net Position	\$ <u>10,144,229</u>
---	----------------------

The accompanying notes are an integral part of this statement.

**EASTLAND INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED AUGUST 31, 2016**

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds
<b>REVENUES:</b>			
5700 <i>Local and Intermediate Sources</i>	\$ 4,796,737	\$ 128,520	\$ 4,925,257
5800 <i>State Program Revenues</i>	4,749,220	65,274	4,814,494
5900 <i>Federal Program Revenues</i>	--	705,245	705,245
5020 <b>Total Revenues</b>	<u>9,545,957</u>	<u>899,039</u>	<u>10,444,996</u>
<b>EXPENDITURES:</b>			
Current:			
0011 <i>Instruction</i>	4,824,541	454,737	5,279,278
0012 <i>Instructional Resources and Media Services</i>	99,541	--	99,541
0013 <i>Curriculum and Staff Development</i>	32,824	--	32,824
0021 <i>Instructional Leadership</i>	102,970	--	102,970
0023 <i>School Leadership</i>	595,231	1,858	597,089
0031 <i>Guidance, Counseling, &amp; Evaluation Services</i>	179,154	--	179,154
0033 <i>Health Services</i>	53,982	--	53,982
0034 <i>Student Transportation</i>	104,824	--	104,824
0035 <i>Food Service</i>	--	430,460	430,460
0036 <i>Cocurricular/Extracurricular Activities</i>	450,352	--	450,352
0041 <i>General Administration</i>	404,030	--	404,030
0051 <i>Facilities Maintenance and Operations</i>	1,176,253	150	1,176,403
0052 <i>Security and Monitoring Services</i>	34,543	--	34,543
0053 <i>Data Processing Services</i>	188,295	--	188,295
0061 <i>Community Services</i>	44,286	1,489	45,775
0071 <i>Principal on Long-term Debt</i>	164,717	140,473	305,190
0072 <i>Interest on Long-term Debt</i>	88,817	40,726	129,543
0073 <i>Bond Issuance Costs and Fees</i>	--	2,500	2,500
0081 <i>Capital Outlay</i>	15,498	--	15,498
0093 <i>Payments to Shared Service Arrangements</i>	188,810	--	188,810
0099 <i>Other Intergovernmental Charges</i>	130,618	--	130,618
6030 <b>Total Expenditures</b>	<u>8,879,286</u>	<u>1,072,393</u>	<u>9,951,679</u>
1100 <b>Excess (Deficiency) of Revenues Over (Under)</b>			
1100 <b>Expenditures</b>	<u>666,671</u>	<u>(173,354)</u>	<u>493,317</u>
Other Financing Sources and (Uses):			
7915 <i>Transfers In</i>	--	183,696	183,696
8911 <i>Transfers Out</i>	(183,696)	--	(183,696)
7080 <b>Total Other Financing Sources and (Uses)</b>	<u>(183,696)</u>	<u>183,696</u>	<u>--</u>
<b>EXTRAORDINARY ITEM:</b>			
7919 <i>Extraordinary Item (Resource)</i>	191,549	--	191,549
8913 <i>Extraordinary Item (Use)</i>	(181,491)	--	(181,491)
1200 <b>Net Change in Fund Balances</b>	<u>493,033</u>	<u>10,342</u>	<u>503,375</u>
0100 <b>Fund Balances - Beginning</b>	<u>2,286,528</u>	<u>4,535</u>	<u>2,291,063</u>
3000 <b>Fund Balances - Ending</b>	<u>\$ 2,779,561</u>	<u>\$ 14,877</u>	<u>\$ 2,794,438</u>

The accompanying notes are an integral part of this statement.

**EASTLAND INDEPENDENT SCHOOL DISTRICT**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED AUGUST 31, 2016**

Net change in fund balances - total governmental funds	\$	503,375
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:		
Capital outlays are not reported as expenses in the SOA.		15,498
The depreciation of capital assets used in governmental activities is not reported in the funds.		(550,458)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.		28
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.		140,473
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.		135,331
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.		29,386
(Increase) decrease in accrued interest from beginning of period to end of period.		5,653
The net revenue (expense) of internal service funds is reported with governmental activities.		0
Pension contributions made after the measurement date but in current FY were de-expended and reduced NP		144,596
The District's share of the unrecognized deferred inflows and outflows for the pension plan was amortized.		41,265
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.		(354,593)
Change in net position of governmental activities - Statement of Activities	\$	<u>110,554</u>

The accompanying notes are an integral part of this statement.

**EASTLAND INDEPENDENT SCHOOL DISTRICT****STATEMENT OF NET POSITION****INTERNAL SERVICE FUND****AUGUST 31, 2016**

		Nonmajor Internal Service Fund
Data Control Codes		Insurance Fund
<b>ASSETS:</b>		
Current Assets:		
1110	Cash and Cash Equivalents	\$ 5,523
Receivables:		
1260	Due from Other Funds	66,445
	Total Current Assets	71,968
1000	Total Assets	71,968
<b>LIABILITIES:</b>		
Current Liabilities:		
2110	Accounts Payable	\$ 71,968
	Total Current Liabilities	71,968
2000	Total Liabilities	71,968
<b>NET POSITION:</b>		
3000	Total Net Position	\$ -

The accompanying notes are an integral part of this statement.

**EASTLAND INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN FUND NET POSITION - INTERNAL SERVICE FUND**  
**FOR THE YEAR ENDED AUGUST 31, 2016**

Data Control Codes		Nonmajor Internal Service Fund
		Insurance Fund
	<b>OPERATING REVENUES:</b>	
5700	<i>Local and Intermediate Sources</i>	\$ 45,000
5020	Total Revenues	45,000
	<b>OPERATING EXPENSES:</b>	
6200	<i>Professional and Contracted Services</i>	45,000
6030	Total Expenses	45,000
1300	Change in Net Position	--
0100	Total Net Position - Beginning	--
3300	Total Net Position - Ending	\$ --

The accompanying notes are an integral part of this statement.



**EASTLAND INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED AUGUST 31, 2016**

	Internal Service Funds
<b>Cash Flows from Operating Activities:</b>	
<i>Cash Receipts (Payments) for Quasi-external</i>	--
<i>Operating Transactions with Other Funds</i>	\$ 51,579
<i>Cash Payments to Employees for Services</i>	--
<i>Cash Payments to Other Suppliers for Goods and Services</i>	(46,263)
<i>Other Operating Cash Receipts (Payments)</i>	--
Net Cash Provided (Used) by Operating Activities	<u>5,316</u>
<b>Cash Flows from Non-capital Financing Activities:</b>	
<i>Operating Grants Received</i>	--
Net Cash Provided (Used) by Non-capital Financing Activities	<u>--</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
<i>Contributed Capital</i>	--
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>--</u>
<b>Cash Flows from Investing Activities:</b>	
<i>Interest and Dividends on Investments</i>	--
Net Cash Provided (Used) for Investing Activities	<u>--</u>
Net Increase (Decrease) in Cash and Cash Equivalents	5,316
Cash and Cash Equivalents at Beginning of Year	206
Cash and Cash Equivalents at End of Year	<u>\$ 5,522</u>
<b>Reconciliation of Operating Income to Net Cash</b>	
<b>Provided by Operating Activities:</b>	
Operating Income (Loss)	\$ --
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities	
<i>Provision for Uncollectible Accounts</i>	--
Change in Assets and Liabilities:	
<i>Decrease (Increase) in Receivables</i>	6,579
<i>Increase (Decrease) in Accounts Payable</i>	(1,263)
Total Adjustments	<u>5,316</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 5,316</u>

The accompanying notes are an integral part of this statement.

**EASTLAND INDEPENDENT SCHOOL DISTRICT****STATEMENT OF FIDUCIARY NET POSITION****FIDUCIARY FUNDS****AUGUST 31, 2016**

Data Control Codes		Scholarship Trust Funds	Agency Fund	Student Activity
<b>ASSETS:</b>				
1110	Cash and Cash Equivalents	\$ 155,375	\$ 90,120	
1800	Restricted Assets	69,712	--	
1000	Total Assets	<u>225,087</u>	<u>90,120</u>	
<b>LIABILITIES:</b>				
Current Liabilities:				
2190	Due to Student Groups	\$ --	\$ 90,120	
2000	Total Liabilities	<u>--</u>	<u>90,120</u>	
<b>NET POSITION:</b>				
3800	Held in Trust	225,087	--	
3000	Total Net Position	<u>\$ 225,087</u>	<u>\$ --</u>	

The accompanying notes are an integral part of this statement.

**EASTLAND INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED AUGUST 31, 2016**

	Private- Purpose Trusts
<b>Additions:</b>	
Investment Income	\$ 2,756
Net (Decrease) in Fair Value of Investments	9,520
Gifts and Bequests	38,440
Total Additions	<u>50,715</u>
<b>Deductions:</b>	
Scholarship Awards	44,750
Administrative Expenses	--
Total Deductions	<u>44,750</u>
<b>Change in Net Position</b>	5,965
Net Position-Beginning of the Year	219,122
Net Position-End of the Year	<u><u>\$ 225,087</u></u>

The accompanying notes are an integral part of this statement.

**EASTLAND INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2016**

**A. Summary of Significant Accounting Policies**

The basic financial statements of Eastland Independent School District (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") applicable to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide ("Resource Guide"). The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

**1. Reporting Entity**

The Board of School Trustees ("Board"), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental reporting entity. The Eastland ISD Public Facility Corporation is a component unit of the District. The Eastland ISD PFC is included within the District's reporting entity as a blended component unit. See Note O for further discussion of the component unit.

**2. Basis of Presentation, Basis of Accounting**

**a. Basis of Presentation**

**Government-wide Financial Statements:** The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**Fund Financial Statements:** The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The District reports the following major governmental funds:

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

**EASTLAND INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2016**

In addition, the District reports the following fund types:

**Internal Service Funds:** These funds are used to account for revenues and expenses related to services provided to parties inside the District. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. Because the principal users of the internal services are the District's governmental activities, this fund type is included in the "Governmental Activities" column of the government-wide financial statements.

**Private-Purpose Trust Funds:** These funds are used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments not reported in other fiduciary fund types.

**Agency Funds:** These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

**b. Measurement Focus, Basis of Accounting**

**Government-wide, Proprietary, and Fiduciary Fund Financial Statements:** These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

**Governmental Fund Financial Statements:** Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

**3. Financial Statement Amounts**

**a. Cash and Cash Equivalents**

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

**EASTLAND INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2016**

b. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property 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, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Allowances for uncollectible tax receivables 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.

c. Inventories and Prepaid Items

The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory in accordance with the Resource Guide.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30-50
Buildings	30-50
Building Improvements	20-25
Vehicles	2-15
Office Equipment	3-15
Computer Equipment	3-15

e. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide Statement of Net Position and governmental funds balance sheet) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

**EASTLAND INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2016**

f. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. However, additional disclosure is provided which disaggregates those balances to help with TEA's analysis'.

There are no significant receivables which are not scheduled for collection within one year of year end.

g. Compensated Absences

On retirement or death of certain employees, the District pays any accrued sick leave in a lump case payment to such employee or his/her estate. Individuals employed having completed ten years of continuous service in the District and who meet the requirements for retirement with the Texas Teacher Retirement System shall be reimbursed for any unused state leave. Upon retirement under the TRS, a professional employee is paid for accrued leave at the rate of \$50 per day up to a maximum of \$5,000 and an at-will employee is paid \$40 per day up to a maximum of \$4,000. The District does not accrue a liability for compensated balances because there is no way to estimate when an employee is going to retire. When an employee does retire, the District uses the governmental funds in the general fund to pay the compensated balance due.

h. Interfund Activity

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

i. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

j. Data Control Codes

Data Control Codes appear in the rows and above the columns of certain financial statements. The TEA requires the display of these codes in the financial statements filed with TEA in order to ensure accuracy in building a statewide database for policy development and funding plans.

k. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

**EASTLAND INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2016**

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

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

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

**l. Net Position Flow Assumption**

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

**m. Fund Balance Flow Assumptions**

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

**4. Pensions**

The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS' 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.

**5. New Accounting Standards Adopted**

In fiscal year 2016, the District adopted three new statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):



**EASTLAND INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2016**

- Statement No. 72, *Fair Value Measurement and Application*
- Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Government*
- Statement No. 77, *Tax Abatement Disclosures*

- a. Statement No. 72 requires state and local governments to measure investments at fair value using a consistent definition and valuation techniques; also defines what assets and liabilities governments should measure at fair value and expands fair value disclosures in financial disclosure notes. While the Statement generally requires restatement of prior period balances in the year of implementation, the nature of the District's investments was such that their carrying amount was not affected.
- b. The GAAP hierarchy prioritizes guidance governments follow when preparing U.S. GAAP financial statements. Statement No. 76 reduces authoritative GAAP hierarchy from four categories to two and lists the order of priority for pronouncements to which a government should look for guidance.
- c. Statement No. 77 requires governments granting tax abatements to individuals and businesses to disclose program information in the notes to the financial statements through the agreement's duration and also requires disclosures about tax abatements entered into by other governments that reduce the reporting government's tax revenue. Prior year balances were not restated because there are no tax abatements associated with the District or any other government which affect the District's tax revenue.

**B. Deposits and Investments**

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank 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 depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

**1. Cash Deposits:**

At August 31, 2016, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$3,109,441 and the bank balance was \$3,313,003. The District's cash deposits at August 31, 2016 and during the year ended August 31, 2016, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

**2. Investments:**

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

**EASTLAND INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2016**

The District's investment at August 31, 2016 is shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>		<u>Fair Value</u>
<b>General Fund:</b>			
Savings and Money Market Funds	N/A	\$ 2,802,892	
Lone Star Investment Pool	N/A	1	\$
Total District Investments			\$ 2,802,893
<b>Fiduciary Funds:</b>			
<b>Scholarship Trust Funds</b>			
Certificate of Deposit	1 year	\$ 3,029	
Lone Star Investment Pool	N/A	136,974	
Equity Stocks - Exxon	N/A	69,712	
Total Scholarship Trust Funds			\$ 209,715
Total Investments			\$ 3,012,608

3. **Analysis of Specific Deposit and Investment Risks**

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. **Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.

At August 31, 2016, the District's investments, other than those which are obligations of or guaranteed by the U. S. Government, are rated as to credit quality as follows:

**General Fund:**

Lone Star Investment Pool \$ 1 Standard & Poor's Rating AAAM

**Fiduciary Funds:**

Lone Star Investment Pool \$ 136,974 Standard & Poor's Rating AAAM

b. **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 government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

At year end, the District was not exposed to custodial credit risk.

c. **Concentration of Credit Risk**

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

**EASTLAND INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2016**

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

Investment Accounting Policy

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The District's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

Lone Star

The Lone Star Investment Pool (Lone Star) is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Texas Government Code, Chapter 791, and the Public Funds Investment Act, Texas Government Code, Chapter 2256. Lone Star is administered by First Public, a subsidiary of the Texas Association of School Boards (TASB), with Standish and American Beacon Advisors managing the investment and reinvestment of Lone Star's assets. State Street Bank provides custody and valuation services to Lone Star. All of the board of trustees' eleven members are Lone Star participants by either being employees or elected officials of a participant. Lone Star has established an advisory board composed of both pool members and non-members. Lone Star is rated AAA by Standard and Poor's and operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The District is invested in the Government Overnight Fund of Lone Star which seeks to maintain a net asset value of one dollar. Lone Star has 3 different funds: Government Overnight, Corporate Overnight and Corporate Overnight Plus. Government and Corporate Overnight maintain a net asset value of one dollar and the Corporate Overnight Plus maintains a net asset value of 50 cents.

**EASTLAND INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2016**

**C. Capital Assets**

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

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 647,216	\$ --	\$ --	\$ 647,216
Construction in progress	--	--	--	--
Total capital assets not being depreciated	647,216	--	--	647,216
<i>Capital assets being depreciated:</i>				
Buildings and improvements	16,205,367	15,498	--	16,220,865
Equipment	905,648	--	--	905,648
Vehicles	1,286,302	--	--	1,286,302
Infrastructure	645,851	--	--	645,851
Total capital assets being depreciated	19,043,168	15,498	--	19,058,666
Less accumulated depreciation for:				
Buildings and improvements	(5,856,648)	(366,980)	--	(6,223,628)
Equipment	(327,301)	(68,754)	--	(396,055)
Vehicles	(896,598)	(95,574)	--	(992,172)
Infrastructure	(216,209)	(19,150)	--	(235,359)
Total accumulated depreciation	(7,296,756)	(550,458)	--	(7,847,214)
Total capital assets being depreciated, net	11,746,412	(534,960)	--	11,211,452
Governmental activities capital assets, net	\$ 12,393,628	\$ (534,960)	\$ --	\$ 11,858,668

Depreciation was charged to functions as follows:

Instruction	\$ 316,577
Instructional Resources and Media Services	5,969
Curriculum and Staff Development	1,968
Instructional Leadership	6,175
School Leadership	35,805
Guidance, Counseling, & Evaluation Services	10,743
Health Services	3,237
Student Transportation	6,286
Food Services	25,813
Extracurricular Activities	27,006
General Administration	24,228
Plant Maintenance and Operations	70,544
Security and Monitoring Services	2,071
Data Processing Services	11,291
Community Services	2,745
	<u>\$ 550,458</u>

**D. Interfund Balances and Activities**

**1. Due To and From Other Funds**

Balances due to and due from other funds at August 31, 2016, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
Internal Service Fund	General Fund	66,445	Self Insurance Worker's Comp
	Total	<u>\$ 66,445</u>	

**EASTLAND INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2016**

All amounts due are scheduled to be repaid within one year.

2. Transfers To and From Other Funds

Transfers to and from other funds at August 31, 2016, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General fund	Public Facilities Corp - Debt service fund	\$ 183,696	Pay Capital Lease payments to Public Facilities Corp
	Total	\$ 183,696	

E. Short-Term Debt Activity

The District accounts for short-term debts for maintenance purposes through the General Fund. The proceeds from loans are shown in the financial statements as Other Resources.

The District entered into a loan agreement to pay maintenance expenses permitted by Sections 45.105 and 45.108, Texas Education Code on August 1, 2014. The purpose of the loan is to provide the funds to build a Community Safe Room and alternative use gymnasium at the Eastland ISD Elementary School. The District was awarded a Federal Emergency Management Agency Pre-Disaster Mitigation grant that has a maximum funding by FEMA amounting to \$1,452,752. The loan in the amount of \$1,452,752 provided funding of the FEMA portion of the grant until funds were approved and reimbursed. The loan had an interest rate of 3.0% per annum. The full amount of the loan and accrued interest was payable on August 15, 2015. The District had not received all of the FEMA grant funds as of August 15, 2015, so the Bank extended the loan maturity to October 1, 2015. The District paid the accrued interest on the loan amounting to \$45,035 on August 19, 2015. The District received the reimbursement from due FEMA amounting to \$1,368,344 on September 17, 2015. The full amount of the FEMA loan was paid on September 18, 2015 with additional accrued interest of \$3,632.

Description	Beginning Balance	Issued	Redeemed	Ending Balance
Maintenance Loan	\$ 1,452,752	\$ --	\$ 1,452,752	\$ --

**EASTLAND INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2016**

**F. Long-Term Obligations**

The District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

**1. Long-Term Obligation Activity**

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2016, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>Governmental activities:</b>					
Capital Lease Purchase	\$ 498,946	\$ --	\$ 62,562	\$ 436,384	\$ 65,266
Maintenance tax note	547,903	--	29,385	518,518	30,277
Lease Revenue Bonds - QSCB- Public Facilities Corp	450,835	--	41,625	409,210	42,357
Lease Revenue Refunding Bonds Public Facilities Corp	1,134,964	--	98,850	1,036,114	101,848
Capital Lease Purchase - FEMA Safe Room	1,094,038	--	61,470	1,032,568	63,683
Capital Lease Purchase - FEMA Safe Room	257,500	--	11,297	246,203	14,549
Net Pension Liability	722,276	1,280,950	273,439	1,729,787	--
Total governmental activities	\$ 4,706,462	\$ 1,280,950	\$ 578,628	\$ 5,408,784	\$ 317,980

\* Other long-term liabilities

The funds typically used to liquidate other long-term liabilities in the past are as follows:

Liability	Activity Type	Fund
Net Pension Liability *	Governmental	General

**2. Debt Service Requirements**

Debt service requirements on long-term debt at August 31, 2016, are as follows:

Year Ending August 31,	Governmental Activities		
	Principal	Interest	Total
2017	\$ 317,980	\$ 115,225	\$ 433,205
2018	328,359	104,845	433,204
2019	339,096	94,108	433,204
2020	350,202	83,003	433,205
2021	361,692	71,513	433,205
2022-2026	1,453,488	200,376	1,653,864
2027-2031	528,180	37,003	565,183
Totals	\$ 3,678,997	\$ 706,073	\$ 4,385,070

**EASTLAND INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2016**

3. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of August 31, 2016, as follows:

<u>Year Ending August 31:</u>	<u>Principal</u>	<u>Interest</u>	<u>Lease Payments</u>
2017	\$ 143,497	\$ 63,179	\$ 206,676
2018	149,122	57,554	206,676
2019	154,969	51,707	206,676
2020	161,047	45,629	206,676
2021	167,366	39,310	206,676
2022-2026	581,853	120,404	702,257
2027-2031	357,300	25,906	383,206
Total Minimum Rentals	<u>\$ 1,715,154</u>	<u>\$ 403,689</u>	<u>\$ 2,118,843</u>
Rental Expenditures in 2016	<u>\$ 135,331</u>	<u>\$ 71,345</u>	<u>\$ 206,676</u>

The effective interest rate on capital leases is 4.25%, 3.60%, and 3.50%.

The capital leases are also included in the long-term debt requirements shown previously.

The Eastland ISD issued a lease purchase agreement amounting to \$775,000 dated May 1, 2010 to refinance capital lease purchase debt incurred in prior years. The owner of the lease purchase debt agreement is Farmers and Merchants Bank, De Leon, Texas. The interest rate for the issue is 4.25% with quarterly payments of \$20,695 required. Maturity of the debt is July, 2022.

On August 1, 2014, the Board authorized a lease purchase agreement to purchase personal property consisting of the mechanical, electrical, plumbing, and engineering, suspended ceilings, painting, flooring, downspouts, and other related personal property to be installed and used in the FEMA Safe Room/Gymnasium that is being built. The lease purchase agreement is for a total of \$1,094,038 and has an interest rate of 3.6%. The maturity of the debt is August 15, 2029. Annual payments of \$100,855 began August 15, 2016. The owner of the debt is Prosperity Bank.

On December 9, 2014, the Board authorized additional lease purchase funds to complete the personal property needed for the FEMA Safe Room/Gymnasium. The lease purchase agreement is for a total of \$257,500 and has an interest rate of 3.5%. The maturity date of the debt is October 1, 2029. Annual payments of \$23,040 begin October 1, 2015. The owner of the debt is City National Bank of Colorado City.

4. Lease Revenue Refunding Bonds - Public Facilities Corporation

On October 12, 2010, the Eastland ISD Public Facility Corporation issued \$1,550,000 Lease Revenue Refunding Bonds 2010. On February 3, 2012, the Eastland ISD Public Facilities Corporation amended the payments schedules for the 2010 Lease Revenue Refunding Bonds. The original 2010 bonds were refunded and fully paid with proceeds of this issue. The interest rate was reduced from 4.25% to 3.00%. The maturity date for the new bonds remained the same as the old bonds - August 1, 2025. The quarterly payment is \$32,948. Lease Revenue Bonds - Qualified School Construction Bonds - Public Facilities Corporation.

5.

The Eastland ISD Public Facility Corporation issued Qualified School Construction Bonds, Series 2010 (QSCB) in May, 2010 in the amount of \$637,500. Owner of the debt is the First National Bank of Dalhart, Texas and the Trustee is Wells Fargo Bank, N.A., Oklahoma City, Oklahoma. Interest rate on these bonds is 1.75%. Quarterly payments of \$12,310 are due beginning December 2010 through the maturity date of June, 2025. The proceeds of the QSCB's were used to build a new Agriculture Science facility.

**EASTLAND INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2016**

6. Long-Term Loan Agreement.

The Eastland ISD issued a Maintenance Tax Note amounting to \$662,500 dated June 1, 2010 to refinance the Repair and Replacement Note held by First Community Bank, N.A. The Maintenance Tax Note is owned by First Financial Bank, N.A. in Eastland, Texas.

On February 22, 2012, The District authorized the amendment of its loan agreement with the First Financial Bank - Eastland. The loan was paid off and refinanced to reduce the interest rate from 4.25% to 3.0%. Issuance costs amounting to \$12,711 were added to the balance of the loan. The reduction in the interest rate will reduce the quarterly payment from \$12,364 to \$11,374. The note maturity date remained the same - July 2030.

G. Commitments Under Noncapitalized Leases

Commitments under operating (noncapitalized) lease agreements for equipment provide for minimum future rental payments as of August 31, 2016, as follows:

<u>Year Ending August 31,</u>	
2017	\$ 32,837
2018	32,837
2019	32,837
2020	32,837
Total Minimum Rentals	<u>\$ 131,348</u>
Rental Expenditures in 2016	<u>\$ 32,837</u>

H. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2016, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

I. Pension Plan

1. Plan Description

The District participates in a cost-sharing multiple-employer defined benefit pension plan that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS' defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. The TRS 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.

2. Pension Plan Fiduciary Net Position

Detailed information about the TRS' 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 [www.trs.state.tx.us/about/documents/cafr.pdf#CAFR](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.



## **EASTLAND INDEPENDENT SCHOOL DISTRICT**

### **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED AUGUST 31, 2016**

#### **3. 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 in (1.) above.

#### **4. 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 through 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

	<b><u>Contribution Rates</u></b>	
	<b>2015</b>	<b>2016</b>
Member	6.7%	7.2%
Non-Employer Contributing Entity (NECE - State)	6.8%	6.8%
Employers	6.8%	6.8%
District's 2016 Employer Contributions	\$ 176,080	
District's 2016 Member Contributions	\$ 412,177	
NECE 2015 On-Behalf Contributions to District	\$ 337,416	

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

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 TRS 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:

**EASTLAND INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2016**

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

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

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

**5. Actuarial Assumptions**

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

Valuation Date	August 31, 2015
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8%
Long-term expected Investment Rate of Return	8%
Inflation	2.5%
Salary Increases including inflation	3.5% to 9.5%
Payroll Growth Rate	2.5%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

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

**6. Discount Rate**

The discount rate used to measure the total pension liability was 8%. 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.

# **EASTLAND INDEPENDENT SCHOOL DISTRICT**

## **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED AUGUST 31, 2016**

The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2015 are summarized below:

<b>Teacher Retirement System of Texas</b> <b>Asset Allocation and Long-Term Expected Real Rate of Return</b> <b>As of August 31, 2015</b>			
	<b>Target Allocation</b>	<b>Long-term Expected Geometric Real Rate of Return</b>	<b>Expected Contribution to Long-term Portfolio Returns *</b>
<b>Global Equity</b>			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
<b>Stable Value</b>			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Hedge Funds (Stable Value)	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
<b>Real Return</b>			
Global Inflat. Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy & Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
<b>Risk Parity</b>			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
<b>Total</b>	<b>100%</b>		<b>8.7%</b>
* The expected contribution to returns incorporates the volatility drag resulting from the conversion between arithmetic and geometric mean returns.			

### **7. Discount Rate Sensitivity Analysis**

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

	<b>1% Decrease in Discount Rate 7%</b>	<b>Discount Rate 8%</b>	<b>1% Increase in Discount Rate 9%</b>
District's proportionate share of the net pension liability	\$ 2,710,276	\$ 1,729,787	\$ 913,131

**EASTLAND INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2016**

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

At August 31, 2016, the District reported a liability of \$1,729,787 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	\$ 1,729,787
State's proportionate share of the net pension liability associated with the District	<u>4,026,852</u>
Total	<u>\$ 5,756,639</u>

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

At August 31, 2015 the employer's proportion of the collective net pension liability was 0.0048935%. which was an increase (decrease) of 0.0021895% from its proportion measured as of August 31, 2014.

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

*Economic Assumptions*

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

*Mortality Assumptions*

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

**EASTLAND INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2016**

*Other Demographic Assumptions*

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

*Actuarial Methods and Policies*

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

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

For the year ended August 31, 2016, the District recognized pension expense of \$573,762 and revenue of \$573,762 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 9,290	\$ 66,477
Changes in actuarial assumptions	39,046	61,711
Difference between projected and actual investment earnings	260,440	--
Changes in proportion and differences between the District's contributions and the proportionate share of contributions	500,349	508
District contributions paid to TRS subsequent to the measurement date	144,596	--
Total	<u>\$ 953,721</u>	<u>\$ 128,696</u>

**EASTLAND INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2016**

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

Year Ended August 31	Pension Expense Amount
2017	\$ 124,051
2018	\$ 124,051
2019	\$ 124,051
2020	\$ 179,240
2021	\$ 72,161
Thereafter	\$ 56,875

**J. Retiree Health Care Plans**

**1. TRS-Care**

**a. Plan Description**

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

**b. Funding Policy**

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. The State of Texas contribution rate was 1% for fiscal years 2015 and 2014, and 0.5% for fiscal year 2013. The active public school employee contributions rates were 0.65% of public school payroll, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2016, 2015 and 2014. For the years ended August 31, 2016, 2015, and 2014, the State's contributions to TRS-Care were \$53,336, \$53,941, and \$54,631, respectively, the active member contributions were \$37,212, \$37,801, and \$38,097, respectively, and the District's contributions were \$42,115, \$46,975, and \$49,331, respectively, which equaled the required contributions each year.

**2. Medicare Part D Subsidies**

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2016, 2015, and 2014, the subsidy payments received by TRS-Care on behalf of the District were \$23,815, \$24,726, and \$15,226, respectively.

**EASTLAND INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2016**

**K. Employee Health Care Coverage**

During the year ended August 31, 2016, employees of the District were covered by TRS Active Care (the Plan). The District paid premiums of \$225 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to TRS Active Care.

**L. Commitments and Contingencies**

**1. Contingencies**

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

**2. Litigation**

No reportable litigation was pending against the District at August 31, 2016.

**M. Shared Services Arrangements**

**Shared Services Arrangement - Membership**

The District participates in a shared services arrangement ("SSA") for a special education cooperative with the following school districts:

**Member Districts:**

Gorman ISD, fiscal agent of East End Education Coop

Ranger ISD

Cisco ISD

Eastland ISD

Moran ISD

The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Gorman ISD - East End Education Coop, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

**Shared Services Arrangement - Memberships**

The District participates in a shared services arrangement ("SSA") for ESEA Title Part A, ESEA Title 1 Part C, ESEA Title III ESL, ESEA Title Part A, and Head Start Program with the Education Service Center, Region XIV as fiscal agent.

The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Education Service Center, Region XIV, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

## **EASTLAND INDEPENDENT SCHOOL DISTRICT**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2016**

#### **N. Group "Pooled Risk" Self Insurance**

The District is a participant in the West Texas Educational Insurance Association Workers' Compensation Self-Insurance Fund. The purpose of the Fund is to provide the statutory benefits for the fund members employees through self-insurance of workers' compensation prescribed by Article 8309h, Revised Civit Statutes of Texas, as amended.

The interlocal agreement between the Eastland Independent School District and the West Texas Educational Insurance Association Workers Compensation Self-Insurance Fund is for a term beginning on September 1 of each fiscal year. Either party may terminate the agreement upon 60 days written notice with the termination becoming effective at the end of the plan term currently in force.

The required contributions for each fund sponsor is based on the State Board of Insurance Workers' Compensation rates for the various payroll classification included in the fund members annual payroll. The interlocal agreement states that the District's maximum loss exposure for 2015-2016 is \$63,077. The fixed cost for the District for 2015-2016 is \$17,678, which has been recognized as an insurance expenditure in the District's records. The District has an estimated liability that will be needed for future payments on total unpaid claims of \$71,968. This includes both (a) claims that have been reported in the amount of \$39,485 and (b) estimated incurred but not reported (IBNR) in the amount of \$32,483. The estimated liability will not exceed the District's loss fund. The District is not responsible for claims and claims allocation expense beyond its individual loss fund.

The "pooled risk" self-insurance fund is managed by a six member board. Any excess of the cumulative contributions and investment earnings of all fund sponsors are available for reduction of annual contributions. The Fund retains \$500,000 for any one accident or occurrence and purchases stop loss protection for all amounts above that limit. The reinsurance carrier for the workers' compensation program is Midwest Employers Casualty Company. The Board reserved the right in the interlocal agreement to adjust this stop loss provision in the event that the fiscal soundness of the fund would justify such an adjustment and/or result in savings to Fund Members. All claims are processed and paid by the pool through the servicing contractor employed by the Fund.

#### **O. Public Facilities Corporation**

The Board of Trustees of the Eastland Independent School District created the Eastland ISD Public Facilities Corporation during the 2004-2005 fiscal year. The Corporation's management is appointed by the Board of Trustees of the District and is essentially the same as the management of the District. The Corporation was organized for the sole benefit of the Eastland ISD for the purpose of issuing lease revenue bonds to fund construction for the Eastland ISD. The lease revenue bonds issued by the Public Facilities Corporation will be repaid from future general fund revenues of the Eastland ISD.

The Eastland ISD Public Facilities Corporation is included in the financial statements of the Eastland Independent School District as a "blended component unit". The financial records of the Corporation are maintained using the modified accrual basis of accounting as employed by the Governmental Funds of the Eastland Independent School District. The future liability for the bond requirements is recorded as a liability of the Eastland Independent School District reporting unit.

During the year ended August 31, 2015, the District transferred \$183,696 from the District's General Fund to the Public Facility Corporation's Debt Service Fund for the payments that were due on the bonded debt. The District accounts for these transfers as permanent transfers into its debt service fund and transfers out of its General Fund.

The Eastland ISD Public Facility Corporation issued Lease Revenue Qualified School Construction Bonds 2010 (QSCB) in May, 2010 in the amount of \$637,500. The proceeds of the bonds were used to build a new Ag Science facility. The bonds have an interest rate of 1.75%. Quarterly payments began in December 2010 and will continue through the maturity date of June 1, 2025. Each quarterly payment will be \$12,310.



## EASTLAND INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2016

The Eastland ISD Public Facility Corporation issued Lease Revenue Refunding Bonds 2010 on October 12, 2010. The proceeds of the bonds were used to prepay the outstanding balance of the 2009 Lease Revenue Refunding Bonds in the amount of \$1,484,572, a prepayment penalty of \$29,692, and issue costs of \$35,722. Total bonds issued were \$1,550,000. The bonds have an interest rate of 4.25%. The first quarterly payment of \$30,127 was paid November 1, 2010. Subsequent to that payment, the remaining quarterly payments are \$34,885 each. Payments are due in November, February, May and August of each year until the maturity date of August 1, 2025.

On February 3, 2012, the Eastland ISD Public Facilities Corporation amended the payments schedules for the 2010 Lease Revenue Refunding Bonds. The original 2010 bonds were refunded and fully paid with the proceeds from the amendment. The interest rate was reduced from 4.25% to 3.00%. Bond issuance costs amounted to \$30,322. The maturity date for the bonds remained at August 1, 2025. The new quarterly payment is now \$32,948, a reduction of \$1,937 each quarter. The Public Facilities Corporation will save approximately \$134,764 in interest costs with the new payment schedule.

Additional information on the Public Facility Corporation can be found in Note F Long-Term Debt of this report.

#### P. Due from Other Governments

The District had the following amounts due from other governments at August 31, 2015:

General Fund:	
Due from State sources	\$ 204,331
Special Revenue Funds:	
Due from Federal and State sources - Other Funds	49,395
Total Due from Other Governments	<u>\$ 253,726</u>

#### Q. Extraordinary Items

The District had extraordinary other resources and other uses which consisted of the receipt of insurance proceeds for wind and hail damages to various District buildings in 2015. The roofs were repaired during the 2015 summer months and in the early fall months. The District also received insurance proceeds for water damages to the high school. The damages were repaired during the current year.

Management has reviewed all transactions and events subsequent to August 31, 2016. The events described above are the only events that required disclosure.

#### R. Unfavorable Budget Variances

The District had the following unfavorable budget variances:

General Fund:	
0081 Capital Outlay	\$ 6,898
8913 Extraordinary Item (Use)	181,491

The budget variances were caused by audit adjustments to correct classifications of expenditures.

### *Required Supplementary Information*

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

# EASTLAND INDEPENDENT SCHOOL DISTRICT

## GENERAL FUND

### BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT G-1

Page 1 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
	<b>REVENUES:</b>				
5700	Local and Intermediate Sources	\$ 4,609,849	\$ 4,798,449	\$ 4,796,737	\$ (1,712)
5800	State Program Revenues	4,426,523	4,426,523	4,749,220	322,697
5020	Total Revenues	9,036,372	9,224,972	9,545,957	320,985
	<b>EXPENDITURES:</b>				
	Current:				
	Instruction & Instructional Related Services:				
0011	Instruction	4,773,166	4,838,166	4,824,541	13,625
0012	Instructional Resources and Media Services	94,579	100,579	99,541	1,038
0013	Curriculum and Staff Development	48,422	36,422	32,824	3,598
	Total Instruction & Instr. Related Services	4,916,167	4,975,167	4,956,906	18,261
	Instructional and School Leadership:				
0021	Instructional Leadership	102,685	102,985	102,970	15
0023	School Leadership	603,147	597,147	595,231	1,916
	Total Instructional & School Leadership	705,832	700,132	698,201	1,931
	Support Services - Student (Pupil):				
0031	Guidance, Counseling and Evaluation Services	182,138	180,138	179,154	984
0033	Health Services	49,675	55,675	53,982	1,693
0034	Student (Pupil) Transportation	220,510	125,510	104,824	20,686
0036	Cocurricular/Extracurricular Activities	441,159	471,159	450,352	20,807
	Total Support Services - Student (Pupil)	893,482	832,482	788,312	44,170
	Administrative Support Services:				
0041	General Administration	387,240	412,240	404,030	8,210
	Total Administrative Support Services	387,240	412,240	404,030	8,210
	Support Services - Nonstudent Based:				
0051	Plant Maintenance and Operations	907,282	1,377,282	1,176,253	201,029
0052	Security and Monitoring Services	25,500	35,200	34,543	657
0053	Data Processing Services	163,827	188,327	186,295	32
	Total Support Services - Nonstudent Based	1,096,609	1,600,809	1,399,091	201,718
	Ancillary Services:				
0061	Community Services	55,744	45,244	44,286	958
	Total Ancillary Services	55,744	45,244	44,286	958
	Debt Service:				
0071	Principal on Long-Term Debt	411,250	163,600	164,717	(1,117)
0072	Interest on Long-Term Debt	--	92,250	98,817	3,433
	Total Debt Service	411,250	255,850	263,534	2,316
	Capital Outlay:				
0081	Capital Outlay	--	8,600	15,498	(6,898)
	Total Capital Outlay	--	8,600	15,498	(6,898)
	Intergovernmental Charges:				
0093	Payments to Fiscal Agent/Member Dist.-SSA	430,000	189,000	188,810	190
0099	Other Intergovernmental Charges	130,000	130,650	130,618	32
	Total Intergovernmental Charges	560,000	319,650	319,428	222

# EASTLAND INDEPENDENT SCHOOL DISTRICT

## GENERAL FUND

### BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT G-1

Page 2 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
6030	Total Expenditures	9,026,324	9,150,174	8,879,286	270,888
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	10,048	74,798	866,671	591,873
	Other Financing Sources (Uses):				
8911	Transfers Out	(10,048)	(191,548)	(183,696)	7,852
7080	Total Other Financing Sources and (Uses)	(10,048)	(191,548)	(183,696)	7,852
	EXTRAORDINARY ITEM:				
7919	Extraordinary Item (Resource)	--	116,750	191,549	74,799
8913	Extraordinary Item (Use)	--	--	(181,491)	181,491
1200	Net Change in Fund Balance	--	--	493,033	493,033
0100	Fund Balance - Beginning	2,286,528	2,286,528	2,286,528	--
3000	Fund Balance - Ending	\$ 2,286,528	\$ 2,286,528	\$ 2,779,561	\$ 493,033

**EASTLAND INDEPENDENT SCHOOL DISTRICT**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY  
TEACHER RETIREMENT SYSTEM OF TEXAS  
LAST TEN FISCAL YEARS \***

	Fiscal Year	
	2016	2015
District's proportion of the net pension liability (asset)	0.0048935%	0.0027040%
District's proportionate share of the net pension liability (asset)	\$ 1,729,787	\$ 722,276
State's proportionate share of the net pension liability (asset) associated with the District	4,026,852	3,605,311
Total	<u>\$ 5,756,639</u>	<u>\$ 4,327,587</u>
District's covered-employee payroll	\$ 5,815,594	\$ 5,861,042
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	29.74%	12.32%
Plan fiduciary net position as a percentage of the total pension liability	78.43%	83.25%

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

**EASTLAND INDEPENDENT SCHOOL DISTRICT****SCHEDULE OF DISTRICT CONTRIBUTIONS  
TEACHER RETIREMENT SYSTEM OF TEXAS  
LAST TEN FISCAL YEARS \***

	Fiscal Year	
	2016	2015
Contractually required contribution	\$ 144,596	\$ 149,073
Contributions in relation to the contractually required contribution	(144,596)	(149,073)
Contribution deficiency (excess)	\$ --	\$ --
District's covered-employee payroll	\$ 5,724,678	\$ 5,815,594
Contributions as a percentage of covered-employee payroll	2.53%	2.56%

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

## **EASTLAND INDEPENDENT SCHOOL DISTRICT**

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

#### **Budget**

The official budget was prepared for adoption for all Governmental Fund Types. The budget was prepared in accordance with accounting practices generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data.:

- a. Prior to August 21 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
- c. Prior to the beginning of the fiscal year, the budget is legally enacted through passage of a resolution by the Board.

Once a budget is approved, it can be amended at function and fund level only by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings.

Each amendment must have Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board and are not made after fiscal year end as required by law.

Each amendment is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either cancelled or appropriately provided for in the subsequent year's budget. There were no end-of-year outstanding encumbrances that were provided for in the subsequent year's budget.

#### **Defined Benefit Pension Plan**

##### *Changes of benefit terms*

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

##### *Changes of assumptions*

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

*Combining Statements and Budget Comparisons  
as Supplementary Information*

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.



**EASTLAND INDEPENDENT SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**AUGUST 31, 2016**

Data Control Codes	Special Revenue Funds	Debt Service Fund Public Facilities Corp - Debt Service Fund	Total Nonmajor Governmental Funds (See Exhibit C-1)
<b>ASSETS:</b>			
1110 <i>Cash and Cash Equivalents</i>	\$ 9,001	\$ 14	\$ 9,015
1240 <i>Due from Other Governments</i>	49,395	--	49,395
1000 <b>Total Assets</b>	<u>58,396</u>	<u>14</u>	<u>58,410</u>
<b>LIABILITIES:</b>			
Current Liabilities:			
2160 <i>Accrued Wages Payable</i>	\$ 40,570	\$ --	\$ 40,570
2200 <i>Accrued Expenditures</i>	2,963	--	2,963
2000 <b>Total Liabilities</b>	<u>43,533</u>	<u>--</u>	<u>43,533</u>
<b>FUND BALANCES:</b>			
Restricted Fund Balances:			
3450 <i>Federal/State Funds Grant Restrictions</i>	14,863	--	14,863
3480 <i>Retirement of Long-Term Debt</i>	--	14	14
3000 <b>Total Fund Balances</b>	<u>14,863</u>	<u>14</u>	<u>14,877</u>
4000 <b>Total Liabilities and Fund Balances</b>	<u>\$ 58,396</u>	<u>\$ 14</u>	<u>\$ 58,410</u>

**EASTLAND INDEPENDENT SCHOOL DISTRICT**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	Special Revenue Funds	Debt Service Fund Public Facilities Corp - Debt Service Fund	Total Nonmajor Governmental Funds (See Exhibit C-2)
<b>REVENUES:</b>			
5700 <i>Local and Intermediate Sources</i>	\$ 128,520	\$ --	\$ 128,520
5800 <i>State Program Revenues</i>	65,274	--	65,274
5900 <i>Federal Program Revenues</i>	705,245	--	705,245
5020 <b>Total Revenues</b>	<u>899,039</u>	<u>--</u>	<u>899,039</u>
<b>EXPENDITURES:</b>			
Current:			
0011 <i>Instruction</i>	454,737	--	454,737
0023 <i>School Leadership</i>	1,858	--	1,858
0035 <i>Food Service</i>	430,460	--	430,460
0051 <i>Facilities Maintenance and Operations</i>	150	--	150
0061 <i>Community Services</i>	1,489	--	1,489
0071 <i>Principal on Long-term Debt</i>	--	140,473	140,473
0072 <i>Interest on Long-term Debt</i>	--	40,726	40,726
0073 <i>Bond Issuance Costs and Fees</i>	--	2,500	2,500
6030 <b>Total Expenditures</b>	<u>888,694</u>	<u>183,699</u>	<u>1,072,393</u>
1100 <b>Excess (Deficiency) of Revenues Over (Under)</b>			
1100 <b>Expenditures</b>	<u>10,345</u>	<u>(183,699)</u>	<u>(173,354)</u>
Other Financing Sources and (Uses):			
7915 <i>Transfers In</i>	--	183,696	183,696
7080 <b>Total Other Financing Sources and (Uses)</b>	<u>--</u>	<u>183,696</u>	<u>183,696</u>
1200 <b>Net Change in Fund Balances</b>	<u>10,345</u>	<u>(3)</u>	<u>10,342</u>
0100 <b>Fund Balances - Beginning</b>	4,518	17	4,535
3000 <b>Fund Balances - Ending</b>	<u>\$ 14,863</u>	<u>\$ 14</u>	<u>\$ 14,877</u>

**EASTLAND INDEPENDENT SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**AUGUST 31, 2016**

Data Control Codes	205 Head Start / Early Head Start	211 ESEA Title I Improving Basic Programs	225 IDEA-B Preschool Grant
<b>ASSETS:</b>			
1110 <i>Cash and Cash Equivalents</i>	\$ (6,539)	\$ --	\$ --
1240 <i>Due from Other Governments</i>	11,874	22,640	--
1000 <b>Total Assets</b>	<u>5,335</u>	<u>22,640</u>	<u>--</u>
<b>LIABILITIES:</b>			
Current Liabilities:			
2160 <i>Accrued Wages Payable</i>	\$ 4,862	\$ 20,643	\$ --
2200 <i>Accrued Expenditures</i>	473	1,997	--
2000 <b>Total Liabilities</b>	<u>5,335</u>	<u>22,640</u>	<u>--</u>
<b>FUND BALANCES:</b>			
Restricted Fund Balances:			
3450 <i>Federal/State Funds Grant Restrictions</i>	--	--	--
3000 <b>Total Fund Balances</b>	<u>--</u>	<u>--</u>	<u>--</u>
4000 <b>Total Liabilities and Fund Balances</b>	<u>\$ 5,335</u>	<u>\$ 22,640</u>	<u>\$ --</u>

240 National School Breakfast/Lunch Program	244 Career and Tech Basic Grant	255 ESEA Title II Training & Recruiting	270 ESEA, Title VI Part B, Subpart 2 Rural School
\$ 13,790	\$ --	\$ --	\$ --
11,659	--	3,222	--
<u>25,449</u>	<u>--</u>	<u>3,222</u>	<u>--</u>
\$ 10,381	\$ --	\$ 2,934	\$ --
205	--	288	--
<u>10,586</u>	<u>--</u>	<u>3,222</u>	<u>--</u>
14,863	--	--	--
<u>14,863</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>\$ 25,449</u>	<u>\$ --</u>	<u>\$ 3,222</u>	<u>\$ --</u>

**EASTLAND INDEPENDENT SCHOOL DISTRICT****COMBINING BALANCE SHEET****NONMAJOR SPECIAL REVENUE FUNDS**

AUGUST 31, 2016

Data Control Codes		410 State Textbook Fund	427 Math Achievement Academies	Total Nonmajor Special Revenue Funds (See Exhibit H-1)
<b>ASSETS:</b>				
1110	Cash and Cash Equivalents	\$ --	\$ 1,750	\$ 9,001
1240	Due from Other Governments	--	--	49,395
1000	Total Assets	--	1,750	58,396
<b>LIABILITIES:</b>				
Current Liabilities:				
2160	Accrued Wages Payable	\$ --	\$ 1,750	\$ 40,570
2200	Accrued Expenditures	--	--	2,963
2000	Total Liabilities	--	1,750	43,533
<b>FUND BALANCES:</b>				
Restricted Fund Balances:				
3450	Federal/State Funds Grant Restrictions	--	--	14,863
3000	Total Fund Balances	--	--	14,863
4000	Total Liabilities and Fund Balances	\$ --	\$ 1,750	\$ 58,396

# **EASTLAND INDEPENDENT SCHOOL DISTRICT**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	205 Head Start / Early Head Start	211 ESEA Title I Improving Basic Programs	225 IDEA-B Preschool Grant
<b>REVENUES:</b>			
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ --	\$ --
5800 <i>State Program Revenues</i>	--	--	--
5900 <i>Federal Program Revenues</i>	63,242	275,437	5,459
5020 <i>Total Revenues</i>	<u>63,242</u>	<u>275,437</u>	<u>5,459</u>
<b>EXPENDITURES:</b>			
Current:			
0011 <i>Instruction</i>	59,745	275,437	5,459
0023 <i>School Leadership</i>	1,858	--	--
0035 <i>Food Service</i>	--	--	--
0051 <i>Facilities Maintenance and Operations</i>	150	--	--
0061 <i>Community Services</i>	1,489	--	--
6030 <i>Total Expenditures</i>	<u>63,242</u>	<u>275,437</u>	<u>5,459</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>	--	--	--
1100 <i>Expenditures</i>	--	--	--
1200 <i>Net Change in Fund Balances</i>	--	--	--
0100 <i>Fund Balances - Beginning</i>	--	--	--
3000 <i>Fund Balances - Ending</i>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

240 National School Breakfast/Lunch Program	244 Career and Tech Basic Grant	255 ESEA Title II Training & Recruiting	270 ESEA, Title VI Part B, Subpart 2 Rural School
\$ 128,520	\$ --	\$ --	\$ --
18,177	--	--	--
294,108	10,000	35,473	21,526
<u>440,805</u>	<u>10,000</u>	<u>35,473</u>	<u>21,526</u>
--	10,000	35,473	21,526
--	--	--	--
430,460	--	--	--
--	--	--	--
--	--	--	--
<u>430,460</u>	<u>10,000</u>	<u>35,473</u>	<u>21,526</u>
10,345	--	--	--
<u>10,345</u>	--	--	--
4,518	--	--	--
<u>\$ 14,863</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

**EASTLAND INDEPENDENT SCHOOL DISTRICT**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,

AND CHANGES IN FUND BALANCES

NONMAJOR SPECIAL REVENUE FUNDS

FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	410 State Textbook Fund	427 Math Achievement Academies	Total Nonmajor Special Revenue Funds (See Exhibit H-2)
<b>REVENUES:</b>			
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ --	\$ 128,520
5800 <i>State Program Revenues</i>	45,347	1,750	65,274
5900 <i>Federal Program Revenues</i>	--	--	705,245
5020 <i>Total Revenues</i>	<u>45,347</u>	<u>1,750</u>	<u>899,039</u>
<b>EXPENDITURES:</b>			
Current:			
0011 <i>Instruction</i>	45,347	1,750	454,737
0023 <i>School Leadership</i>	--	--	1,858
0035 <i>Food Service</i>	--	--	430,460
0051 <i>Facilities Maintenance and Operations</i>	--	--	150
0061 <i>Community Services</i>	--	--	1,489
6030 <i>Total Expenditures</i>	<u>45,347</u>	<u>1,750</u>	<u>888,694</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>			
1100 <i>Expenditures</i>	--	--	10,345
1200 <i>Net Change in Fund Balances</i>	--	--	10,345
0100 <i>Fund Balances - Beginning</i>	--	--	4,518
3000 <i>Fund Balances - Ending</i>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 14,863</u>



### *Other Supplementary Information*

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

**EASTLAND INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF DELINQUENT TAXES RECEIVABLE**  
**FOR THE YEAR ENDED AUGUST 31, 2016**

Year Ended August 31	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
2007 and Prior Years	\$	Various	\$	Various	\$	Various
2008		1.0167		--		309,420,970
2009		1.0367		--		365,826,830
2010		1.0367		--		360,821,570
2011		1.04		--		364,904,800
2012		1.04		--		394,617,368
2013		1.04		--		410,332,140
2014		1.04		--		454,330,667
2015		1.04		--		467,976,690
2016 (School Year Under Audit)		1.04		--		443,201,602

1000 Totals

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

EXHIBIT J-1

10 Beginning Balance 9/1/15	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/16
\$ 48,966	\$ --	\$ 1,089	\$ --	\$ (11,093)	\$ 36,784
8,046	--	77	--	(32)	7,937
10,321	--	308	--	(71)	9,942
16,281	--	1,306	--	(128)	14,847
19,062	--	1,827	--	(220)	17,015
20,813	--	5,297	--	(157)	15,360
24,655	--	3,258	--	(160)	21,237
58,391	--	14,900	--	830	44,321
154,338	--	78,240	--	(320)	75,778
--	4,609,297	4,483,768	--	(7,761)	117,787
<u>\$ 360,874</u>	<u>\$ 4,609,297</u>	<u>\$ 4,590,070</u>	<u>\$ --</u>	<u>\$ (19,113)</u>	<u>\$ 360,988</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

**EASTLAND INDEPENDENT SCHOOL DISTRICT**  
**NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED AUGUST 31, 2016**

**EXHIBIT J-2**

Data Control Codes		1	2	3
		Budget	Actual	Variance Positive (Negative)
<b>REVENUES:</b>				
5700	Local and Intermediate Sources	\$ 132,670	\$ 128,520	\$ (4,150)
5800	State Program Revenues	16,200	18,177	1,977
5900	Federal Program Revenues	301,000	294,108	(6,892)
5020	Total Revenues	449,870	440,805	(9,065)
<b>EXPENDITURES:</b>				
Current:				
Support Services - Student (Pupil):				
0035	Food Services	459,918	430,460	29,458
	Total Support Services - Student (Pupil)	459,918	430,460	29,458
6030	Total Expenditures	459,918	430,460	29,458
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	(10,048)	10,345	20,393
Other Financing Sources (Uses):				
7915	Transfers In	10,048	--	(10,048)
7080	Total Other Financing Sources and (Uses)	10,048	--	(10,048)
1200	Net Change in Fund Balance	--	10,345	10,345
0100	Fund Balance - Beginning	4,518	4,518	--
3000	Fund Balance - Ending	\$ 4,518	\$ 14,863	\$ 10,345

**BURL D. LOWERY**  
**CERTIFIED PUBLIC ACCOUNTANT**  
**311 CENTER AVENUE**  
**BROWNWOOD, TEXAS 76801**

Independent Auditor's Report on Internal Control over Financial Reporting and  
On Compliance and Other Matters Based on an Audit of Financial Statements  
Performed In Accordance With Government Auditing Standards

Board of Trustees  
Eastland Independent School District  
P.O. Box 31  
Eastland, Texas 76448

Members of the Board of Trustees:

I 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 Eastland Independent School District, as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise Eastland Independent School District's basic financial statements, and have issued my report thereon dated January 3, 2017.

**Internal Control Over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item(s) 2016-001 and 2016-002, that I consider to be significant deficiencies.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Eastland Independent School District's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Eastland Independent School District's Response to Findings**

Eastland Independent School District's response to the findings identified in my audit is described in the accompanying schedule of corrective actions. Eastland Independent School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of my 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.



Burl D. Lowery  
Certified Public Accountant

Brownwood, TX  
January 3, 2017

**EASTLAND INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2016**

**A. Summary of Auditor's Results**

**1. Financial Statements**

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

One or more material weaknesses identified?

       Yes   X   No

One or more significant deficiencies identified that are not considered to be material weaknesses?

  X   Yes        None Reported

Noncompliance material to financial statements noted?

       Yes   X   No

**B. Financial Statement Findings**

**2016-001 State Mandated Program Revenue for Career and Technology**

Condition: The District did not spend 58% of its Career and Technology mandated program revenue as required.

Cause: The District did not monitor the career and technology state mandated program to make sure that the required 58% of funds were spent on direct instructional costs for the program.

Criteria: The District is required to monitor its state mandated programs and spend the required percentage of the revenues on direct instructional costs for the program.

Effect: The District has unspent career and technology funds that must be carried over to the current year and spent on direct instructional costs for the program in addition to the funds received in the current year.

Recommendation: The District should review its career and technology program to determine how to spend the required 58% of the revenues on direct instructional costs for that program.

**2016-002: Use of Student Activity Funds**

Condition: Some of the Student Activity Funds are being expended for supplies, services, and small equipment that are for the general benefit of the District.

Cause: Revenues from donations and profits from fundraisers held by student groups and classes are being used to purchase supplies, small equipment, and services that are for the benefit of the District.

Criteria: Expenditures for the benefit of the District are required to be budgeted and expended in the general fund.

**EASTLAND INDEPENDENT SCHOOL DISTRICT**  
***SCHEDULE OF FINDINGS AND QUESTIONED COSTS***  
***FOR THE YEAR ENDED AUGUST 31, 2016***

Effect: Expenditures for the general benefit of the school district are not being properly budgeted and expended.

Recommendation: Any type of supplies, services, or equipment that is to be used in the classroom or for co-curricular programs should be paid for out of the general fund. Profits from fundraisers used to buy supplies, equipment, or services that are for the benefit of the school district programs need to be transferred into the general fund so that the costs can be paid out of the general fund. Donations that will be spent on costs that benefit the District must be deposited into the general fund. If the student group or class is making purchases that benefit the school district, the money should be transferred from the student activity group or class into the general fund to actually purchase the supplies or equipment.



**EASTLAND INDEPENDENT SCHOOL DISTRICT**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED AUGUST 31, 2016**

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
<b>2015-001: Unfavorable Budget Variances</b>		
Condition: The District had unfavorable budget variances in its general fund and special revenue - food service fund.		
Recommendation: The District should monitor its year-end expenditures and properly include the estimated expenditures in its final budget amendments.		
	Implemented	
Comment: The District had two unfavorable budget variances that were caused by audit adjusting entries. The budget was amended as it should have been.		
<b>2015-002: Error on Food Service claims for federal reimbursements</b>		
Condition: The District made mistakes in reporting the daily counts of meals served when filing federal reimbursement claims.		
Recommendation: The District should use the software reports that accumulate the daily count records either (1) by location or (2) by Student Building to prepare the federal reimbursement claims. The District should file amended reimbursement claims with TEA and return the excess reimbursements claimed.		
	Implemented	
<b>2015-003: Errors on School Breakfast Program federal reimbursements</b>		
Condition: The District claimed severe need reimbursements for the high school and middle school campuses. Only elementary campus is eligible for severe need reimbursement.		
Recommendation: The District should file amended reimbursement claims with TEA to report the correct number of meals served for School Breakfast Program and the correct number of meals served for the Severe Need Breakfast Program.		
	Implemented	

**EASTLAND INDEPENDENT SCHOOL DISTRICT**  
**CORRECTIVE ACTION PLAN**  
**FOR THE YEAR ENDED AUGUST 31, 2016**

2016-001: State Mandated Program Revenue for Career and Technology

Corrective Action: The District will review its Career and Technology mandated program to determine how to spend the required 58% of revenues on direct instructional costs for the program.

2016-002: Use of Student Activity Funds

Corrective Action: The District will transfer profits from fundraisers held by student groups or classes into the General Fund to make purchases for the general benefit of the District out of the General Fund. Donations that will be used for the general benefit of the District will be deposited into the General Fund.

Contact Person: Jason Cochran  
Superintendent

Telephone: (254) 631-5120  
Email: jcochran@eastland.esc14.net

**EASTLAND INDEPENDENT SCHOOL DISTRICT**

*SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS  
AS OF AUGUST 31, 2016*

<u>Data Control Codes</u>		<u>Responses</u>
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?	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 governmental agencies?	Yes
SF8	Did the school district <u>not</u> 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	What was the total accumulated accretion on capital appreciation bonds (CABs) included in government-wide financial statements at fiscal year-end?	\$ --
SF11	Net Pension Assets (object 1920) at fiscal year-end.	\$ --
SF12	Net Pension Liabilities (object 2540) at fiscal year-end.	\$ 1,729,787
SF13	Pension Expense (object 6147) at fiscal year-end.	\$ 168,732