

**ANNUAL FINANCIAL AND  
COMPLIANCE REPORT**

**PEASTER INDEPENDENT SCHOOL DISTRICT**

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



**GMS**

CERTIFIED PUBLIC  
ACCOUNTANTS

GEORGE | MORGAN | SNEED

**PEASTER INDEPENDENT SCHOOL DISTRICT**  
**ANNUAL FINANCIAL REPORT**  
For the Year Ended August 31, 2016

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### CERTIFICATE OF BOARD

Peaster Independent School District  
Name of School District

Parker  
County

184-908  
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) ☒ approved \_\_\_ disapproved for the year ended August 31, 2016, at a meeting of the board of trustees of such school district on the 12-15-16.

  
Signature of Board Secretary

  
Signature of Board President

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## **Financial Section**

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## **INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
Peaster Independent School District

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

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Peaster 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***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Peaster Independent School District as of August 31, 2016, and the respective changes in financial position 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 management's discussion and analysis on pages 8 – 17 and budgetary comparison information and pension plan information on pages 52 - 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise of the District's basic financial statements. The combining nonmajor fund financial statements, the required schedule of delinquent taxes receivable, schedule of revenues, expenditures and changes in fund balance – budget and actual – child nutrition program, schedule of revenues, expenditures and changes in fund balance – budget and actual – debt service funds and school first questionnaire are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

The schedule of delinquent taxes receivable, schedule of revenues, expenditures and changes in fund balance – budget and actual – child nutrition program, schedule of revenues, expenditures and changes in fund balance – budget and actual – debt service fund and school first questionnaire have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*George Morgan Freed, P.C.*

Weatherford, Texas  
December 8, 2016

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**Management's Discussion  
And Analysis**



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## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Peaster 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.

At September 1, 2003, Peaster Independent School District became the fiscal agent for three shared service arrangements. As fiscal agent, Peaster Independent School District reports the balances and activities of the shared service arrangements in its audited financial report.

### FINANCIAL HIGHLIGHTS

The District's total combined net position was \$7,397,217 at August 31, 2016. Of this amount \$2,353,989 (unrestricted net position) may be used to meet the District's ongoing needs.

During the year, the District's net position decreased by \$814,661. Operations at the District and shared service arrangement decreased net position \$749,856 and \$64,805 respectively.

The general fund reported unassigned fund balance this year of \$680,279 or 7% of total general fund expenditures.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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.

*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 provide additional information that is essential to a full understanding of the data provided in the financial statements. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

Figure A-1 summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

<b>Figure A-1. Major Features of the District's Government-wide and Fund Financial Statements</b>			
<i>Types of Statements</i>	<b>Government-wide</b>	<b>Fund Statements</b>	
		<b>Governmental Funds</b>	<b>Fiduciary Funds</b>
<i>Scope</i>	Entire District's government (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary	Instances in which the District is the trustee or agent for someone else's resources
<i>Required financial statements</i>	Statement of net position	Balance Sheet	Statement of fiduciary net position
	Statement of activities	Statements of revenues, expenditures and changes in fund balances	Statement of changes in fiduciary net position
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included.	All assets and liabilities, both short-term and long-term, the Agency's funds do not currently contain capital assets, though they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

### **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 position 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 the District's *net position* and how they have changed. Net position—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 is improving or deteriorating, respectively.

To assess the overall health of the District, you need 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*. The District's services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services, food service, and general administration. Property taxes and grants finance most of these activities.

The government-wide financial statements can be found on Exhibits A-1 and B-1.

## **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 has two categories 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.

The District maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, Bluebonnet Co-op and debt service fund, which are considered to be major funds. Data from the other governmental funds are combined into single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on Exhibits C-1 through C-4.

*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 position and a statement of changes in fiduciary net position. These activities were excluded from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

The basic fiduciary fund financial statements can be found on Exhibits E-1 and E-2.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29 - 51 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Below are summaries of the District's Net Position and Changes in Net Position.

**Net position.** The District's *combined* net position was \$7,397,217 at August 31, 2016. (See Table A-1).

**Table A-1**  
**The District's Net Position**

	<b>Governmental Activities</b>	
	<b>2016</b>	<b>2015</b>
Current and Other Assets	\$ 4,567,203	\$ 5,157,733
Capital and Non-Current Assets	23,746,357	25,263,107
<b>Total Assets</b>	<b>28,313,560</b>	<b>30,420,840</b>
Deferred Outflows of Resources	2,036,821	1,012,599
<b>Total Deferred Inflows of Resources</b>	<b>2,036,821</b>	<b>1,012,599</b>
Current Liabilities	923,166	1,665,190
Long-Term Liabilities	21,653,178	21,162,847
<b>Total Liabilities</b>	<b>22,576,344</b>	<b>22,828,037</b>
Deferred Inflows of Resources	376,820	393,524
<b>Total Deferred Inflows of Resources</b>	<b>376,820</b>	<b>393,524</b>
Invested in Capital Assets net of related debt	4,098,491	5,463,593
Restricted	944,737	995,710
Unrestricted	2,353,989	1,752,575
<b>Total Net Position</b>	<b>\$ 7,397,217</b>	<b>\$ 8,211,878</b>

The District's restricted net position represent funds restricted for the retirement of debt, federal and state programs and other purposes. Unrestricted net position that are available to fund the programs of the district next year are \$2,353,989 at the end of this year. \$180,895 of the net position is related to shared services arrangements.

The largest portion of the District's net position (55%) reflects its investment in capital assets (e.g. land, buildings and improvements, furniture and equipment, vehicles and library books and media), less any related debt used to acquire those assets that is still outstanding. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.



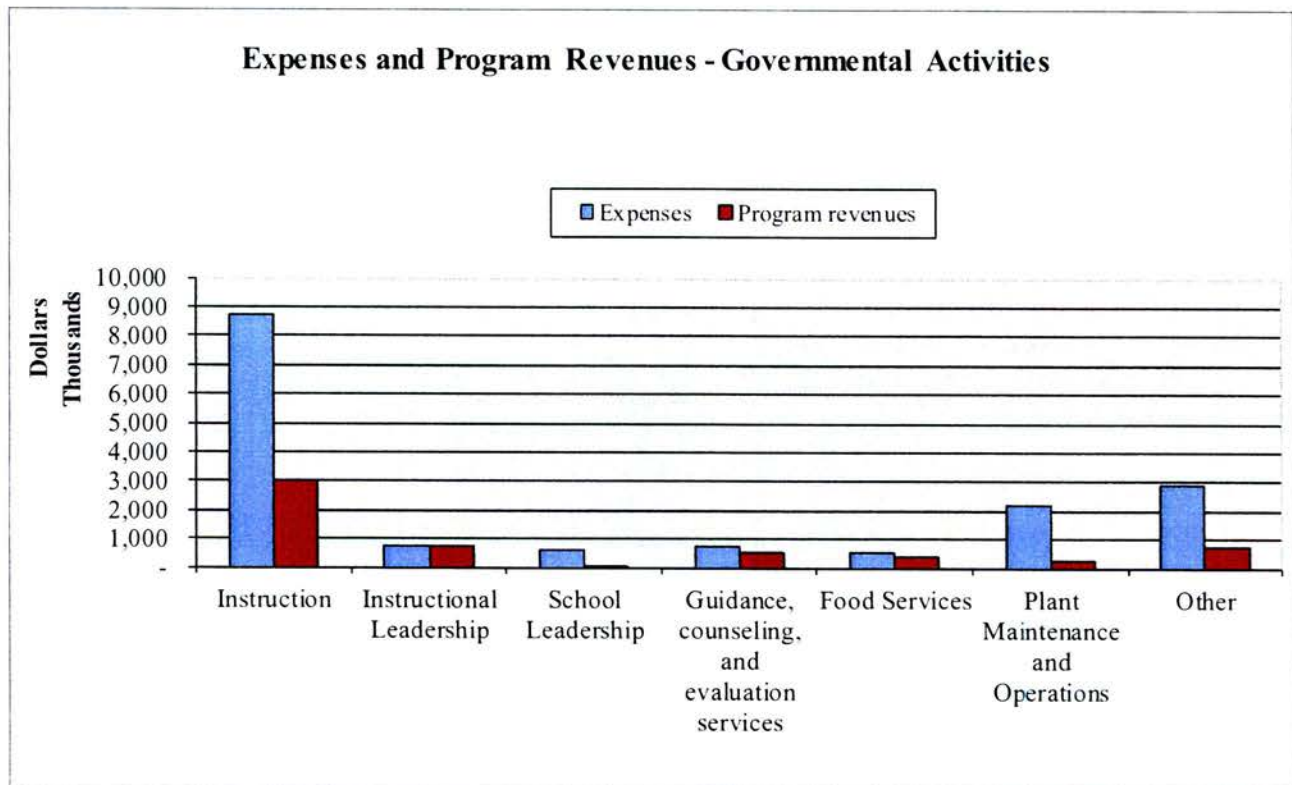
**Changes in net position.** Below is a summary of the District's change in net position.

**Table A-2**  
**Changes in the District's Net Position**

	<b>Governmental Activities</b>	
	<b>2016</b>	<b>2015</b>
<b>Revenues</b>		
<u>Program Revenues</u>		
Charges for Services	\$ 2,704,267	\$ 2,054,045
Operating Grants and Contributions	2,683,251	2,221,892
Capital Grants and Contributions	308,609	282,662
<u>General Revenues</u>		
Property Taxes	3,977,854	3,766,106
State Aid Formula Grants	5,590,483	5,517,334
Investment Earnings	30,367	81,297
Miscellaneous Local and Intermediate Revenue	275,902	39,840
<b>Total Revenues</b>	<b>15,570,733</b>	<b>13,963,176</b>
<b>Expenses</b>		
Instruction	8,738,633	7,676,914
Instructional Resources and Media Services	178,610	142,659
Curriculum and Instructional Staff Development	51,171	46,162
Instructional Leadership	758,342	665,825
School Leadership	572,072	475,693
Guidance, counseling, and evaluation services	754,778	627,581
Health Services	100,126	89,344
Student Transportation	363,574	312,740
Food Services	493,487	502,844
Extracurricular Activities	656,515	309,427
General Administration	521,199	460,087
Plant Maintenance and Operations	2,163,207	1,863,191
Security and monitoring services	7,600	5,215
Data Processing Services	122,334	91,879
Debt Service - Interest on Long-Term Debt	688,416	668,080
Debt Service- Bond Issuance Cost and Fees	1,231	83,060
Payments Related to Shared Services	214,099	184,048
<b>Total Expenses</b>	<b>16,385,394</b>	<b>14,204,749</b>
<b>Excess before Extraordinary Item and transfers</b>	<b>(814,661)</b>	<b>(241,573)</b>
Extraordinary Item - resource	-	(149,200)
<b>Change in Net Position</b>	<b>(814,661)</b>	<b>(390,773)</b>
<b>Beginning Net Position</b>	<b>8,211,878</b>	<b>9,365,488</b>
<b>Prior Period Adjustment</b>	<b>-</b>	<b>(762,837)</b>
<b>Ending Net Position</b>	<b>\$ 7,397,217</b>	<b>\$ 8,211,878</b>

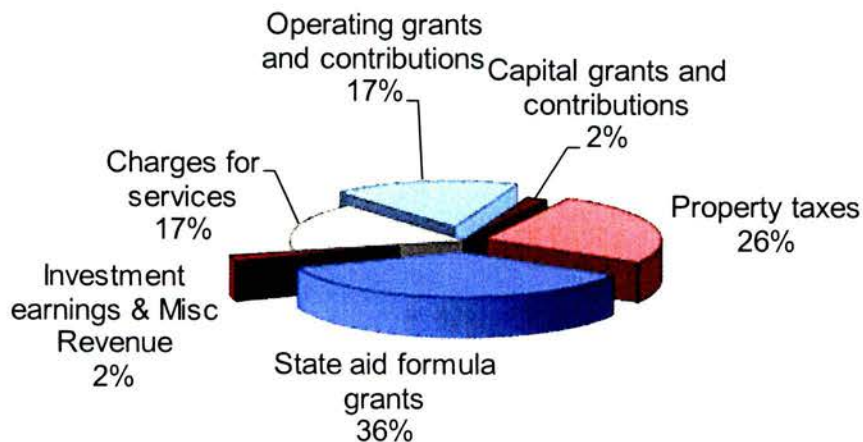
The District's total revenues were \$15,570,733. (See Table A-2.) Total revenues increased \$1,607,557 (12%) from the prior year. The total cost of all programs and services was \$16,385,394. 79% of these costs are for instruction and student services, 3% for general administration, 13% for plant maintenance and operations, and 4% for debt service. Total expenses increased \$2,180,645 (15%). Of those expenses \$3,601,463 were made by shared service arrangements and account for \$383,595 of the increase. Key elements of these changes are as follows.

- Charges for services increased \$650,222 due to an increase in shared service arrangement charges for services of \$198,787 and \$465,477 for campus activity funds. The campus activity funds were not reported with governmental activities in the previous year but were changed after an analysis of the accounts.
- Operating grants increased \$461,359. \$187,447 of the increase was due to activity at the shared service arrangement. \$272,894 of the increase is on-behalf pension expense recognized by the District for the District's share of the State's TRS pension expense.
- Property tax revenue increased \$211,748 because the assessed value of property in the District increased \$14.8 million. Tax rates did not change from the previous year.
- Miscellaneous revenue increased \$236,062 because the District sold land for a gain of \$126,074 and received \$86,871 as final school health and related services settlement for the 2013 period. 2013 is the period the District first did school health and related services billings.
- Instruction expenses increased \$1,061,719. Instruction expenses at the District increased \$882,128 primarily because 5 positions were added, employee's received step pay raises, the District's textbook allotment increased and the TRS pension expense increased. \$285,799 of the District's increase is due to increases in the District's share of the TRS net pension liability and increase in on-behalf TRS pension expense. Instruction expense at the shared service arrangements increased \$179,591.
- Extracurricular activities expenses increased \$347,088. \$321,798 of the increase is due to reporting the campus activity funds with governmental activities in the current year.
- Plant maintenance and operations increased \$300,016 primarily due to depreciation expense on the new elementary wing placed in service during the year and an increase in TRS pension expense due to an increase in the District's share of the TRS net pension liability.





### Revenues by Source - Governmental Activities



### FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District's governmental funds reported combined ending fund balances of \$3,354,244. \$680,279 represents unassigned fund balance that is available for spending at the district's discretion. The remainder of fund balance restricted, committed or assigned to indicate that it is not available for new spending because it has already been committed.

The general fund is the primary operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$680,279, while the total fund balance was \$2,107,283. A comparison of unassigned fund balance to the total general fund expenditures may be a useful measure of the general fund's liquidity. Unassigned fund balance represents 7% of total general fund expenditures.

During the year the fund balance of the District's general fund increased by \$826,964. Revenues of the general fund increased \$294,684 to \$9,205,679 and expenditures increased \$701,690 to \$9,302,308. Transfers out decreased \$615,793. Key factors contributing to these changes are:

- Local and intermediate revenue increased \$168,688 primarily due to an increase in property tax revenue as a result of a \$14.8 million increase in the assessed value of property in the District.
- Federal program revenues increased \$96,461 because the District received \$86,871 as final school health and related services settlement for the 2013 period. 2013 is the period the District first did school health and related services billings.
- Instruction expenditures increased \$462,646 because 5 positions were added and employee's received step pay raises.
- Transfers out decreased \$615,793 due to an increase of \$35,007 in the amount transferred for food service and \$650,800 decrease in the amount transferred to the capital projects fund. The capital projects were completed during the year and \$88,350 was transferred back to the general fund.
- The sale of real and personal property increased \$963,920 primarily because land was sold during the year.

## General Fund Budgetary Highlights

Over the course of the year, the District revised its budget four times.

Amendments increased budgeted revenues by \$38,101. Actual revenues were \$126,727 more than budgeted.

Amendments increased budgeted expenditures by \$223,968. The most significant increases were for instruction salaries and facilities maintenance and operation. Actual expenditures were \$46,968 less than budgeted.

Amendments increase budgeted sale of real and personal property and transfers in by \$964,420 and \$100,000 respectively. Budgeted transfers out were increased \$92,933.

## CAPITAL ASSETS

At August 31, 2016, the District had invested \$23,746,357 in a broad range of capital assets, including land, equipment, buildings, and library books and media. (See Table A-4.) This amount represents a net decrease (including additions and deductions) of \$1,516,750.

**Table A-4**  
**District's Capital Assets**

	<b>Governmental Activities</b>	
	<b>2016</b>	<b>2015</b>
Land	\$ 1,010,585	\$ 1,842,121
Construction in Progress	-	6,041,827
Buildings and Improvements	33,088,170	26,556,211
Furniture and Equipment	1,873,348	1,733,721
Vehicles	1,357,967	1,521,797
Library Books and Media	93,624	93,624
Totals at historical cost	37,423,694	37,789,301
Less accumulated depreciation for:		
Buildings and Improvements	11,857,761	10,756,253
Furniture and Equipment	838,635	727,182
Vehicles	887,317	949,135
Library Books and Media	93,624	93,624
Total accumulated depreciation	13,677,337	12,526,194
Net capital assets	<b>\$ 23,746,357</b>	<b>\$ 25,263,107</b>

Major capital asset events during the current year included the following:

- Wireless network infrastructure improvements of \$25,181.
- \$32,321 baseball and softball field improvements.

- The current year engineering, construction and other costs associated with the elementary school additions and softball/baseball field house were \$547,754. The final capitalized cost of the buildings and furniture was \$6,589,581.
- Sold land costing \$831,536.
- Sold 3 buses that cost \$163,830.

Fixed assets of shared service arrangements were \$462,537 with related accumulated depreciation of \$333,460.

More detailed information about the District's capital assets is presented in Note 2 and Note 8 to the financial statements.

## LONG-TERM DEBT

**Table A-5**  
**District's Long-term Debt**

	<b>Governmental Activities</b>	
	<b>2016</b>	<b>2015</b>
<u>Bonds payable:</u>		
Unlimited Tax School Building Series 2007	-	51,931
Unlimited Tax Refunding Bonds Series 2010	8,520,000	8,985,000
Premium 2010 Refunding Bonds	425,327	446,593
Unlimited Tax School Building 2014A	705,000	875,000
Premium on 2014A Bonds	22,551	34,664
Unlimited Tax School Building 2014B	5,745,000	5,745,000
Premium on 2014B Bonds	326,497	351,488
Unlimited Tax Refunding Bonds Series 2015	3,550,000	3,550,000
Premium on 2015 Bonds	353,491	387,274
Capital Appreciation Bond Accretion	-	48,678
Total bonds payable	<b><u>\$ 19,647,866</u></b>	<b><u>\$ 20,475,628</u></b>

At year-end the District had \$19,647,866 in bonds outstanding as shown in Table A-5.

More detailed information about the District's debt is presented in the notes to the financial statements.

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

The assessed value for school tax purposes are estimated to increase to \$295 million from \$289 million in the prior year.

The District's tax rate remained the same as prior year to a total of \$1.40 per \$100 assessed value.

Student attendance was budgeted at 1035 students, 95% of 2016-2017 enrollment. The 2016 school year ended with ADA of 987.94.

These indicators were taken into account when adopting the general fund budget for 2016-2017. Amounts available for appropriation in the general fund budget are \$9.099 million, a decrease of 10 percent from



the final 2016 actual revenues of \$10.249 million. The 10 percent decrease is due extraordinary revenue of \$1.064 million realized 2016 for sale of land and other assets. Property tax revenue is budgeted increase 1.2 percent to \$2.9 million. State and federal revenue are expected to remain the same when using the increased student counts.

Expenditures and transfers out are budgeted to increase slightly by 0.3 percent to \$9.415 million in the general fund from 2016 final amounts. A 3% pay increase was budgeted.

If these estimates are realized, the District's budgetary general fund fund balance is expected have a \$315,958 decrease at the close of 2016.

## **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 at P.O. Box 129, Peaster, Texas 76485.

## **Basic Financial Statements**

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PEASTER INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
AUGUST 31, 2016

EXHIBIT A-1

Data Control Codes		Primary Government
		Governmental Activities
ASSETS		
1110	Cash and Cash Equivalents	\$ 3,247,423
1120	Current Investments	1,094,716
1220	Property Taxes Receivable (Delinquent)	114,854
1230	Allowance for Uncollectible Taxes	(22,971)
1240	Due from Other Governments	121,779
1250	Accrued Interest	2,549
1290	Other Receivables, net	8,853
	Capital Assets:	
1510	Land	1,010,585
1520	Buildings, Net	21,230,409
1530	Furniture and Equipment, Net	1,034,713
1540	Other Capital Assets, Net	470,650
1000	Total Assets	28,313,560
DEFERRED OUTFLOWS OF RESOURCES		
1701	Deferred Charge for Refunding	753,856
1705	Deferred Outflow Related to TRS	1,282,965
1700	Total Deferred Outflows of Resources	2,036,821
LIABILITIES		
2110	Accounts Payable	68,289
2140	Interest Payable	30,975
2150	Payroll Deductions & Withholdings	1,798
2160	Accrued Wages Payable	544,398
2180	Due to Other Governments	263,063
2200	Accrued Expenses	14,643
	Noncurrent Liabilities	
2501	Due Within One Year	800,000
2502	Due in More Than One Year	18,858,912
2540	Net Pension Liability (District's Share)	1,994,266
2000	Total Liabilities	22,576,344
DEFERRED INFLOWS OF RESOURCES		
2602	Deferred Resource Inflow	228,885
2605	Deferred Inflow Related to TRS	147,935
2600	Total Deferred Inflows of Resources	376,820
NET POSITION		
3200	Net Investment in Capital Assets	4,098,491
3820	Restricted for Federal and State Programs	18,158
3850	Restricted for Debt Service	727,960
3860	Restricted for Capital Projects	3,125
3890	Restricted for Other Purposes	195,494
3900	Unrestricted	2,353,989
3000	Total Net Position	\$ 7,397,217

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

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

Data Control Codes	1	Program Revenues		
		3	4	5
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 8,738,633	\$ 1,279,550	\$ 1,736,374	\$ -
12 Instructional Resources and Media Services	178,610	2,113	11,680	-
13 Curriculum and Staff Development	51,171	18,995	8,866	-
21 Instructional Leadership	758,342	679,795	55,778	-
23 School Leadership	572,072	-	42,391	-
31 Guidance, Counseling and Evaluation Services	754,778	8,667	489,510	-
33 Health Services	100,126	2,494	8,208	-
34 Student (Pupil) Transportation	363,574	-	14,024	-
35 Food Services	493,487	160,854	233,842	-
36 Extracurricular Activities	656,515	473,280	14,059	-
41 General Administration	521,199	-	28,911	-
51 Facilities Maintenance and Operations	2,163,207	66,744	36,058	154,597
52 Security and Monitoring Services	7,600	769	-	-
53 Data Processing Services	122,334	-	3,550	-
72 Debt Service - Interest on Long Term Debt	688,416	-	-	154,012
73 Debt Service - Bond Issuance Cost and Fees	1,231	-	-	-
93 Payments related to Shared Services Arrangements	214,099	11,006	-	-
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 16,385,394	\$ 2,704,267	\$ 2,683,251	\$ 308,609

Data Control Codes	
	General Revenues:
	Taxes:
MT	Property Taxes, Levied for General Purposes
DT	Property Taxes, Levied for Debt Service
SF	State Aid - Formula Grants
IE	Investment Earnings
MI	Miscellaneous Local and Intermediate Revenue
TR	Total General Revenues
CN	Change in Net Position
NB	Net Position - Beginning
NE	Net Position - Ending

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

Net (Expense)
Changes in Net
6
Primary Government
Governmental
Activities

\$ (5,722,709)  
 (164,817)  
 (23,310)  
 (22,769)  
 (529,681)  
 (256,601)  
 (89,424)  
 (349,550)  
 (98,791)  
 (169,176)  
 (492,288)  
 (1,905,808)  
 (6,831)  
 (118,784)  
 (534,404)  
 (1,231)  
 (203,093)  


---

 (10,689,267)

2,955,937  
 1,021,917  
 5,590,483  
 30,367  
 275,902  


---

 9,874,606  


---

 (814,661)  
 8,211,878  


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 \$ 7,397,217



PEASTER INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2016

Data Control Codes	10 General Fund	SSA Bluebonnet Co-op	50 Debt Service Fund
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ 2,413,549	\$ 195,837	\$ 27,284
1120 Investments - Current	325,207	-	769,509
1220 Property Taxes - Delinquent	88,174	-	26,680
1230 Allowance for Uncollectible Taxes (Credit)	(17,635)	-	(5,336)
1240 Receivables from Other Governments	-	-	-
1250 Accrued Interest	757	-	1,792
1260 Due from Other Funds	-	-	-
1290 Other Receivables	7,268	-	1,483
1000 Total Assets	<u>\$ 2,817,320</u>	<u>\$ 195,837</u>	<u>\$ 821,412</u>
<b>LIABILITIES</b>			
2110 Accounts Payable	\$ 35,073	\$ 35	\$ -
2150 Payroll Deductions and Withholdings Payable	1,798	-	-
2160 Accrued Wages Payable	394,166	31,107	-
2170 Due to Other Funds	-	-	-
2180 Due to Other Governments	200,586	-	62,477
2200 Accrued Expenditures	7,875	908	-
2000 Total Liabilities	<u>639,498</u>	<u>32,050</u>	<u>62,477</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
2601 Unavailable Revenue - Property Taxes	70,539	-	21,344
2602 Deferred Inflow of Resources	-	136,028	-
2600 Total Deferred Inflows of Resources	<u>70,539</u>	<u>136,028</u>	<u>21,344</u>
<b>FUND BALANCES</b>			
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3470 Capital Acquisition and Contractual Obligation	-	-	-
3480 Retirement of Long-Term Debt	-	-	737,591
3490 Other Restricted Fund Balance	-	27,759	-
Committed Fund Balance:			
3540 Self Insurance	11,046	-	-
Assigned Fund Balance:			
3550 Construction	1,000,000	-	-
3570 Capital Expenditures for Equipment	100,000	-	-
3590 Other Assigned Fund Balance	315,958	-	-
3600 Unassigned Fund Balance	680,279	-	-
3000 Total Fund Balances	<u>2,107,283</u>	<u>27,759</u>	<u>737,591</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 2,817,320</u>	<u>\$ 195,837</u>	<u>\$ 821,412</u>

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

		Total	
Other		Governmental	
Funds		Funds	
\$	610,753	\$	3,247,423
	-		1,094,716
	-		114,854
	-		(22,971)
	121,779		121,779
	-		2,549
	59,321		59,321
	102		8,853
\$	791,955	\$	4,626,524
\$	33,181	\$	68,289
	-		1,798
	119,125		544,398
	59,321		59,321
	-		263,063
	5,860		14,643
	217,487		951,512
	-		91,883
	92,857		228,885
	92,857		320,768
	18,158		18,158
	3,125		3,125
	-		737,591
	460,328		488,087
	-		11,046
	-		1,000,000
	-		100,000
	-		315,958
	-		680,279
	481,611		3,354,244
\$	791,955	\$	4,626,524



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

EXHIBIT C-2

<b>Total Fund Balances - Governmental Funds</b>	<b>\$ 3,354,244</b>
<b>1</b> Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. The cost of these assets was \$37,330,070 and the accumulated depreciation was \$13,583,713.	23,746,357
<b>2</b> Bonds payable are not due and payable in the current period, and, therefore are not reported as liabilities in the funds.	(19,647,866)
<b>3</b> Included in the items related to noncurrent liabilities is the recognition of the District's and Co-op's proportionate share of the net pension liability required by GASB 68 in the amount of \$1,994,266, a deferred resource inflow related to TRS in the amount of \$147,935 and a deferred resource outflow related to TRS in the amount of \$1,282,965. This amounted to a decrease in net position.	(859,236)
<b>4</b> Interest payable of \$30,975 and self-funded workers compensation liability of \$11,046 are not expected to be liquidated with available financial resources and are not reported as liabilities in the fund financial statements.	(42,021)
<b>5</b> Deferred charges for refunding related to governmental activity debt are not financial resources and therefore are not reported in the governmental funds.	753,856
<b>6</b> Property taxes receivable that are no available to pay for current period expenditures are reported as deferred inflows of resources in the fund financial statements but are recognized as revenue in the government-wide statements.	91,883
<b>19 Net Position of Governmental Activities</b>	<u><u>\$ 7,397,217</u></u>

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

PEASTER INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes		10 General Fund	SSA Bluebonnet Co-op	50 Debt Service Fund
REVENUES:				
5700	Total Local and Intermediate Sources	\$ 3,027,071	\$ 477,562	\$ 1,038,728
5800	State Program Revenues	6,052,854	24,565	308,609
5900	Federal Program Revenues	125,754	-	-
5020	Total Revenues	9,205,679	502,127	1,347,337
EXPENDITURES:				
Current:				
0011	Instruction	5,891,516	470,112	-
0012	Instructional Resources and Media Services	170,422	-	-
0013	Curriculum and Instructional Staff Development	22,868	2,383	-
0021	Instructional Leadership	-	29,632	-
0023	School Leadership	539,411	-	-
0031	Guidance, Counseling and Evaluation Services	232,082	-	-
0033	Health Services	92,918	-	-
0034	Student (Pupil) Transportation	279,993	-	-
0035	Food Services	11,526	-	-
0036	Extracurricular Activities	297,016	-	-
0041	General Administration	499,206	-	-
0051	Facilities Maintenance and Operations	993,920	-	-
0052	Security and Monitoring Services	6,796	-	-
0053	Data Processing Services	62,035	-	-
Debt Service:				
0071	Principal on Long Term Debt	-	-	740,000
0072	Interest on Long Term Debt	-	-	737,202
0073	Bond Issuance Cost and Fees	-	-	1,231
Capital Outlay:				
0081	Facilities Acquisition and Construction	-	-	-
Intergovernmental:				
0093	Payments to Fiscal Agent/Member Districts of SSA	202,599	-	-
6030	Total Expenditures	9,302,308	502,127	1,478,433
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(96,629)	-	(131,096)
OTHER FINANCING SOURCES (USES):				
7912	Sale of Real and Personal Property	964,420	-	-
7915	Transfers In	88,350	-	-
8911	Transfers Out (Use)	(129,177)	-	-
7080	Total Other Financing Sources (Uses)	923,593	-	-
1200	Net Change in Fund Balances	826,964	-	(131,096)
0100	Fund Balance - September 1 (Beginning)	1,280,319	27,759	868,687
3000	Fund Balance - August 31 (Ending)	\$ 2,107,283	\$ 27,759	\$ 737,591

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

Other Funds	Total Governmental Funds
\$ 2,213,249	\$ 6,756,610
777,456	7,163,484
1,123,931	1,249,685
4,114,636	15,169,779
2,003,888	8,365,516
2,208	172,630
25,920	51,171
707,942	737,574
-	539,411
478,534	710,616
2,606	95,524
-	279,993
477,776	489,302
323,531	620,547
-	499,206
92,862	1,086,782
804	7,600
-	62,035
-	740,000
-	737,202
-	1,231
586,015	586,015
11,500	214,099
4,713,586	15,996,454
(598,950)	(826,675)
-	964,420
129,177	217,527
(88,350)	(217,527)
40,827	964,420
(558,123)	137,745
1,039,734	3,216,499
\$ 481,611	\$ 3,354,244

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

<b>Total Net Change in Fund Balances - Governmental Funds</b>	<b>\$ 137,745</b>
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the \$658,336 capital outlays and \$740,000 debt principal payments is to increase net position.	1,398,336
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(1,343,550)
The net effect of transactions to sell and dispose of capital assets is a decrease to net position.	(831,536)
Current year accumulated accretion on capital appreciation bonds, interest payable and the long-term portion of the self-funded workers compensation liability are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The \$4,393 increase in accumulated accretion, \$714 increase in interest payable, \$2,886 decrease in the long-term portion of self-funded insurance liability, and \$53,893 net amortization of deferred charges on refundings and bond premiums is an increase in net assets.	51,672
Revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(26,859)
GASB required the District and Co-op to recognize their proportionate share of net pension liability, deferred resource inflow related to TRS and deferred resource outflow related to TRS. The changes in these balances decrease net position.	(200,469)
<b>Change in Net Position of Governmental Activities</b>	<b>\$ (814,661)</b>

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

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

EXHIBIT E-1

	Private Purpose Trust Funds	Agency Funds
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 37,248	\$ 16,004
Investments - Current	356,970	-
Due from Other Governments	1,429	-
Accrued Interest	200	-
Total Assets	<u>395,847</u>	<u>\$ 16,004</u>
<b>LIABILITIES</b>		
Due to Student Groups	-	\$ 16,004
Total Liabilities	<u>-</u>	<u>\$ 16,004</u>
<b>NET POSITION</b>		
Restricted for Scholarships	393,918	
Restricted for Other Purposes	1,929	
Total Net Position	<u>\$ 395,847</u>	

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

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

EXHIBIT E-2

	Private Purpose Trust Funds
ADDITIONS:	
Local and Intermediate Sources	\$ 64,935
Total Additions	<u>64,935</u>
DEDUCTIONS:	
Supplies and Materials	48,652
Other Operating Costs	389
Non-operating Expenses	21,530
Total Deductions	<u>70,571</u>
Change in Net Position	(5,636)
 Total Net Position - September 1 (Beginning)	 <u>401,483</u>
 Total Net Position - August 31 (Ending)	 <u><u>\$ 395,847</u></u>

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

## PEASTER INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended August 31, 2016

### 1. Reporting Entity

The Board of School Trustees, a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of Peaster Independent School District. Because members of the Board of Trustees are elected by the public, have the authority to make decisions, appoint administrators and managers, and significantly influence operations, and have the primary accountability for fiscal matters, the District is not included in any other governmental "reporting entity" as defined by Statement No. 14 of the Governmental Accounting Standards Board.

*Shared Service Arrangements.* Parker County Co-op Special Services is a Shared Service Arrangement (SSA) between five school districts for the purpose of bringing special education programs to disabled children. The Board of Trustees ("Board"), a five-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdictions of the Co-op. The Board is comprised of Superintendents of the member districts and has the exclusive power and duty to govern and oversee the management of the Co-op. 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 Co-op receives funding from local, state and federal government sources and must comply with the requirements of those funding entities.

Also reported in the financial statements is the Bluebonnet Co-op for Students with Visual Impairments SSA and the Brazos River Regional Day School Co-op for the Deaf SSA. The Bluebonnet Co-op for Students with Visual Impairments SSA is comprised of eleven members and governed by an eleven-member board comprised of designees from each member. The Brazos River Regional Day School Co-op for the Deaf SSA is comprised of nine members and governed by a nine-member board comprised of designees from each member. Both Shared Service Arrangements were created for the purpose of bringing special education programs to disabled children. Parker County Co-op Special Services is a member of both of these Shared Service Arrangements.

Peaster Independent School District is the fiscal agent for all three Shared Service Arrangements. As fiscal agent, Peaster Independent School District reports the balances and activities of the Shared Service Arrangements in its financial report.

The District receives funding from local, state and federal government sources and complies with the requirements of those funding entities.

The accounting policies of Peaster Independent School District substantially comply with the rules prescribed in the Texas Education Agency's Financial Accountability System Resource Guide (the "Resource Guide"). The accounting policies included in the Resource Guide conform to generally accepted accounting principles applicable to governmental units.



## PEASTER INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended August 31, 2016

### 2. Summary of Significant Accounting Policies

#### Government-wide and fund financial statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separated component units for which the primary government is financially accountable.

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

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

#### Measurement Focus, Basis of Accounting and Basis of Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized as soon as they are measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year-end. Expenditures generally are recorded when the related fund liability is incurred, however, debt service expenditures and certain compensated absences are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Property taxes, interest and revenues received from the State are susceptible to accrual. Other receipts become measurable and available when cash is received by the government and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

## PEASTER INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended August 31, 2016

### 2. Summary of Significant Accounting Policies (continued)

The accounts of the government are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

The government reports the following major governmental funds:

*The 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.

*Bluebonnet Co-op* - This governmental fund is used by the fiscal agent to account for the Bluebonnet Co-op for Students with Visual Impairments shared services arrangement.

Additionally, the government reports the following fund types:

*Special Revenue Funds* - These funds are established to account for federally-financed or expenditures legally restricted for specified purposes and Food Service Program transactions.

The District’s Food Service Fund is considered a special revenue fund since it meets the following criteria: (1) User fees are charged to supplement the National School Lunch Program (NSLP), (2) The General Fund subsidizes the Food Service Program for all expenditures in excess of NSLP, and (3) the District does not consider the Food Service Program completely self-supporting. Food Service fund balances are used exclusively for child nutrition program purposes.

*Capital Project Fund* – This fund was established to account for financial resources for the acquisition and construction of major capital facilities.

*Private-Purpose Trust Funds* – These fiduciary funds are used to account for resources legally held in trust under which principal and income benefit individual scholarship recipients.

*Agency Funds* - These custodial funds are used to account for activities of student groups and other organization activities requiring clearing accounts. Financial resources for the Agency funds are recorded as assets and liabilities; therefore, these funds do not include revenues and expenditures and have no fund equity. The student activity organizations exist with the explicit approval of, and are subject to revocation by, the District’s Board of Education.

Data Control Codes refer to the account code structure prescribed by the TEA in the Resource Guide.

#### Deposits and Investments

The government’s cash and cash equivalents are considered to be cash on hand, demand deposits, and other short-term investments with original maturities of three months or less from the date of acquisition.



## PEASTER INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended August 31, 2016

### 2. Summary of Significant Accounting Policies (continued)

#### Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the government-wide financial statements. The District adopted a policy effective for the fiscal year ending August 31, 2001, to recognize as capital assets for financial statement purposes only those items with an individual historic cost of \$5,000 or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets lives are not capitalized.

Major capital outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of governmental activities is included as part of the capitalized value of the assets constructed.

Depreciation is charged as a direct expense to the function or program associated with the asset if it can be specifically identified. Accumulated depreciation is reported on the statement of net position. Land improvements, buildings and improvements, vehicles, equipment and furniture and infrastructure assets are depreciated using the straight-line method over their estimated useful lives. The estimated useful lives are as follows:

Buildings and improvements	30 - 40 years
Vehicles	10 years
Equipment and Furniture	5 - 10 years
Library Books/Media	10 years

Capital assets are not capitalized in the governmental funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures. Capital assets and the related accumulated depreciation and depreciation expense will only be reported in the government-wide financial statements since there are no proprietary funds.

#### Long-Term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred. Deferred refunding charges are reported as deferred outflows of resources and amortized over the life of the bonds.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

## PEASTER INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended August 31, 2016

### 2. Summary of Significant Accounting Policies (continued)

#### Pensions

The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The District's proportionate share of the TRS net pension liability, deferred outflows of resources and deferred inflows of resources are reported in the statement of net position.

#### Fund Balances – Governmental Funds

In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.

Restricted – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

Committed – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to formal action by the Board Trustees, the District's highest level of decision making authority. Commitments may be modified or rescinded only through formal action of the Board of Trustees.

Assigned – includes amounts that the District intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Under Peaster ISD's adopted policy, amounts may be assigned by the Peaster ISD Superintendent and Business Manager.

Unassigned – All amounts not included in other spendable classifications.

The details of the fund balances are included in the Governmental Funds Balance Sheet (page 21). When expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been first spent out of committed funds, then assigned, and finally unassigned as needed.

The Board of Trustees has adopted a minimum fund balance policy for the General Fund. The policy requires the District strive to maintain a yearly fund balance in the general operating fund where the total fund balance is 25 percent of the total operating expenditures. At August 31, 2016 total fund balance of the General Fund was 23% of operating expenditures.

#### Use of Restricted/Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District's policy is to apply restricted net position first.



## PEASTER INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended August 31, 2016

### 2. Summary of Significant Accounting Policies (continued)

#### Use of Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires the use of management's estimates.

### 3. Deposits and Investments

Peaster Independent School District's investment policies and types of investments are governed by the Public Funds Investment Act ("PFIA"). The act authorizes the District to invest in obligations of the U.S. Treasury or the State of Texas, certain U.S. agencies, certificates of deposit, money market savings accounts, certain municipal securities, repurchase agreements, common trust funds and investment pools. The District's management believes that it complied with the requirements of the PFIA and the District's investment policies.

#### Public Funds Investment Pools

The District's temporary investments are held with Lone Star Investment Pool. The temporary investments of the shared service arrangement are invested in Tex-Pool. 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 pools are valued and reported at amortized cost.

#### Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. 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. The bank deposits of the shared service arrangements are included under the depository contract of Peaster Independent School District. At August 31, 2016, the District's deposits were covered by FDIC insurance or collateralized with securities held by the District's agent in the District's name.

#### Credit Risk – Investments

The District policy of managing credit risk is to diversify the investment portfolio in terms of investment instruments, maturity scheduling and financial institutions.

# PEASTER INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended August 31, 2016

## 3. Deposits and Investments (continued)

### Interest Rate Risk – Investments

The District manages its interest rate risk by diversifying the investment portfolio's investment types and maturity scheduling.

The District's investments consisted of the following at August 31, 2016.

<u>Name</u>	<u>Amount</u>	<u>Value</u>	<u>Standard &amp; Poor's</u>	<u>Weighted Average Maturity</u>
Lone Star Investment Pools				
Corporate Overnight Plus Fund	\$ 2,067	\$ 2,067	AAA	41 days
Corporate Overnight Fund	3,096	3,096	AAA	37 days
Tex Pool	1,997	1,997	AAAm	83 days
Total	<u>\$ 7,160</u>	<u>\$ 7,160</u>		

These public funds investment pools are reported with cash and cash equivalents in the financial statements. Current Investments reported in the financial statements consist of certificates of deposits that have maturities ranging from three to twelve months.

## 4. Receivables

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, as fiscal agent for shared service arrangements the District received payments from members of the shared services arrangements for special education programs. Amounts due from federal and state governments as of August 31, 2016, are reported on the balance sheet as Due from Other Governments and are summarized below:

	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Due from Other Governments		
Local Districts	\$ 4,768	\$ 4,768
Education Service Center	2,814	2,814
Federal & State Grants - TEA	114,197	114,197
Total	<u>\$ 121,779</u>	<u>\$ 121,779</u>

\$102,985 of the amounts included in Due from Other Governments is attributable to shared service arrangements.



## PEASTER INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended August 31, 2016

### 5. Deferred Inflows of Resources

In addition to assets, the statement of financial position 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 or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. \$753,856 deferred charge on refunding reported in the government-wide statement of net position results from differences in the carrying value of refunded debt and its reacquisition price. The deferred charge on refunding is amortized over the shorter of the life of the refunded or refunding debt. Deferred outflow related to TRS of \$1,282,965 has been reported in the government-wide statement of net position. See note 13 for additional information regarding the deferred outflow related to TRS.

In addition to liabilities, the statement of financial position and governmental funds balance sheet 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 or fund balance that applies to a future period(s) in this category. Unavailable revenues for governmental funds are reported as deferred inflows of resources. In the governmental funds balance sheet \$91,883 unavailable property tax revenue has been reported as a deferred inflow of resources. \$228,885 of unearned shared service revenue has been reported as a deferred inflow of resources in the governmental funds balance sheet and statement of net position in connection with resources that have been received, but not yet earned. Deferred inflows related to TRS of \$147,935 has been reported in the statement of net position. See note 13 for additional information regarding the deferred inflow related to TRS.

### 6. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent 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 and those expected to be collected during a 60-day period after the close of the school fiscal year.

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes 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.

### 7. Interfund Receivables, Payables and Transfers

Interfund balances at August 31, 2016, consisted of the following receivables and payables:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Nonmajor	Nonmajor	59,321
		<u>\$ 59,321</u>

The receivables from nonmajor funds are due to grant funds not being received before the beginning of the new school year.

**PEASTER INDEPENDENT SCHOOL DISTRICT**

Notes to the Financial Statements  
For the Year Ended August 31, 2016

**7. Interfund Receivables, Payables and Transfers (continued)**

Interfund transfers at August 31, 2016, consisted of the following:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General	Capital Projects	\$ 88,350
Nonmajor	General	129,177
		<u>\$ 217,527</u>

Transfers include \$129,177 to the national breakfast and lunch program special revenue fund to cover expenditures in excess of revenues and \$88,350 transferred to the general fund that is a return of unused amounts transferred to the capital projects fund in previous years.

**8. Capital Assets**

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Non - Depreciable Assets:					
Land	\$ 1,842,121	\$ -	\$ (831,536)	\$ -	\$ 1,010,585
Construction in Progress	6,041,827	547,754	-	(6,589,581)	-
Total non-depreciable assets	<u>7,883,948</u>	<u>547,754</u>	<u>(831,536)</u>	<u>(6,589,581)</u>	<u>1,010,585</u>
Depreciable Assets:					
Buildings and Improvements	26,556,211	11,500	-	6,520,459	33,088,170
Furniture and Equipment	1,733,721	99,082	(28,577)	69,122	1,873,348
Vehicles	1,521,797	-	(163,830)	-	1,357,967
Library Books and Media	93,624	-	-	-	93,624
Total capital assets being depreciated	<u>29,905,353</u>	<u>110,582</u>	<u>(192,407)</u>	<u>6,589,581</u>	<u>36,413,109</u>
Accumulated Depreciation:					
Buildings and Improvements	(10,756,253)	(1,096,414)	-	(5,094)	(11,857,761)
Furniture and Equipment	(727,182)	(145,124)	28,577	5,094	(838,635)
Vehicles	(949,135)	(102,012)	163,830	-	(887,317)
Library Books and Media	(93,624)	-	-	-	(93,624)
Total accumulated depreciation	<u>(12,526,194)</u>	<u>(1,343,550)</u>	<u>192,407</u>	<u>-</u>	<u>(13,677,337)</u>
Governmental activities capital assets, net	<u>\$ 25,263,107</u>	<u>\$ (685,214)</u>	<u>\$ (831,536)</u>	<u>\$ -</u>	<u>\$ 23,746,357</u>



# PEASTER INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended August 31, 2016

## 8. Capital Assets (continued)

Depreciation was charged to functions/programs of the primary government as follows:

Governmental activities:	
Instruction	\$ 58,922
Guidance, counseling, and evaluation services	920
Student Transportation	77,225
Food Services	6,482
Extracurricular Activities	34,661
Plant Maintenance and Operations	1,107,063
Data Processing Services	58,277
Total depreciation expense - governmental activities	<u>\$ 1,343,550</u>

In compliance with GASB Statement 34 regarding governmental entity financial statement presentation, the District adopted a policy effective for the fiscal year ending August 31, 2001, to recognize as capital assets for financial statement purposes only those items with an individual historical cost of \$5,000 or more.

Furniture and equipment at cost below the capitalization limit are maintained in an inventory listing to allow for physical custody, care, and control purposes only and are not reported in the financial statement presentation.

As fiscal agent, the District reports the capital assets of the shared service arrangements in its audited financial report. The capital assets of the shared service arrangements are owned by the member districts of the shared service arrangements and if the capital assets were sold each member would receive a portion of the proceeds based upon their ownership percentage. Of the \$36,413,109 depreciable assets above, \$462,537 and \$333,460 accumulated depreciation are allocated to the shared service arrangements.

## 9. Long-term Liabilities

Long-term liability activity for the year ended August 31, 2016 is as follows:

	Beginning Balance	Additions	Accretion	Reductions	Ending Balance	Due Within One Year
Governmental activities:						
Bonds Payable	\$20,475,628	\$ -	\$ 4,393	\$ (832,155)	\$19,647,866	\$ 800,000
Net Pension Liability	673,287	1,320,979	-	-	1,994,266	-
Self-funded Insurance	13,932	-	-	(2,886)	11,046	-
Total Governmental activities						
Long-Term Liabilities	<u>\$21,162,847</u>	<u>\$1,320,979</u>	<u>\$ 4,393</u>	<u>\$ (835,041)</u>	<u>\$21,653,178</u>	<u>\$ 800,000</u>

Bonds payable are liquidated by the debt service fund and the net pension liability and self-funded insurance liability are liquidated by the general fund.

# PEASTER INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended August 31, 2016

## 10. General Obligations Bonds

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions at August 31, 2016.

The 2007, 2010, 2014 and 2015 Series Bonds are guaranteed under the State of Texas Permanent School Fund Guarantee Program. In addition, the District receives annual payments from the Texas Education Agency under Chapter 46 of the Texas Education Code (Instructional Facilities Allotment Program), which were used toward funding the debt service requirements of bonds. The amount received during the current year was \$308,609.

A summary of changes in General Obligation Bonds debt payable for the year ended August 31, 2016 is as follows:

Description	Interest Rate Payable	Amounts at Original Issue	Amounts Outstanding 9/1/2015	Issued Current Year	Amounts Retired/ Refunded	Accretion	Amounts Outstanding 8/31/2016
Unlimited Tax School Building Series 2007	3.8% to 4.50%	4,435,000	51,931	-	(51,931)		-
Unlimited Tax Refunding Bonds Series 2010	4.00%	9,795,000	8,985,000	-	(465,000)		8,520,000
Unamortized Premium Series 2010 Bonds		1,609,887	446,593	-	(21,266)		425,327
Unlimited Tax School Building Series 2014A	2.00% to 3.00%	1,000,000	875,000	-	(170,000)		705,000
Unamortized Premium Series 2014A Bonds		49,326	34,664	-	(12,113)		22,551
Unlimited Tax School Building Series 2014B	2.00% to 4.00%	5,745,000	5,745,000	-	-		5,745,000
Unamortized Premium Series 2014A Bonds		378,561	351,488	-	(24,991)		326,497
Unlimited Tax Refunding Bonds Series 2015	2.00% to 4.00%	3,555,000	3,550,000	-	-		3,550,000
Unamortized Premium Series 2015 Bonds		387,274	387,274	-	(33,783)		353,491
Appreciation Bond Accretion			48,678	-	(53,071)	4,393	-
Totals		<u>\$ 26,955,048</u>	<u>\$ 20,475,628</u>	<u>\$ -</u>	<u>\$ (832,155)</u>	<u>\$ 4,393</u>	<u>\$ 19,647,866</u>



**PEASTER INDEPENDENT SCHOOL DISTRICT**

Notes to the Financial Statements  
For the Year Ended August 31, 2016

**10. General Obligations Bonds (continued)**

Debt service requirements are as follows:

Year Ended August 31	Principal	Interest	Total Requirements
2017	\$ 800,000	\$ 706,625	\$ 1,506,625
2018	855,000	680,925	1,535,925
2019	910,000	652,350	1,562,350
2020	695,000	619,700	1,314,700
2021	690,000	593,600	1,283,600
2022-2026	4,130,000	2,575,550	6,705,550
2027-2031	5,615,000	1,676,800	7,291,800
2032-2036	4,825,000	465,200	5,290,200
Debt Service Requirements	18,520,000	7,970,750	26,490,750
Add: Unamortized Premium	1,127,866		
	<u>\$19,647,866</u>	<u>\$7,970,750</u>	<u>\$26,490,750</u>

**11. Accumulated Unpaid Vacation and Personal Leave Benefits**

Employees whose employment contract is for 226 days or more per year are given 10 days paid vacation. Vacation time is non-cumulative and unused vacation time is not paid. All employees are also entitled to five days a year personal leave with full pay per year. The District allows two additional days of paid personal leave per year over the five days required by the state. If additional personal leave is required, the employees must pay the cost of the substitutes. Employees who do not exceed the five state personal leave days and the two local personal leave days during the school year are reimbursed at the end of the school year as designated under the yearly attendance incentive program. An attendance incentive program for retiring employees with a minimum of five years of continuous service in the District was implemented whereby eligible employees are compensated for accrued state sick leave and/or state personal leave days as designated in the incentive program schedule. No accrual of state sick leave and/or state personal leave days under the attendance incentive program for retiring employees was made since administration for the District believes it to have no material effect on the financial condition of the District as of August 31, 2016.

**12. Health Care Coverage**

The District offered employees the opportunity to participate in a group health insurance plan (the "Plan"). The District contributed \$325 for health insurance and \$.48 for life insurance per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. All contributions were paid to a licensed insurer.

Under the health plan, the District has no self-insurance risk and no liability for claims. For the year ended August 31, 2016 the total cost of health and life insurance premiums was \$479,667 for District employees and \$84,422 for employees of the shared services arrangements.

## PEASTER INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended August 31, 2016

### 13. Defined Benefit Pension Plans

#### Plan Description

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

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

#### Pension Plan Fiduciary Net Position

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

#### Benefits Provided

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

#### Contributions

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



## PEASTER INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended August 31, 2016

### 13. Defined Benefit Pension Plans (Continued)

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

<u>Contribution Rates</u>		
	<u>2015</u>	<u>2016</u>
<b>Member</b>	<b>6.70%</b>	<b>7.20%</b>
<b>Non-Employer Contributing Entity (State)</b>	<b>6.80%</b>	<b>6.80%</b>
<b>Employers</b>	<b>6.80%</b>	<b>6.80%</b>

	<u>2015</u>	<u>2016</u>
<b>Employer Contributions</b>	<b>\$ 167,053</b>	<b>\$ 188,331</b>
<b>Member Contributions</b>	<b>\$ 501,604</b>	<b>\$ 571,124</b>
<b>NECE On-behalf Contributions</b>	<b>\$ 439,462</b>	<b>\$ 458,976</b>

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 pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.

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

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

## PEASTER INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended August 31, 2016

### 13. Defined Benefit Pension Plans (Continued)

#### Actuarial Assumptions

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

Valuation Date	August 31, 2015
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.5%
Salary Increases including inflation	3.5% to 9.5%
Payroll Growth Rate	2.5%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

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

#### Discount Rate

The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. 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:

**PEASTER INDEPENDENT SCHOOL DISTRICT**

Notes to the Financial Statements  
For the Year Ended August 31, 2016

**13. Defined Benefit Pension Plans (Continued)**

<b>Asset Allocation and Long-Term Expected Real Rate of Return</b>			
<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Geometric Real Rate of Return</b>	<b>Expected Contribution to Long-Term Portfolio Returns<sup>1</sup></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
Stable Value Hedge Funds	4	3.0	0.1
Cash	1	0.2	0.0
<b>Real Return</b>			
Global Inflation Linked Bonds	3	0.9	0.0
Real Assets	16	5.1	1.1
Energy and Natural Resources	3	6.6	0.2
Commodities	0	1.2	0.0
<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>

<sup>1</sup> The Expected Contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns



# PEASTER INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended August 31, 2016

## 13. Defined Benefit Pension Plans (Continued)

### 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.

	1% Decrease in Discount Rate (7.0%)		1% Increase in Discount Rate (9.0%)	
District's proportionate share of the net pension liability.	\$	2,327,376	\$	1,485,422
Co-op's proportionate share of the net pension liability.		797,263		508,844
Total	\$	3,124,639	\$	1,994,266
			\$	784,126
				268,609
				1,052,735

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

At August 31, 2016, the District and Co-op reported liabilities of \$1,485,422 and \$508,844 respectively for their proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District and Co-op. The amount recognized by the District and Co-op as their 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 and Co-op were as follows:

	District	Co-op	Total
District's/Co-op's proportionate share of the collective net pension liability	\$ 1,485,422	\$ 508,844	\$ 1,994,266
State's proportionate share that is associated with the District/Co-op	4,287,110	1,004,051	5,291,161
	\$ 5,772,532	\$ 1,512,895	\$ 7,285,427

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

At August 31, 2015 the District and Co-op's proportion of the collective net pension liability was 0.000042022 and 0.000014395% respectively which was an increase of 0.000026088% and 0.000005123% 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*

1. The inflation assumption was decreased from 3.00% to 2.50%.
2. The ultimate merit assumption for long-service employees was decreased from 1.25% to 1.00%.



## PEASTER INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended August 31, 2016

### 13. Defined Benefit Pension Plans (Continued)

3. In accordance with the observed experience, there were small adjustments in the service-based promotional/longevity component of the salary scale.
4. The payroll growth assumption was lowered from 3.50% to 2.50%.

#### *Mortality Assumptions*

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

#### *Other Demographic Assumptions*

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

#### *Actuarial Methods and Policies*

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

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 and Co-op recognized pension expense of \$753,905 and revenue of \$753,905 for support provided by the State.

PEASTER INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended August 31, 2016

**13. Defined Benefit Pension Plans (Continued)**

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$8,659	\$76,641
Changes in actuarial assumptions	\$36,398	\$71,147
Difference between projected and actual investment earnings	\$336,805	
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	\$712,773	\$147
Contributions paid to TRS subsequent to the measurement date	\$188,330	
Total	\$1,282,965	\$147,935

The \$188,330 of deferred outflows of resources resulting from contributions paid to TRS subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ending August 31, 2017. The other amounts reported as 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	\$176,143
2018	\$176,143
2019	\$176,142
2020	\$227,589
2021	\$104,263
Thereafter	\$86,420

**14. School District Retiree Health Plan**

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



## PEASTER INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended August 31, 2016

### 14. School District Retiree Health Plan (continued)

*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 .25% or greater than .75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. Contribution rates and amounts are shown in the table below for fiscal year 2016 – 2014.

Contribution Rates						
Year	Active Member		State/Federal		School District	
	Rate	Amount	Rate	Amount	Rate	Amount
2016	0.65%	\$ 51,560	1.00%	\$ 74,795	0.55%	\$ 43,627
2015	0.65%	\$ 48,663	1.00%	\$ 71,727	0.55%	\$ 41,177
2014	0.65%	\$ 46,425	1.00%	\$ 68,137	0.55%	\$ 39,283

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. These on-behalf payments must be recognized as equal revenues and expenditures by each reporting entity. The amount of on-behalf payments for the years ended August 31, 2016, 2015, and 2014 were \$18,754, \$17,569, and \$14,349, respectively.

### 15. Litigation, Contingencies, and Commitments

#### Contingencies

The District participates in numerous state and Federal 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, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2016 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 combined financial statements for such contingencies.

### 16. 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 the year ended August 31, 2016, the District participated in the Texas Association of School Boards ("TASB") Risk Management Fund's Auto, Liability and Property Programs (the "Funds"). The Funds purchase stop-loss coverage for protection against catastrophic and larger than anticipated claims for its Auto, Liability and Property Programs. The terms and limits of the stop-loss program vary by the line of coverage. The Funds use the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended August 31, 2016, the Fund anticipates Peaster ISD has no additional liability beyond the contractual obligations for payment of contributions.

## PEASTER INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended August 31, 2016

### 16. Risk Management (continued)

During the year ended August 31, 2016, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund Unemployment Compensation Pool. The fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for the Unemployment Compensation Pool. For the year ended August 31, 2016, the Fund anticipates that Peaster ISD has no additional liability beyond the contractual obligations for payment of contributions.

The TASB Risk Management Fund was created and is operated under the provision of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's unemployment compensation program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Funds execute Interlocal Agreements that define the responsibilities of the parties.

Through August 31, 2010, the District (the Plan sponsor) participated in the West Texas Educational Insurance Association self-insurance group to provide workers' compensation benefits for their employees (the Plan), as required by law for on-the-job related injuries. The Plan is supervised by a third party administrator, Claims Administrative Services, a Texas corporation (the plan administrator). Under the Plan, the District has obtained reinsurance coverage for excess workers' compensation and employer's liability. The accrued liability for workers' compensation self-insurance of \$11,046 includes incurred but not reported claims of \$3,134. The liability reported in the fund at August 31, 2016 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred as of the date of the financial statements, and the amount of loss can be reasonably estimated. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing the liability does not result necessarily in an exact amount.

Changes in the workers' compensation claims liability amounts in fiscal year 2016 are represented below:

	Current Year Claims			
	Beginning Balance	and Changes in Estimates	Claim Payments	Ending Balance
8/31/2015	\$ 15,700	\$ (994)	\$ (774)	\$ 13,932
8/31/2016	\$ 13,932	\$ (2,173)	\$ (713)	\$ 11,046

September 1, 2010 the District changed workers compensation providers to Edwards Risk Management Inc. The new workers compensation program is not self-funded.



# PEASTER INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended August 31, 2016

## 17. Shared Services Arrangements

The District became fiscal agent for a Shared Service Arrangement (SSA) on July 1, 2002, that provides services to the member districts listed below. All services are provided by the fiscal agent. Grant funds are provided directly to the fiscal agent. According to guidance provided in TEA's Resource Guide, the District has accounted for the fiscal agent's activities of the SSA in a special revenue fund and funds 313-435 will be accounted for using Model 2 and funds 437-459 will be accounted for using Model 3 in the SSA section on the Resource Guide. Expenditures of the shared service arrangement are summarized below:

Member Districts	313 IDEA-B Formula	314 IDEA-B Preschool	434 Supplemental Visually Impaired	437 Special Education	459 Bluebonnet Co-op
Poolville ISD	\$ 104,558	\$ 447	-	\$ 172,898	\$ -
Millsap ISD	168,807	898	680	197,774	
Peaster ISD	210,856	1,346	453	225,571	
Brock ISD	163,613	2,692	3,174	196,560	
Garner ISD	43,640	4,488	-	137,321	
Weatherford ISD	-	-	5,895		30,529
Palo Pinto Co-op	-	-	2,267		40,622
Parker County Co-op	-	-	-		64,774
Springtown ISD	-	-	2,494		72,507
Aledo	-	-	3,854		55,987
Azle	-	-	2,721		22,897
Castleberry	-	-	453		22,696
Decatur	-	-	907		22,696
Lake Worth	-	-	3,174		36,304
White Settlement	-	-	6,121		85,815
Wise County	-	-	3,401		47,300
	<u>\$ 691,474</u>	<u>\$ 9,871</u>	<u>\$ 35,594</u>	<u>\$ 930,124</u>	<u>\$ 502,127</u>

Member Districts	315 IDEA-B Discretionary	316 IDEA-B Deaf	317 IDEA-B Preschool Deaf	340 IDEA-C Deaf	435 Regional Day School for the Deaf	458 Brazos River Co-op
Glen Rose ISD	\$ 672	\$ 277	\$ -	\$ 610	\$ 27,920	\$ 5,619
Granbury ISD	7,396	3,040	-	-	76,780	110,909
Central TX	3,362	1,382	-	-	34,900	6,587
Palo Pinto Co-op	7,396	3,040	-	203	83,761	87,106
Parker County Co-op	3,362	1,381	-	203	41,880	31,998
Weatherford ISD	14,119	5,802	1,863	-	146,581	336,399
Stephenville ISD	4,706	1,934	1,863	-	48,860	130,993
Springtown ISD	4,034	1,658	-	-	41,881	30,715
Erath County	672	276	-	407	20,940	(1,763)
	<u>\$ 45,719</u>	<u>\$ 18,790</u>	<u>\$ 3,726</u>	<u>\$ 1,423</u>	<u>\$ 523,503</u>	<u>\$ 738,563</u>

**PEASTER INDEPENDENT SCHOOL DISTRICT**

Notes to the Financial Statements  
For the Year Ended August 31, 2016

**18. Subsequent Events**

Subsequent events were evaluated through December 8, 2016, which is the date the financial statements were available to be issued.

### **Required Supplementary Information**

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PEASTER INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 2,977,201	\$ 2,982,201	\$ 3,027,071	\$ 44,870
5800	State Program Revenues	6,027,650	5,973,880	6,052,854	78,974
5900	Federal Program Revenues	36,000	122,871	125,754	2,883
5020	Total Revenues	9,040,851	9,078,952	9,205,679	126,727
EXPENDITURES:					
Current:					
0011	Instruction	5,736,774	5,901,767	5,891,516	10,251
0012	Instructional Resources and Media Services	159,135	172,544	170,422	2,122
0013	Curriculum and Instructional Staff Development	29,120	25,120	22,868	2,252
0023	School Leadership	524,274	542,192	539,411	2,781
0031	Guidance, Counseling and Evaluation Services	230,696	233,805	232,082	1,723
0033	Health Services	102,316	95,272	92,918	2,354
0034	Student (Pupil) Transportation	305,407	291,016	279,993	11,023
0035	Food Services	55,295	14,189	11,526	2,663
0036	Extracurricular Activities	261,993	299,692	297,016	2,676
0041	General Administration	504,276	505,037	499,206	5,831
0051	Facilities Maintenance and Operations	941,443	993,963	993,920	43
0052	Security and Monitoring Services	10,000	10,000	6,796	3,204
0053	Data Processing Services	61,980	62,080	62,035	45
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	202,599	202,599	202,599	-
6030	Total Expenditures	9,125,308	9,349,276	9,302,308	46,968
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(84,457)	(270,324)	(96,629)	173,695
OTHER FINANCING SOURCES (USES):					
7912	Sale of Real and Personal Property	-	964,420	964,420	-
7915	Transfers In	-	100,000	88,350	(11,650)
8911	Transfers Out (Use)	(51,844)	(144,777)	(129,177)	15,600
7080	Total Other Financing Sources (Uses)	(51,844)	919,643	923,593	3,950
1200	Net Change in Fund Balances	(136,301)	649,319	826,964	177,645
0100	Fund Balance - September 1 (Beginning)	1,280,319	1,280,319	1,280,319	-
3000	Fund Balance - August 31 (Ending)	\$ 1,144,018	\$ 1,929,638	\$ 2,107,283	\$ 177,645

PEASTER INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BLUEBONNET CO-OP  
FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT G-2

Data Control Codes	Budgeted Amounts		Actual	Variance With
	Original	Final	GAAP BASIS (See Note)	Final Budget Positive or (Negative)
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 507,888	\$ 507,888	\$ 477,562	\$ (30,326)
5800 State Program Revenues	27,809	27,809	24,565	(3,244)
5020 Total Revenues	535,697	535,697	502,127	(33,570)
EXPENDITURES:				
Current:				
0011 Instruction	500,217	500,217	470,112	30,105
0013 Curriculum and Instructional Staff Development	2,000	2,000	2,383	(383)
0021 Instructional Leadership	28,380	28,380	29,632	(1,252)
6030 Total Expenditures	530,597	530,597	502,127	28,470
1200 Change in Fund Balance	5,100	5,100	-	(5,100)
0100 Fund Balance - September 1 (Beginning)	27,759	27,759	27,759	-
3000 Fund Balance - August 31 (Ending)	\$ 32,859	\$ 32,859	\$ 27,759	\$ (5,100)

**PEASTER INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**TEACHERS RETIREMENT SYSTEM**  
**FOR THE YEAR ENDED AUGUST 31, 2015**

	2014			2015		
	District	Co-op	Total	District	Co-op	Total
Proportion of the Net Pension Liability (Asset)	0.000015934	0.000009272	0.000025206	0.000042022	0.000014395	0.000056417
Proportionate Share of Net Pension Liability (Asset)	425,619	247,668	673,287	1,485,422	508,844	1,994,266
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	3,655,568	844,129	4,499,697	4,287,110	1,004,051	5,291,161
Total	4,081,187	1,091,797	5,172,984	5,772,532	1,512,895	7,285,427
Covered-Employee Payroll	5,633,139	1,509,306	7,142,445	5,917,205	1,569,424	7,486,629
Proportionate Share of Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	7.56%	16.41%	9.43%	25.10%	32.42%	26.64%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.25%	83.25%	83.25%	78.43%	78.43%	78.43%

The notes to the required supplementary information are an integral part of this schedule.

**PEASTER INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICT CONTRIBUTIONS**  
**TEACHERS RETIREMENT SYSTEM**  
**FOR THE YEAR ENDED AUGUST 31, 2015**

	2015			2016		
	District	Co-op	Total	District	Co-op	Total
Contractually Required Contribution	124,429	42,624	167,053	136,417	51,914	188,331
Contribution in Relation to the Contractually Required Contribution	(124,429)	(42,624)	(167,053)	(136,417)	(51,914)	(188,331)
<b>Contribution Deficiency (Excess)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Co-op's Covered-Employee Payroll	5,917,205	1,569,424	7,486,629	6,307,453	1,624,826	7,932,279
Contributions as a Percentage of Covered-Employee Payroll	2.10%	2.72%	2.23%	2.16%	3.20%	2.37%

The notes to the required supplementary information are an integral part of this schedule.



## PEASTER INDEPENDENT SCHOOL DISTRICT

### Notes to the Required Supplementary Information For the Year Ended August 31, 2016

#### **Stewardship, compliance and accountability**

##### Budget

The official budget was prepared for adoption for all Governmental Fund Types. The budget was prepared on a GAAP basis. The following procedures are followed in establishing the budgetary data reflected in the general-purpose financial statements:

- a. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1. 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 September 1, 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. During the year, three amendments were necessary.

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

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 canceled 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.

##### Excess of expenditures over appropriations

Bluebonnet Co-op curriculum and development and instructional leadership expenditures exceeded appropriations by \$383 and \$1,252. Total expenditures were \$28,470 less than budgeted.

## PEASTER INDEPENDENT SCHOOL DISTRICT

Notes to the Required Supplementary Information  
For the Year Ended August 31, 2016

### Defined Benefit Pension Schedules

#### Notes to Schedule of Contributions

Valuation Date: Augusts 31, 2015 (to determine contribution rate for fiscal year ending August 31, 2016).

Notes Actuarially determined contribution rates are calculated as of August 31 preceeding fiscal year. Members and employers contribute based on statutorily fixed rates.

#### Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	For funding purposes, the Ultimate Entry Age Normal actuarial cost method is used
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	29.8 years
Asset Valuation Method	5 Year smoothed market
Inflation	2.50%
Salary Increases	3.50% to 9.50% including inflation
Investment Rate of Return	8.00%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2011 valuation pursuant to an experience study of the period September 1, 2006 through August 31, 2010.
Mortality	Active Mortality: 1994 Group Annuity Mortality Table set back 6 years for both males and females. Post-Retirement: Client specific tables multiplied by 80%.

#### Other Information:

Notes There were no benefit changes during the year.

## **Other Supplementary Information**



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

Data Control Codes		211 ESEA I, A Improving Basic Program	240 National Breakfast and Lunch Program	243 Career and Technical - Preparation	255 ESEA II,A Training and Recruiting
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ -	\$ 16,562	\$ -	\$ -
1240	Receivables from Other Governments	7,815	6,979	-	4,000
1260	Due from Other Funds	-	-	-	-
1290	Other Receivables	-	-	-	-
1000	Total Assets	<u>\$ 7,815</u>	<u>\$ 23,541</u>	<u>\$ -</u>	<u>\$ 4,000</u>
<b>LIABILITIES</b>					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ -
2160	Accrued Wages Payable	7,127	8,625	-	3,649
2170	Due to Other Funds	-	-	-	-
2200	Accrued Expenditures	688	169	-	351
2000	Total Liabilities	<u>7,815</u>	<u>8,794</u>	<u>-</u>	<u>4,000</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
2602	Deferred Inflow of Resources	-	-	-	-
2600	Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	14,747	-	-
3470	Capital Acquisition and Contractual Obligation	-	-	-	-
3490	Other Restricted Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>14,747</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 7,815</u>	<u>\$ 23,541</u>	<u>\$ -</u>	<u>\$ 4,000</u>

313 SSA IDEA, Part B Formula	314 SSA IDEA, Part B Preschool	315 SSA IDEA, Part B Discretionary	316 SSA IDEA, Part B Deaf	317 SSA - IDEA, B Preschool Deaf	327 SSA Substance Abuse Prev. Females	340 SSA - IDEA C Deaf - Early Intervention	350 SSA - III, A English Lang. Acquisition
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 462	\$ -	\$ -
85,532	9,871	-	-	-	-	-	-
-	-	-	-	-	-	-	-
68	-	-	-	-	-	-	-
<u>\$ 85,600</u>	<u>\$ 9,871</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 462</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
32,941	-	-	-	-	-	-	-
49,450	9,871	-	-	-	-	-	-
3,209	-	-	-	-	-	-	-
<u>85,600</u>	<u>9,871</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	462	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>462</u>	<u>-</u>	<u>-</u>
<u>\$ 85,600</u>	<u>\$ 9,871</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 462</u>	<u>\$ -</u>	<u>\$ -</u>

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

Data Control Codes		397 Advanced Placement Incentives	410 State Textbook Fund	434 SSA - SSVI Visually Impaired	435 SSA Regional Day School - Deaf
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ 2,839	\$ 610	\$ -	\$ -
1240	Receivables from Other Governments	-	-	2,814	-
1260	Due from Other Funds	-	-	-	-
1290	Other Receivables	-	-	-	-
1000	Total Assets	<u>\$ 2,839</u>	<u>\$ 610</u>	<u>\$ 2,814</u>	<u>\$ -</u>
<b>LIABILITIES</b>					
2110	Accounts Payable	\$ -	\$ 500	\$ -	\$ -
2160	Accrued Wages Payable	-	-	2,761	-
2170	Due to Other Funds	-	-	-	-
2200	Accrued Expenditures	-	-	53	-
2000	Total Liabilities	<u>-</u>	<u>500</u>	<u>2,814</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
2602	Deferred Inflow of Resources	-	-	-	-
2600	Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	2,839	110	-	-
3470	Capital Acquisition and Contractual Obligation	-	-	-	-
3490	Other Restricted Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>2,839</u>	<u>110</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 2,839</u>	<u>\$ 610</u>	<u>\$ 2,814</u>	<u>\$ -</u>



437 SSA Special Education	458 SSA Brazos River Co-op	461 Campus Activity Funds	499 Other Local Special Revenue Funds	Total Nonmajor Special Revenue Funds	698 Capital Projects	Total Nonmajor Governmental Funds
\$ 267,495	\$ 142,879	\$ 151,580	\$ 20	\$ 582,447	\$ 28,306	\$ 610,753
4,768	-	-	-	121,779	-	121,779
59,321	-	-	-	59,321	-	59,321
-	34	-	-	102	-	102
<u>\$ 331,584</u>	<u>\$ 142,913</u>	<u>\$ 151,580</u>	<u>\$ 20</u>	<u>\$ 763,649</u>	<u>\$ 28,306</u>	<u>\$ 791,955</u>
\$ 2,192	\$ 313	\$ 4,995	\$ -	\$ 8,000	\$ 25,181	\$ 33,181
37,230	26,792	-	-	119,125	-	119,125
-	-	-	-	59,321	-	59,321
849	541	-	-	5,860	-	5,860
<u>40,271</u>	<u>27,646</u>	<u>4,995</u>	<u>-</u>	<u>192,306</u>	<u>25,181</u>	<u>217,487</u>
-	92,857	-	-	92,857	-	92,857
-	92,857	-	-	92,857	-	92,857
-	-	-	-	18,158	-	18,158
-	-	-	-	-	3,125	3,125
291,313	22,410	146,585	20	460,328	-	460,328
<u>291,313</u>	<u>22,410</u>	<u>146,585</u>	<u>20</u>	<u>478,486</u>	<u>3,125</u>	<u>481,611</u>
<u>\$ 331,584</u>	<u>\$ 142,913</u>	<u>\$ 151,580</u>	<u>\$ 20</u>	<u>\$ 763,649</u>	<u>\$ 28,306</u>	<u>\$ 791,955</u>

PEASTER 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		211 ESEA I, A Improving Basic Program	240 National Breakfast and Lunch Program	243 Career and Technical - Preparation	255 ESEA II,A Training and Recruiting
REVENUES:					
5700	Total Local and Intermediate Sources	\$ -	\$ 175,623	\$ -	\$ -
5800	State Program Revenues	-	2,318	-	-
5900	Federal Program Revenues	110,218	214,525	5,017	23,088
5020	Total Revenues	110,218	392,466	5,017	23,088
EXPENDITURES:					
Current:					
0011	Instruction	110,218	-	5,017	23,088
0012	Instructional Resources and Media Services	-	-	-	-
0013	Curriculum and Instructional Staff Development	-	-	-	-
0021	Instructional Leadership	-	-	-	-
0031	Guidance, Counseling and Evaluation Services	-	-	-	-
0033	Health Services	-	-	-	-
0035	Food Services	-	477,776	-	-
0036	Extracurricular Activities	-	-	-	-
0051	Facilities Maintenance and Operations	-	43,867	-	-
0052	Security and Monitoring Services	-	-	-	-
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	-	-	-
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	-	-	-	-
6030	Total Expenditures	110,218	521,643	5,017	23,088
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(129,177)	-	-
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	-	129,177	-	-
8911	Transfers Out (Use)	-	-	-	-
7080	Total Other Financing Sources (Uses)	-	129,177	-	-
1200	Net Change in Fund Balance	-	-	-	-
0100	Fund Balance - September 1 (Beginning)	-	14,747	-	-
3000	Fund Balance - August 31 (Ending)	\$ -	\$ 14,747	\$ -	\$ -

313 SSA IDEA, Part B Formula	314 SSA IDEA, Part B Preschool	315 SSA IDEA, Part B Discretionary	316 SSA IDEA, Part B Deaf	317 SSA - IDEA, B Preschool Deaf	327 SSA Substance Abuse Prev. Females	340 SSA - IDEA C Deaf - Early Intervention	350 SSA - III, A English Lang. Acquisition
\$ - -	\$ - -	\$ - -	\$ - -	\$ - -	\$ - -	\$ - -	\$ - -
691,474	9,871	45,719	18,790	3,726	-	1,423	80
691,474	9,871	45,719	18,790	3,726	-	1,423	80
213,130	9,871	45,719	18,790	3,726	-	1,423	80
-	-	-	-	-	-	-	-
8,866	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
469,478	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
691,474	9,871	45,719	18,790	3,726	-	1,423	80
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	462	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 462	\$ -	\$ -

PEASTER 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		397 Advanced Placement Incentives	410 State Textbook Fund	434 SSA - SSVI Visually Impaired	435 SSA Regional Day School - Deaf
REVENUES:					
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800	State Program Revenues	-	145,317	35,594	523,503
5900	Federal Program Revenues	-	-	-	-
5020	Total Revenues	-	145,317	35,594	523,503
EXPENDITURES:					
Current:					
0011	Instruction	-	145,207	35,594	523,503
0012	Instructional Resources and Media Services	-	-	-	-
0013	Curriculum and Instructional Staff Development	-	-	-	-
0021	Instructional Leadership	-	-	-	-
0031	Guidance, Counseling and Evaluation Services	-	-	-	-
0033	Health Services	-	-	-	-
0035	Food Services	-	-	-	-
0036	Extracurricular Activities	-	-	-	-
0051	Facilities Maintenance and Operations	-	-	-	-
0052	Security and Monitoring Services	-	-	-	-
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	-	-	-
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	-	-	-	-
6030	Total Expenditures	-	145,207	35,594	523,503
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	110	-	-
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	-	-	-	-
8911	Transfers Out (Use)	-	-	-	-
7080	Total Other Financing Sources (Uses)	-	-	-	-
1200	Net Change in Fund Balance	-	110	-	-
0100	Fund Balance - September 1 (Beginning)	2,839	-	-	-
3000	Fund Balance - August 31 (Ending)	\$ 2,839	\$ 110	\$ -	\$ -



437 SSA Special Education	458 SSA Brazos River Co-op	461 Campus Activity Funds	499 Other Local Special Revenue Funds	Total Nonmajor Special Revenue Funds	698 Capital Projects	Total Nonmajor Governmental Funds
\$ 856,974	\$ 709,160	\$ 470,116	\$ -	\$ 2,211,873	\$ 1,376	\$ 2,213,249
41,321	29,403	-	-	777,456	-	777,456
-	-	-	-	1,123,931	-	1,123,931
898,295	738,563	470,116	-	4,113,260	1,376	4,114,636
289,552	578,970	-	-	2,003,888	-	2,003,888
2,208	-	-	-	2,208	-	2,208
10,290	6,764	-	-	25,920	-	25,920
555,113	152,829	-	-	707,942	-	707,942
9,056	-	-	-	478,534	-	478,534
2,606	-	-	-	2,606	-	2,606
-	-	-	-	477,776	-	477,776
-	-	323,531	-	323,531	-	323,531
48,995	-	-	-	92,862	-	92,862
804	-	-	-	804	-	804
-	-	-	-	-	586,015	586,015
11,500	-	-	-	11,500	-	11,500
930,124	738,563	323,531	-	4,127,571	586,015	4,713,586
(31,829)	-	146,585	-	(14,311)	(584,639)	(598,950)
-	-	-	-	129,177	-	129,177
-	-	-	-	-	(88,350)	(88,350)
-	-	-	-	129,177	(88,350)	40,827
(31,829)	-	146,585	-	114,866	(672,989)	(558,123)
323,142	22,410	-	20	363,620	676,114	1,039,734
\$ 291,313	\$ 22,410	\$ 146,585	\$ 20	\$ 478,486	\$ 3,125	\$ 481,611

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## **Required TEA Schedules**

PEASTER INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FISCAL YEAR ENDED AUGUST 31, 2016

Last 10 Years 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	1.370000	0.240000	231,212,900
2009	1.040000	0.312800	249,805,440
2010	1.040000	0.312800	277,626,595
2011	1.040000	0.312800	271,971,800
2012	1.040000	0.312800	261,801,010
2013	1.040000	0.312800	266,427,370
2014	1.040000	0.312800	266,711,260
2015	1.040000	0.360000	274,523,666
2016 (School year under audit)	1.040000	0.360000	289,277,240
1000 TOTALS			



(10) Beginning Balance 9/1/2015	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2016
\$ 18,232	\$ -	\$ -	\$ -	\$ (2,518)	\$ 15,714
1,635	-	-	-	(1)	1,634
3,687	-	696	209	(50)	2,732
2,589	-	24	7	-	2,558
5,644	-	5,918	1,780	6,580	4,526
8,514	-	5,976	1,797	6,239	6,980
9,629	-	6,220	1,871	5,897	7,435
28,180	-	18,802	5,655	5,014	8,737
70,318	-	38,526	13,336	489	18,945
-	3,912,181	2,863,296	991,141	(12,151)	45,593
<u>\$ 148,428</u>	<u>\$ 3,912,181</u>	<u>\$ 2,939,458</u>	<u>\$ 1,015,796</u>	<u>\$ 9,499</u>	<u>\$ 114,854</u>

PEASTER INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM  
 FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 255,000	\$ 178,500	\$ 175,623	\$ (2,877)
5800 State Program Revenues	3,200	3,200	2,318	(882)
5900 Federal Program Revenues	194,670	194,670	214,525	19,855
5020 Total Revenues	452,870	376,370	392,466	16,096
EXPENDITURES:				
0035 Food Services	459,714	476,147	477,776	(1,629)
0051 Facilities Maintenance and Operations	45,000	45,000	43,867	1,133
6030 Total Expenditures	504,714	521,147	521,643	(496)
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(51,844)	(144,777)	(129,177)	15,600
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	51,844	144,777	129,177	(15,600)
1200 Net Change in Fund Balances	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	14,747	14,747	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ 14,747	\$ 14,747	\$ -

PEASTER INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - DEBT SERVICE FUND  
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 1,017,762	\$ 1,035,262	\$ 1,038,728	\$ 3,466
5800 State Program Revenues	289,129	328,660	308,609	(20,051)
5020 Total Revenues	1,306,891	1,363,922	1,347,337	(16,585)
EXPENDITURES:				
Debt Service:				
0071 Principal on Long Term Debt	740,000	740,000	740,000	-
0072 Interest on Long Term Debt	750,067	750,067	737,202	12,865
0073 Bond Issuance Cost and Fees	2,300	2,300	1,231	1,069
6030 Total Expenditures	1,492,367	1,492,367	1,478,433	13,934
1200 Net Change in Fund Balances	(185,476)	(128,445)	(131,096)	(2,651)
0100 Fund Balance - September 1 (Beginning)	868,687	868,687	868,687	-
3000 Fund Balance - August 31 (Ending)	\$ 683,211	\$ 740,242	\$ 737,591	\$ (2,651)

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**Overall Compliance, Internal Control  
And Federal Awards Section**

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

To the Board of Trustees  
Peaster Independent School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Peaster 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 of the District's basic financial statements, and have issued our report thereon dated December 8, 2016.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Peaster Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

*George Morgan Smith P.C.*

Weatherford, Texas

December 8, 2016



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

To the Board of Trustees  
Peaster Independent School District

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

We have audited Peaster Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2016. Peaster Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

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

In our opinion, Peaster Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2016.

## Report on Internal Control over Compliance

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

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

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

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

*George Morgan, Jr., P.C.*

Weatherford, Texas  
December 8, 2016



**PEASTER 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: Unqualified

Internal control over financial reporting:

Material weakness identified?        Yes   X   No

Significant deficiency identified that are not considered to be material weaknesses?        Yes   X   None Reported

Noncompliance material to financial statements noted        Yes   X   No

2. Federal Awards

Internal control over major programs:

Material weakness(es) identified?        Yes   X   No

Significant deficiency(s) identified that are not considered to be material weaknesses?        Yes   X   None Reported

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027*	IDEA, Part B, Formula
84.173*	IDEA, Part B, Preschool

\*Special Education Cluster (IDEA)

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

Auditee qualified as low-risk auditee?   X   Yes        No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE



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

None

**PEASTER INDEPENDENT SCHOOL DISTRICT  
CORRECTIVE ACTION PLAN  
YEAR ENDED AUGUST 31, 2016**

Financial Statement Findings

None.

Federal Award Findings

None.

**PEASTER INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED AUGUST 31, 2016**

**EXHIBIT K-1**

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
<u>U.S. Department of Education</u>				
<u>Passed Through Education Service Center XI</u>				
Career and Technical Education	84.048	184908	\$ -	\$ 5,017
English Language Acquisition Grants	84.365	1667100271211	-	80
Total Passed Through Education Service Center XI			\$ -	\$ 5,097
<u>Passed Through State Department of Education</u>				
Title I Grants to Local Education Agencies	84.010	16610101184908	\$ -	\$ 102,403
Title I Grants to Local Education Agencies	84.010	17610101184908	-	7,815
Total CFDA Number 84.010			-	110,218
SSA IDEA, Part B, Formula*	84.027	166600011849086600	-	691,474
SSA IDEA, Part B, Discretionary*	84.027	166600111849086673	45,719	45,719
SSA IDEA, Part B, Formula (Deaf)*	84.027	166600011849086601	18,790	18,790
Total CFDA Number 84.027			64,509	755,983
SSA IDEA, Part B, Preschool*	84.173	166610011849086610	9,871	9,871
SSA IDEA, Part B, Preschool (Deaf)*	84.173	166610011849086611	3,726	3,726
Total CFDA Number 84.173			13,597	13,597
Total Special Education Cluster (IDEA)			78,106	769,580
SSA IDEA, Part C, Early Intervention (Deaf)	84.181	163911011849083911	1,426	1,423
Title II, A, Teacher & Principal Recruitment	84.367	16694501184908	-	19,088
Title II, A, Teacher & Principal Recruitment	84.367	17694501184908	-	4,000
Total CFDA Number 84.367			-	23,088
Total Passed Through State Department of Education			79,532	904,309
Total U.S. Department of Education			\$ 79,532	\$ 909,406
<u>U.S. Department of Health and Human Services</u>				
<u>Passed Through Texas Department of Human Services</u>				
Medicaid Administrative Claiming Program - MAC	93.778	529-12-0041-00043	\$ -	\$ 6,165
Total Passed Through Texas Department of Human Services			-	6,165
Total Department of Health and Human Services			\$ -	\$ 6,165
<u>U.S. Department of Agriculture</u>				
<u>Passed Through Texas Department of Agriculture</u>				
School Breakfast Program*	10.553	71401601	\$ -	\$ 41,720
National School Lunch Program - Cash Assistance*	10.555	71301601	-	146,917
National School Lunch Program - Non-Cash Assistance*	10.555	184006A	-	25,888
Total CFDA Number 10.555			-	172,805
Total Child Nutrition Cluster			-	214,525
Total Passed Through Texas Department of Agriculture			-	214,525
Total Department of Agriculture			\$ -	\$ 214,525
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 79,532	\$ 1,130,096

\* Clustered Programs as required by Compliance Supplement June 2016.  
The accompanying notes are an integral part of this schedule.

**PEASTER INDEPENDENT SCHOOL DISTRICT**  
Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended August 31, 2016

Reporting Entity

Peaster Independent School District is the fiscal agent for three Shared Service Arrangements. As fiscal agent, Peaster Independent School District reports the balances and activities of the Shared Service Arrangements in its financial report. This schedule of expenditures of federal awards contains all of the District's federal programs, including those operated under the Shared Services Arrangements.

*Shared Service Arrangements.* Parker County Co-op Special Services is a Shared Service Arrangement (SSA) between five school districts for the purpose of bringing special education programs to disabled children. Also reported in the financial statements is the Bluebonnet Co-op for Students with Visual Impairments SSA and the Brazos River Regional Day School Co-op for the Deaf SSA which were created for the purpose of bringing special education programs to disabled children.

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Peaster Independent School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

Indirect Cost Rate

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



## **School First Questionnaire**

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## SCHOOLS FIRST QUESTIONNAIRE

Peaster Independent School District

Fiscal Year 2016

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	No
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	0
SF11	Net Pension Assets (1920) at fiscal year-end.	0
SF12	Net Pension Liabilities (2540) at fiscal year-end.	1,994,266
SF13	Pension Expense (6147) at fiscal year-end.	389,546

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