

**ANNUAL FINANCIAL AND
COMPLIANCE REPORT**

PEASTER INDEPENDENT SCHOOL DISTRICT

**FOR THE YEAR ENDED
AUGUST 31, 2015**



GMS

CERTIFIED PUBLIC
ACCOUNTANTS

GEORGE | MORGAN | SNEED

December 7, 2015

Board of Trustees
Peaster Independent School District

Members of the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Peaster Independent School District for the year ended August 31, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated April 27, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 2 to the financial statements. As described in Note 20 to the financial statements, the District changed accounting policies by adopting Statement of Governmental Accounting Standards (GASB Statement) No 68, *Accounting and Financial Reporting for Pensions – and amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68* in 2015. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely audit adjustments identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management.

George, Morgan & Sneed, P.C.

1849 Wall Street | Weatherford, TX 76086-6298 | Phone 817.594.2704 | Fax 817.599.7389

Management has corrected all such audit adjustments. Attached is a list of audit adjustments detected as a result of audit procedures and corrected by management.

Disagreements with Management

For purposes of this letter, define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 9, 2015.

Management Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Peaster Independent School District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the budgetary comparison schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquires of management regarding the methods of preparing the information and comparing the information for consistency with managements responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining schedules and the schedule of expenditures of federal awards, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the Board of Trustees and management of Peaster Independent School District, and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

George, Morgan & Sneed, P.C.
GEORGE, MORGAN & SNEED, P.C.

PEASTER INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
For the Year Ended August 31, 2015

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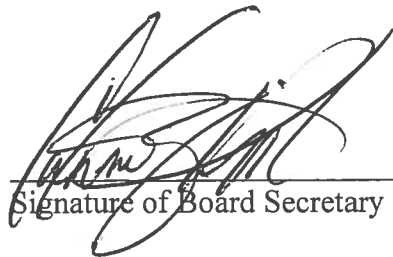
CERTIFICATE OF BOARD

Peaster Independent School District
Name of School District

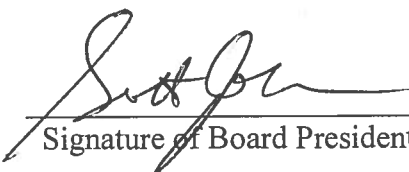
Parker
County

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, 2015, at a meeting of the board of trustees of such school district on the Dec 17, 2015.



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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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, 2015, 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 51 - 54 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, 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 9, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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 Frost, P.C.

Weatherford, Texas
December 9, 2015

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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, 2015. 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 \$8,211,878 at August 31, 2015. Of this amount \$1,752,575 (unrestricted net position) may be used to meet the District's ongoing needs.

During the year, the District's net position decreased by \$1,153,610. Operations at the District and shared service arrangement decreased net position \$318,873 and \$71,900 respectively. \$762,837 of the decrease is an adjustment to beginning net position required as a result of implementing new accounting standards. See note 19 to the financial statements for a description of the new standards.

The general fund reported unassigned fund balance this year of \$880,086 or 10% 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.

Figure A-1. Major Features of the District's Government-wide and Fund Financial Statements

<i>Types of Statements</i>	Government-wide	Fund Statements	
		Governmental Funds	Fiduciary Funds
<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, debt service fund and capital projects 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 - 50 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 \$8,211,878 at August 31, 2015. (See Table A-1).

Table A-1
The District's Net Position

	Governmental Activities	
	2015	2014
Current and Other Assets	\$ 5,157,733	\$ 11,462,059
Capital and Non-Current Assets	25,263,107	19,497,660
Total Assets	30,420,840	30,959,719
Deferred Outflows of Resources	1,012,599	591,223
Total Deferred Inflows of Resources	1,012,599	591,223
Current Liabilities	1,665,190	837,880
Long-Term Liabilities	21,162,847	20,998,120
Total Liabilities	22,828,037	21,836,000
Deferred Inflows of Resources	393,524	349,454
Total Deferred Inflows of Resources	393,524	349,454
Invested in Capital Assets net of related debt	5,463,593	5,869,861
Restricted	995,710	1,562,275
Unrestricted	1,752,575	1,933,352
Total Net Position	\$ 8,211,878	\$ 9,365,488

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 \$1,752,575 at the end of this year. \$245,700 of the net position is related to shared services arrangements.

The largest portion of the District's net position (67%) 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.

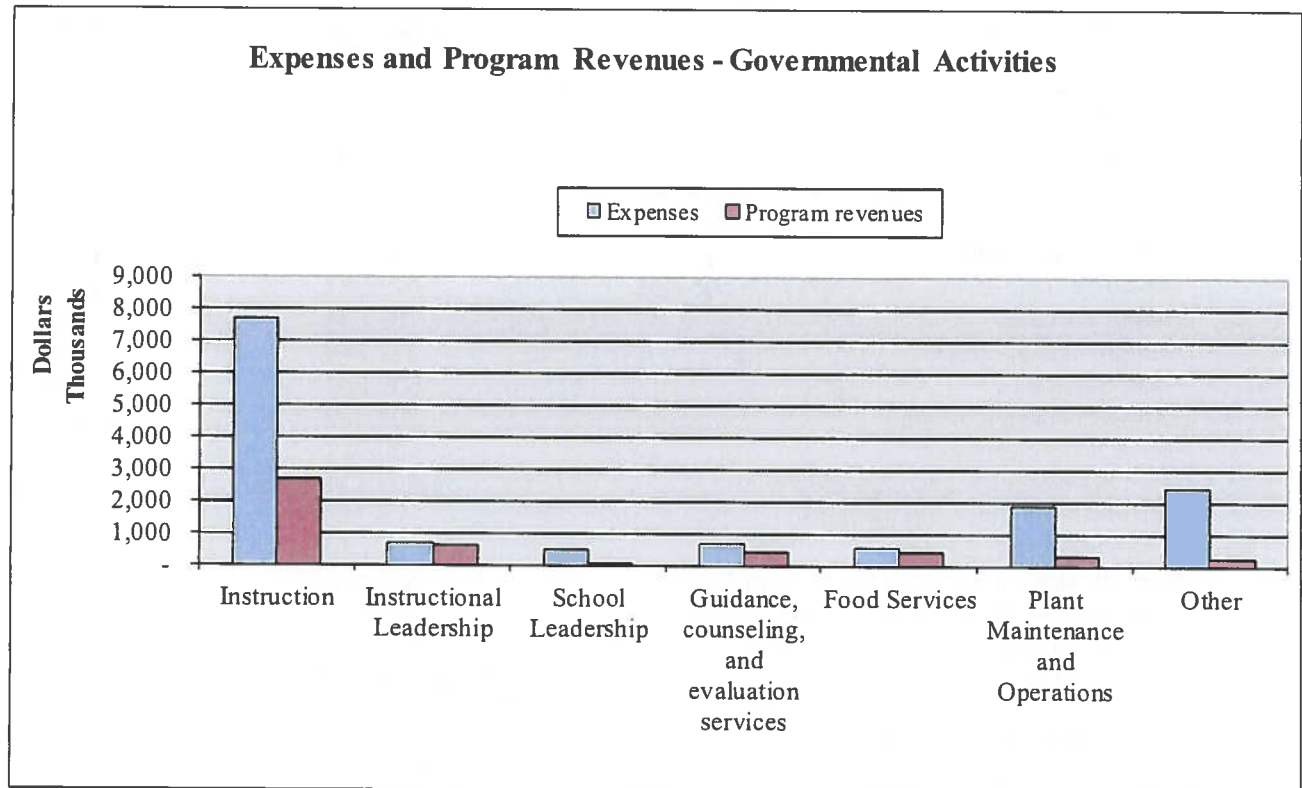
Changes in net position. Below is a summary of the District's change in net position.

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

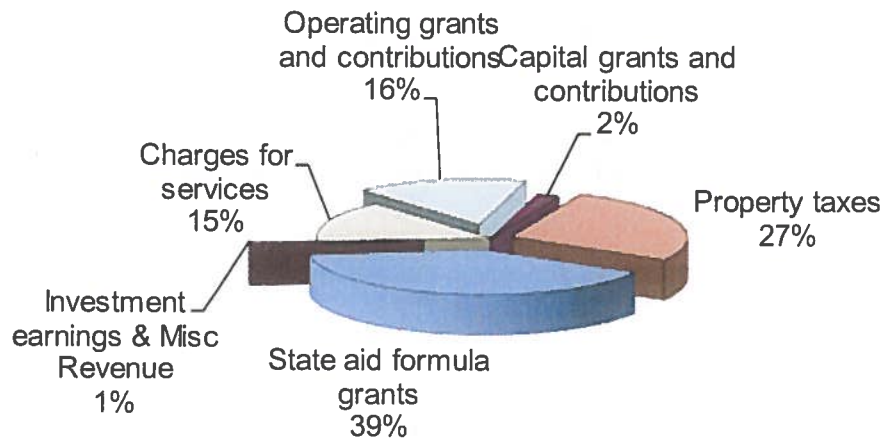
	Governmental Activities	
	2015	2014
Revenues		
<u>Program Revenues</u>		
Charges for Services	\$ 2,054,045	\$ 1,956,547
Operating Grants and Contributions	2,221,892	2,024,561
Capital Grants and Contributions	282,662	253,531
<u>General Revenues</u>		
Property Taxes	3,766,106	3,559,496
State Aid Formula Grants	5,517,334	4,992,261
Investment Earnings	81,297	28,425
Miscellaneous Local and Intermediate Revenue	39,840	71,871
Total Revenues	13,963,176	12,886,692
Expenses		
Instruction	7,676,914	7,248,921
Instructional Resources and Media Services	142,659	138,910
Curriculum and Instructional Staff Development	46,162	38,354
Instructional Leadership	665,825	700,136
School Leadership	475,693	489,054
Guidance, counseling, and evaluation services	627,581	599,497
Health Services	89,344	84,347
Student Transportation	312,740	321,639
Food Services	502,844	480,293
Extracurricular Activities	309,427	266,832
General Administration	460,087	447,889
Plant Maintenance and Operations	1,863,191	1,836,792
Security and monitoring services	5,215	4,519
Data Processing Services	91,879	61,516
Debt Service - Interest on Long-Term Debt	668,080	570,475
Debt Service- Bond Issuance Cost and Fees	83,060	164,067
Payments Related to Shared Services	184,048	184,048
Total Expenses	14,204,749	13,637,289
Excess before Extraordinary Item and transfers	(241,573)	(750,597)
Extraordinary Item - resource	(149,200)	-
Change in Net Position	(390,773)	(750,597)
Beginning Net Position	9,365,488	10,116,085
Prior Period Adjustment	(762,837)	-
Ending Net Position	\$ 8,211,878	\$ 9,365,488

The District's total revenues were \$13,963,176. (See Table A-2.) Total revenues increased \$1,076,484 (8%) from the prior year. The total cost of all programs and services was \$14,204,749. 78% of these costs are for instruction and student services, 3% for general administration, 14% for plant maintenance and operations, and 5% for debt service. Total expenses increased \$567,460 (4%). Of those expenses \$3,217,868 were made by shared service arrangements and account for \$206,655 of the increase. Key elements of these changes are as follows.

- Charges for services increased \$97,498 due to an increase in shared service arrangement charges for services.
- Operating grants increased \$197,331 due a one-time teacher retirement system contribution assistance grant of \$70,010, \$49,621 increase in the allotment for textbooks and \$65,131 increase in the Regional Day School For Deaf grant.
- Property revenue increased \$206,610 because the I&S tax rate was increased \$.0472 per \$100 assessed value and the assessed value of property in the District increased \$7.8 million.
- State aid formula grants increased \$525,073. The District's regular program ADA increased by 52 and the foundation school allotments per student increased for all components.
- Instruction expenses increased \$427,993. Instruction expenses at the District increased \$223,933 primarily because 3 positions were added, employee's received step pay raises and a new TRS contribution of 1.5% was added. Instruction expense at the shared service arrangements increased \$204,060 because positions were added or filled.
- Mold was discovered during the remodeling at the elementary school. The mold abatement costs were \$149,200 and are reported as an extraordinary item.



Revenues by Source - Governmental Activities



FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District's governmental funds reported combined ending fund balances of \$3,216,499. \$880,086 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 \$880,086, while the total fund balance was \$1,280,319. 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 10% of total general fund expenditures.

During the year the fund balance of the District's general fund decreased by \$583,293. Revenues of the general fund increased \$666,724 to \$8,910,995 and expenditures increased \$266,014 to \$8,600,618. Transfers out increased \$691,770 and extraordinary items increased \$149,200. Key factors contributing to these changes are:

- Local and intermediate revenue increased \$49,947 primarily due to an increase in property tax revenue as a result of a \$7.8 million increase in the assessed value of property in the District.
- State program revenues increased \$615,898 because the foundation school allotments increased due to an increase in regular program ADA of 52 and a per student increased for all components and a one-time teacher retirement system contribution assistance grant of \$70,010,
- Instruction expenditures increased \$219,317 because 3 positions were added, employee's received step pay raises and a new TRS contribution of 1.5% was added.
- Transfers out increased \$691,770 due to an increase of \$40,970 in the amount transferred for food service and \$650,800 transferred to the capital projects fund.
- Mold was discovered during the remodeling at the elementary school. The mold abatement costs were \$149,200 and are reported as an extraordinary item.

General Fund Budgetary Highlights

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

Amendments increased budgeted revenues by \$262,448. Actual revenues were \$172,752 more than budgeted.

Amendments increased budgeted expenditures by \$268,909. The most significant increases were for instruction salaries and facilities maintenance and operation. Actual expenditures were \$145,159 less than budgeted.

Amendments increase budgeted transfers out and extraordinary items by \$854,470.

CAPITAL ASSETS

At August 31, 2015, the District had invested \$25,263,107 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 increase (including additions and deductions) of \$5,765,447.

Table A-4
District's Capital Assets

	Governmental Activities	
	2015	2014
Land	\$ 1,842,121	\$ 1,842,121
Construction in Progress	6,041,827	254,132
Buildings and Improvements	26,556,211	26,262,542
Furniture and Equipment	1,733,721	2,101,745
Vehicles	1,521,797	1,251,123
Library Books and Media	93,624	93,624
Totals at historical cost	37,789,301	31,805,287
Less accumulated depreciation for:		
Buildings and Improvements	10,756,253	9,891,023
Furniture and Equipment	727,182	1,471,556
Vehicles	949,135	851,424
Library Books and Media	93,624	93,624
Total accumulated depreciation	12,526,194	12,307,627
Net capital assets	<u><u>\$ 25,263,107</u></u>	<u><u>\$ 19,497,660</u></u>

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

- Purchased 77 passenger bus, 72 passenger bus and 14 passenger bus for \$245,890.
- Network infrastructure improvements of \$439,151.
- Ag barn and greenhouse for \$265,023.
- The current year engineering, construction and other costs associated with the elementary school additions were \$5,815,542.

Fixed assets of shared service arrangements were \$479,634 with related accumulated depreciation of \$345,621.

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

	Governmental Activities	
	2015	2014
<u>Bonds payable:</u>		
Unlimited Tax School Building Series 2007	51,931	3,818,453
Unlimited Tax Refunding Bonds Series 2010	8,985,000	9,430,000
Premium 2010 Refunding Bonds	446,593	467,859
Unlimited Tax School Building 2014A	875,000	1,000,000
Premium on 2014A Bonds	34,664	49,326
Unlimited Tax School Building 2014B	5,745,000	5,745,000
Premium on 2014B Bonds	351,488	378,561
Unlimited Tax Refunding Bonds Series 2015	3,550,000	-
Premium on 2015 Bonds	387,274	-
Capital Appreciation Bond Accretion	48,678	93,221
Total bonds payable	\$ 20,475,628	\$ 20,982,420

At year-end the District had \$20,475,628 in bonds outstanding as shown in Table A-5. During the year the District issued \$3,555,000 Unlimited Tax Refunding Bonds Service 2015 to refund \$3,705,000 of the Unlimited Tax School Building Bonds Series 2007.

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 \$289 million from \$274 million in the prior year.

The District's tax rate increased \$0.0472 from prior year to a total of \$1.40 per \$100 assessed value. The increase of \$0.0472 per \$100 assessed value was due to bond issuance for I&S.

These indicators were taken into account when adopting the general fund budget for 2015-2016. Amounts available for appropriation in the general fund budget are \$9.040 million, an increase of 3.3 percent from the final 2015 actual revenues of \$8.747 million. Property tax revenue is budgeted to increase 5.6 percent when compared to actual taxes received. State and federal revenue are expected to increase \$351 thousand with the changes in funding to restore some of the revenue lost over the past several years.

Expenditures and transfers out are budgeted to decrease 4 percent to \$9.177 million in the general fund from 2015 final amounts. The largest decrease in operating cost is \$789K for transfers to Capital Projects

& extraordinary items. Payroll costs increased due to adding 8 new positions. Utility and supply expenses were increased for new wing at elementary.

If these estimates are realized, the District's budgetary general fund fund balance is expected have a \$136,301 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, 2015

Data		Primary Government	
Control		Governmental	
Codes		Activities	
ASSETS			
1110	Cash and Cash Equivalents	\$	3,340,753
1120	Current Investments		1,081,704
1220	Property Taxes Receivable (Delinquent)		148,428
1230	Allowance for Uncollectible Taxes		(29,686)
1240	Due from Other Governments		537,480
1250	Accrued Interest		4,515
1267	Due from Fiduciary Funds		62,215
1290	Other Receivables, net		12,324
Capital Assets:			
1510	Land		1,842,121
1520	Buildings, Net		15,799,958
1530	Furniture and Equipment, Net		1,006,539
1540	Other Capital Assets, Net		572,662
1580	Construction in Progress		6,041,827
1000	Total Assets		30,420,840
DEFERRED OUTFLOWS OF RESOURCES			
1701	Deferred Charge for Refunding		792,118
1705	Deferred Outflow Related to TRS		220,481
1700	Total Deferred Outflows of Resources		1,012,599
LIABILITIES			
2110	Accounts Payable		1,227,570
2140	Interest Payable		43,126
2150	Payroll Deductions & Withholdings		325
2160	Accrued Wages Payable		369,298
2180	Due to Other Governments		11,752
2200	Accrued Expenses		13,119
Noncurrent Liabilities			
2501	Due Within One Year		686,930
2502	Due in More Than One Year		19,802,630
2540	Net Pension Liability (District's Share)		673,287
2000	Total Liabilities		22,828,037
DEFERRED INFLOWS OF RESOURCES			
2602	Deferred Resource Inflow		187,563
2605	Deferred Inflow Related to TRS		205,961
2600	Total Deferred Inflows of Resources		393,524
NET POSITION			
3200	Net Investment in Capital Assets		5,463,593
3820	Restricted for Federal and State Programs		18,068
3850	Restricted for Debt Service		865,957
3890	Restricted for Other Purposes		111,685
3900	Unrestricted		1,752,575
3000	Total Net Position	\$	8,211,878

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, 2015

Data Control Codes	1	Program Revenues	
		3	4
	Expenses	Charges for Services	Operating Grants and Contributions
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
11 Instruction	\$ 7,676,914	\$ 1,193,637	\$ 1,437,551
12 Instructional Resources and Media Services	142,659	1,729	6,228
13 Curriculum and Staff Development	46,162	6,320	1,275
21 Instructional Leadership	665,825	579,920	31,473
23 School Leadership	475,693	-	24,154
31 Guidance, Counseling and Evaluation Services	627,581	4,204	424,978
33 Health Services	89,344	2,397	4,808
34 Student (Pupil) Transportation	312,740	-	6,870
35 Food Services	502,844	165,103	212,378
36 Extracurricular Activities	309,427	9,199	8,676
41 General Administration	460,087	-	16,165
51 Facilities Maintenance and Operations	1,863,191	81,145	45,201
52 Security and Monitoring Services	5,215	351	-
53 Data Processing Services	91,879	-	2,135
72 Debt Service - Interest on Long Term Debt	668,080	-	-
73 Debt Service - Bond Issuance Cost and Fees	83,060	-	-
93 Payments related to Shared Services Arrangements	184,048	10,040	-
[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 14,204,749</u>	<u>\$ 2,054,045</u>	<u>\$ 2,221,892</u>
Data Control Codes	General Revenues:		
	Taxes:		
MT	Property Taxes, Levied for General Purposes		
DT	Property Taxes, Levied for Debt Service		
SF	State Aid - Formula Grants		
IE	Investment Earnings		
MI	Miscellaneous Local and Intermediate Revenue		
E2	Extraordinary Item - (Use)		
TR	Total General Revenues and Extraordinary Items		
CN	Change in Net Position		
NB	Net Position - Beginning		
PA	Prior Period Adjustment		
NE	Net Position - Ending		

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

Net (Expense) Revenue and Changes in Net Position	
5	6
Capital Grants and Contributions	Governmental Activities
\$ -	\$ (5,045,726)
-	(134,702)
-	(38,567)
-	(54,432)
-	(451,539)
-	(198,399)
-	(82,139)
-	(305,870)
-	(125,363)
-	(291,552)
-	(443,922)
141,579	(1,595,266)
-	(4,864)
-	(89,744)
141,083	(526,997)
-	(83,060)
-	(174,008)
<u>\$ 282,662</u>	<u>(9,646,150)</u>

2,800,914
965,192
5,517,334
81,297
39,840
(149,200)
<u>9,255,377</u>
(390,773)
9,365,488
(762,837)
<u>\$ 8,211,878</u>

PEASTER INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2015

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
ASSETS			
1110 Cash and Cash Equivalents	\$ 1,551,401	\$ 123,291	\$ 1,035,162
1120 Investments - Current	319,879	761,825	-
1220 Property Taxes - Delinquent	114,014	34,414	-
1230 Allowance for Uncollectible Taxes (Credit)	(22,803)	(6,883)	-
1240 Receivables from Other Governments	430,371	7,093	-
1250 Accrued Interest	2,741	1,774	-
1260 Due from Other Funds	62,215	121	800,000
1290 Other Receivables	12,215	-	-
1000 Total Assets	<u>\$ 2,470,033</u>	<u>\$ 921,635</u>	<u>\$ 1,835,162</u>
LIABILITIES			
2110 Accounts Payable	\$ 13,022	\$ 800	\$ 1,159,048
2140 Interest Payable - Current	-	12,865	-
2150 Payroll Deductions and Withholdings Payable	325	-	-
2160 Accrued Wages Payable	275,816	-	-
2170 Due to Other Funds	800,121	-	-
2180 Due to Other Governments	-	11,752	-
2200 Accrued Expenditures	9,219	-	-
2000 Total Liabilities	<u>1,098,503</u>	<u>25,417</u>	<u>1,159,048</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	91,211	27,531	-
2602 Deferred Inflow of Resources	-	-	-
2600 Total Deferred Inflows of Resources	<u>91,211</u>	<u>27,531</u>	<u>-</u>
FUND BALANCES			
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3470 Capital Acquisition and Contractual Obligation	-	-	676,114
3480 Retirement of Long-Term Debt	-	868,687	-
3490 Other Restricted Fund Balance	-	-	-
Committed Fund Balance:			
3540 Self Insurance	13,932	-	-
Assigned Fund Balance:			
3550 Construction	150,000	-	-
3570 Capital Expenditures for Equipment	100,000	-	-
3590 Other Assigned Fund Balance	136,301	-	-
3600 Unassigned Fund Balance	880,086	-	-
3000 Total Fund Balances	<u>1,280,319</u>	<u>868,687</u>	<u>676,114</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 2,470,033</u>	<u>\$ 921,635</u>	<u>\$ 1,835,162</u>

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

		Total	
Other		Governmental	
Funds		Funds	
\$	630,899	\$	3,340,753
	-		1,081,704
	-		148,428
	-		(29,686)
	100,016		537,480
	-		4,515
	27,429		889,765
	109		12,324
<u>\$</u>	<u>758,453</u>	<u>\$</u>	<u>5,985,283</u>
\$	54,700	\$	1,227,570
	-		12,865
	-		325
	93,482		369,298
	27,429		827,550
	-		11,752
	3,900		13,119
	<u>179,511</u>		<u>2,462,479</u>
	-		118,742
	<u>187,563</u>		<u>187,563</u>
	<u>187,563</u>		<u>306,305</u>
	18,068		18,068
	-		676,114
	-		868,687
	373,311		373,311
	-		13,932
	-		150,000
	-		100,000
	-		136,301
	-		880,086
	<u>391,379</u>		<u>3,216,499</u>
<u>\$</u>	<u>758,453</u>	<u>\$</u>	<u>5,985,283</u>

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PEASTER INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2015

Total Fund Balances - Governmental Funds	\$ 3,216,499
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. The Cost of these assets was \$37,789,301 and the accumulated depreciation was \$12,526,194.	25,263,107
2 Bonds payable are not due and payable in the current period, and, therefore are not reported as liabilities in the funds.	(20,475,628)
3 Interest payable of \$30,261 and self-funded workers compensation liability of \$13,932 are not expected to be liquidated with available financial resources and are not reported as liabilities in the fund financial statements.	(44,193)
4 Deferred charges for refunding related to governmental activity debt are not financial resources and therefore are not reported in the governmental funds.	792,118
5 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 \$673,287, a deferred resource inflow related to TRS of \$205,961 and a deferred resource outflow related to TRS in the amount of \$220,481. This amounted to a decrease in net position in the amount of \$658,767.	(658,767)
6 Property taxes receivable that are not available to pay for current period expenditures are reported as deferred inflows of resources in the fund financial statements but are recognized as revenues in the government-wide statements.	118,742
19 Net Position of Governmental Activities	\$ 8,211,878

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, 2015

Data Control Codes		10 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:				
5700	Total Local and Intermediate Sources	\$ 2,858,383	\$ 972,671	\$ 48,300
5800	State Program Revenues	6,023,319	279,662	-
5900	Federal Program Revenues	29,293	-	-
5020	Total Revenues	8,910,995	1,252,333	48,300
EXPENDITURES:				
Current:				
0011	Instruction	5,428,870	-	-
0012	Instructional Resources and Media Services	142,410	-	-
0013	Curriculum and Instructional Staff Development	37,921	-	-
0021	Instructional Leadership	-	-	-
0023	School Leadership	482,343	-	-
0031	Guidance, Counseling and Evaluation Services	212,255	-	-
0033	Health Services	87,815	-	-
0034	Student (Pupil) Transportation	232,614	-	-
0035	Food Services	58,917	-	-
0036	Extracurricular Activities	275,451	-	-
0041	General Administration	464,314	-	-
0051	Facilities Maintenance and Operations	943,977	-	-
0052	Security and Monitoring Services	4,813	-	-
0053	Data Processing Services	56,370	-	-
Debt Service:				
0071	Principal on Long Term Debt	-	690,000	-
0072	Interest on Long Term Debt	-	702,465	-
0073	Bond Issuance Cost and Fees	-	155,131	-
Capital Outlay:				
0081	Facilities Acquisition and Construction	-	-	6,786,384
Intergovernmental:				
0093	Payments to Fiscal Agent/Member Districts of SSA	172,548	-	-
6030	Total Expenditures	8,600,618	1,547,596	6,786,384
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	310,377	(295,263)	(6,738,084)
OTHER FINANCING SOURCES (USES):				
7901	Refunding Bonds Issued	-	3,555,000	-
7912	Sale of Real and Personal Property	500	-	-
7915	Transfers In	-	-	650,800
7916	Premium or Discount on Issuance of Bonds	-	387,274	-
8911	Transfers Out (Use)	(744,970)	-	-
8940	Payment to Bond Refunding Escrow Agent (Use)	-	(3,860,698)	-
8949	Other (Uses)	-	-	-
7080	Total Other Financing Sources (Uses)	(744,470)	81,576	650,800
EXTRAORDINARY ITEMS:				
8913	Extraordinary Item - (Use)	(149,200)	-	-
1200	Net Change in Fund Balances	(583,293)	(213,687)	(6,087,284)
0100	Fund Balance - September 1 (Beginning)	1,863,612	1,082,374	6,763,398
3000	Fund Balance - August 31 (Ending)	\$ 1,280,319	\$ 868,687	\$ 676,114

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

		Total	
Other		Governmental	
Funds		Funds	
\$	2,028,872	\$	5,908,226
	762,924		7,065,905
	976,454		1,005,747
	3,768,250		13,979,878
	2,276,111		7,704,981
	1,981		144,391
	8,241		46,162
	673,620		673,620
	-		482,343
	417,551		629,806
	2,746		90,561
	520		233,134
	452,724		511,641
	-		275,451
	-		464,314
	115,970		1,059,947
	402		5,215
	-		56,370
	-		690,000
	-		702,465
	-		155,131
	-		6,786,384
	11,500		184,048
	3,961,366		20,895,964
	(193,116)		(6,916,086)
	-		3,555,000
	-		500
	94,170		744,970
	-		387,274
	-		(744,970)
	-		(3,860,698)
	(3,421)		(3,421)
	90,749		78,655
	-		(149,200)
	(102,367)		(6,986,631)
	493,746		10,203,130
\$	391,379	\$	3,216,499

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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, 2015

Total Net Change in Fund Balances - Governmental Funds	\$ (6,986,631)
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 \$6,858,060 capital outlays and \$690,000 debt principal payments is to increase (decrease) net position.	7,548,060
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.	(1,053,313)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins and disposals) is to decrease net position.	(39,300)
Transactions involving the issuance of refunding bonds are expenditures and other financing sources (uses) in the fund financial statements but change deferred charges for refunding and noncurrent liabilities in the government-wide financial statements. The net effect is a decrease to net position.	(9,505)
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 \$8,935 increase in accumulated accretion, \$7,193 decrease in interest payable, \$1,768 decrease in the long-term portion of self-funded insurance liability, and \$36,127 amortization of deferred charges for refundings and bond premiums is an increase in net assets.	36,153
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 increased net position.	104,070
Revenues in the government-wide statements of activities that do not provide current financial resources are not reported as revenues in the funds.	9,693
Change in Net Position of Governmental Activities	\$ (390,773)

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, 2015

EXHIBIT E-1

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 25,105	\$ 160,587
Investments - Current	375,407	-
Due from Other Governments	5,098	-
Accrued Interest	308	-
Total Assets	<u>405,918</u>	<u>\$ 160,587</u>
LIABILITIES		
Due to Other Funds	4,435	\$ 57,781
Due to Student Groups	-	102,806
Total Liabilities	<u>4,435</u>	<u>\$ 160,587</u>
NET POSITION		
Restricted for Scholarships	400,820	
Restricted for Other Purposes	663	
Total Net Position	<u>\$ 401,483</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, 2015

	Private Purpose Trust Funds
ADDITIONS:	
Local and Intermediate Sources	\$ 66,419
Total Additions	<u>66,419</u>
DEDUCTIONS:	
Payroll Costs	1,659
Supplies and Materials	41,963
Other Operating Costs	1,443
Non-operating Expenses	29,930
Total Deductions	<u>74,995</u>
Change in Net Position	(8,576)
Total Net Position - September 1 (Beginning)	<u>410,059</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 401,483</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, 2015

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. During 2015 a district left the Bluebonnet Co-op and was paid for its proportionate share of the beginning deferred revenue and fund balance. 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, 2015

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, 2015

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.

Debt Service Funds - This governmental fund was established to account for payment of principal and interest on long-term general obligation debt and other long-term debts for which a tax has been dedicated.

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

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.

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, 2015

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, 2015

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, 2015 total fund balance of the General Fund was 15% 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, 2015

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

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, 2015, 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, 2015

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, 2015.

Name	Amount	Value	Standard & Poor's	Weighted Average Maturity
Lone Star Investment Pools				
Coporate Overnight Plus Fund	\$ 2,058	\$ 2,058	AAA	41 days
Corporate Overnight Fund	3,084	3,084	AAA	37 days
Tex Pool	1,993	1,993	AAAm	80 days
Total	<u>\$ 7,135</u>	<u>\$ 7,135</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, 2015, are reported on the balance sheet as Due from Other Governments and are summarized below:

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
Due from Other Governments				
Local Districts	\$ -	\$ -	\$ 2,746	\$ 2,746
Education Service Center	-	-	8,353	8,353
Federal & State Grants - TEA	430,371	7,093	88,917	526,381
Total	<u>\$ 430,371</u>	<u>\$ 7,093</u>	<u>\$ 100,016</u>	<u>\$ 537,480</u>

\$72,151 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, 2015

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. \$792,118 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 \$220,481 has been reported in the government-wide statement of net position. See note 11 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 \$118,742 unavailable property tax revenue has been reported as a deferred inflow of resources. \$187,563 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 \$205,961 has been reported in the statement of net position. See note 11 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, 2015, consisted of the following receivables and payables:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Agency Funds	\$ 57,780
General	Private Purpose Trusts	4,435
Debt Service	General	121
Capital Projects	General	800,000
Nonmajor	Nonmajor	27,429
		<u>\$ 889,765</u>

PEASTER INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended August 31, 2015

7. Interfund Receivables, Payables and Transfers (continued)

The agency funds balance is the non-student activity funds. The capital projects balance is the amount the general fund budgeted to transfer for capital projects. The receivables from nonmajor funds are due to grant funds not being received before the beginning of the new school year.

Interfund transfers at August 31, 2015, consisted of the following:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Capital Projects	General	\$ 650,800
Nonmajor	General	94,170
		<u>\$ 744,970</u>

Transfers include \$94,170 to the national breakfast and lunch program special revenue fund to cover expenditures in excess of revenues.

8. Capital Assets

Capital asset activity for the District for the year ended August 31, 2015 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	\$ -	\$ -	\$ -	\$ 1,842,121
Construction in Progress	254,132	6,052,718	-	(265,023)	6,041,827
Total non-depreciable assets	2,096,253	6,052,718	-	(265,023)	7,883,948
Depreciable Assets:					
Buildings and Improvements	26,262,542	28,646	-	265,023	26,556,211
Furniture and Equipment	2,101,745	506,022	(874,046)	-	1,733,721
Vehicles	1,251,123	270,674	-	-	1,521,797
Library Books and Media	93,624	-	-	-	93,624
Total capital assets being depreciated	29,709,034	805,342	(874,046)	265,023	29,905,353
Accumulated Depreciation:					
Buildings and Improvements	(9,891,023)	(865,230)	-	-	(10,756,253)
Furniture and Equipment	(1,471,556)	(90,372)	834,746	-	(727,182)
Vehicles	(851,424)	(97,711)	-	-	(949,135)
Library Books and Media	(93,624)	-	-	-	(93,624)
Total accumulated depreciation	(12,307,627)	(1,053,313)	834,746	-	(12,526,194)
Governmental activities capital assets, net	<u>\$ 19,497,660</u>	<u>\$ 5,804,747</u>	<u>\$ (39,300)</u>	<u>\$ -</u>	<u>\$25,263,107</u>

Land costing \$831,536 included above is not being used in operations and is listed for sale.

PEASTER INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended August 31, 2015

8. Capital Assets (continued)

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

Governmental activities:	
Instruction	\$ 40,895
Guidance, counseling, and evaluation services	920
Student Transportation	81,348
Food Services	4,803
Extracurricular Activities	33,820
Plant Maintenance and Operations	876,024
Data Processing Services	15,503
Total depreciation expense - governmental activities	<u>\$ 1,053,313</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 \$29,905,353 depreciable assets above, \$479,634 and \$345,621 accumulated depreciation are allocated to the shared service arrangements.

9. Long-term Liabilities

Long-term liability activity for the year ended August 31, 2015 is as follows:

	Beginning Balance	Additions	Accretion	Reductions	Ending Balance	Due Within One Year
Governmental activities:						
Bonds Payable	\$20,982,420	\$3,942,274	\$ 8,935	\$(4,458,001)	\$20,475,628	\$ 686,930
Net Pension Liability	-	673,287	-	-	673,287	-
Self-funded Insurance	15,700	-	-	(1,768)	13,932	-
Total Governmental activities						
Long-Term Liabilities	<u>\$20,998,120</u>	<u>\$4,615,561</u>	<u>\$ 8,935</u>	<u>\$(4,459,769)</u>	<u>\$21,162,847</u>	<u>\$ 686,930</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, 2015

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, 2015.

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 \$279,662.

A summary of changes in General Obligation Bonds debt payable for the year ended August 31, 2015 is as follows:

Description	Interest Rate Payable	Amounts at Original Issue	Amounts Outstanding 8/31/2014	Issued Current Year	Amounts Retired/ Refunded	Accretion	Amounts Outstanding 8/31/2015
Unlimited Tax School Building Series 2007	3.8% to 4.50%	4,435,000	3,818,453	-	(3,766,522)		51,931
Unlimited Tax Refunding Bonds Series 2010	4.00%	9,795,000	9,430,000	-	(445,000)		8,985,000
Unamortized Premium Series 2010 Bonds		1,609,887	467,859	-	(21,266)		446,593
Unlimited Tax School Building Series 2014A	2.00% to 3.00%	1,000,000	1,000,000	-	(125,000)		875,000
Unamortized Premium Series 2014A Bonds		49,326	49,326	-	(14,662)		34,664
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	378,561	-	(27,073)		351,488
Unlimited Tax Refunding Bonds Series 2015	2.00% to 4.00%	3,555,000	-	3,555,000	(5,000)		3,550,000
Unamortized Premium Series 2015 Bonds		387,274	-	387,274	-		387,274
Appreciation Bond Accretion			93,221	-	(53,478)	8,935	48,678
Totals		\$ 26,955,048	\$ 20,982,420	\$ 3,942,274	\$ (4,458,001)	\$ 8,935	\$ 20,475,628

PEASTER INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended August 31, 2015

10. General Obligations Bonds (continued)

Debt service requirements are as follows:

Year Ended August 31	Principal	Interest	Total Requirements
2016	\$ 686,931	\$ 750,067	\$ 1,436,998
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
2021-2025	3,900,000	2,714,750	6,614,750
2026-2030	5,140,000	1,882,400	7,022,400
2031-2035	6,135,000	710,600	6,845,600
2036	85,000	3,400	88,400
Accretion	48,678	(48,678)	-
Debt Service Requirements	19,255,609	8,672,139	27,927,748
Add: Unamortized Premium	1,220,019		
	<u>\$20,475,628</u>	<u>\$ 8,672,139</u>	<u>\$27,927,748</u>

June 15, 2015, the District issued \$3,555,000 of Unlimited Tax Refunding Bonds, Series 2015. The bonds consisted of capital appreciation bonds and current interest bonds with interest rates ranging from 2.00% to 4.00%. The net proceeds were used to refund Unlimited Tax School Building Bonds, Series 2007 with a total principal amount of \$3,705,000. The refunding reduced debt service payments for the District by \$525,208 with a net present value savings (economic gain) of \$418,153 or 11.62%.

The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refundable bonds are considered to be defeased, and the related liability for the bonds has been removed from the District's liabilities. At August 31, 2015, \$3,705,000 Unlimited Tax School Building, Series 2007 defeased bonds are outstanding with scheduled redemption date of August 15, 2016.

11. 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). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

PEASTER INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended August 31, 2015

11. Defined Benefit Pension Plans (Continued)

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.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees effective for fiscal year 2015 as discussed in Note 1 of the TRS 2014 CAFR. The 83rd Texas Legislature, General Appropriations Act

PEASTER INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended August 31, 2015

11. Defined Benefit Pension Plans (Continued)

(GAA) established the employer contribution rates for fiscal years 2014 and 2015.

	<u>Contribution Rates</u>	
	2014	2015
Member	6.40%	6.70%
Non-Employer Contributing Entity (State)	6.80%	6.80%
Employers	6.80%	6.80%

	District	Co-op	Total
2014 Employer Contributions	\$ 40,397	\$ 23,508	\$ 63,905
2014 Member Contributions	\$ 360,520	\$ 96,596	\$ 457,116
2014 NECE On-behalf Contributions	\$ 342,656	\$ 79,949	\$ 422,605

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, 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 the retiree works more than one-half time.

PEASTER INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended August 31, 2015

11. Defined Benefit Pension Plans (Continued)

Actuarial Assumptions

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

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

**Includes Inflation of 3%*

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

Discount Rate

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

PEASTER INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended August 31, 2015

11. Defined Benefit Pension Plans (Continued)

are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2014 are summarized below:

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

* 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, 2015

11. 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 2014 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.	\$	760,555	\$	425,619
Co-op's proportionate share of the net pension liability.		442,567		247,668
Total	\$	1,203,122	\$	673,287

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

At August 31, 2014, the District and Co-op reported liabilities of \$425,619 and \$247,668 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	\$ 425,619	\$ 247,668	\$ 673,287
State's proportionate share that is associated with the District/Co-op	3,655,568	844,129	4,499,697
	\$ 4,081,187	\$ 1,091,797	\$ 5,172,984

The net pension liability was measured as of August 31, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2013 thru August 31, 2014.

At August 31, 2014 the District and Co-op's proportion of the collective net pension liability was 0.000015934 and 0.000009272% respectively which was a decrease of 0.000000011 and 0.000000006% from its proportion measured as of August 31, 2013. The change in proportion was immaterial and therefore disregarded this year.

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

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

PEASTER INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended August 31, 2015

11. Defined Benefit Pension Plans (Continued)

There was a change in employer contribution requirements that occurred after the measurement date of the net pension liability and the employer's reporting date. A 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees went into law effective 09/01/2014. The amount of the expected resultant change in the employer's proportion cannot be determined at this time.

For the year ended August 31, 2014, the District and Co-op recognized pension expense of \$415,988 and revenue of \$415,988 for support provided by the State.

At August 31, 2014, 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	\$10,412	
Changes in actuarial assumptions	\$43,765	
Difference between projected and actual investment earnings		\$205,784
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions		\$177
Contributions paid to TRS subsequent to the measurement date	\$166,304	
Total	\$220,481	\$205,961

The \$166,304 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, 2016. 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
2016	(\$42,336)
2017	(\$42,336)
2018	(\$42,336)
2019	(\$42,336)
2020	9,110
Thereafter	8,450

12. 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, 2015

12. 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 2015 – 2013.

Contribution Rates						
	Active Member		State/Federal		School District	
Year	Rate	Amount	Rate	Amount	Rate	Amount
2015	.65%	\$38,462	1.0%	\$59,172	.55%	\$32,545
2014	.65%	\$36,615	1.0%	\$56,331	.55%	\$30,982
2013	.65%	\$35,324	0.5%	\$27,172	.55%	\$29,889

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, 2015, 2014, and 2013 were \$17,569, \$14,349, and \$13,858, respectively.

13. 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, 2015.

14. 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 \$1 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, 2015 the total cost of health and life insurance premiums was \$459,743 for District employees and \$80,109 for employees of the shared services arrangements.

PEASTER INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended August 31, 2015

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, 2015 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.

Commitments

The District has a contract for elementary classrooms and activity center additions and a concessions at the baseball and softball fields. The total contract including change orders is \$6,068,754. The total completed as of August 31, 2015 was \$5,490,505. The \$578,249 balance remaining on the contract will be funded by the capital projects fund.

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, 2015, 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 services. For the year ended August 31, 2015, the Funds anticipate Peaster ISD has no additional liability beyond the contractual obligations for payment of contributions.

During the year ended August 31, 2015, 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, 2015, 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.

PEASTER INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended August 31, 2015

16. Risk Management (continued)

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 \$13,932 includes incurred but not reported claims of \$4,483. The liability reported in the fund at August 31, 2015 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 2015 are represented below:

	Current Year Claims			
	Beginning Balance	and Changes in Estimates	Claim Payments	Ending Balance
8/31/2014	\$ 18,772	\$ (1,675)	\$ (1,397)	\$ 15,700
8/31/2015	\$ 15,700	\$ (994)	\$ (774)	\$ 13,932

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

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:

	315	316	317	340	435	458
	IDEA-B	IDEA-B	IDEA-B	IDEA-C	Regional	Brazos
Member Districts	Discretionary	Deaf	Preschool Deaf	Deaf	Day School for the Deaf	River Co-op
Glen Rose ISD	\$ 1,355	\$ 537	\$ -	\$ 144	\$ 21,367	\$ 2,247
Granbury ISD	9,487	3,758	745	-	100,156	140,502
Central TX	2,711	1,074	-	-	28,489	2,146
Palo Pinto Co-op	6,099	2,416	-	144	71,963	92,291
Parker County Co-op	2,711	1,074	-	-	28,637	17,328
Weatherford ISD	15,586	6,173	2,981	144	173,748	300,426
Stephenville ISD	6,099	2,416	-	-	64,545	96,367
Springtown ISD	2,711	1,074	-	-	28,637	2,130
Erath County	677	268	-	144	14,245	262
	<u>\$ 47,436</u>	<u>\$ 18,790</u>	<u>\$ 3,726</u>	<u>\$ 576</u>	<u>\$ 531,787</u>	<u>\$ 653,699</u>

PEASTER INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended August 31, 2015

17. Shared Services Arrangements (continued)

	313	314	434	437	459
	IDEA-B	IDEA-B	Supplemental	Special	Bluebonnet
Member Districts	Formula	Preschool	Visually Impaired	Education	Co-op
Poolville ISD	\$ 86,255	\$ 448	407	\$ 141,242	\$ -
Millsap ISD	137,166	900	407	209,631	
Peaster ISD	168,894	1,349	814	211,278	
Brock ISD	130,257	2,698	1,628	199,237	
Garner ISD	37,138	4,498	-	128,205	
Weatherford ISD	-	-	5,290		23,344
Palo Pinto Co-op	-	-	2,848		36,970
Parker County Co-op	-	-	-		64,423
Springtown ISD	-	-	2,848		86,615
Aledo	-	-	4,069		58,461
Azle	-	-	3,255		24,046
Castleberry	-	-	1,221		22,894
Decatur	-	-	814		23,044
Lake Worth	-	-	3,662		34,365
Northwest	-	-	-		-
White Settlement	-	-	6,103		95,833
Wise County	-	-	2,034		30,959
	<u>\$ 559,710</u>	<u>\$ 9,893</u>	<u>\$ 35,400</u>	<u>\$ 889,593</u>	<u>\$ 500,954</u>

18. Extraordinary Item

Mold was discovered during the remodeling at the elementary school. The mold abate costs were \$149,200 and are reported as an extraordinary item. Insurance would not pay for the mold abatement costs.

19. Subsequent Events

Subsequent events were evaluated through December 9, 2015, which is the date the financial statements were available to be issued.

20. New Accounting Pronouncements

The District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. This statement was issued to improve the accounting and financial reporting by state and local governments for pensions. This Statement requires government-wide and proprietary fund statements to recognize a liability equal to the net pension liability and changes in the net pension liability be included in pension expense in the period of the change.

The District also implemented GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. This Statement addresses issues related to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Beginning net position of the governmental activities was reduced \$762,837 as a result of implementing these new GASB Statements and is reported as a prior period adjustment Statement of Activities.

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Required Supplementary Information

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PEASTER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2015

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	\$ 2,844,726	\$ 2,844,726	\$ 2,858,383	\$ 13,657
5800	State Program Revenues	5,595,069	5,857,517	6,023,319	165,802
5900	Federal Program Revenues	36,000	36,000	29,293	(6,707)
5020	Total Revenues	8,475,795	8,738,243	8,910,995	172,752
EXPENDITURES:					
Current:					
0011	Instruction	5,435,924	5,494,099	5,428,870	65,229
0012	Instructional Resources and Media Services	145,985	145,985	142,410	3,575
0013	Curriculum and Instructional Staff Development	38,540	38,540	37,921	619
0023	School Leadership	496,114	496,114	482,343	13,771
0031	Guidance, Counseling and Evaluation Services	222,261	222,261	212,255	10,006
0033	Health Services	95,940	95,940	87,815	8,125
0034	Student (Pupil) Transportation	220,685	235,685	232,614	3,071
0035	Food Services	45,116	59,116	58,917	199
0036	Extracurricular Activities	249,526	283,017	275,451	7,566
0041	General Administration	464,654	467,854	464,314	3,540
0051	Facilities Maintenance and Operations	829,320	967,563	943,977	23,586
0052	Security and Monitoring Services	10,000	10,000	4,813	5,187
0053	Data Processing Services	50,255	57,055	56,370	685
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	172,548	172,548	172,548	-
6030	Total Expenditures	8,476,868	8,745,777	8,600,618	145,159
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,073)	(7,534)	310,377	317,911
OTHER FINANCING SOURCES (USES):					
7912	Sale of Real and Personal Property	-	-	500	500
8911	Transfers Out (Use)	(48,673)	(753,943)	(744,970)	8,973
7080	Total Other Financing Sources (Uses)	(48,673)	(753,943)	(744,470)	9,473
EXTRAORDINARY ITEMS:					
8913	Extraordinary Item - (Use)	-	(149,200)	(149,200)	-
1200	Net Change in Fund Balances	(49,746)	(910,677)	(583,293)	327,384
0100	Fund Balance - September 1 (Beginning)	1,863,612	1,863,612	1,863,612	-
3000	Fund Balance - August 31 (Ending)	\$ 1,813,866	\$ 952,935	\$ 1,280,319	\$ 327,384

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

	2015		
	District	Co-op	Total
Proportion of the Net Pension Liability (Asset)	0.000015934	0.000009272	0.000025206
Proportionate Share of Net Pension Liability (Asset)	425,619	247,668	673,287
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	3,655,568	844,129	4,499,697
Total	4,081,187	1,091,797	5,172,984
Covered-Employee Payroll	5,633,139	1,509,306	7,142,445
Proportionate Share of Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	7.56%	16.41%	9.43%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.25%	83.25%	83.25%

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		
	District	Co-op	Total
Contractually Required Contribution	124,429	41,875	166,304
Contribution in Relation to the Contractually Required Contribution	(124,429)	(41,875)	(166,304)
Contribution Deficiency (Excess)	-	-	-
Co-op's Covered-Employee Payroll	5,917,205	1,569,424	7,486,629
Contributions as a Percentage of Covered-Employee Payroll	2.10%	2.67%	2.22%

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, 2015

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, two 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.

Information Affecting Comparability of Pension Plan Schedules

Changes of Benefit Terms

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

Changes in Assumptions

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

Other Supplementary Information

PEASTER INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2015

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
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ 23,921	\$ -	\$ -
1240	Receivables from Other Governments	4,535	5,753	-	4,452
1260	Due from Other Funds	-	-	-	-
1290	Other Receivables	-	-	-	-
1000	Total Assets	<u>\$ 4,535</u>	<u>\$ 29,674</u>	<u>\$ -</u>	<u>\$ 4,452</u>
LIABILITIES					
2110	Accounts Payable	\$ -	\$ 7,361	\$ -	\$ -
2160	Accrued Wages Payable	4,535	7,566	-	4,452
2170	Due to Other Funds	-	-	-	-
2200	Accrued Expenditures	-	-	-	-
2000	Total Liabilities	<u>4,535</u>	<u>14,927</u>	<u>-</u>	<u>4,452</u>
DEFERRED INFLOWS OF RESOURCES					
2602	Deferred Inflow of Resources	-	-	-	-
2600	Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	14,747	-	-
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>\$ 4,535</u>	<u>\$ 29,674</u>	<u>\$ -</u>	<u>\$ 4,452</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	\$ -	\$ -
61,052	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 61,052</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 462</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 9,191	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
27,854	-	-	-	-	-	-	-
21,415	-	-	-	-	-	-	-
2,592	-	-	-	-	-	-	-
<u>61,052</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	462	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	462	-	-
<u>\$ 61,052</u>	<u>\$ -</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, 2015

Data Control Codes		397 Advanced Placement Incentives	410 State Textbook Fund	434 SSA - SSVI Visually Impaired	435 SSA Regional Day School - Deaf
ASSETS					
1110	Cash and Cash Equivalents	\$ 2,839	\$ -	\$ -	\$ -
1240	Receivables from Other Governments	-	13,125	8,353	-
1260	Due from Other Funds	-	-	-	-
1290	Other Receivables	-	-	-	-
1000	Total Assets	<u>\$ 2,839</u>	<u>\$ 13,125</u>	<u>\$ 8,353</u>	<u>\$ -</u>
LIABILITIES					
2110	Accounts Payable	\$ -	\$ 13,125	\$ 180	\$ -
2160	Accrued Wages Payable	-	-	2,119	-
2170	Due to Other Funds	-	-	6,014	-
2200	Accrued Expenditures	-	-	40	-
2000	Total Liabilities	<u>-</u>	<u>13,125</u>	<u>8,353</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES					
2602	Deferred Inflow of Resources	-	-	-	-
2600	Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	2,839	-	-	-
3490	Other Restricted Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>2,839</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 2,839</u>	<u>\$ 13,125</u>	<u>\$ 8,353</u>	<u>\$ -</u>

437 SSA Special Education	458 SSA Brazos River Co-op	459 SSA Bluebonnet Co-op	499 Other Local Special Revenue Funds	Total Nonmajor Governmental Funds
\$ 320,421	\$ 133,093	\$ 150,143	\$ 20	\$ 630,899
2,765	(19)	-	-	100,016
21,415	-	6,014	-	27,429
-	109	-	-	109
<u>\$ 344,601</u>	<u>\$ 133,183</u>	<u>\$ 156,157</u>	<u>\$ 20</u>	<u>\$ 758,453</u>
\$ 8,441	\$ 8,356	\$ 8,046	\$ -	\$ 54,700
12,693	20,173	14,090	-	93,482
-	-	-	-	27,429
325	383	560	-	3,900
<u>21,459</u>	<u>28,912</u>	<u>22,696</u>	<u>-</u>	<u>179,511</u>
-	81,861	105,702	-	187,563
-	81,861	105,702	-	187,563
-	-	-	20	18,068
323,142	22,410	27,759	-	373,311
<u>323,142</u>	<u>22,410</u>	<u>27,759</u>	<u>20</u>	<u>391,379</u>
<u>\$ 344,601</u>	<u>\$ 133,183</u>	<u>\$ 156,157</u>	<u>\$ 20</u>	<u>\$ 758,453</u>

PEASTER INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2015

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	\$ -	\$ 183,779	\$ -	\$ -
5800	State Program Revenues	-	2,347	-	-
5900	Federal Program Revenues	81,625	223,637	5,022	25,959
5020	Total Revenues	81,625	409,763	5,022	25,959
EXPENDITURES:					
Current:					
0011	Instruction	81,625	-	5,022	25,959
0012	Instructional Resources and Media Services	-	-	-	-
0013	Curriculum and Instructional Staff Development	-	-	-	-
0021	Instructional Leadership	-	-	-	-
0031	Guidance, Counseling and Evaluation Services	-	-	-	-
0033	Health Services	-	-	-	-
0034	Student (Pupil) Transportation	-	-	-	-
0035	Food Services	-	452,724	-	-
0051	Facilities Maintenance and Operations	-	51,209	-	-
0052	Security and Monitoring Services	-	-	-	-
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	-	-	-	-
6030	Total Expenditures	81,625	503,933	5,022	25,959
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(94,170)	-	-
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	-	94,170	-	-
8949	Other (Uses)	-	-	-	-
7080	Total Other Financing Sources (Uses)	-	94,170	-	-
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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
559,710	9,893	47,436	18,790	3,726	-	576	80
559,710	9,893	47,436	18,790	3,726	-	576	80
145,179	9,893	47,436	18,790	3,726	-	576	80
-	-	-	-	-	-	-	-
1,275	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
412,736	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
520	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
559,710	9,893	47,436	18,790	3,726	-	576	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, 2015

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	2,250	93,183	35,400	531,787
5900	Federal Program Revenues	-	-	-	-
5020	Total Revenues	<u>2,250</u>	<u>93,183</u>	<u>35,400</u>	<u>531,787</u>
EXPENDITURES:					
Current:					
0011	Instruction	-	93,183	35,400	531,787
0012	Instructional Resources and Media Services	-	-	-	-
0013	Curriculum and Instructional Staff Development	-	-	-	-
0021	Instructional Leadership	-	-	-	-
0031	Guidance, Counseling and Evaluation Services	-	-	-	-
0033	Health Services	-	-	-	-
0034	Student (Pupil) Transportation	-	-	-	-
0035	Food Services	-	-	-	-
0051	Facilities Maintenance and Operations	-	-	-	-
0052	Security and Monitoring Services	-	-	-	-
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	-	-	-	-
6030	Total Expenditures	<u>-</u>	<u>93,183</u>	<u>35,400</u>	<u>531,787</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,250</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	-	-	-	-
8949	Other (Uses)	-	-	-	-
7080	Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200	Net Change in Fund Balance	2,250	-	-	-
0100	Fund Balance - September 1 (Beginning)	<u>589</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ 2,839</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

437 SSA Special Education	458 SSA Brazos River Co-op	459 SSA Bluebonnet Co-op	499 Other Local Special Revenue Funds	Total Nonmajor Governmental Funds
\$ 747,503	\$ 625,332	\$ 472,258	\$ -	\$ 2,028,872
40,894	28,367	28,696	-	762,924
-	-	-	-	976,454
<u>788,397</u>	<u>653,699</u>	<u>500,954</u>	<u>-</u>	<u>3,768,250</u>
295,752	513,807	467,896	-	2,276,111
1,981	-	-	-	1,981
5,090	1,055	821	-	8,241
502,546	138,837	32,237	-	673,620
4,815	-	-	-	417,551
2,746	-	-	-	2,746
-	-	-	-	520
-	-	-	-	452,724
64,761	-	-	-	115,970
402	-	-	-	402
<u>11,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,500</u>
<u>889,593</u>	<u>653,699</u>	<u>500,954</u>	<u>-</u>	<u>3,961,366</u>
<u>(101,196)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(193,116)</u>
-	-	-	-	94,170
-	-	(3,421)	-	(3,421)
-	-	(3,421)	-	90,749
<u>(101,196)</u>	<u>-</u>	<u>(3,421)</u>	<u>-</u>	<u>(102,367)</u>
<u>424,338</u>	<u>22,410</u>	<u>31,180</u>	<u>20</u>	<u>493,746</u>
<u>\$ 323,142</u>	<u>\$ 22,410</u>	<u>\$ 27,759</u>	<u>\$ 20</u>	<u>\$ 391,379</u>

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Required TEA Schedules

PEASTER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2015

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2006 and prior years	Various	Various	\$ Various
2007	1.500000	0.198000	184,863,115
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 (School year under audit)	1.040000	0.360000	274,523,666
1000 TOTALS			

(10) Beginning Balance 9/1/2014	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2015
\$ 17,218	\$ -	\$ 412	\$ 63	\$ (497)	\$ 16,246
2,587	-	12	2	(587)	1,986
2,261	-	11	3	(612)	1,635
4,350	-	39	12	(612)	3,687
3,115	-	232	70	(224)	2,589
6,758	-	941	283	110	5,644
10,135	-	1,326	399	104	8,514
15,424	-	4,511	1,357	73	9,629
74,463	-	29,555	8,889	(7,839)	28,180
-	3,750,277	2,718,483	941,013	(20,463)	70,318
<u>\$ 136,311</u>	<u>\$ 3,750,277</u>	<u>\$ 2,755,522</u>	<u>\$ 952,091</u>	<u>\$ (30,547)</u>	<u>\$ 148,428</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, 2015

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	\$ 191,950	\$ 183,779	\$ (8,171)
5800	State Program Revenues	3,200	3,784	2,347	(1,437)
5900	Federal Program Revenues	168,000	206,050	223,637	17,587
5020	Total Revenues	426,200	401,784	409,763	7,979
EXPENDITURES:					
0035	Food Services	429,873	452,927	452,724	203
0051	Facilities Maintenance and Operations	45,000	52,000	51,209	791
6030	Total Expenditures	474,873	504,927	503,933	994
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(48,673)	(103,143)	(94,170)	8,973
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	48,673	103,143	94,170	(8,973)
1200	Net Change in Fund Balances	-	-	-	-
0100	Fund Balance - September 1 (Beginning)	14,747	14,747	14,747	-
3000	Fund Balance - August 31 (Ending)	\$ 14,747	\$ 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, 2015

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	\$ 871,194	\$ 871,194	\$ 972,671	\$ 101,477
5800	State Program Revenues	278,036	278,036	279,662	1,626
5020	Total Revenues	1,149,230	1,149,230	1,252,333	103,103
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	685,000	685,000	690,000	(5,000)
0072	Interest on Long Term Debt	800,862	800,862	702,465	98,397
0073	Bond Issuance Cost and Fees	1,800	59,800	155,131	(95,331)
6030	Total Expenditures	1,487,662	1,545,662	1,547,596	(1,934)
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(338,432)	(396,432)	(295,263)	101,169
OTHER FINANCING SOURCES (USES):					
7901	Refunding Bonds Issued	-	3,919,000	3,555,000	(364,000)
7916	Premium or Discount on Issuance of Bonds	-	-	387,274	387,274
8940	Payment to Bond Refunding Escrow Agent (Use)	-	(3,861,000)	(3,860,698)	302
7080	Total Other Financing Sources (Uses)	-	58,000	81,576	23,576
1200	Net Change in Fund Balances	(338,432)	(338,432)	(213,687)	124,745
0100	Fund Balance - September 1 (Beginning)	1,082,374	1,082,374	1,082,374	-
3000	Fund Balance - August 31 (Ending)	\$ 743,942	\$ 743,942	\$ 868,687	\$ 124,745

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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, 2015, 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 9, 2015.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 & Fries, P.C.

Weatherford, Texas
December 9, 2015

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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 Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2015. 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 with the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Peaster Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe 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, 2015.

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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

George Morgan, Jr., P.C.

Weatherford, Texas
December 9, 2015

**PEASTER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2015**

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 section 510(a) of Circular A-133? 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: \$300,000

Auditee qualified as low-risk auditee? Yes X 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, 2015**

None

**PEASTER INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
YEAR ENDED AUGUST 31, 2015**

Financial Statement Findings

None.

Federal Award Findings

None.

PEASTER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2015

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through Education Service Center XI</u>			
Career and Technical Education	84.048	184908	\$ 5,022
English Language Acquisition Grants	84.365	1567100271211	80
Total Passed Through Education Service Center XI			\$ 5,102
<u>Passed Through State Department of Education</u>			
Title I	84.010A	15610101184908	\$ 77,090
Title I	84.010A	16610101184908	4,535
Total CFDA Number 84.010A			81,625
*SSA - IDEA - Part B, Formula	84.027	156600011849086600	523,411
*SSA - IDEA - Part B, Formula	84.027	166600011849086600	36,299
*SSA - IDEA - Part B, Discretionary	84.027	156600111849086673	47,436
*SSA - IDEA - Part B, Deaf	84.027	156600011849086601	18,790
Total CFDA Number 84.027			625,936
*SSA - IDEA - Part B, Preschool	84.173	156610011849086610	9,893
*SSA - IDEA - Part B, Preschool Deaf	84.173	156610011849086611	3,726
Total CFDA Number 84.173			13,619
Total Special Education Cluster (IDEA)			639,555
SSA - IDEA, Part C - Early Intervention (Deaf)	84.181A	153911011849083911	576
Title II, A, Teach & Princ Recru	84.367A	15694501184908	21,507
Title II, A, Teach & Princ Recru	84.367A	16694501184908	4,452
Total CFDA Number 84.367A			25,959
Total Passed Through State Department of Education			\$ 747,715
TOTAL DEPARTMENT OF EDUCATION			\$ 752,817
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through Texas Dept of Human Services</u>			
Medicaid Administrative Claiming Program - MAC	93.778	529-12-0041-00043	\$ 3,682
Total Passed Through Texas Dept of Human Services			\$ 3,682
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ 3,682
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	71401501	\$ 41,527
*National School Lunch Program - Cash Assistance	10.555	71301501	146,639
*National School Lunch Prog. - Non-Cash Assistance	10.555	184006A	34,887
Total CFDA Number 10.555			181,526
Total Child Nutrition Cluster			223,053
	10.598	184908	584
Total Passed Through the State Department of Agriculture			\$ 223,637
TOTAL DEPARTMENT OF AGRICULTURE			\$ 223,637
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 980,136

*Clustered Programs

PEASTER INDEPENDENT SCHOOL DISTRICT
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2015

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organization*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Subrecipients

Of the federal expenditures presented in the schedule, Peaster Independent School District provided federal awards to subrecipients as follows:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Amount Provided to Subrecipients</u>
84.173	SSA IDEA, Part B, Preschool	\$ 9,893
		<u>\$ 9,893</u>

School First Questionnaire

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SCHOOLS FIRST QUESTIONNAIRE

Peaster Independent School District

Fiscal Year 2015

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	\$48,678
SF11	Net Pension Assets (1920) at fiscal year-end.	\$0
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$673,287
SF13	Pension Expense (6147) at fiscal year-end.	\$62,234

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