

**EZZELL  
INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED AUGUST 31, 2019**

EZZELL INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED AUGUST 31, 2019

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## **Introductory Section**

CERTIFICATE OF BOARD

Ezzell Independent School District  
Name of School District

Lavaca  
County

143-906  
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, 2019, at a meeting of the board of trustees of such school district on the \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

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

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

If the board of trustees disapproved of the auditors' report, the reason(s) for disapproving it is (are):  
(attach list as necessary)

## **Financial Section**



# Roloff, Hnatek & Co., L.L.P.

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## Independent Auditors' Report

Board of Trustees  
Ezzell Independent School District  
20500 FM 531  
Hallettsville, Texas 77964

Members of the Board of Trustees:

### 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 Ezzell Independent School District as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluation 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 Ezzell Independent School District, as of August 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, on pages 10 through 16, and budgetary comparison information on page 50, the information related to the District's pension plan on pages 51 through 54, and the information related to the District's other post-employment benefits on pages 55 and 56, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Ezzell Independent School District's basic financial statements. The accompanying supplementary information on pages 60 through 63 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.



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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2019, on our consideration of Ezzell Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of Ezzell Independent School District's 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 Ezzell Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in cursive script that reads "Roloff, Hnatek & Co., L.L.P.".

Roloff, Hnatek & Co., L.L.P.

November 10, 2019

## **Management's Discussion and Analysis (Unaudited)**

EZZELL INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
YEAR ENDED AUGUST 31, 2019

As management of Ezzell Independent School District ("District"), we offer readers as an introduction to the District's financial statements, this narrative overview and analysis of the District's activities and financial performance for the year ended August 31, 2019. This discussion and analysis is designed to assist readers in concentrating on the significant financial issues and activities and to identify any significant changes in financial position. All amounts, unless otherwise indicated, are expressed in whole dollars.

## FINANCIAL HIGHLIGHTS

- The net position of the District at August 31, 2019 was \$302,244.
- The District's total net position increased by \$108,977, or 56%, from the prior year.
- The general fund had a fund balance of \$459,251 at August 31, 2019, an increase of \$79,105, or 21%, from the prior year.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in more detail than the government-wide statements.
- The *governmental funds* statements tell how the general government services were financed in the *short term* as well as what remains for future spending.
- *Proprietary fund statements*, if any, offer *short-term* and *long-term* financial information about the activities the government operates like businesses. The District did not have any proprietary funds during the year.
- *Fiduciary fund statements*, if any, provide information about the financial relationships in which the District acts solely as a *trustee* or *agent* for the benefit of others, to whom the resources in question belong.

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

The table on the following page 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. As stated earlier, the District did not have any proprietary funds during the year.

EZZELL INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
YEAR ENDED AUGUST 31, 2019

**Major Features of the District's Government-wide and Fund Financial Statements**

Features	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District's government (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary	Activities the District operates similar to private businesses	Instances in which the District is the trustee or agent for someone else's resources
Required financial statements	Statement of net position	Balance sheet	Statement of net position	Statement of fiduciary net position
	Statement of activities	Statement of revenues, expenditures, and changes in fund balances	Statement of revenues, expenses, and changes in fund net position Statement of cash flows	Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during 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 year, regardless of when cash is received or paid	All revenues and expenses during 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 is the difference between the District's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, and is one way to measure the District's financial health or position.

- Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.
- To assess the overall health of the District, one needs to consider additional non-financial factors such as changes in the District's tax base.

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

EZZELL INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
YEAR ENDED AUGUST 31, 2019

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's most significant *funds* and 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 specific purposes.

- Some funds are required by State law and by bond covenants, if any.
- 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 the following kinds of funds:

- *Governmental funds* - Most of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted into 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 operations. 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 government funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Fiduciary funds* - The District is the trustee, or fiduciary, for certain funds such as club and class funds and payroll withholding funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

### **Other Supplementary Information**

In addition to the financial statements and accompanying notes, this report also presents certain *other supplementary information* on property taxes, indirect costs, fund balance, budgetary information and other reports required by Texas Education Agency and/or *Government Auditing Standards*.

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

One fundamental question that is most asked of an entity is, as a whole "Are you better off or worse off as a result of the year's activities?" The statement of net position and the statement of activities report information about the District's activities in a way that should help answer this question. These two statements report the net position of the District and changes therein. The District's net position (the difference between assets and liabilities) can be thought of as a way to measure the financial health of the District. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. However, you will need to consider other information that is non-financial in nature, such as changes in economic conditions, demographic information, mandated state and federal regulations, and new or changed government legislation.

EZZELL INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
YEAR ENDED AUGUST 31, 2019

**Statement of Net Position**

The statement of net position serves as a useful indicator over time of the District's financial position. It distinguishes assets plus deferred outflows of resources and liabilities plus deferred inflows of resources as to their expected use for current operations and capital investment. The District's assets plus deferred outflows of resources exceeded its liabilities plus deferred inflows of resources at the close of fiscal year 2019 by \$302,244. The following condensed Statement of Net Position provides an overview of the District's net position as of August 31, 2019 and 2018.

	Governmental Activities		\$ Change	% Change
	2019	2018	2019 - 2018	2019 - 2018
<b>Assets:</b>				
Current Assets	\$ 836,342	\$ 935,283	\$ (98,941)	(11%)
Capital Assets	3,818,571	3,718,124	100,447	3%
Total Assets	4,654,913	4,653,407	1,506	0%
<b>Deferred Outflows of Resources</b>	193,671	101,145	92,526	91%
<b>Liabilities:</b>				
Current Liabilities	164,857	254,894	(90,037)	(35%)
Non-Current Liabilities	4,264,389	4,176,062	88,327	2%
Total Liabilities	4,429,246	4,430,956	(1,710)	0%
<b>Deferred Inflows of Resources</b>	117,094	130,329	(13,235)	(10%)
<b>Net Position:</b>				
Net Investment in Capital Assets	53,656	82,725	(29,069)	(35%)
Restricted	203,889	150,503	53,386	35%
Unrestricted	44,699	(39,961)	84,660	212%
Total Net Position	\$ 302,244	\$ 193,267	\$ 108,977	56%

A portion of the District's net position (\$53,656) reflects its investment in capital assets (e.g., land, buildings, vehicles, and furniture and equipment) less the remaining balance of the related debt, if any, used to acquire those assets. The District uses these capital assets to provide services to its students and, consequently, these assets are not available for future spending. The restricted portion of the District's net position (\$203,889) is for debt service, campus activity, and local grants. The remaining balance represents the District's unrestricted net position.

EZZELL INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
YEAR ENDED AUGUST 31, 2019

**Statement of Activities**

The statement of activities serves as a measure to determine how successful the District was during the past year in recovering its costs through property taxes, state and federal grants, charges for services and other revenues. The following condensed statement of activities summarizes the operations of the District for the years ended August 31, 2019 and 2018.

	Governmental Activities		\$ Change	% Change
	2019	2018	2019 - 2018	2019 - 2018
<b>Program Revenues:</b>				
Charges for Services	\$ 30,509	\$ 32,609	\$ (2,100)	(6%)
Operating Grants and Contributions	197,423	(20,312)	217,735	(1,072%)
<b>General Revenues:</b>				
Property Taxes	1,035,444	1,100,863	(65,419)	(6%)
State Aid-Formula	194,204	146,155	48,049	33%
Investment Earnings	7,632	4,626	3,006	65%
Other	14,167	13,385	782	6%
Total Revenues	<u>1,479,379</u>	<u>1,277,326</u>	<u>202,053</u>	16%
<b>Expenses:</b>				
Instruction	666,301	423,886	242,415	57%
Instructional Resources and Media Services	6,030	3,414	2,616	77%
Curriculum and Staff Development	3,796	3,531	265	8%
School Leadership	66,328	39,691	26,637	67%
Health Services	2,310	3,935	(1,625)	(41%)
Student (Pupil) Transportation	58,445	47,198	11,247	24%
Food Services	74,926	60,688	14,238	23%
Extracurricular Activities	6,066	4,884	1,182	24%
General Administration	122,770	70,638	52,132	74%
Facilities Maintenance and Operations	80,140	74,606	5,534	7%
Data Processing Services	25,820	20,340	5,480	27%
Interest on Long-Term Debt	98,358	135,102	(36,744)	(27%)
Bond Issuance Cost and Fees	350	350	-	0%
Contracted Instructional Svcs. Between Schools	-	2,521	(2,521)	(100%)
Payments Related to Shared Svcs. Arrangements	28,150	41,079	(12,929)	(31%)
Other Intergovernmental Charges	130,612	98,193	32,419	33%
Total Expenses	<u>1,370,402</u>	<u>1,030,056</u>	<u>340,346</u>	33%
<b>Increase (Decrease) in Net Position</b>	<u>\$ 108,977</u>	<u>\$ 247,270</u>	<u>\$ (138,293)</u>	

The District's total revenues and expenses increased by 16% and 33%. The District's most significant increases in revenues were from operating grants and contributions and state-aid formula, while the most significant decreases were from property taxes. The most significant increases in expenses occurred in the functional categories of instruction, school leadership, general administration, and other intergovernmental charges, while the most significant decrease in expenses occurred in the functional category of interest on long-term debt. The fiscal year operations resulted in an increase in net position of \$108,977.

EZZELL INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
YEAR ENDED AUGUST 31, 2019

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

Revenues from governmental fund types totaled \$1,450,441, a 2% increase from the preceding year. Local revenues decreased by approximately 4% while the state and federal revenues increased in total by approximately 27%. Expenditures from governmental fund types totaled \$1,580,805 an increase of approximately 23% from the preceding year. The increase in expenditures was primarily in the functional categories of instruction, student (pupil) transportation, general administration, and facilities acquisition and construction, and other intergovernmental charges.

**General Fund Budgetary Highlights**

Over the course of the year, the District revised its general fund budget several times. Budgeted revenues were not significantly amended, while the budgeted appropriations were significantly changed as follows:

- Function 34 (Student (Pupil) Transportation), function 41 (General Administration), and function 81 (Facilities Acquisition and Construction) – these budgets were reclassified between various functions to allow for additional payroll costs and related benefits and for the purchase of a bus.

Total actual revenues were \$46,328 less than the final budgeted amount due primarily to revenues from local and intermediate revenues being less than anticipated. Total actual expenditures were \$16,408 less than the final budget amounts due primarily to a combination of insignificant variances.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The District's investment in capital assets as of August 31, 2019 was \$3,818,571 (net of accumulated depreciation). This investment in capital assets includes school facilities, machinery and equipment, furniture, vehicles, and construction in progress. This amount represents a net increase (including additions, deletions, and depreciation expense) of \$100,447 from fiscal year 2018. Additional information regarding the District's capital assets can be found in Note C to the financial statements. The following table summarizes the District's capital assets (net of accumulated depreciation) as of August 31, 2019 and 2018.

	Governmental Activities		\$ Change	% Change
	2019	2018	2019 - 2018	2019 - 2018
Land	\$ 39,093	\$ 39,093	\$ -	0%
Buildings and Improvements	3,904,391	3,821,338	83,053	2%
Vehicles, Furniture and Equipment	236,122	150,690	85,432	57%
Totals at Historical Cost	4,179,606	4,011,121	168,485	4%
Total Accumulated Depreciation	(361,035)	(292,997)	(68,038)	23%
Net Capital Assets	<u>\$ 3,818,571</u>	<u>\$ 3,718,124</u>	<u>\$ 100,447</u>	3%



EZZELL INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
YEAR ENDED AUGUST 31, 2019

**Long-term Debt**

As of August 31, 2019, the District had long-term debt outstanding of \$3,790,467. This amount is comprised of general obligation bonds and a capital lease. Additional information regarding the District's long-term debt can be found in Note E to the financial statements. The following table summarizes the District's long-term debt outstanding at August 31, 2019 and 2018.

	Governmental Activities		\$ Change	% Change
	2019	2018	2019 - 2018	2019 - 2018
General Obligation Bonds	\$ 3,670,296	\$ 3,760,708	\$ (90,412)	(2%)
Capital Lease	94,619	29,759	64,860	218%
	<u>\$ 3,764,915</u>	<u>\$ 3,790,467</u>	<u>\$ (25,552)</u>	<u>(1%)</u>

**ECONOMIC OUTLOOK**

The District has adopted a property tax rate of \$.9700 for its maintenance and operations and \$.2830 for its interest and sinking for FYE 2020 based on its approved budget and total assessed taxable property values. The total assessed property tax value used for the fiscal year 2020 budget increased by approximately 5% from that of 2019. The District's average daily attendance is expected to be approximately 95 for the FYE 2020. These factors were taken into consideration when adopting the general fund budget for fiscal year 2020.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Administrative Office.

## **Basic Financial Statements**

EZZELL INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
AUGUST 31, 2019

EXHIBIT A-1

Data Control Codes	Primary Government
	Governmental Activities
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 546,522
1120 Current Investments	200,000
1220 Property Taxes - Delinquent	71,316
1230 Allowance for Uncollectible Taxes	(16,207)
1240 Due from Other Governments	34,711
Capital Assets:	
1510 Land	39,093
1520 Buildings, Net	3,614,863
1530 Furniture and Equipment, Net	164,615
1000 Total Assets	4,654,913
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
1702 Deferred Outflow - State Foundation Program	43,333
1705 Deferred Outflow Related to TRS Pension	119,244
1706 Deferred Outflow Related to TRS OPEB	31,094
1700 Total Deferred Outflows of Resources	193,671
<b>LIABILITIES</b>	
2110 Accounts Payable	12,111
2140 Interest Payable	33,153
2160 Accrued Wages Payable	51,642
2180 Due to Other Governments	66,758
2200 Accrued Expenses	1,193
Noncurrent Liabilities:	
2501 Due Within One Year	117,687
2502 Due in More Than One Year	3,647,228
2540 Net Pension Liability (District's Share)	186,364
2545 Net OPEB Liability (District's Share)	313,110
2000 Total Liabilities	4,429,246
<b>DEFERRED INFLOWS OF RESOURCES</b>	
2605 Deferred Inflow Related to TRS Pension	18,081
2606 Deferred Inflow Related to TRS OPEB	99,013
2600 Total Deferred Inflows of Resources	117,094
<b>NET POSITION</b>	
3200 Net Investment in Capital Assets	53,656
3850 Restricted for Debt Service	178,090
3890 Restricted for Other Purposes	25,799
3900 Unrestricted	44,699
3000 Total Net Position	\$ 302,244

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

EZZELL INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		3	4	
		Charges for	Operating	6
	Expenses	Services	Grants and Contributions	Primary Gov. Governmental Activities
<b>Primary Government:</b>				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 666,301	\$ 5,400	\$ 134,445	\$ (526,456)
12 Instructional Resources and Media Services	6,030	-	-	(6,030)
13 Curriculum and Instructional Staff Development	3,796	-	-	(3,796)
23 School Leadership	66,328	-	6,518	(59,810)
33 Health Services	2,310	-	-	(2,310)
34 Student (Pupil) Transportation	58,445	-	2,058	(56,387)
35 Food Services	74,926	25,109	39,910	(9,907)
36 Extracurricular Activities	6,066	-	233	(5,833)
41 General Administration	122,770	-	5,145	(117,625)
51 Facilities Maintenance and Operations	80,140	-	1,334	(78,806)
53 Data Processing Services	25,820	-	984	(24,836)
72 Debt Service - Interest on Long-Term Debt	98,358	-	6,796	(91,562)
73 Debt Service - Bond Issuance Cost and Fees	350	-	-	(350)
93 Payments Related to Shared Services Arrangements	28,150	-	-	(28,150)
99 Other Intergovernmental Charges	130,612	-	-	(130,612)
[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 1,370,402</u>	<u>\$ 30,509</u>	<u>\$ 197,423</u>	<u>(1,142,470)</u>

Data Control Codes	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	805,626
DT	Property Taxes, Levied for Debt Service	229,818
SF	State Aid - Formula Grants	194,204
IE	Investment Earnings	7,632
MI	Miscellaneous Local and Intermediate Revenue	14,167
TR	Total General Revenues	<u>1,251,447</u>
CN	Change in Net Position	108,977
NB	Net Position - Beginning	<u>193,267</u>
NE	Net Position--Ending	<u>\$ 302,244</u>

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

EZZELL INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2019

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
<b>ASSETS</b>				
1110 Cash and Cash Equivalents	\$ 232,531	\$ 293,314	\$ 20,677	\$ 546,522
1120 Investments - Current	200,000	-	-	200,000
1220 Property Taxes - Delinquent	60,589	10,727	-	71,316
1230 Allowance for Uncollectible Taxes	(13,769)	(2,438)	-	(16,207)
1240 Due from Other Governments	-	-	34,711	34,711
1260 Due from Other Funds	149,322	-	-	149,322
1000 Total Assets	<u>\$ 628,673</u>	<u>\$ 301,603</u>	<u>\$ 55,388</u>	<u>\$ 985,664</u>
<b>LIABILITIES</b>				
2110 Accounts Payable	\$ 7,290	\$ -	\$ 4,821	\$ 12,111
2160 Accrued Wages Payable	47,603	-	4,039	51,642
2170 Due to Other Funds	-	149,322	-	149,322
2180 Due to Other Governments	66,758	-	-	66,758
2200 Accrued Expenditures	951	-	242	1,193
2000 Total Liabilities	<u>122,602</u>	<u>149,322</u>	<u>9,102</u>	<u>281,026</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
2601 Unavailable Revenue - Property Taxes	46,820	8,289	-	55,109
2600 Total Deferred Inflows of Resources	<u>46,820</u>	<u>8,289</u>	<u>-</u>	<u>55,109</u>
<b>FUND BALANCES</b>				
Restricted Fund Balance:				
3480 Retirement of Long-Term Debt	-	143,992	-	143,992
3490 Other Restricted Fund Balance	-	-	25,799	25,799
Committed Fund Balance:				
3510 Construction	50,000	-	20,487	70,487
3600 Unassigned Fund Balance	409,251	-	-	409,251
3000 Total Fund Balances	<u>459,251</u>	<u>143,992</u>	<u>46,286</u>	<u>649,529</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 628,673</u>	<u>\$ 301,603</u>	<u>\$ 55,388</u>	<u>\$ 985,664</u>

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

EZZELL INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
AUGUST 31, 2019

EXHIBIT C-2

<b>Total Fund Balances - Governmental Funds</b>	<b>\$ 649,529</b>
1 Capital assets and deferred outflows of resources used in governmental activities are not current financial resources and, therefore, are not reported in governmental funds. In addition, long-term liabilities, including bonds payable and related accrued interest, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Also, deferred inflows of resources are not currently available and, therefore, not reported in the governmental funds. The net effect of including the beginning balances of these assets, deferred outflows of resources, liabilities, and deferred inflows of resources is to decrease net position.	(492,007)
2 Long-term debt principal payments and current year capital outlay 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. Also, dispositions of capital assets, if any, increase/decrease net position. The net effect of including these reconciling items is to increase net position.	337,404
3 As required by GASB 68, the District's proportionate share of the net pension liability related to TRS in the amount of \$186,364, a deferred inflow of resources related to TRS in the amount of \$18,081, and a deferred outflow of resources related to TRS in the amount of \$119,244 are reported in the government-wide financial statements, but not in the fund financial statements. The net effect is a decrease in net position of \$85,201.	(85,201)
4 As required by GASB 75, the District's proportionate share of the net OPEB liability related to TRS in the amount of \$313,110, a deferred inflow of resources related to TRS in the amount of \$99,013, and a deferred outflow of resources related to TRS in the amount of \$31,094 are reported in the government-wide financial statements, but not in the fund financial statements. The net effect is a decrease in net position of \$381,029.	(381,029)
5 The depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(116,786)
6 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.	390,334
<b>19 Net Position of Governmental Activities</b>	<b>\$ 302,244</b>

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

EZZELL INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 837,471	\$ 231,066	\$ 35,631	\$ 1,104,168
5800 State Program Revenues	216,878	6,796	29,179	252,853
5900 Federal Program Revenues	-	-	93,420	93,420
5020 Total Revenues	<u>1,054,349</u>	<u>237,862</u>	<u>158,230</u>	<u>1,450,441</u>
EXPENDITURES:				
Current:				
0011 Instruction	447,579	-	84,825	532,404
0012 Instructional Resources and Media Services	6,030	-	-	6,030
0013 Curriculum and Instructional Staff Development	3,796	-	-	3,796
0023 School Leadership	61,306	-	-	61,306
0033 Health Services	2,310	-	-	2,310
0034 Student (Pupil) Transportation	132,772	-	-	132,772
0035 Food Services	-	-	71,846	71,846
0036 Extracurricular Activities	4,732	-	-	4,732
0041 General Administration	113,406	4,248	-	117,654
0051 Facilities Maintenance and Operations	75,057	-	-	75,057
0053 Data Processing Services	25,177	-	-	25,177
Debt Service:				
0071 Principal on Long-Term Debt	29,759	85,000	-	114,759
0072 Interest on Long-Term Debt	1,071	137,675	-	138,746
0073 Bond Issuance Cost and Fees	-	350	-	350
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	135,104	135,104
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	28,150	-	-	28,150
0099 Other Intergovernmental Charges	130,612	-	-	130,612
6030 Total Expenditures	<u>1,061,757</u>	<u>227,273</u>	<u>291,775</u>	<u>1,580,805</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(7,408)</u>	<u>10,589</u>	<u>(133,545)</u>	<u>(130,364)</u>
OTHER FINANCING SOURCES (USES):				
7914 Non-Current Loans	94,619	-	-	94,619
7915 Transfers In	-	-	8,106	8,106
8911 Transfers Out (Use)	(8,106)	-	-	(8,106)
7080 Total Other Financing Sources (Uses)	<u>86,513</u>	<u>-</u>	<u>8,106</u>	<u>94,619</u>
1200 Net Change in Fund Balances	79,105	10,589	(125,439)	(35,745)
0100 Fund Balance - September 1 (Beginning)	<u>380,146</u>	<u>133,403</u>	<u>171,725</u>	<u>685,274</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 459,251</u>	<u>\$ 143,992</u>	<u>\$ 46,286</u>	<u>\$ 649,529</u>

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

EZZELL 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, 2019

EXHIBIT C-4

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$ (35,745)
Long-term debt principal payments and current year capital outlay 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. Also, dispositions of capital assets, if any, increase/decrease net position. The net effect of including these reconciling items is to increase net position.	337,404
GASB 68 required that certain expenditures be de-expended and recorded as a deferred outflow of resources. These contributions made after the measurement date of the plan increased net position by \$11,833. Contributions made before the measurement date and during the previous fiscal year were expended and decreased the net pension liability by \$11,461. The District's proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased net position by \$20,005. The impact of all of these factors is to decrease net position by \$19,633.	(19,633)
GASB 75 required that certain expenditures be de-expended and recorded as a deferred outflow of resources. These contributions made after the measurement date of the plan caused an increase in net position in the amount of \$4,437. Contributions made before the measurement date and during the previous fiscal year were expended and decreased the net pension liability by \$4,324. The District's proportionate share of the TRS OPEB expense on the plan as a whole had to be recorded. The net OPEB expense decreased net pension expense by \$4,108. The impact of all of these factors is to decrease net position by \$3,995.	(3,995)
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.	(116,786)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, eliminating interfund transaction, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position.	(52,268)
<b>Change in Net Position of Governmental Activities</b>	<u>\$ 108,977</u>

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



EZZELL INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
AUGUST 31, 2019

	Agency Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 1,621
Total Assets	<u>\$ 1,621</u>
LIABILITIES	
Due to Student Groups	\$ 1,621
Total Liabilities	<u>\$ 1,621</u>

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

EZZELL INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2019

A. Summary of Significant Accounting Policies

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

Reporting Entity

The Board of School Trustees (“Board”), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency (“TEA”) or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental “reporting entity” as defined by the GASB in its Statement No. 14, “The Financial Reporting Entity,” as revised by GASB Statement No. 39, and there are no component units included within the reporting entity.

Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

The District reports the following major governmental funds:

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

EZZELL INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2019

A. Summary of Significant Accounting Policies (Continued)

Debt Service Fund: This fund is used to account for the receipt of property tax revenues, related penalties and interest, state facilities allotment grant revenues, and the payments of long-term debt financed by such revenues.

In addition, the District reports the following fund types:

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

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

b. Measurement Focus, Basis of Accounting

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

Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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.

EZZELL INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2019

A. Summary of Significant Accounting Policies (Continued)

Other Post-Employment Benefits: The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS Care Plan 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 other post-employment benefits (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to the OPEB, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this a pay-as-you-go plan and all cash is held in a cash account.

Financial Statement Amounts

a. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Allowances for uncollectible tax receivables within the General Fund 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. Property taxes receivable are presented in the accompanying statement of net position and balance sheet as of August 31, 2019.

b. Inventories and Prepaid Items

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

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

c. Capital Assets

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and Improvements	7-30
Furniture and Equipment	5-20
Vehicles	5-10

EZZELL INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2019

A. Summary of Significant Accounting Policies (Continued)

d. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

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

e. Interfund Activity

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

f. Use of Estimates

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

g. Data Control codes

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

Fund Balance Policy

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54), the District reports fund balances for governmental funds in classifications based primarily on the extent to which the district is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The *nonspendable* classification represents assets that will be consumed or "must be maintained in tact" and therefore will never convert to cash, such as inventories of supplies and endowments. Provisions of laws, contracts, and grants specify how fund resources can be used in the *restricted* classification. The nature of these two classifications precludes a need for a policy from the Board of Trustees. However, the Board has adopted fund balance policies for the three unrestricted classifications – committed, assigned, and unassigned.

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

EZZELL INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2019

A. Summary of Significant Accounting Policies (Concluded)

Assigned fund balance includes amounts that the District intends to use for specific purposes, but that do not meet the definition of restricted or committed fund balance.

Unassigned fund balance includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund.

From time to time, the Board of Trustees may commit fund balances by a majority vote in a scheduled meeting. The Board's commitment may be modified or rescinded by a majority vote in a scheduled meeting. Board commitments cannot exceed the amount of fund balance that is greater than the sum of nonspendable and restricted fund balances since that practice would commit funds that the district does not have. Commitments may be for facility expansion or renovation, program modifications, wage and salary adjustments, financial cushions (rainy day funds), and other purposes determined by the Board.

Restricted fund balances in the special revenue funds represent state and local grants. Fund balance in the debt service fund is restricted for the retirement of long-term debt.

The Board of Trustees may delegate authority to specified persons or groups to make assignments of certain fund balances by a majority vote in a scheduled meeting. The Board may modify or rescind its delegation of authority by the same action.

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

B. Deposits and Investments

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

Cash Deposits

At August 31, 2019, the carrying amount of the District's deposit (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$748,143 (of which \$200,000 was invested in certificates of deposit and included in current investments) and the bank balance was \$777,310. The District's cash deposits at August 31, 2019 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

Investments

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

EZZELL INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2019

B. Deposits and Investments (Continued)

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

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

Fair Value Measurements

The District categorizes the fair value measurements of its investments within the fair value hierarchy established by generally accepted accounting principles. Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application* provides a framework for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities as follows:

- Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority,
- Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and
- Level 3 inputs which consist of other unobservable inputs and have the lowest priority.

The District uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the District measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are used only when Level 1 and Level 2 inputs are not available.

The District’s investments as of August 31, 2019 consist entirely of (interest-bearing bank accounts, certificates of deposit, investments pools) and are not subject to fair value measurements as follows:

<u>Investment or Investment Type</u>	<u>Reported Amount</u>
Certificates of Deposit	<u>\$ 200,000</u>

Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

EZZELL INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2019

B. Deposits and Investments (Concluded)

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

Investment Accounting Policy

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



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C. Capital Assets

Capital asset activity for the year ended August 31, 2019, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated				
Land	\$ 39,093	\$ -	\$ -	\$ 39,093
Capital Assets Being Depreciated				
Building and Improvements	3,821,338	130,895	47,842	3,904,391
Vehicles, Furniture and Equipment	150,690	94,619	9,187	236,122
Total Capital Assets at Historical Cost	<u>4,011,121</u>	<u>225,514</u>	<u>57,029</u>	<u>4,179,606</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	233,941	97,292	41,705	289,528
Vehicles, Furniture and Equipment	59,056	19,494	7,043	71,507
Total Accumulated Depreciation	<u>292,997</u>	<u>116,786</u>	<u>48,748</u>	<u>361,035</u>
Governmental Activities Capital Assets, Net	<u>\$ 3,718,124</u>	<u>\$ 108,728</u>	<u>\$ 8,281</u>	<u>\$ 3,818,571</u>

Depreciation was charged to functions as follows:

Instruction	\$ 96,118
Student (Pupil) Transportation	18,881
Extracurricular Activities	1,175
General Administration	612
Total	<u>\$ 116,786</u>

D. Interfund Balances and Activities

Due to and From Other Funds

Balances due to and due from other funds at August 31, 2019, consisted of the following:

<u>Due to Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Reason</u>
General Fund	Debt Service Fund	<u>\$ 149,322</u>	Short-term Loans

All amounts are scheduled to be repaid within one year.

Transfers To and From Other Funds

Transfers to and from other funds at August 31, 2019, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
General Fund	Other Funds	<u>\$ 8,106</u>	Supplement Other Funds

EZZELL INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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E. Long-Term Obligations

General Obligation Bonds

During the year ended August 31, 2014, the District's voters approved a bond issue in the amount of \$3,940,000 in Unlimited Tax School Building Bonds, Series 2014. The proceeds of the bond issue were utilized in the construction and improvement of the District's facilities. The proceeds of the bonds included a premium of \$162,356, which is being amortized through the year ending August 31, 2044 using the straight-line method, which does not differ significantly from the effective-interest method.

Note Payable

During the year ended August 31, 2019, the District entered into a note payable for financing the acquisition of a bus. The agreement requires four annual payments of \$26,307 due on October 31, 2019, 2020, 2021, and 2022 including interest at a rate of 4.39%.

Long Term Debt Activity

Changes in long-term obligations for the year ended August 31, 2019, are as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Due Within One Year
<u>Governmental Activities:</u>					
Unlimited Tax School Building					
Bonds, Series 2014	\$ 3,620,000	\$ -	\$ 85,000	\$ 3,535,000	\$ 90,000
Unamortized Premium	140,708	-	5,412	135,296	5,412
Total Bonds	3,760,708	-	90,412	3,670,296	95,412
Note Payable	29,759	94,619	29,759	94,619	22,275
Total	<u>\$ 3,790,467</u>	<u>\$ 94,619</u>	<u>\$ 120,171</u>	<u>\$ 3,764,915</u>	<u>\$ 117,687</u>

Debt service requirements on long-term debt at August 31, 2019, are as follows:

	General Obligation Bonds		
Year Ending August 31,	Principal	Interest	Total
2020	\$ 95,412	\$ 130,988	\$ 226,400
2021	95,412	128,288	223,700
2022	100,412	125,588	226,000
2023	100,412	122,738	223,150
2024	105,412	119,888	225,300
2025 - 2029	582,060	541,528	1,123,588
2030 - 2034	702,060	422,940	1,125,000
2035 - 2039	852,060	276,740	1,128,800
2040 - 2044	1,037,056	97,544	1,134,600
Total	<u>\$ 3,670,296</u>	<u>\$ 1,966,242</u>	<u>\$ 5,636,538</u>

	Capital Lease		
Year Ending August 31,	Principal	Interest	Total
2020	\$ 22,275	\$ 4,032	\$ 26,307
2021	23,066	3,241	26,307
2022	24,099	2,207	26,307
2023	25,179	1,129	26,307
Total	<u>\$ 94,619</u>	<u>\$ 10,609</u>	<u>\$ 105,228</u>

EZZELL INDEPENDENT SCHOOL DISTRICT  
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E. Long-Term Obligations (Concluded)

Year Ending August 31,	Total Long-Term Obligations		
	Principal	Interest	Total
2020	\$ 117,687	\$ 135,020	\$ 252,707
2021	118,478	131,529	250,007
2022	124,511	127,795	252,306
2023	125,591	123,867	249,458
2024	105,412	119,888	225,300
2025 - 2029	582,060	541,528	1,123,588
2030 - 2034	702,060	422,940	1,125,000
2035 - 2039	852,060	276,740	1,128,800
2040 - 2044	1,037,056	97,544	1,134,600
Total	<u>\$ 3,764,915</u>	<u>\$ 1,976,851</u>	<u>\$ 5,741,766</u>

Current requirements for principal and interest expenditures are accounted for in the Debt Service Fund. The effective interest rate on the outstanding bonds ranges from 2.0% to 4.0%. Total interest expense on all debt was \$98,358 for the year ended August 31, 2019.

F. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2019, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

G. Pension Plan

Plan Description

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

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

EZZELL INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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G. Pension Plan (Continued)

Pension Plan Fiduciary Net Position

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

Contributions

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83<sup>rd</sup> Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 85<sup>th</sup> Texas Legislature's General Appropriations Act (GAA) affirmed that the employer contribution rates for fiscal years 2018 and 2019 would remain the same.

	Contribution Rates	
	2018	2019
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Current Fiscal Year Employer Contributions	\$ 11,833	
Current Fiscal Year Member Contributions	\$ 41,977	
Measurement Year NECE On-Behalf Contributions	\$ 32,192	

EZZELL INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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G. Pension Plan (Continued)

Contributors to the Plan include members, employers, and the State of Texas as the only non-employer contributing entity. 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, 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, including public 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 a federal funding source or a privately sponsored source.

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

- When employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment after-retirement surcharge.
- When a school district does not contribute to the Federal Old Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.50% of the state contribution rate for certain instructional or administrative employees and 100% of the state contribution rate for all other employees.

Actuarial Assumptions

The total pension liability in the August 31, 2017 actuarial valuation rolled forward to August 31, 2018 was determined using the following actuarial assumptions:

Valuation Date	August 31, 2017 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	6.907%
Long-Term Expected Investment Rate of Return	7.25%
Inflation	2.30%
Salary Increases Including Inflation	3.05% to 9.05% including inflation
Payroll Growth Rate	2.50%
Benefit Changes During the Year	None
Ad Hoc Post-Employment Benefit Changes	None

The actuarial methods and assumptions are primarily based on a study of actual experience for the three-year period ending August 31, 2017 and adopted in July 2018.

EZZELL INDEPENDENT SCHOOL DISTRICT  
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G. Pension Plan (Continued)

Discount Rate

The single discount rate used to measure the total pension liability was 6.907%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 3.69%. 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 sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2018 are summarized below:

Asset Class	Target Allocation <sup>1</sup>	Long-Term Expected Arithmetic Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns
Global Equity:			
U.S.	18.00%	5.70%	1.04%
Non-U.S. Developed	13.00%	6.90%	0.90%
Emerging Markets	9.00%	8.95%	0.80%
Directional Hedge Funds	4.00%	3.53%	0.14%
Private Equity	13.00%	10.18%	1.32%
Stable Value:			
U.S. Treasuries	11.00%	1.11%	0.12%
Absolute Return	0.00%	0.0%	0.00%
Stable Value Hedge Funds	4.00%	3.09%	0.12%
Cash	1.00%	-0.30%	0.00%
Real Return:			
Global Inflation Linked Bonds	3.00%	0.70%	0.02%
Real Assets	14.00%	5.21%	0.73%
Energy and Natural Resources	5.00%	7.48%	0.37%
Commodities	0.00%	0.0%	0.00%
Risk Parity:			
Risk Parity	5.00%	3.70%	0.18%
Inflation Expectations			2.30%
Volatility Drag <sup>2</sup>			-0.79%
Total	100.00%		7.25%

<sup>1</sup> Target allocations are based on the FY2016 policy model.

<sup>2</sup> The Expected Contribution to Long-Term Portfolio Returns incorporates the volatility drag resulting from the conversion between arithmetic and geometric mean returns.

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G. Pension Plan (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 (6.907%) in measuring the net pension liability.

	1% Decrease in Discount Rate (5.907%)	Discount Rate (6.907%)	1% Increase in Discount Rate (7.907%)
Proportionate Share of the Net Pension Liability	\$ 281,268	\$ 186,364	\$ 109,534

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

At August 31, 2019, the District reported a liability of \$186,364 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's Proportionate Share of the Collective Net Pension Liability	\$ 186,364
State's Proportionate Share that is Associated with the District	<u>526,322</u>
Total	<u>\$ 712,686</u>

The net pension liability was measured as of August 31, 2017 and rolled forward to August 31, 2018, 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, 2017 through August 31, 2018.

At August 31, 2018, the employer's proportionate share of the collective net pension liability was 0.0003385829%, a decrease of 0.0000263387% from its proportionate share measured as of August 31, 2017.

Changes Since the Prior Actuarial Valuation

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

- The total pension liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.
- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increases for individual participants was updated based on the same experience study.
- The discount rate changed from 8.0% as of August 31, 2017 to 6.907% as of August 31, 2018.
- The long-term assumed rate of return changed from 8.0% to 7.25%.
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the net pension liability.

EZZELL INDEPENDENT SCHOOL DISTRICT  
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G. Pension Plan (Concluded)

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

For the year ended August 31, 2019, the District recognized pension expense of \$83,558 and revenue of \$52,092 for support provided by the State.

At August 31, 2019, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Actuarial Experiences	\$ 1,162	\$ 4,573
Changes in Actuarial Assumptions	67,193	2,100
Difference Between Projected and Actual Investment Earnings	-	3,536
Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions	39,056	7,872
Total as of August 31, 2018 Measurement Date	107,411	18,081
Contributions Paid to TRS Subsequent to the Measurement Date	11,833	-
Total as of August 31, 2019	<u>\$ 119,244</u>	<u>\$ 18,081</u>

The net amounts of the employer's balances of deferred outflows and inflows of resources (not including the deferred contributions paid subsequent to the measurement date) related to pensions will be recognized in pension expense as follows:

Year ended August 31:	Pension Expense Amount
2020	\$ 24,904
2021	17,463
2022	15,057
2023	13,520
2024	11,922
Thereafter	6,464

For the year ended August 31, 2019, the changes to the TRS net pension liability were as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Net Pension Liability	<u>\$ 116,682</u>	<u>\$ 81,088</u>	<u>\$ 11,406</u>	<u>\$ 186,364</u>



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H. Defined Other Post-Employment Benefit Plan

Plan Description

The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined other post-employment Benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

OPEB Plan Fiduciary Net Position

Detailed information about the TRS-Care's fiduciary net position is available in the separately-issued TRS 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-Care provides a basic health insurance coverage (TRS-Care 1) at no cost to all retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of the two optional insurance plans with more comprehensive benefits (TRS-Care 2 and TRS-Care 3). Eligible retirees and dependents enrolled in Medicare may elect to participate in one of the two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLA's.

The premium rates for health insurance in the following table are based on years of service of the retiree. The schedule below shows the monthly rates for the average retiree with 20 to 29 years of service for the plan with Medicare Parts A&B coverage.

TRS-Care Plan Premium Rates Effective September 1, 2016 – December 31, 2017			
	TRS-Care 1 Basic Plan	TRS-Care 2 Optional Plan	TRS-Care 3 Optional Plan
Retiree or Surviving Spouse	\$ -	\$ 70	\$ 100
Retiree and Spouse	20	175	255
Retiree or Surviving Spouse and Children	41	132	182
Retiree and Family	61	237	337
Surviving Children Only	28	62	82

The new premium rates for retirees with Medicare Part A and Part B became effective January 1, 2018 and are reflected in the following table.

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H. Defined Other Post-Employment Benefit Plan (Continued)

TRS-Care Monthly Premium Rates Effective January 1, 2018 – December 31, 2018		
	Medicare	Non-Medicare
Retiree or Surviving Spouse	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree or Surviving Spouse and Children	468	408
Retiree and Family	1,020	999

Contributions

Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a “pay-as-you-go” basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the State, active employees, and school districts based upon public school district payroll. The TRS Board of Trustees does not have the authority to set or amend contribution rates.

Texas Insurance Code, section 1575.202 establishes the State’s contribution rate, which is 1.25% of the employee’s salary. Section 1575.203 establishes the active employee’s rate which is 0.75% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% and not more than 0.75% of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

	Contribution Rates	
	2018	2019
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Funding Remitted by Employers	1.25%	1.25%
Current Fiscal Year Employer Contributions		\$ 4,437
Current Fiscal Year Member Contributions		\$ 3,543
Measurement Year NECE On-Behalf Contributions		\$ 6,443

In addition to the employer contributions listed above, there is an additional surcharge to which all TRS employers are subject (regardless of whether or not they participate in the TRS Care OPEB program). When employers hire a TRS retiree, they are required to pay to TRS Care a monthly surcharge of \$535 per retiree.

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$182.6 million in fiscal year 2018. The 85<sup>th</sup> Legislature, House Bill 30, provided an additional \$212 million in one-time supplemental funding for the 2018-2019 biennium to continue to support the program. This was also received in fiscal year 2018 bringing the total appropriations received in fiscal year 2018 to \$394.6 million.

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H. Defined Other Post-Employment Benefit Plan (Continued)

Actuarial Assumptions

The total OPEB liability in the August 31, 2017 was rolled forward to August 31, 2018. The actuarial valuation was determined using the following actuarial assumptions:

The actuarial valuation of TRS-Care is similar to the actuarial valuations performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including rates of retirement, termination, and disability, and most of the economic assumptions, including general inflation, salary increases, and general payroll growth, used in this OPEB valuation were identical to those used in the respective TRS pension valuation.

The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females, with full generational mortality using Scale BB. The post-retirement mortality rates were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection using the ultimate improvement rates from the most recently published scale (U-MP).

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2017 that was rolled forward to August 31, 2018 TRS pension actuarial valuation: rates of mortality, rates of retirement, rates of termination, rates of disability incidence, general inflation, wage inflation, and expected payroll growth.

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2017 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Discount Rate *	3.69% *
Aging Factors	Based on plan specific experience
Election Rates	Normal retirement: 70% participation prior to age 65 and 75% participation after age 65.
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claim costs.
Projected Salary Increases **	3.05% - 9.05% **
Ad Hoc Post-Employment Benefit Changes	None

\* Source: Fixed Income Municipal Bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of August 31, 2018.

\*\* Includes inflation at 2.50%.

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H. Defined Other Post-Employment Benefit Plan (Continued)

In this valuation, the impact of the Cadillac Tax has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

- The 2018 thresholds of \$850/\$2,292 were indexed annually by 2.5%.
- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

Results indicate that the value of the excise tax would be reasonably represented by a 25-basis point addition to the long-term trend rate assumption.

Discount Rate

A single discount rate of 3.69% was used to measure the total OPEB liability. There was an increase of 0.27% in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active 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 OPEB plan’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1.00% less than and 1.00% greater than the discount rate that was used in measuring the net OPEB liability.

	1% Decrease in Discount Rate (2.69%)	Discount Rate (3.69%)	1% Increase in Discount Rate (4.69%)
District’s Proportionate Share of the Net OPEB Liability	\$ 372,708	\$ 313,110	\$ 265,964

Healthcare Cost Trend Rates Sensitivity Analysis

The following presents the net OPEB liability of the plan using the assumed healthcare costs trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one-percentage point lower or one-percentage point higher than the assumed healthcare cost trend rate.

	1% Decrease (7.5%)	Current Healthcare Cost Trend Rate (8.5%)	1% Increase (9.5%)
Proportionate Share of the Net OPEB Liability	\$ 260,043	\$ 313,110	\$ 383,000

EZZELL INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2019

H. Defined Other Post-Employment Benefit Plan (Continued)

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At August 31, 2019, the District reported a liability of \$313,110 for its proportionate share of the TRS's Net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's Proportionate Share of the Collective Net OPEB Liability	\$ 313,110
State's Proportionate Share that is Associated with the District	<u>466,993</u>
Total	<u>\$ 780,103</u>

The Net OPEB Liability was measured as of August 31, 2017 and rolled forward to August 31, 2018 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer's proportionate share of the Net OPEB Liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2017 through August 31, 2018.

At August 31, 2018, the employer's proportionate share of the collective Net OPEB Liability was 0.0006270864%, an increase of 0.0000086996% from its proportionate share measured as of August 31, 2017.

Changes Since the Prior Actuarial Valuation

The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB Liability since the prior measurement period:

- The total OPEB liability as of August 31, 2018 was developed using the roll forward method of the August 31, 2017 valuation.
- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the total OPEB liability.
- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the total OPEB liability.
- Demographic and economic assumptions were updated based on the experience study performed by TRS for the period ending August 31, 2017. This change increased the total OPEB liability.
- The discount rate was changed from 3.42% as of August 31, 2017 to 3.69% as of August 31, 2018. This change lowered the total OPEB liability \$2.3 billion.
- Created a high-deductible health plan that provides a zero cost for generic prescriptions for certain preventive drugs and provides a zero premium for disability retirees who retired as a disability retiree on or before January 1, 2017 and are not eligible to enroll in Medicare.
- Created a single Medicare Advantage plan and Medicare prescription drug plan for all Medicare-eligible participants.
- Allowed the System to provide other appropriate health benefit plans to address the needs of enrollees eligible for Medicare.
- Allowed eligible retirees and their eligible dependents to enroll in TRS-Care when the retiree reaches 65 years of age, rather than waiting for the next enrollment period.
- Eliminated free coverage under TRS-Care, except for certain disability retirees enrolled during plan years 2018 through 2021, requiring members to contribute \$200 per month towards health insurance premiums.

EZZELL INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2019

H. Defined Other Post-Employment Benefit Plan (Continued)

For the year ended August 31, 2019, the District recognized OPEB Expense of \$25,418 and revenue of \$16,986 for support provided by the State.

At August 31, 2019, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Actuarial Experiences	\$ 16,616	\$ 4,941
Changes in Actuarial Assumptions	5,225	94,072
Difference Between Projected and Actual Investment Earnings	55	-
Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions	4,761	-
Total as of August 31, 2018 Measurement Date	26,657	99,013
Contributions Paid to TRS Subsequent to the Measurement Date	4,437	-
Total as of August 31, 2019	<u>\$ 31,094</u>	<u>\$ 99,013</u>

The net amounts of the employer's balances of deferred outflows and inflows of resources (not including the deferred contributions paid subsequent to the measurement date) related to OPEB will be recognized in OPEB expense as follows:

Year ended August 31:	OPEB Expense Amount
2020	\$ (11,730)
2021	(11,730)
2022	(11,730)
2023	(11,741)
2024	(11,747)
Thereafter	(13,678)

For the year ended August 31, 2019, the changes to the TRS net OPEB liability were as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Net OPEB Liability	<u>\$ 268,913</u>	<u>\$ 48,523</u>	<u>\$ 4,326</u>	<u>\$ 313,110</u>

I. Health Care Coverage – Retirees and Active Employees

*Retiree Health Care Coverage*

Plan Description

The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas (TRS). TRS-Care provides health care coverage for certain persons (and their dependents) who have retired under the Teacher Retirement System of Texas.

EZZELL INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2019

I. Health Care Coverage – Retirees and Active Employees (Continued)

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. The report may be obtained by visiting the TRS website at [www.trs.state.tx.us](http://www.trs.state.tx.us), by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling (800) 223-8778.

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. The contribution rate for the active employees was 0.65% for the years ended August 31, 2019, 2018, and 2017. The contribution rate for the State was 1.00% for the year ended August 31, 2017 and 1.25% for the years ended August 31, 2018 and 2019. The contribution rate for the District was 0.55% for the year ended August 31, 2017 and 0.75% for the years ended August 31, 2018 and 2019. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school.

Contributions

Contributions made by the State on behalf of the District are recorded in the governmental funds financial statements as both revenue and expenditures. State contributions to TRS made on behalf of the District's employees as well as the Member's and District's required contributions for the years ended August 31, 2019, 2018, and 2017 are as follows:

Contribution Rates and Contribution Amounts						
Year	Member		State		District	
	Rate	Amount	Rate	Amount	Rate	Amount
2019	0.65%	\$ 3,543	1.25%	\$ 6,195	0.75%	\$ 4,089
2018	0.65%	3,499	1.25%	6,214	0.75%	4,037
2017	0.65%	3,491	1.00%	4,988	0.55%	2,954

Medicare Part D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which became effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2019, 2018, and 2017, the subsidy payments received by TRS-Care on behalf of the District were \$2,084, \$1,680, and \$1,606, respectively.

EZZELL INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2019

I. Health Care Coverage – Retirees and Active Employees (Concluded)

*Active Employee Health Care Coverage*

Plan Description

The District participates in TRS Active Care sponsored by the Teacher Retirement System of Texas and administered through Aetna and Caremark (pharmacy). TRS Active Care provides health care coverage to employees (and their dependents) of participating public education entities. Optional life and long-term care insurance are also provided to active members and retirees. Authority for the plan can be found in the Texas Insurance Code, Title 8, Subtitle H, Chapter 1579 and in the Texas Administrative Code, Title 34, Part 3, Chapter 41. The plan began operations on September 1, 2002. This is a premium based plan. Payments are made on a monthly basis for all covered employees.

J. Commitments and Contingencies

Contingencies

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

K. Shared Services Arrangements

The District participates in a shared services arrangement (“SSA”) with several other school districts for special education services. The District does not account for revenues or expenditures in this program and does not disclose them in its financial statements. The District has neither a joint ownership interest in capital assets purchased by the fiscal agent, Goliad I.S.D., nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA. In accordance with the Resource Guide, the payments to the fiscal agent are recorded as expenditures in Function 93, “Payments Related to Shared Services Arrangements.” Latest financial statements for the SSA are available for year ended August 31, 2018, from the fiscal agent.



EZZELL INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2019

L. Local and Intermediate Revenue

During the year ended August 31, 2019, local and intermediate revenues consisted of the following:

Revenue Description	Fund	Amount
Property Taxes Including Penalties and Interest	General Fund	\$ 812,883
Interest Income from Temporary Investments	General Fund	6,739
Tuition and Fees	General Fund	5,400
Other Miscellaneous Revenues	General Fund	12,449
Total General Fund		<u>837,471</u>
 Property Taxes Including Penalties and Interest	 Debt Service Fund	 230,696
Interest Income from Temporary Investments	Debt Service Fund	370
Total Debt Service Fund		<u>231,066</u>
 Interest Income from Temporary Investments	 Capital Projects Fund	 524
Revenues from Meals Served	Special Revenue Fund	25,107
Local Grant	Special Revenue Fund	10,000
Total Other Funds		<u>35,631</u>
 Total Governmental Funds		 <u>\$ 1,104,168</u>

M. Significant Taxpayers

The District's two largest taxpayers accounted for approximately 10% and 6% on an individual basis, and approximately 16% on an aggregate basis, of the total 2018 tax levy. No delinquent amounts from these taxpayers existed as August 31, 2019. No other individual taxpayer accounted for more than 3% of the total tax levy.

### **Required Supplementary Information**

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

EZZELL INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED AUGUST 31, 2019

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	\$ 847,131	\$ 847,131	\$ 837,471	\$ (9,660)
5800 State Program Revenues	253,546	253,546	216,878	(36,668)
5020 Total Revenues	1,100,677	1,100,677	1,054,349	(46,328)
EXPENDITURES:				
Current:				
0011 Instruction	443,787	448,287	447,579	708
0012 Instructional Resources and Media Services	17,475	17,475	6,030	11,445
0013 Curriculum and Instructional Staff Development	3,725	3,825	3,796	29
0023 School Leadership	61,297	61,297	61,306	(9)
0033 Health Services	3,500	3,500	2,310	1,190
0034 Student (Pupil) Transportation	39,840	130,840	132,772	(1,932)
0036 Extracurricular Activities	6,087	6,087	4,732	1,355
0041 General Administration	95,389	114,389	113,406	983
0051 Facilities Maintenance and Operations	68,292	75,292	75,057	235
0053 Data Processing Services	23,362	25,362	25,177	185
Debt Service:				
0071 Principal on Long-Term Debt	29,791	29,791	29,759	32
0072 Interest on Long-Term Debt	1,072	1,072	1,071	1
Capital Outlay:				
0081 Facilities Acquisition and Construction	121,719	14,819	-	14,819
Intergovernmental:				
0091 Contracted Instructional Services Between Schools	5,000	-	-	-
0093 Payments to Fiscal Agent/Member Districts of SSA	29,000	29,000	28,150	850
0099 Other Intergovernmental Charges	145,341	130,641	130,612	29
6030 Total Expenditures	1,094,677	1,091,677	1,061,757	29,920
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	6,000	9,000	(7,408)	(16,408)
OTHER FINANCING SOURCES (USES):				
7914 Non-Current Loans	-	-	94,619	94,619
8911 Transfers Out (Use)	(6,000)	(9,000)	(8,106)	894
7080 Total Other Financing Sources (Uses)	(6,000)	(9,000)	86,513	95,513
1200 Net Change in Fund Balances	-	-	79,105	79,105
0100 Fund Balance - September 1 (Beginning)	380,146	380,146	380,146	-
3000 Fund Balance - August 31 (Ending)	\$ 380,146	\$ 380,146	\$ 459,251	\$ 79,105

EZZELL INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR THE YEAR ENDED AUGUST 31, 2019

	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016
District's Proportion of the Net Pension Liability (Asset)	0.000338583%	0.000364922%	0.0003089%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 186,364	\$ 116,682	\$ 116,746
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	526,322	316,553	370,173
Total	<u>\$ 712,686</u>	<u>\$ 433,235</u>	<u>\$ 486,919</u>
District's Covered Payroll	\$ 538,284	\$ 536,899	\$ 490,255
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	34.62%	21.73%	23.81%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.74%	82.17%	78.00%

Note: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2018 for year 2019, August 31, 2017 for year 2018, August 31, 2016 for year 2017, August 31, 2015 for year 2016 and August 31, 2014 for 2015.

Note: In accordance with GASB 68, Paragraph 138, only five years of data are presented this reporting period. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

FY 2016		FY 2015	
Plan Year 2015		Plan Year 2014	
0.0003219%		0.0001215%	
\$	113,787	\$	32,454
340,364		287,859	
\$	454,151	\$	320,313
\$	457,773	\$	442,111
24.86%		7.34%	
78.43%		83.25%	

EZZELL INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR THE YEAR ENDED AUGUST 31, 2019

	2019	2018	2017
Contractually Required Contribution	\$ 11,833	\$ 11,461	\$ 10,408
Contribution in Relation to the Contractually Required Contribution	(11,833)	(11,461)	(10,408)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 546,085	\$ 538,284	\$ 539,899
Contributions as a Percentage of Covered Payroll	2.17%	2.13%	1.93%

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding years.

Note: In accordance with GASB 68, Paragraph 138, the years of data presented this reporting period are those for which data is available. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

2016		2015	
\$	9,816	\$	9,265
	(9,816)		(9,265)
\$	-	\$	-
\$	490,255	\$	457,773
	2.00%		2.02%

EZZELL INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR THE YEAR ENDED AUGUST 31, 2019

	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.000627086%	0.000618387%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 313,110	\$ 268,913
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	466,993	424,836
Total	<u>\$ 780,103</u>	<u>\$ 693,749</u>
District's Covered Payroll	\$ 538,284	\$ 536,899
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	58.17%	50.09%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.57%	0.91%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. Therefore the amounts reported for FY 2019 are for the measurement date August 31, 2018. The amounts for FY 2018 are based on the August 31, 2017 measurement date.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.



EZZELL INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR THE YEAR ENDED AUGUST 31, 2019

	2019	2018
Contractually Required Contribution	\$ 4,437	\$ 4,324
Contribution in Relation to the Contractually Required Contribution	(4,437)	(4,324)
Contribution Deficiency (Excess)	\$ -0-	\$ -0-
District's Covered Payroll	\$ 546,085	\$ 538,284
Contributions as a Percentage of Covered Payroll	0.81%	0.80%

Note: GASB Codification, Vol. 2, P50.238 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

Information in this schedule should be provided only for the years where data is available. Eventually 10 years of data should be presented.

EZZELL INDEPENDENT SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED AUGUST 31, 2019

Budgetary Data

The official budget was prepared for adoption for the General Fund, the Debt Service Fund, and the Food Service Fund, which is included within the Special Revenue Funds. The following procedures are followed in establishing the budgetary data reflected in the basic 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. At least ten days' public notice of the meeting must be given.
- c. Prior to September 1, the budget is legally enacted through passage of a resolution of the Board.

Once a budget is approved, it can be amended at the 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. As required by law, such amendments are made during the year, are reflected in the official minutes of the Board, and are not made after fiscal year end. During the year, the budget was amended as necessary within all material respects.

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.

TRS Pension Plan

*Changes of Benefit Terms*

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

*Changes of Assumptions*

Assumptions, methods, and plan changes which are specific to the Pension Trust Fund were updated from the prior year's report. The Net Pension Liability increased significantly since the prior measurement date due to a change in the following actuarial assumptions:

- The total pension liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.
- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increases for individual participants were updated based on the same experience study.
- The discount rate changed from 8.00% as of August 31, 2017 to 6.907% as of August 31, 2018.
- The long-term assumed rate of return changed from 8.00% to 7.25%.
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the net pension liability.

EZZELL INDEPENDENT SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED AUGUST 31, 2019

TRS OPEB Plan

*Changes of Benefit Terms*

The 85<sup>th</sup> Legislature, Regular Session passed the following statutory changes which became effective on September 1, 2017:

- Created a high-deductible health plan that provides a zero cost for generic prescriptions for certain preventative drugs and provides a zero premium for disability retirees who retired as a disability retiree on or before January 1, 2017 and are not eligible to enroll in Medicare.
- Created a single Medicare Advantage plan and Medicare prescription drug plan for all Medicare-eligible participants.
- Allowed the System to provide other appropriate health benefit plans to address the needs of enrollees eligible for Medicare.
- Allowed eligible retirees and their eligible dependents to enroll in TRS-Care when the retiree reaches 65 years of age, rather than waiting for the next enrollment period.
- Eliminated free coverage under TRS-Care, except for certain disability retirees enrolled during plan years 2018 through 2021, requiring members to contribute \$200 per month toward their health insurance premiums.

*Changes of Assumptions*

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

- The total OPEB liability as of August 31, 2018 was developed using the roll forward method of the August 31, 2017 valuation.
- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the total OPEB liability.
- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the total OPEB liability.
- Demographic and economic assumptions were updated based on the experience study performed by TRS for the period ending August 31, 2017. This change increased the total OPEB liability.
- The discount rate changed from 3.42% as of August 31, 2017 to 3.69% as of August 31, 2018. This change lowered the total OPEB liability by \$2.3 billion.

In this valuation, the impact of the “Cadillac Tax” has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

- 2018 thresholds of \$850/\$2,292 were indexed annually by 2.50%.
- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

Results indicate that the value of the excise tax would be reasonably represented by a 25-basis point addition to the long-term trend rate assumption.

### **Other Supplementary Information**

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

EZZELL INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FOR THE YEAR ENDED AUGUST 31, 2019

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2010 and prior years	Various	Various	\$ Various
2011	0.970700	0.000000	100,142,603
2012	1.036400	0.000000	83,233,962
2013	1.033100	0.000000	80,380,718
2014	0.952300	0.000000	97,351,235
2015	0.960000	0.265000	102,608,749
2016	0.960000	0.280000	92,423,351
2017	0.960000	0.300000	77,569,794
2018	0.984900	0.307600	86,031,758
2019 (School year under audit)	0.997000	0.290000	79,403,098
1000 TOTALS			

(10) Beginning Balance 9/1/2018	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2019
\$ 15,438	\$ -	\$ 462	\$ -	\$ (243)	\$ 14,733
3,512	-	253	-	-	3,259
3,095	-	58	-	-	3,037
9,010	-	(1,186)	-	(8,620)	1,576
7,322	-	22,283	-	15,522	561
25,607	-	476	131	(6,668)	18,332
28,800	-	242	71	(10,750)	17,737
8,239	-	16,581	5,181	14,492	969
6,861	-	(3,053)	(954)	(9,150)	1,718
-	1,021,918	767,658	223,292	(21,574)	9,394
<u>\$ 107,884</u>	<u>\$ 1,021,918</u>	<u>\$ 803,774</u>	<u>\$ 227,721</u>	<u>\$ (26,991)</u>	<u>\$ 71,316</u>

EZZELL INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM  
 FOR THE YEAR ENDED AUGUST 31, 2019

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	\$ 28,000	\$ 28,000	\$ 25,108	\$ (2,892)
5800 State Program Revenues	2,008	2,008	2,024	16
5900 Federal Program Revenues	37,500	37,500	36,608	(892)
5020 Total Revenues	67,508	67,508	63,740	(3,768)
EXPENDITURES:				
Current:				
0035 Food Services	74,301	77,301	71,846	5,455
6030 Total Expenditures	74,301	77,301	71,846	5,455
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,793)	(9,793)	(8,106)	1,687
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	6,000	9,000	8,106	(894)
1200 Net Change in Fund Balances	(793)	(793)	-	793
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ (793)	\$ (793)	\$ -	\$ 793

EZZELL INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - DEBT SERVICE FUND  
FOR THE YEAR ENDED AUGUST 31, 2019

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	\$ 224,775	\$ 226,575	\$ 231,066	\$ 4,491
5800 State Program Revenues	6,800	6,800	6,796	(4)
5020 Total Revenues	231,575	233,375	237,862	4,487
EXPENDITURES:				
0041 General Administration	2,500	4,300	4,248	52
Debt Service:				
0071 Principal on Long-Term Debt	85,000	85,000	85,000	-
0072 Interest on Long-Term Debt	137,675	137,675	137,675	-
0073 Bond Issuance Cost and Fees	350	350	350	-
6030 Total Expenditures	225,525	227,325	227,273	52
1200 Net Change in Fund Balances	6,050	6,050	10,589	4,539
0100 Fund Balance - September 1 (Beginning)	133,403	133,403	133,403	-
3000 Fund Balance - August 31 (Ending)	\$ 139,453	\$ 139,453	\$ 143,992	\$ 4,539





# Roloff, Hnatek & Co., L.L.P.

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## Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Trustees  
Ezzell Independent School District  
20500 FM 531  
Hallettsville, Texas 77964

Members of the Board of Trustees:

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 Ezzell Independent School District as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise Ezzell Independent School District's basic financial statements, and have issued our report thereon dated November 10, 2019.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Ezzell 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 Ezzell Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Ezzell Independent School District's internal control.

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Ezzell 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink that reads "Roloff, Hnatek & Co., L.L.P." in a cursive, flowing script.

Roloff, Hnatek & Co., L.L.P.  
November 10, 2019

EZZELL INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED AUGUST 31, 2019

There were no findings requiring disclosure noted.

EZZELL INDEPENDENT SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED AUGUST 31, 2019

There were no findings noted during the prior year audit.