

**TAYLOR INDEPENDENT
SCHOOL DISTRICT**

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



TAYLOR INDEPENDENT SCHOOL DISTRICT

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TAYLOR INDEPENDENT SCHOOL DISTRICT

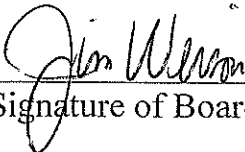
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CERTIFICATE OF BOARD

<u>Taylor Independent School District</u> Name of School District	<u>Williamson</u> County	<u>246911</u> Co.-Dist. Number
--	-----------------------------	-----------------------------------

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) approved ___ disapproved for the fiscal year ended August 31, 2015 at a meeting of the Board of Trustees of such school district on the 11th day of JANUARY, 2016.



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



MAXWELL LOCKE & RITTER LLP

Accountants and Consultants

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees of
Taylor Independent School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Taylor Independent School District (the "District"), as of and for the year ended August 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

"A Registered Investment Advisor"

This firm is not a CPA firm

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of August 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 and Note 16 to the financial statements, for the year ended August 31, 2015, the District adopted new accounting guidance, Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*, resulting in a restatement of the District's net position as of August 31, 2014. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the District's proportionate share of the net pension liability, and the schedule of district contributions on pages 5 through 12, 58, and 59, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual fund statements, other schedules, and the schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Maxwell Locke + Ritter LLP

Austin, Texas
January 11, 2016

TAYLOR INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Taylor Independent School District's (the "District") annual financial report presents our discussion and analysis of the District's financial performance during the year ended August 31, 2015. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by approximately \$8.4 million. Of this amount, unrestricted net position is a negative \$1.6 million.
- As of the close of the fiscal year, the District's governmental funds reported combined ending fund balances of approximately \$7.0 million. Approximately 70% of this amount, \$4.9 million, is available for spending at the government's discretion (unassigned fund balance).
- For the year ended August 31, 2015, the District adopted Governmental Accounting Standards Board ("GASB") Statement No. 68 *Accounting and Financial Reporting for Pensions- An Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*. The implementation of these standards resulted in a prior period adjustment to net position of \$4,486,256 to recognize the net pension liability at the beginning of the measurement period ending August 31, 2014, and the deferred outflows of resources related to the District's contributions after the beginning of the measurement period through August 31, 2014.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide financial statements - The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to that of a private sector business.

The Statement of Net Position presents information on all of the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between reported as net position. Over time, increases or decreases in net position may serve as a useful indicator as to whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods such as uncollected property tax and earned but unused sick leave.

The government-wide financial statements distinguish functions of the District that are principally supported by taxes, intergovernmental revenues, and user fees and charges (governmental activities). The governmental activities of the District include the education of District students and the programs necessary to support such education.

Fund Financial Statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements.

By doing so readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The District maintains numerous governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund as it is considered to be a major fund. Data from the other funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The District adopts an annual appropriated budget for the General Fund. A budgetary comparison statement has been provided for this fund to demonstrate compliance with this budget. Supplementary budgetary comparison schedules have also been prepared for the Food Service and Debt Service Funds and are included in the Combining and Individual Fund Statements section of this report.

Fiduciary Funds - The District is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that - because of a trust arrangement - can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

Notes to Basic Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information - The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the basic financial statements. Certain information required by the Texas Education Agency and the federal government regarding tax collection and grant expenditures is also presented along with supplementary information related to the District's contributions to a cost-sharing pension plan with the Teacher Retirement System of Texas.

Government-wide Financial Analysis

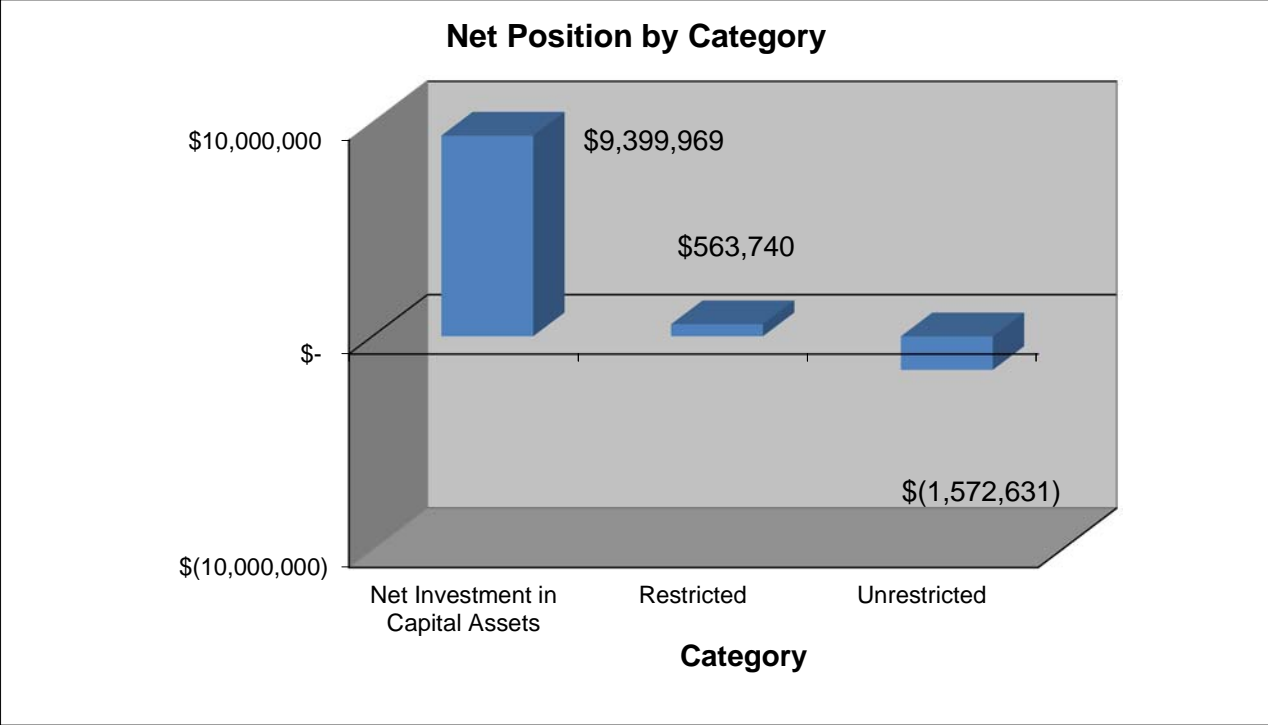
Net position may serve over time as a useful indicator of the District's financial position. For the year ended August 31, 2015, net position was \$8,391,078, an increase of \$785,557 as compared to net position for the year ended August 31, 2014, as restated.

Net position for the year ended August 31, 2015 as compared to the year ended August 31, 2014 can be presented as follows:

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

	Governmental Activities as of	
	August 31, 2015	August 31, 2014
Current assets:		
Cash and temporary investments	\$ 6,942,414	\$ 6,606,417
Property taxes, net	234,235	216,531
Due from other governments	1,828,512	800,426
Other receivables and inventories	200,087	230,785
Total current assets	<u>9,205,248</u>	<u>7,854,159</u>
Capital assets, net of accumulated depreciation	<u>64,310,938</u>	<u>65,114,502</u>
Total assets	<u>\$ 73,516,186</u>	<u>\$ 72,968,661</u>
Deferred outflows of resources-		
Deferred outflows related to pension liability	<u>\$ 894,843</u>	<u>\$ -</u>
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,605,481	\$ 971,933
Due to other governments and student groups	42,454	52,004
Due to other funds	11,222	-
Unearned revenue	267,197	5,761
Bond interest payable	101,467	94,103
Bonds payable	1,725,000	1,680,000
Capital lease and note payable	654,366	249,350
Accumulated unpaid vacation and benefits	5,431	9,070
Total current liabilities	<u>4,412,618</u>	<u>3,062,221</u>
Long-term liabilities:		
Bonds and accretion payable	53,682,481	55,174,530
Capital lease and note payable	2,633,680	2,492,382
Accumulated unpaid vacation and benefits	120,299	147,751
Net pension liability	3,959,615	-
Total liabilities	<u>\$ 64,808,693</u>	<u>\$ 60,876,884</u>
Deferred inflows of resources-		
Deferred inflows related to pension liability	<u>\$ 1,211,258</u>	<u>\$ -</u>
Net position:		
Net investment in capital assets	\$ 9,399,969	\$ 9,149,700
Restricted	563,740	398,976
Unrestricted	(1,572,631)	2,543,101
Total net position	<u>\$ 8,391,078</u>	<u>\$ 12,091,777</u>

The District has unrestricted net position of \$(1,572,631) as of August 31, 2015. For the fiscal year ending August 31, 2015, restricted net position increased by \$164,764 and unrestricted net position decreased by \$4,115,732. Overall cash and investments increased from the previous fiscal year.



Net position may be restricted for a variety of uses by the District. These restrictions are imposed by bond covenants or grant agreements. Restricted net position is available for use in the designated areas only. Unrestricted net position may be used by the District to meet ongoing operating obligations as determined by the Board of Trustees (the "Board").

Governmental Activities

Governmental activities increased the District's net position by \$785,557 during the year ended August 31, 2015. Key elements of this increase are as follows:

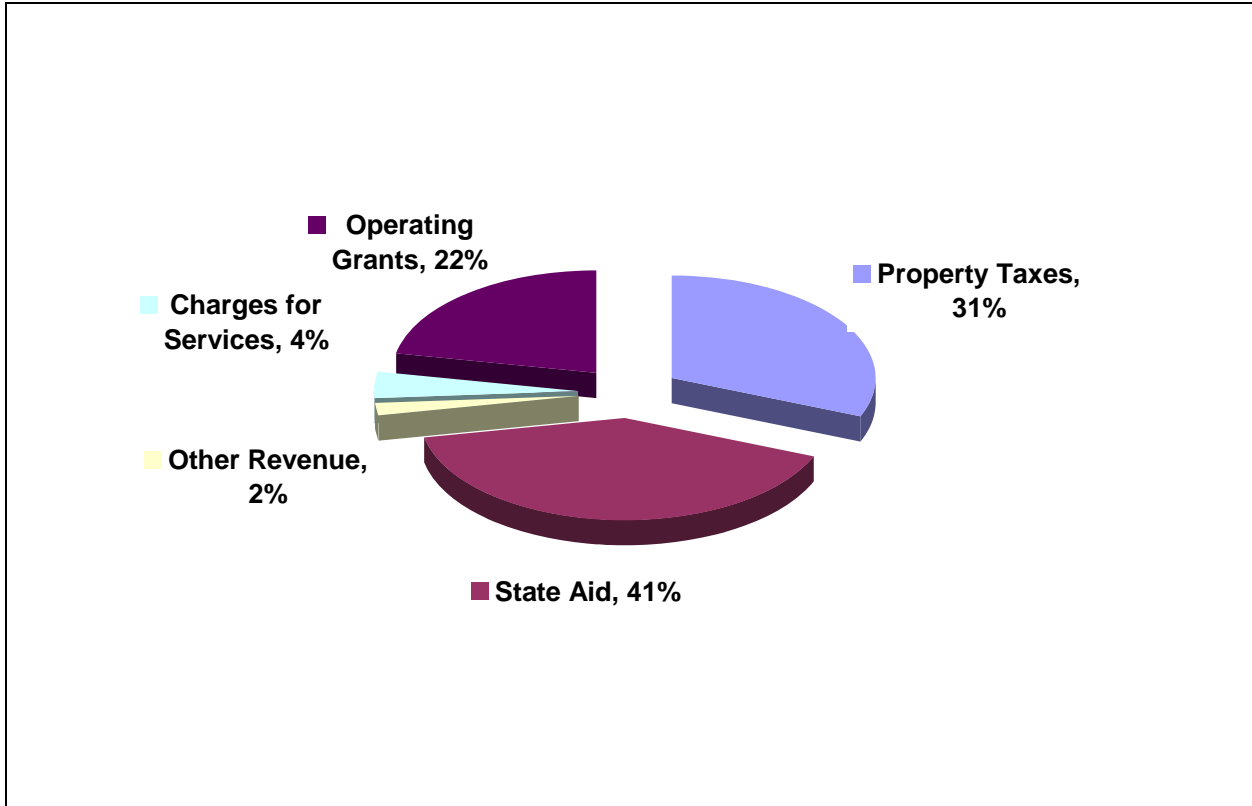
Taylor Independent School District's Changes in Net Position

	Governmental Activities for the year ended	
	August 31, 2015	August 31, 2014
Revenues:		
Program revenues:		
Charges for services	\$ 1,582,482	\$ 1,792,039
Operating grants and contributions	8,931,544	8,962,647
General revenues:		
Property taxes	12,359,895	11,558,164
State aid - formula grants	16,583,421	15,631,319
Investment earnings	40,791	41,793
Miscellaneous	865,563	411,340
Total revenues	40,363,696	38,397,302
Expenses:		
Instructional	19,077,449	19,185,970
Instructional leadership	3,790,418	3,455,142
Student support services	2,658,555	2,587,398
Food services	1,756,810	1,904,582
Extracurricular activities	1,092,017	1,475,035
General administration	1,097,119	1,001,496
Support services	4,276,517	3,949,843
Community services	550,452	472,933
Debt service	2,435,884	2,503,478
Facilities acquisition and construction	17,162	47,393
Payments to other districts/agencies	2,825,756	2,373,031
Total expenses	39,578,139	38,956,301
Change in net position	785,557	(558,999)
Net position beginning	12,091,777	12,650,776
Prior period adjustment	(4,486,256)	-
Net position ending	\$ 8,391,078	\$ 12,091,777

Investment earnings decreased significantly in the last several years due to the Federal Reserve Bank dropping the interest rate to practically 0%. Due to requirements of the Public Funds Investment Act, it makes it very difficult to invest in any type of fiduciary instrument other than investment pools and certificates of deposit. The District's enrollment is approximately 67% economically disadvantaged which qualifies the District for more funding from state and federal sources. The District actively pursues this avenue to acquire much needed funding for the District.

Overall property taxes account for 31% of the District's revenue sources while state funding represents 41%. Operating grants account for 22% of revenue sources.

Revenues by Type



Governmental Funds

The focus of the District's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$7,044,659. Of this amount \$4,964,177 constitutes unassigned fund balance available for use in the General Fund activities at the District's discretion. The remainder of the fund balance is nonspendable, restricted, or assigned to indicate that it is not available for new spending because it is in nonspendable form or it will be used for bond projects, debt service and other obligations of the District.

The Texas Education Agency recommends that districts keep a fund balance that is between 12% to 20% of annual General Fund operating expenditures. As a measure of the General Fund's liquidity, unassigned fund balance represents 17% of the total General Fund expenditures.

The District sets maintenance and debt tax rates in August of each year. For the 2014-15 fiscal year the District adopted a maintenance and operations tax rate of \$1.17 per \$100 in valuation and a debt service rate of \$0.28.

The Debt Service Fund had a total fund balance of \$60,931, all of which is restricted for payment of debt service.

Budgetary Highlights

The Board approved nine major budget amendments during the 2014-15 fiscal year. The District appropriated \$961,125 for the purchase of new laptop computers for the Taylor High School students' one to one initiative. This expenditure was offset with an Estimated Revenue budget amendment of \$961,125 via a capital lease agreement. As a result of this capital lease agreement, the Board approved a \$139,500 budget amendment to pay for the first capital lease payment. The District experienced a fire at its Middle School campus. A \$168,758 budget amendment was approved to repair the fire damage to the school. The District received \$168,758 in insurance proceeds; therefore, an Estimated Revenue budget amendment of \$168,758 was approved by the Board. The Main Street Complex parking lot needed to be paved and resealed. A budget amendment for \$48,300 was approved by the Board to make this repair. On Memorial Day, Taylor High School sustained flood damage. A budget amendment of \$227,860 was approved to pay for repairs. The District received \$227,860 in insurance proceeds and an Estimated Revenue budget amendment was also approved for that amount.

Capital Assets and Debt Administration:

Capital Assets

The District's investment in capital assets for its governmental activities as of August 31, 2015 amounts to \$64,310,938 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and furniture and equipment.

Taylor Independent School District Capital Assets (Net of accumulated depreciation)

Land	\$ 1,437,326
Buildings and improvements	60,983,067
Furniture and equipment	<u>1,890,545</u>
Total	<u>\$ 64,310,938</u>

Additional information on the District's capital assets can be found in Note 6 of this report.

Long-term Debt

At the end of the current fiscal year the District had total bonded debt outstanding of \$51,622,923. The bonded debt constitutes a direct obligation of the District from a continuing, direct ad valorem tax levied against all taxable property of the District without legal limit as to rate or amount. The bonds are also guaranteed by the corpus of the Permanent School fund of the State of Texas. Both Standard & Poor's Rating Services and Moody's Investors Services have provided bond ratings of AAA and Aaa, respectively, to the District's outstanding debt obligations.

Additional information on the District's long-term debt can be found in Note 7 of this report.

Economic Factors and Next Year's Budgets and Rates

The District's elected and appointed officials considered population growth and available resources from State revenues and tax revenues when setting the fiscal year 2016 budget and tax rate. The student population stayed relatively flat last year, but the District expects a 1-2% increase in 2015-16. Assessed property values increased by approximately 9% over last year. The District adopted a \$35,185,830 budget (General Fund, Debt Service Fund and Food Service Fund) for fiscal year 2016. The budget will be funded through a \$1.45 overall tax rate consisting of a \$1.17 M&O tax rate and \$0.28 I&S tax rate, State Per Capita and Foundation revenues, and other local revenues. The total tax rate adopted is the same total tax rate adopted in fiscal year 2015. The 2016 fiscal year budget is approximately 0.7% less than the 2015 fiscal year amended budget. If the District does not incur any unforeseen expenditures or reductions in revenues, it should accomplish the task of educating the students in the District with the available resources and not use any significant amount of its General Fund fund balance.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Business Office at Taylor Independent School District, 3101 North Main Street, Suite 104, Taylor, Texas 76574.

BASIC FINANCIAL STATEMENTS

TAYLOR INDEPENDENT SCHOOL DISTRICT
Statement of Net Position
August 31, 2015

	Governmental Activities
ASSETS:	
Cash and temporary investments	\$ 6,942,414
Receivables:	
Property taxes - delinquent	292,794
Allowance for uncollectible taxes	(58,559)
Due from other governments	1,828,512
Other receivables	79,913
Inventories	120,174
Capital assets (net of accumulated depreciation):	
Land	1,437,326
Buildings and improvements	60,983,067
Furniture and equipment	1,890,545
Total assets	<u>\$ 73,516,186</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Pension contributions after measurement date	\$ 576,227
Pension actuarial losses	318,616
Total deferred outflows of resources	<u>\$ 894,843</u>
LIABILITIES:	
Current liabilities:	
Accounts payable	\$ 610,296
Payroll deductions and withholdings payable	1,734
Accrued wages payable	993,451
Due to other governments	243
Due to student groups	42,211
Due to other funds	11,222
Unearned revenue	267,197
Bond interest payable	101,467
Bonds payable	1,725,000
Note payable	175,000
Capital lease payable	479,366
Accumulated unpaid vacation and benefits	5,431
Noncurrent liabilities:	
Bonds payable	49,897,923
Note payable	2,060,000
Accretion payable	3,784,558
Capital lease payable	573,680
Accumulated unpaid vacation and benefits	120,299
Net pension liability	3,959,615
Total liabilities	<u>64,808,693</u>
DEFERRED INFLOWS OF RESOURCES-	
Deferred inflows related to pension liability	<u>1,211,258</u>
NET POSITION:	
Net investment in capital assets	9,399,969
Restricted for-	
Food service	563,740
Unrestricted	(1,572,631)
Total net position	<u>\$ 8,391,078</u>

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

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

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for	Operating	Revenue and
		Services	Grants and	Changes in
			Contributions	Net Position
				Governmental
				Activities
Governmental activities:				
Instruction	\$ 19,077,449	1,019,853	4,509,237	(13,548,359)
Instructional resources and media services	282,707	-	11,579	(271,128)
Curriculum and staff development	963,343	2,648	637,580	(323,115)
Instructional leadership	600,839	-	246,392	(354,447)
School leadership	1,943,529	193,264	92,436	(1,657,829)
Guidance, counseling, and evaluation services	1,300,462	15,343	453,920	(831,199)
Social work services	50,512	-	50,512	-
Health services	288,267	-	13,188	(275,079)
Student transportation	1,019,314	-	34,155	(985,159)
Food services	1,756,810	259,789	1,520,118	23,097
Extracurricular activities	1,092,017	75,609	29,550	(986,858)
General administration	1,097,119	14,962	38,146	(1,044,011)
Facilities maintenance and operations	3,691,545	1,014	287,854	(3,402,677)
Security and monitoring services	73,747	-	-	(73,747)
Data processing services	511,225	-	13,460	(497,765)
Community services	550,452	-	125,949	(424,503)
Debt service	2,435,884	-	867,468	(1,568,416)
Facilities acquisition and construction	17,162	-	-	(17,162)
Payments related to shared services arrangements	2,546,614	-	-	(2,546,614)
Payments to juvenile justice alternative education programs	188,146	-	-	(188,146)
Other intergovernmental charges	90,996	-	-	(90,996)
Total governmental activities	\$ 39,578,139	1,582,482	8,931,544	(29,064,113)
General revenues:				
Property taxes levied for general purposes				\$ 9,973,110
Property taxes levied for debt service				2,386,785
State aid-formula grants				16,583,421
Investment earnings				40,791
Miscellaneous				865,563
Total general revenues				29,849,670
Change in net position				785,557
Net position - beginning, as restated				7,605,521
Net position - ending				\$ 8,391,078

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

TAYLOR INDEPENDENT SCHOOL DISTRICT
Balance Sheet
Governmental Funds
August 31, 2015

	General	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and temporary investments	\$ 6,024,891	917,523	6,942,414
Receivables:			
Property taxes - delinquent	234,584	58,210	292,794
Allowance for uncollectible taxes	(46,917)	(11,642)	(58,559)
Due from other governments	810,739	1,017,773	1,828,512
Due from other funds	659,053	32,463	691,516
Other receivables	79,913	-	79,913
Inventories	120,174	-	120,174
Total assets	<u>\$ 7,882,437</u>	<u>2,014,327</u>	<u>9,896,764</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 509,932	100,364	610,296
Payroll deductions and withholdings payable	1,734	-	1,734
Accrued wages payable	754,714	238,737	993,451
Due to other funds	43,685	659,053	702,738
Due to other governments	243	-	243
Due to student groups	-	42,211	42,211
Unearned revenue	19,808	247,389	267,197
Total liabilities	<u>1,330,116</u>	<u>1,287,754</u>	<u>2,617,870</u>
Deferred inflows of resources -			
Deferred revenue - property taxes	<u>187,667</u>	<u>46,568</u>	<u>234,235</u>
Fund balances:			
Nonspendable-			
Inventories	120,174	-	120,174
Restricted for:			
Debt service	-	60,931	60,931
Food service	-	563,740	563,740
Assigned to:			
Self insurance	231,348	-	231,348
Debt service	648,955	-	648,955
Construction	400,000	-	400,000
Legacy High School	-	38,210	38,210
Other state programs	-	17,124	17,124
Unassigned	<u>4,964,177</u>	<u>-</u>	<u>4,964,177</u>
Total fund balances	<u>6,364,654</u>	<u>680,005</u>	<u>7,044,659</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 7,882,437</u>	<u>2,014,327</u>	

Amounts reported for *governmental activities* in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	\$ 64,310,938
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	234,235
The following liabilities and deferred inflows and outflows of resources are not due and payable in the current period and, therefore, are not reported in the funds:	
Bonds payable, including premiums	(52,481,611)
Less: Issuance discount	858,688
Note payable	(2,235,000)
Accretion of interest payable	(3,784,558)
Bond interest payable	(101,467)
Capital lease payable	(1,053,046)
Accumulated unpaid vacation and benefits	(125,730)
Net pension liability	(3,959,615)
Pension contributions after measurement date	576,227
Pension actuarial losses	318,616
Deferred inflows related to pension liability	(1,211,258)
Net position of governmental activities	<u>\$ 8,391,078</u>

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

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

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:			
Local and intermediate sources	\$ 11,123,860	3,633,358	14,757,218
State program revenues	17,914,290	2,804,542	20,718,832
Federal program revenues	623,248	4,460,188	5,083,436
Total revenues	<u>29,661,398</u>	<u>10,898,088</u>	<u>40,559,486</u>
EXPENDITURES:			
Current:			
Instruction	15,079,927	4,143,261	19,223,188
Instructional resources and media services	270,646	53	270,699
Curriculum and staff development	322,942	626,406	949,348
Instructional leadership	353,499	231,525	585,024
School leadership	1,731,389	141,844	1,873,233
Guidance, counseling, and evaluation services	767,635	496,900	1,264,535
Social work services	-	50,512	50,512
Health services	276,746	-	276,746
Student transportation	1,027,073	-	1,027,073
Food services	551	1,628,269	1,628,820
Extracurricular activities	1,023,318	11,685	1,035,003
General administration	1,047,656	-	1,047,656
Facilities maintenance and operations	3,413,628	112,635	3,526,263
Security and monitoring services	69,260	-	69,260
Data processing services	484,485	-	484,485
Community services	421,848	109,284	531,132
Debt service	232,168	4,062,130	4,294,298
Facilities acquisition and construction	58,000	109,487	167,487
Intergovernmental:			
Payments related to shared services arrangements	2,546,614	-	2,546,614
Payments to juvenile justice alternative education programs	188,146	-	188,146
Other intergovernmental charges	90,996	-	90,996
Total expenditures	<u>29,406,527</u>	<u>11,723,991</u>	<u>41,130,518</u>
Excess (deficiency) of revenues over (under) expenditures	<u>254,871</u>	<u>(825,903)</u>	<u>(571,032)</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	-	853,855	853,855
Transfers out	(853,855)	-	(853,855)
Proceeds from capital lease	933,952	-	933,952
Proceeds from sale of property	73,809	-	73,809
Total other financing sources (uses)	<u>153,906</u>	<u>853,855</u>	<u>1,007,761</u>
Net change in fund balances	408,777	27,952	436,729
Fund balances - beginning	<u>5,955,877</u>	<u>652,053</u>	<u>6,607,930</u>
Fund balances - ending	<u>\$ 6,364,654</u>	<u>680,005</u>	<u>7,044,659</u>

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

TAYLOR INDEPENDENT SCHOOL DISTRICT
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended August 31, 2015

Net change in fund balances-total governmental funds	\$	436,729
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures.		
However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital outlay, exclusive of non-capitalized items		1,273,520
Depreciation expense		(2,077,084)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in deferred tax revenue		17,704
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.		
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Repayment of bond principal and contractual obligations		1,850,000
Proceeds from capital lease		(933,952)
Repayment of capital lease principal		217,638
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Change in accretion payable		(231,312)
Change in bond interest payable		(7,364)
Amortization of bond premiums		34,140
Amortization of bond issuance discounts		(35,779)
Change in accumulated unpaid vacation and benefits		31,091
Pension contributions made after the measurement date		576,227
Adjustment for ending deferred inflows and outflows related to net pension liability		(366,001)
Change in net position of governmental activities	\$	<u><u>785,557</u></u>

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

TAYLOR INDEPENDENT SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
Year Ended August 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Local and intermediate sources	\$ 10,417,788	11,083,239	11,123,860	40,621
State program revenues	17,853,584	17,828,058	17,914,290	86,232
Federal program revenues	515,000	606,285	623,248	16,963
Total revenues	<u>28,786,372</u>	<u>29,517,582</u>	<u>29,661,398</u>	<u>143,816</u>
EXPENDITURES:				
Current:				
Instruction	14,006,923	15,143,559	15,079,927	63,632
Instructional resources and media services	280,015	279,197	270,646	8,551
Curriculum and staff development	364,008	336,508	322,942	13,566
Instructional leadership	382,939	383,439	353,499	29,940
School leadership	1,666,813	1,793,056	1,731,389	61,667
Guidance, counseling, and evaluation services	759,359	802,460	767,635	34,825
Health services	276,789	282,871	276,746	6,125
Student transportation	1,149,790	1,076,790	1,027,073	49,717
Food services	1,295	1,295	551	744
Extracurricular activities	1,095,478	1,090,881	1,023,318	67,563
General administration	912,542	1,092,542	1,047,656	44,886
Facilities maintenance and operations	2,885,900	3,550,643	3,413,628	137,015
Security and monitoring services	92,305	92,305	69,260	23,045
Data processing services	493,589	519,644	484,485	35,159
Community services	452,134	452,434	421,848	30,586
Debt service	92,669	232,169	232,168	1
Facilities acquisition and construction	-	58,001	58,000	1
Intergovernmental:				
Payments related to shared services arrangements	2,726,675	2,606,675	2,546,614	60,061
Payments to juvenile justice alternative education programs	188,146	188,146	188,146	-
Other intergovernmental charges	96,396	92,396	90,996	1,400
Total expenditures	<u>27,923,765</u>	<u>30,075,011</u>	<u>29,406,527</u>	<u>668,484</u>
Excess (deficiency) of revenues over (under) expenditures	<u>862,607</u>	<u>(557,429)</u>	<u>254,871</u>	<u>812,300</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(206,582)	(853,855)	(853,855)	-
Proceeds from capital lease	-	961,125	933,952	(27,173)
Proceeds from sale of property	2,000	74,000	73,809	(191)
Total other financing sources (uses)	<u>(204,582)</u>	<u>181,270</u>	<u>153,906</u>	<u>(27,364)</u>
Net change in fund balance	658,025	(376,159)	408,777	784,936
Fund balance - beginning	<u>5,955,877</u>	<u>5,955,877</u>	<u>5,955,877</u>	<u>-</u>
Fund balance - ending	<u>\$ 6,613,902</u>	<u>5,579,718</u>	<u>6,364,654</u>	<u>784,936</u>

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

TAYLOR INDEPENDENT SCHOOL DISTRICT
Statement of Fiduciary Net Position
Fiduciary Funds
August 31, 2015

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
ASSETS:		
Cash and temporary investments	\$ 2,870,395	\$ 191,737
Due from other funds	-	11,222
	<u> </u>	<u> </u>
Total assets	<u>\$ 2,870,395</u>	<u>\$ 202,959</u>
LIABILITIES-		
Due to student groups	\$ -	\$ 202,959
	<u> </u>	<u> </u>
Total liabilities	<u>\$ -</u>	<u>\$ 202,959</u>
NET POSITION-		
Held in trust for private purposes	<u>\$ 2,870,395</u>	

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

TAYLOR INDEPENDENT SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended August 31, 2015

	<u>Private Purpose Trust Funds</u>
ADDITIONS-	
Contributions	\$ 179,669
Total additions	<u>179,669</u>
DEDUCTIONS-	
Other operating costs	<u>239,667</u>
Total deductions	<u>239,667</u>
Change in net position	(59,998)
Net position - beginning of year	<u>2,930,393</u>
Net position - end of year	<u><u>\$ 2,870,395</u></u>

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

TAYLOR INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED AUGUST 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Reporting Entity

This report includes those activities, organizations and functions which are related to the Taylor Independent School District (the "District") and which are controlled by or dependent upon the District's governing body, the Board of School Trustees (the "Board"). The Board, a seven member group, is the level of government which has governance responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the District. Since the District receives funding from local, state and federal government sources, it must comply with the requirements of the entities providing those funds. However, the District is not included in any other governmental "reporting entity" as defined by Statement No. 14 of the Governmental Accounting Standards Board ("GASB"), since Board members are elected by the public and have decision making authority. In addition, there are no component units included within the reporting entity.

The accounting policies of the District comply with the rules prescribed by the Texas Education Agency's ("TEA") Financial Accountability System Resource Guide. These accounting policies conform to generally accepted accounting principles applicable to state and local governments.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities, which are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District has no business-type activities.

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Major revenue sources considered susceptible to accrual include state and federal program revenues and interest income. No accrual for property taxes collected within sixty days of year end has been made as such amounts are deemed immaterial; delinquent property taxes at year end are reported as deferred inflows of resources.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

The District reports the following major governmental fund:

The General Fund includes financial resources used for general operations. It is a budgeted fund, and any unassigned fund balances are considered resources available for current operations.

Additionally, the District reports the following fund types:

The Debt Service Fund includes debt service taxes and other revenues collected to retire bond principal and to pay interest due. It is a budgeted fund.

The Capital Projects Fund includes the proceeds from the sale of bonds and other revenues to be used for authorized construction and other capital asset acquisitions.

Special Revenue Funds are governmental funds which include resources restricted, committed, or assigned for specific purposes by a grantor or the Board. Federally financed programs where unused balances are returned to the grantor at the close of specified project periods are accounted for in these funds. The District uses project accounting to maintain integrity for the various sources of funds.

Private Purpose Trust Funds are fiduciary trust funds and are used to account for the principal and income that benefit individuals in the form of scholarships.

Agency Funds are unbudgeted funds and are used to account for activities of student groups and other types of activities requiring clearing accounts. These funds have no equity, assets are equal to liabilities, and they do not include revenues and expenditures for general operations of the District.

Budgetary Information

Budgets are prepared annually for the General Fund, Debt Service Fund, and Food Service Fund (special revenue fund) on the modified accrual basis, which is consistent with generally accepted accounting principles. A formal budget is prepared by August 20th and is adopted by the Board at a public meeting after ten days public notice of the meeting has been given. The legal level of control for budgeted expenditures is the function level within the budgeted funds. Amendments to the budget are required prior to expending amounts greater than the budgeted amounts at the function level. Budgets are controlled at the departmental or campus level, the same level at which responsibility for operations is assigned. The budgets were amended by the Board as needed throughout the year.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either canceled or provided for in the subsequent year's budget. There were no material outstanding encumbrances at August 31, 2015, that were provided for in the subsequent year's budget.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity

Cash and Cash Equivalents - The District considers all liquid investments (including external investment pools and certificates of deposit) with original maturities of 90 days or less to be cash equivalents.

Investments - Temporary investments throughout the year consisted of investments in external investment pools and certificates of deposit. The District is entitled to invest any and all of its funds in certificates of deposit, direct debt securities of the United States of America or the State of Texas, certain Federal agency securities and other types of municipal bonds, fully collateralized repurchase agreements, commercial paper and local government investment pools. The District's investment policies and types of investments are governed by Section 2256 of the Texas Government Code ("Public Funds Investment Act"). The District's management believes that it complied with the requirements of the Public Funds Investment Act and the District's investment policy. The District accrues interest on temporary investments based on the terms and effective interest rates of the specific investments.

Capital Assets - Capital assets, which include land, buildings and improvements, and furniture and equipment, are reported in the governmental activities column in the government-wide financial statements. The District has no infrastructure assets. Capital assets are defined by the District as assets with an initial, individual cost of \$5,000. Such assets are recorded at historical cost if purchased or estimated fair value at the date of donation if donated. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized. Capital assets (other than land) are depreciated and amortized using the straight line method over the following estimated useful lives: buildings and improvements - 50 years, furniture and equipment - 5 to 10 years.

Inventories - Inventories in the General Fund consist of expendable supplies held for consumption. Inventories are charged to expenditures when consumed. Supply inventory is recorded at cost using the FIFO method.

Ad Valorem Property Taxes - Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectibles within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

Accumulated Sick Leave Liability - The State of Texas (the "State") has created a minimum sick leave program consisting of five days of sick leave per year with no limit on accumulation and transferability among districts for every person regularly employed in Texas public schools. Each district's local board is required to establish a sick leave plan. Local school districts may provide additional sick leave beyond the State minimum. The District's policy is not to provide reimbursement upon termination of employment with the District. Accordingly, no liability for accrued compensated absences has been established by the District.

Accumulated Unpaid Vacation and Benefits - The District provides employees with compensation benefits for absences for vacation, sick leave, and personal matters. The costs of these benefits are recognized by the District when paid. There are limitations on carryover and accumulation of benefits, and the liability for accrued but unpaid benefits is included in the statement of net position.

Pensions - The District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*. The fiduciary net position of the Teacher Retirement System of Texas ("TRS") has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See Note 16 for the prior period adjustment related to the adoption of GASB Statements No. 68 and No. 71.

Fund Equity - The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. See Note 8 for additional information on those fund balance classifications.

Deferred Outflows and Inflows of Resources - The District complies with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which provides guidance for reporting the financial statement elements of deferred outflows of resources, which represent the consumption of the District's net position that is applicable to a future reporting period, and deferred inflows of resources, which represent the District's acquisition of net position applicable to a future reporting period.

The District complies with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. See Note 10 for additional information on deferred inflows and outflows of resources.

Recently Issued Accounting Pronouncements

In June 2015, the GASB issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for fiscal years beginning after June 15, 2017. The objective of GASB Statement No. 75 is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. GASB Statement No. 75 establishes standards for measuring and recognizing liabilities, deferred outflows of resources and deferred inflows of resources, and expense/expenditures. GASB Statement No. 75 also identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. In addition, GASB Statement No. 75 addresses the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit other postemployment benefits plan and for employers whose employees are provided with defined contribution other postemployment benefits. Management is evaluating the effects that the full implementation of GASB Statement No. 75 will have on its financial statements for the year ended August 31, 2018.

2. CASH AND TEMPORARY INVESTMENTS

The Public Funds Investment Act authorizes the District to invest in funds under a written investment policy, which is approved annually by the Board. The primary objectives of the District's investment strategy, in order of priority, are preservation and safety of principal, liquidity and yield.

The District is authorized to invest in the following investment instruments provided that they meet the guidelines established in the investment policy:

- Obligations of, or guaranteed by, governmental entities
- Certificates of deposit and share certificates
- Fully collateralized repurchase agreements
- Banker's acceptance
- Commercial paper
- Money market funds and no-load mutual funds
- Public funds investment pools

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the School Depository Act. The depository bank deposits for safekeeping and trust with the District's agent approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. Therefore, the District is not exposed to custodial credit risk.

Under the depository contract, the District, at its own discretion, may invest funds in time deposits and certificates of deposit provided by the depository bank at interest rates approximating United States Treasury Bill rates.

At August 31, 2015, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$9,395,333 and the bank balance was \$10,158,053.

The District's deposits with financial institutions at August 31, 2015 and during the year ended August 31, 2015 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name. The deposits were collateralized in accordance with Texas law and the Texas Education Agency maintains copies of all safekeeping receipts in the name of the District.

In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit:

- a) Name of depository bank: Citizens National Bank
- b) Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$19,028,915.
- c) Largest cash, savings and time deposit combined account balance amounted to \$15,719,499 and occurred during the month of February 2015.
- d) Total amount of FDIC coverage at the time of highest combined balance was \$250,000.

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

Type	Fair Value	Weighted Average Maturity (Days)	Standard & Poor's Rating
Local Governmental Investment Pools:			
MBIA	\$ 304,547	1	AAAm
Lone Star	304,666	1	AAAm
Total	<u>\$ 609,213</u>		

The District had investments in two external local government investment pools at August 31, 2015: MBIA Texas CLASS (“MBIA”) and Lone Star Investment Pool (“Lone Star”). Although Lone Star is not registered with the SEC as an investment company, it operates in a manner consistent with the SEC’s Rule 2a7-of the Investment Company Act of 1940. MBIA is registered with the SEC. These investments are stated at fair value which is the same as the value of the pool shares.

MBIA is administered by MBIA-Municipal Investors Service Corporation (“MISC”) and Wells Fargo Bank Texas. MISC is a subsidiary of MBIA Asset Management Group, one of the nation’s largest providers of administrative and portfolio management services for local government investment pools. MBIA is supervised by a board of trustees who are elected by participants. The responsibility of the board includes the ability to influence operations, designation of management and accountability for fiscal matters. In addition, MBIA has an advisory board which provides input and feedback on the operations and direction of the program. Standard and Poor’s reviews the pool on a weekly basis to ensure the pool’s compliance with its rating requirements. MBIA’s investment policy stipulates that it must invest in accordance with the Public Funds Investment Act.

Lone Star is governed by an eleven member board of trustees, in which all of the members are also participants in Lone Star. The board meets quarterly to review operations, adopt or make changes to the investment policy, review financial activity and approve contractor agreements. Lone Star also has an advisory board consisting of participants and nonparticipants. RBC Dain Rauscher, Inc. is an independent consultant for Lone Star that reviews daily operations, analyzes all investment transactions for compliance with the Public Funds Investment Act, and performs monitoring activities. The Bank of New York provides custody and valuation services for Lone Star. American Beacon Advisors and Standish Mellon provide other investment management services. Lone Star’s investment policy stipulates that it must invest in accordance with the Public Funds Investment Act.

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

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized agencies are designed to give an indication of credit risk. At August 31, 2015, investments were included in local government investment pools with ratings in compliance with the District’s investment policy.

Custodial Credit Risk - Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the District, and are held by either the counterparty or the counterparty's trust department or agent not in the District's name. At August 31, 2015, the District was not exposed to custodial credit risk.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investments in a single issuer. Information regarding investments in any one issuer that represents five percent or more of the District's total investments must be disclosed under GASB Statement No. 40, excluding investments issued or explicitly guaranteed by the U.S. Government. At August 31, 2015, the District had no concentration of credit risk related to a single issuer.

Interest Rate Risk - As a means of minimizing risk of loss due to interest rate fluctuations, the investment policy requires that maturities for internally created pool fund groups will not exceed the dollar weighted average maturity of 180 days. Maturities of any other individual investment owned by the District should not exceed one year from the time of purchase. The Board may specifically authorize a longer maturity for a given investment, within legal limits. The District considers the holdings in the local government investment pools to have a one day weighted average maturity due to the fact that the share position can usually be redeemed each day at the discretion of the shareholders, unless there has been a significant change in value. At August 31, 2015, investments were included in local government investment pools which have a weighted average maturity of one day.

3. APPRAISAL DISTRICT

The Texas Legislature in 1979 adopted a comprehensive Property Tax Code (the "Code") which established a county-wide appraisal district and an appraisal review board in each county in the State. The Williamson Central Appraisal District (the "Appraisal District") is responsible for the recording and appraisal of all property in the District. Under the Code, the District's Board sets the tax rates on property and the Appraisal District's tax department provides tax collection services. The Appraisal District is required under the Code to assess property at 100% of its appraised value. Further, real property must be reappraised at least every four years. Under certain circumstances, taxpayers and taxing units, including the District, may challenge orders of the Appraisal Review Board through various appeals and, if necessary, legal action.

Property taxes are levied as of October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, and penalties and interest that are ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period, including those property taxes expected to be collected during a 60 day period after the end of the District's fiscal year. The assessed value at January 1, 2014, upon which the October 2014 levy was based, was \$880,144,970. The District levied taxes based on a combined tax rate of \$1.45 per \$100 of assessed valuation for local maintenance (general governmental services) and debt service.

In May 1993, the Texas Legislature passed Senate Bill 7. Senate Bill 7 significantly changed certain aspects of the school finance system relative to accountability, teacher appraisal, career ladder, funding allotments, district local share, distribution of Foundation School Funds, tax limitations and rollback tax provisions. Funding equalization for school districts is a major component of the bill. Districts with wealth per student in excess of \$319,500 are required to take action to bring their wealth down to the equalized State level. Each year, the TEA notifies school districts in which property wealth per Weighted Average Daily Attendance (“WADA”) meets or exceeds \$319,500. However, the final determination of whether a school district will be required to make recapture payments is based on the district’s tax effort and the extent to which the district’s wealth per WADA exceeds the first equalized wealth level of \$504,000. The District was not above the equalized wealth level for the 2014-2015 fiscal year.

4. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully fund certain activities. The District also receives entitlements from the State through the School Foundation and Per Capita Programs. These amounts are reported in the basic financial statements as Due from Other Governments and are summarized below as of August 31, 2015.

	General Fund	Nonmajor Governmental Funds	Total
State entitlements	\$ 803,984	45,027	849,011
Federal and state grants	-	971,242	971,242
Other	6,755	1,504	8,259
Total	<u>\$ 810,739</u>	<u>1,017,773</u>	<u>1,828,512</u>

5. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds.” The composition of interfund balances as of August 31, 2015 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Funds	\$ 659,053
Agency Fund	General Fund	11,222
Nonmajor Governmental Funds	General Fund	32,463
Total		<u>\$ 702,738</u>

During the year, the General Fund transferred \$822,582 to the Debt Service Fund to assist with future principal and interest payments and \$31,273 to the Capital Projects Fund to complete building construction.

6. CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated-				
Land	\$ 1,437,326	-	-	1,437,326
Capital assets, being depreciated:				
Buildings and improvements	83,377,836	150,325	-	83,528,161
Furniture and equipment	5,263,421	1,123,195	-	6,386,616
Total capital assets, being depreciated	88,641,257	1,273,520	-	89,914,777
Less accumulated depreciation for:				
Buildings and improvements	(20,888,646)	(1,656,448)	-	(22,545,094)
Furniture and equipment	(4,075,435)	(420,636)	-	(4,496,071)
Total accumulated depreciation	(24,964,081)	(2,077,084)	-	(27,041,165)
Total capital assets, being depreciated, net	63,677,176	(803,564)	-	62,873,612
Governmental activities capital assets, net	\$ 65,114,502	(803,564)	-	64,310,938

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

Governmental activities:

Instruction	\$ 1,103,623
Instructional resources and media services	17,533
Curriculum and staff development	20,921
Instructional leadership	22,901
School leadership	112,164
Guidance, counseling, and evaluation services	49,729
Health services	17,928
Student transportation	113,420
Food services	127,990
Extracurricular activities	71,345
General administration	67,870
Facilities maintenance and operations	286,621
Security and monitoring services	4,487
Data processing services	33,224
Community services	27,328
Total depreciation and amortization expense - governmental activities	<u>\$ 2,077,084</u>

7. LONG-TERM DEBT

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

	Beginning Balance	Additions	Retirements	Ending Balance
General obligation bonds	\$ 53,819,943	-	(1,680,000)	52,139,943
Accretion payable	3,553,246	231,312	-	3,784,558
Premium on bonds	375,808	-	(34,140)	341,668
Issuance discount on bonds	(894,467)	-	35,779	(858,688)
Capital lease payable	336,732	933,952	(217,638)	1,053,046
Note payable	2,405,000	-	(170,000)	2,235,000
Accumulated unpaid vacation and benefits	156,821	30,215	(61,306)	125,730
Total	<u>\$ 59,753,083</u>	<u>1,195,479</u>	<u>(2,127,305)</u>	<u>58,821,257</u>

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

General obligation bonds:

Series	Date of Issue	Amounts of Original Issue	Matures Through	Interest Rate	Outstanding at 8-31-15	Due Within One Year
2009	5-19-09	\$ 37,999,943	2039	2.00 - 5.25%	\$ 36,494,943	\$ 305,000
2009 Refunding	5-19-09	8,805,000	2021	1.30 - 3.75%	5,490,000	845,000
2010	12-22-10	5,000,000	2029	2.00 - 3.70%	4,110,000	235,000
2013 Refunding	11-19-13	6,525,000	2025	2.00 - 3.00%	6,045,000	340,000
Total		<u>\$ 58,329,943</u>			<u>\$ 52,139,943</u>	<u>\$ 1,725,000</u>

For the general obligation bonds, the District has pledged as collateral the proceeds of a continuing, direct annual tax levied against taxable property within the District without limitation as to rate. The Texas Education Code generally prohibits issuance of additional ad valorem tax bonds if the tax rate needed to pay aggregate principal and interest amounts of the District's tax bond indebtedness exceeds \$0.50 per \$100 of assessed valuation of taxable property within the District. The District's debt service rate for the current year is \$0.28.

In December 2012, the District issued \$2,575,000 in Maintenance Tax Notes, Series 2012, to renovate the District's old high school in order to accommodate a 4th and 5th grade intermediate elementary campus, the District's central administration and technology departments, and the East Williamson County Co-op headquarters. The note bears interest at interest rates ranging from 0.48% to 2.3% over the life of the note, with principal and interest payments due annually through February 2027.

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

Year Ended August 31,	Principal	Interest	Total
2016	\$ 1,900,000	2,162,532	4,062,532
2017	1,945,000	2,111,478	4,056,478
2018	2,005,000	2,052,709	4,057,709
2019	2,070,000	1,988,762	4,058,762
2020	2,135,000	1,921,651	4,056,651
2021 - 2025	11,845,000	8,471,640	20,316,640
2026 - 2030	5,284,943	14,875,931	20,160,874
2031 - 2035	15,080,000	4,796,194	19,876,194
2036 - 2040	12,110,000	1,007,042	13,117,042
Total	<u>\$ 54,374,943</u>	<u>39,387,939</u>	<u>93,762,882</u>

The outstanding 2009 Series Bonds includes both Serial Bonds and Capital Appreciation Bonds. The interest shown above, with respect to the Capital Appreciation Bonds, includes the interest to be paid on bonds maturing in the respective years and does not include accrued interest on bonds not maturing in those years.

As of August 31, 2015, there were no general obligation bonds authorized by voters of the District, but unissued.

The District financed the purchase of school buses through a capital lease agreement with a finance company. The purchase price of the school buses was \$557,123 which equates to the original capital lease principal amount. At August 31, 2015, these assets had accumulated amortization of \$222,849 and a net book value of \$334,274. Under the terms of the capital lease agreement, principal and interest payments of \$92,668 are due annually on August 5th beginning on August 5, 2012 through August 5, 2018. The effective interest rate on the lease is 3.96%.

The District financed the purchase of computer equipment through a capital lease agreement with the vendor. The purchase price of the computer equipment was \$933,952 which equates to the original capital lease principal amount. At August 31, 2015, these assets had accumulated amortization of \$108,961 and a net book value of \$824,991. Under the terms of the capital lease agreement, principal and interest payments are due annually on October 15th through 2017. The effective interest rate on the lease is 2.59%.

Lease payment requirements are as follows:

Year Ended August 31,	Principal	Interest	Total
2016	\$ 479,366	22,307	501,673
2017	350,400	17,268	367,668
2018	223,280	7,008	230,288
Total	\$ 1,053,046	46,583	1,099,629

Upon retirements or death of certain employees, the District pays any accrued sick leave and vacation leave in a lump cash payment to such employees or their estate. A summary of changes in the accumulated unpaid vacation and benefits liability for the year ended August 31, 2015 is as follows:

	Sick Leave	Vacation Leave	Total	Due Within One Year
Beginning balance	\$ 142,321	14,500	156,821	9,070
Additions	30,215	-	30,215	6,813
Deductions	(46,806)	(14,500)	(61,306)	(10,452)
Ending balance	\$ 125,730	-	125,730	5,431

8. FUND BALANCES

The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Those fund balance classifications are described below.

Nonspendable - Amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact.

Restricted - Amounts that can be spent only for specific purposes because of constraints imposed by external providers, or imposed by constitutional provisions or enabling legislation.

Committed - Amounts that can only be used for specific purposes pursuant to approval by formal action by the Board.

Assigned - For the General Fund, amounts that are appropriated by the Board or Board designee that are to be used for specific purposes. For all other governmental funds, any remaining positive amounts not previously classified as nonspendable, restricted or committed.

Unassigned - Amounts that are available for any purpose; these amounts can be reported only in the District's General Fund.

The detail of the fund balances is included in the Governmental Funds Balance Sheet on page 15.

Fund balance of the District may be committed for a specific purpose by formal action of the Board, the District's highest level of decision-making authority. Commitments may be established, modified, or rescinded only through a resolution approved by the Board. The Board has delegated the authority to assign fund balance for a specific purpose to the Superintendent or his or her designee.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

9. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

For the year ended August 31, 2015, revenues from local and intermediate sources in governmental funds consisted of the following:

	General Fund	Nonmajor Governmental Funds	Total
Property taxes	\$ 9,889,227	2,366,473	12,255,700
Food services	-	259,789	259,789
Investment income	39,061	1,730	40,791
Penalties, interest, and other tax related income	70,301	16,190	86,491
Tuition and fees from patrons	266,997	-	266,997
Co-curricular student activities	-	10,564	10,564
Shared services arrangements	-	966,134	966,134
Other	858,274	12,478	870,752
Total	<u>\$ 11,123,860</u>	<u>3,633,358</u>	<u>14,757,218</u>

10. DEFINED BENEFIT PENSION PLANS

Plan Description

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

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

Pension Plan Fiduciary Net Position

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

Benefits Provided

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

Contributions

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

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

	<u>2014</u>	<u>2015</u>
Contribution Rates:		
Member	6.4%	6.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
2015 District Contributions		\$ 576,227
2015 Member Contributions		\$ 1,382,828
2015 NECE On-behalf Contributions		\$ 1,000,195

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

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

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

In addition to the employer contributions listed above, when employing a retiree of TRS the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

Actuarial Assumptions

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

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

* Includes Inflation of 3%

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

Discount Rate

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

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

* The Expected Contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns.

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
District's proportionate share of the net pension liability	\$ 7,075,592	\$ 3,959,615	\$ 1,629,444

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

At August 31, 2015, the District reported a liability of \$3,959,615 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	\$ 3,959,615
State's proportionate share that is associated with the District	<u>10,560,409</u>
Total	<u>\$ 14,520,024</u>

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

At August 31, 2014 the employer's proportion of the collective net pension liability was 0.01482% which was an increase of 0.00004% from its proportion measured as of August 31, 2013. The change in proportion was immaterial and therefore disregarded this year.

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

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

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

For the year ended August 31, 2015, the District recognized pension expense of \$1,342,291 and revenue of \$976,290 for support provided by the State.

At August 31, 2015, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual economic experience	\$ 61,237	\$ -
Changes in actuarial assumptions	257,379	-
Difference between projected and actual investment earnings	-	1,210,220
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	-	1,038
Contributions paid to TRS subsequent to the measurement date	<u>576,227</u>	<u>-</u>
Total	<u>\$ 894,843</u>	<u>\$ 1,211,258</u>

The \$576,227 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended August 31, 2016. The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	Pension Expense Amount
	<u> </u>
Year ended June 30:	
2016	\$ (249,096)
2017	(249,096)
2018	(249,096)
2019	(249,096)
2020	53,459
Thereafter	50,283

11. ON-BEHALF PAYMENTS

The District recognizes as revenues and expenditures retiree drug subsidy reimbursements under the provisions of Medicare Part D made by the federal government to TRS on behalf of the District. For the year ended August 31, 2015, reimbursements of \$54,831 were received by TRS and allocated to the District.

12. RISK MANAGEMENT

The District's risk management program includes coverages through third party insurance providers for property, automobile liability, school professional liability, crime, workers' compensation and other miscellaneous bonds. During the year ended August 31, 2015, there were no significant reductions in insurance coverage from coverage in the prior year. Losses in excess of the various deductible levels are covered through traditional indemnity coverage for buildings and contents, and vehicle liability with various insurance firms. Settled claims have not exceeded insurance limits for the past three years.

The District participates in a public entity risk pool for its workers compensation insurance with transfer of risk, whereas member districts pool risks and funds and share in the costs of losses. The plan year of the public entity risk pool begins September 1 and ends August 31 of each year. During the year ended August 31, 2015, the District was responsible for paying the cost of each of its claim occurrences up to a per-occurrence limit of \$65,366. For costs exceeding this limit, the member districts shared responsibility for paying the claims not covered by excess insurance. The District's maximum financial exposure for the year ended August 31, 2015 was \$92,610. Excess insurance is provided by a commercial carrier. The policy provides for specific stop-loss attachment at \$250,000 per occurrence and additional aggregate stop-loss attachment of 125% of pool funds. At August 31, 2015, the General Fund has assigned fund balance of \$231,348 to pay for any open claims. Incurred but not reported claims were minimal at August 31, 2015.

13. SHARED SERVICES ARRANGEMENTS

The District is the fiscal agent for a Shared Services Arrangement ("SSA") which provides speech therapists for special education to the member districts listed below. All services are provided by the fiscal agent and the member districts provide the funds to the fiscal agent. The District has accounted for the fiscal agent's activities of the SSA in a special revenue fund, Shared Services Arrangements - Special Education. Contributions from the SSA are summarized below:

Taylor ISD	\$ 1,194,874
Coupland ISD	16,147
Bartlett ISD	119,487
Granger ISD	125,946
Thrall ISD	180,846
Total	<u>\$ 1,637,300</u>

14. COMMITMENTS AND CONTINGENCIES

The District participates in a number of federal financial assistance programs. Although the District's grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through August 31, 2015, these programs are subject to financial and compliance audits. The amounts, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

15. SCHOOL DISTRICT RETIREE HEALTH PLAN

Plan Description - The District contributes to the Texas Public School Retired Employees Group Insurance Program (“TRS-Care”), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by TRS. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.02 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS Web site at www.trs.state.tx.us under the TRS Publications heading, by calling the TRS Communications Department at 1-800-223-8778, or by writing to the Communications Department of the System at 1000 Red River Street, Austin, Texas 78701.

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

Contribution Rates:

Year	Active Member		State		School District	
	Rate	Amount	Rate	Amount	Rate	Amount
2015	.65%	\$ 134,155	1.0%	\$ 206,392	.55%	\$ 113,516
2014	.65%	129,839	1.0%	199,753	.55%	109,864
2013	.65%	121,625	0.5%	93,558	.55%	102,914

16. PRIOR PERIOD ADJUSTMENT

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

Net position - August 31, 2014	\$ 12,091,777
Net pension liability - August 31, 2013	(4,862,081)
District contributions - September 1, 2013 - August 31, 2014	<u>375,825</u>
Net position - August 31, 2014, as restated	<u>\$ 7,605,521</u>

**COMBINING AND INDIVIDUAL
FUND STATEMENTS**

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

	Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
ASSETS:				
Cash and temporary investments	\$ 910,762	6,761	-	917,523
Receivables:				
Property taxes - delinquent	-	58,210	-	58,210
Allowance for uncollectible taxes	-	(11,642)	-	(11,642)
Due from other governments	971,242	46,531	-	1,017,773
Due from other funds	24,824	7,639	-	32,463
Total assets	<u>\$ 1,906,828</u>	<u>107,499</u>	<u>-</u>	<u>2,014,327</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:				
Liabilities:				
Accounts payable	\$ 100,364	-	-	100,364
Accrued wages payable	238,737	-	-	238,737
Due to other funds	659,053	-	-	659,053
	42,211	-	-	42,211
Unearned revenue	247,389	-	-	247,389
Total liabilities	<u>1,287,754</u>	<u>-</u>	<u>-</u>	<u>1,287,754</u>
Deferred inflows of resources-				
Deferred revenue - property taxes	-	46,568	-	46,568
Fund balances:				
Restricted	563,740	60,931	-	624,671
Assigned	55,334	-	-	55,334
Total fund balances	<u>619,074</u>	<u>60,931</u>	<u>-</u>	<u>680,005</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,906,828</u>	<u>107,499</u>	<u>-</u>	<u>2,014,327</u>

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

	Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
REVENUES:				
Local and intermediate sources	\$ 1,249,613	2,383,745	-	3,633,358
State program revenues	1,937,074	867,468	-	2,804,542
Federal program revenues	4,460,188	-	-	4,460,188
Total revenues	<u>7,646,875</u>	<u>3,251,213</u>	<u>-</u>	<u>10,898,088</u>
EXPENDITURES:				
Current:				
Instruction	4,143,261	-	-	4,143,261
Instructional resources and media services	53	-	-	53
Curriculum and staff development	626,406	-	-	626,406
Instructional leadership	231,525	-	-	231,525
School leadership	141,844	-	-	141,844
Guidance, counseling and evaluation services	496,900	-	-	496,900
Social work services	50,512	-	-	50,512
Food services	1,628,269	-	-	1,628,269
Extracurricular activities	11,685	-	-	11,685
Facilities maintenance and operations	112,635	-	-	112,635
Community services	109,284	-	-	109,284
Debt service	-	4,062,130	-	4,062,130
Facilities acquisition and construction	-	-	109,487	109,487
Total expenditures	<u>7,552,374</u>	<u>4,062,130</u>	<u>109,487</u>	<u>11,723,991</u>
Excess (deficiency) of revenues over (under) expenditures	<u>94,501</u>	<u>(810,917)</u>	<u>(109,487)</u>	<u>(825,903)</u>
OTHER FINANCING SOURCES-				
Transfers in	-	822,582	31,273	853,855
Net change in fund balances	94,501	11,665	(78,214)	27,952
Fund balances - beginning	<u>524,573</u>	<u>49,266</u>	<u>78,214</u>	<u>652,053</u>
Fund balances - ending	<u>\$ 619,074</u>	<u>60,931</u>	<u>-</u>	<u>680,005</u>

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

	<u>Title I Grants to Local Educational Agencies</u>	<u>Migrant Education_ State Grant Program</u>	<u>National School Breakfast and Lunch Program</u>	<u>Summer Food Service Program for Children</u>	<u>Career and Technical Education - Basic Grants to States</u>	<u>Improving Teacher Quality State Grants</u>	<u>English Language Acquisition State Grants</u>
Assets:							
Cash and temporary investments	\$ -	-	524,878	38,751	9	6,793	3,498
Receivables:							
Due from other governments	50,997	7,887	41,414	1,566	-	10,071	1,842
Due from other funds	-	-	-	-	-	-	459
Other receivables	-	-	-	-	-	-	-
Total assets	<u>\$ 50,997</u>	<u>7,887</u>	<u>566,292</u>	<u>40,317</u>	<u>9</u>	<u>16,864</u>	<u>5,799</u>
Liabilities and fund balances:							
Accounts payable	\$ 11,189	37	37,691	-	-	580	-
Payroll deductions and withholdings payable	-	-	-	-	-	-	-
Accrued wages payable	35,205	3,424	3,796	-	-	15,228	5,799
Due to other funds	4,603	4,426	1,382	-	9	1,056	-
Due to other governments	-	-	-	-	-	-	-
Due to student groups	-	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-	-
Total liabilities	<u>50,997</u>	<u>7,887</u>	<u>42,869</u>	<u>-</u>	<u>9</u>	<u>16,864</u>	<u>5,799</u>
Fund balances:							
Restricted	-	-	523,423	40,317	-	-	-
Assigned	-	-	-	-	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>523,423</u>	<u>40,317</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 50,997</u>	<u>7,887</u>	<u>566,292</u>	<u>40,317</u>	<u>9</u>	<u>16,864</u>	<u>5,799</u>

(continued)

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

	Summer School LEP	Striving Readers Comprehensive Literacy Program	SSA Special Education Grants to States	SSA Special Education Preschool Grants	Parallel Pathways to Success	Pregnancy Education and Parenting	Advanced Placement Incentives
Assets:							
Cash and temporary investments	\$ 3,320	-	-	823	4,560	2	1,800
Receivables:							
Due from other governments	-	144,118	102,906	884	-	-	-
Due from other funds	-	-	-	-	-	336	-
Other receivables	-	-	-	-	-	-	-
Total assets	<u>\$ 3,320</u>	<u>144,118</u>	<u>102,906</u>	<u>1,707</u>	<u>4,560</u>	<u>338</u>	<u>1,800</u>
Liabilities and fund balances:							
Accounts payable	\$ -	24,778	5,142	315	-	-	-
Payroll deductions and withholdings payable	-	-	-	-	-	-	-
Accrued wages payable	-	32,821	30,220	1,018	4,560	-	-
Due to other funds	-	42,738	67,544	374	-	-	-
Due to other governments	-	-	-	-	-	-	-
Due to student groups	-	-	-	-	-	-	-
Unearned revenue	3,320	43,781	-	-	-	-	1,800
Total liabilities	<u>3,320</u>	<u>144,118</u>	<u>102,906</u>	<u>1,707</u>	<u>4,560</u>	<u>-</u>	<u>1,800</u>
Fund balances:							
Restricted	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	338	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>338</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 3,320</u>	<u>144,118</u>	<u>102,906</u>	<u>1,707</u>	<u>4,560</u>	<u>338</u>	<u>1,800</u>

(continued)

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

	Instructional Materials Allotment	APIB Campus Awards	SSA Visually Impaired	SSA Special Education	SSA Local Funded TSTC Co-Op	SSA Local Funded Legacy HS	Campus Activity Fund	Total Special Revenue Funds
Assets:								
Cash and temporary investments	\$ 174,432	27	-	81,358	17,047	-	53,464	910,762
Receivables:								
Due from other governments	-	-	-	3,088	-	606,469	-	971,242
Due from other funds	24,029	-	-	-	-	-	-	24,824
Total assets	<u>\$ 198,461</u>	<u>27</u>	<u>-</u>	<u>84,446</u>	<u>17,047</u>	<u>606,469</u>	<u>53,464</u>	<u>1,906,828</u>
Liabilities and fund balances:								
Accounts payable	\$ -	-	-	3,258	-	6,121	11,253	100,364
Accrued wages payable	-	-	-	69,450	2,635	34,581	-	238,737
Due to other funds	-	-	-	8,073	1,291	527,557	-	659,053
Due to student groups	-	-	-	-	-	-	42,211	42,211
Unearned revenue	198,461	27	-	-	-	-	-	247,389
Total liabilities	<u>198,461</u>	<u>27</u>	<u>-</u>	<u>80,781</u>	<u>3,926</u>	<u>568,259</u>	<u>53,464</u>	<u>1,287,754</u>
Fund balances:								
Restricted	-	-	-	-	-	-	-	563,740
Assigned	-	-	-	3,665	13,121	38,210	-	55,334
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,665</u>	<u>13,121</u>	<u>38,210</u>	<u>-</u>	<u>619,074</u>
Total liabilities and fund balances	<u>\$ 198,461</u>	<u>27</u>	<u>-</u>	<u>84,446</u>	<u>17,047</u>	<u>606,469</u>	<u>53,464</u>	<u>1,906,828</u>

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

	Title I Grants to Local Educational Agencies	Migrant Education_ State Grant Program	National School Breakfast and Lunch Program	Summer Food Service Program for Children	Career and Technical Education - Basic Grants to States	Improving Teacher Quality State Grants	English Language Acquisition State Grants
Revenues:							
Local and intermediate sources	\$ -	-	272,915	-	-	-	-
State program revenues	-	-	9,250	-	-	-	-
Federal program revenues	731,980	84,414	1,477,868	33,000	34,113	140,691	61,717
Total revenues	731,980	84,414	1,760,033	33,000	34,113	140,691	61,717
Expenditures:							
Current:							
Instruction	421,502	82,709	-	-	33,113	137,225	56,717
Instructional resources and media services	-	-	-	-	-	-	-
Curriculum and staff development	150,120	102	-	-	1,000	3,466	5,000
Instructional leadership	965	-	-	-	-	-	-
School leadership	1,200	-	-	-	-	-	-
Guidance, counseling and evaluation services	-	-	-	-	-	-	-
Social work services	50,512	-	-	-	-	-	-
Food services	-	-	1,616,079	12,190	-	-	-
Extracurricular activities	-	-	-	-	-	-	-
Facilities maintenance and operations	-	-	-	-	-	-	-
Community services	107,681	1,603	-	-	-	-	-
Total expenditures	731,980	84,414	1,616,079	12,190	34,113	140,691	61,717
Excess (deficiency) of revenues over (under) expenditures	-	-	143,954	20,810	-	-	-
Fund balances - beginning	-	-	379,469	19,507	-	-	-
Fund balances - ending	\$ -	-	523,423	40,317	-	-	-

(continued)

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

	<u>Summer School LEP</u>	<u>Striving Readers Comprehensive Literacy Program</u>	<u>SSA Special Education Grants to States</u>	<u>SSA Special Education Preschool Grants</u>	<u>Parallel Pathways to Success</u>	<u>Pregnancy Education and Parenting</u>	<u>Advanced Placement Incentives</u>
Revenues:							
Local and intermediate sources	\$ -	-	-	-	-	-	-
State program revenues	-	-	-	-	49,245	-	-
Federal program revenues	-	1,013,655	855,274	27,476	-	-	-
Total revenues	-	1,013,655	855,274	27,476	49,245	-	-
Expenditures:							
Current:							
Instruction	-	470,336	647,106	27,097	49,245	-	-
Instructional resources and media services	-	-	-	-	-	-	-
Curriculum and staff development	-	454,023	4,204	379	-	-	-
Instructional leadership	-	84,946	-	-	-	-	-
School leadership	-	4,350	-	-	-	-	-
Guidance, counseling and evaluation services	-	-	203,964	-	-	-	-
Social work services	-	-	-	-	-	-	-
Food services	-	-	-	-	-	-	-
Extracurricular activities	-	-	-	-	-	-	-
Facilities maintenance and operations	-	-	-	-	-	-	-
Community services	-	-	-	-	-	-	-
Total expenditures	-	1,013,655	855,274	27,476	49,245	-	-
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-	-	-	-
Fund balances - beginning	-	-	-	-	-	338	-
Fund balances - ending	\$ -	-	-	-	-	338	-

(continued)

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

	Instructional Materials Allotment	APIB Campus Awards	SSA Visually Impaired	SSA Special Education	SSA Local Funded TSTC Co-Op	SSA Local Funded Legacy HS	Campus Activity Fund	Total Special Revenue Funds
Revenues:								
Local and intermediate sources	\$ -	-	-	-	263,328	702,806	10,564	1,249,613
State program revenues	236,319	53	4,907	1,637,300	-	-	-	1,937,074
Federal program revenues	-	-	-	-	-	-	-	4,460,188
Total revenues	236,319	53	4,907	1,637,300	263,328	702,806	10,564	7,646,875
Expenditures:								
Current:								
Instruction	236,319	-	4,907	1,163,134	250,207	563,644	-	4,143,261
Instructional resources and media services	-	53	-	-	-	-	-	53
Curriculum and staff development	-	-	-	4,989	-	3,123	-	626,406
Instructional leadership	-	-	-	145,614	-	-	-	231,525
School leadership	-	-	-	-	-	136,294	-	141,844
Guidance, counseling and evaluation services	-	-	-	221,547	-	71,389	-	496,900
Social work services	-	-	-	-	-	-	-	50,512
Food services	-	-	-	-	-	-	-	1,628,269
Extracurricular activities	-	-	-	-	-	1,121	10,564	11,685
Facilities maintenance and operations	-	-	-	112,635	-	-	-	112,635
Community services	-	-	-	-	-	-	-	109,284
Total expenditures	236,319	53	4,907	1,647,919	250,207	775,571	10,564	7,552,374
Excess (deficiency) of revenues over (under) expenditures	-	-	-	(10,619)	13,121	(72,765)	-	94,501
Fund balances - beginning	-	-	-	14,284	-	110,975	-	524,573
Fund balances - ending	\$ -	-	-	3,665	13,121	38,210	-	619,074

TAYLOR INDEPENDENT SCHOOL DISTRICT
Combining Statement of Fiduciary Net Position
Private Purpose Trust Funds
August 31, 2015

	Non-Expendable Trust Fund	Expendable Trust Fund	TOTALS
ASSETS-			
Cash and temporary investments	\$ 2,075,822	794,573	2,870,395
Total assets	\$ 2,075,822	794,573	2,870,395
NET POSITION-			
Held in trust for private purposes	\$ 2,075,822	794,573	2,870,395

TAYLOR INDEPENDENT SCHOOL DISTRICT
Combining Statement of Changes in Fiduciary Net Position
Private Purpose Trust Funds
Year Ended August 31, 2015

	Non-Expendable Trust Fund	Expendable Trust Fund	TOTALS
ADDITIONS-			
Contributions	\$ 106,537	73,132	179,669
Total additions	106,537	73,132	179,669
DEDUCTIONS-			
Other operating costs	206,850	32,817	239,667
Total deductions	206,850	32,817	239,667
Change in net position	(100,313)	40,315	(59,998)
Net position - beginning of year	2,176,135	754,258	2,930,393
Net position - end of year	\$ 2,075,822	794,573	2,870,395

TAYLOR INDEPENDENT SCHOOL DISTRICT
Nonmajor Governmental Fund - Debt Service Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year Ended August 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Local and intermediate sources	\$ 2,353,584	2,353,584	2,383,745	30,161
State program revenues	864,616	864,616	867,468	2,852
Total revenues	<u>3,218,200</u>	<u>3,218,200</u>	<u>3,251,213</u>	<u>33,013</u>
EXPENDITURES-				
Debt service	<u>4,067,007</u>	<u>4,067,007</u>	<u>4,062,130</u>	<u>4,877</u>
Total expenditures	<u>4,067,007</u>	<u>4,067,007</u>	<u>4,062,130</u>	<u>4,877</u>
Deficiency of revenues under expenditures	(848,807)	(848,807)	(810,917)	37,890
OTHER FINANCING SOURCES-				
Transfers in	<u>206,582</u>	<u>822,582</u>	<u>822,582</u>	<u>-</u>
Net change in fund balance	(642,225)	(26,225)	11,665	37,890
Fund balance - beginning	<u>49,266</u>	<u>49,266</u>	<u>49,266</u>	<u>-</u>
Fund balance - ending	<u>\$ (592,959)</u>	<u>23,041</u>	<u>60,931</u>	<u>37,890</u>

TAYLOR INDEPENDENT SCHOOL DISTRICT
Nonmajor Special Revenue Fund - Food Service
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year Ended August 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Local and intermediate sources	\$ 328,567	328,567	272,915	(55,652)
State program revenues	10,000	10,000	9,250	(750)
Federal program revenues	1,494,948	1,494,948	1,477,868	(17,080)
Total revenues	<u>1,833,515</u>	<u>1,833,515</u>	<u>1,760,033</u>	<u>(73,482)</u>
EXPENDITURES-				
Current-				
Food services	<u>1,766,135</u>	<u>1,766,135</u>	<u>1,616,079</u>	<u>150,056</u>
Total expenditures	<u>1,766,135</u>	<u>1,766,135</u>	<u>1,616,079</u>	<u>150,056</u>
Excess of revenues over expenditures	67,380	67,380	143,954	76,574
Fund balance - beginning	<u>379,469</u>	<u>379,469</u>	<u>379,469</u>	<u>-</u>
Fund balance - ending	<u><u>\$ 446,849</u></u>	<u><u>446,849</u></u>	<u><u>523,423</u></u>	<u><u>76,574</u></u>

OTHER SCHEDULES

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

Years Ended	Tax Rates		Assessed/ Appraised Value for School Tax Purposes	Beginning Balance 8/31/2014	Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustment	Ending Balance 8/31/2015
	Maintenance	Debt Service							
2006 & Prior	Various	Various	Various	37,555	-	4,983	565	(7,106)	24,901
2007	1.37	0.17	698,977,875	7,539	-	1,197	149	-	6,193
2008	1.04	0.16	756,752,497	5,254	-	441	68	-	4,745
2009	1.04	0.16	795,151,526	6,470	-	482	74	-	5,914
2010	1.04	0.45	812,805,823	14,708	-	454	196	-	14,058
2011	1.04	0.43	802,297,119	16,058	-	678	280	463	15,563
2012	1.04	0.41	809,861,018	26,170	-	2,970	1,171	456	22,485
2013	1.17	0.28	816,828,227	32,188	-	6,250	1,496	3,630	28,072
2014	1.17	0.28	820,317,733	124,721	-	63,025	15,083	(10,602)	36,011
2015	1.17	0.28	880,144,970	-	12,276,253	9,808,747	2,347,391	14,737	134,852
Totals				\$ 270,663	12,276,253	9,889,227	2,366,473	1,578	292,794

TAYLOR INDEPENDENT SCHOOL DISTRICT
Exhibit L-1 - Required Responses to Selected
School First Indicators
As of August 31, 2015

Date Control Codes	Description	Responses
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year-end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	\$ 3,784,558
SF11	Net Pension Assets (1920) at fiscal year-end.	\$ -
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$ 3,959,615
SF13	Pension Expense (6147) at fiscal year-end.	\$ 1,342,291

**OTHER REQUIRED
SUPPLEMENTARY INFORMATION**

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

	2014	2013
District's proportion of the net pension liability	0.01482%	0.01478%
District's proportionate share of the net pension liability	\$ 3,959,615	\$ 4,843,893
State's proportionate share of the net pension liability associated with the District	10,560,409	12,963,345
Total	\$ 14,520,024	\$ 17,807,238
District's covered-employee payroll (for Measurement Year)	\$ 20,083,893	\$ 18,722,140
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	19.72%	25.87%
Plan fiduciary net position as a percentage of the total pension liability	83.25%	78.17%
Plan's net pension liability as a percentage of covered employee payroll	72.90%	93.10%

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contributions	\$ 576,227	\$ 375,825	\$ 319,310	\$ 299,850	\$ 349,694
Contributions in relation to the contractual required contributions	<u>(576,227)</u>	<u>(375,825)</u>	<u>(319,310)</u>	<u>(299,850)</u>	<u>(349,694)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 20,639,198	\$ 20,083,893	\$ 18,722,140	\$ 17,978,464	\$ 18,943,508
Contributions as a percentage of covered payroll	2.79%	1.87%	1.71%	1.67%	1.85%

*Note: No information was available for fiscal years prior to August 31, 2011.

FEDERAL AWARDS SECTION



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

The Board of Trustees of
Taylor Independent School District:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *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 Taylor Independent School District (the "District"), as of and for the year ended August 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 11, 2016.

Internal Control Over Financial Reporting

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

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

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

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This firm is not a CPA firm

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Maxwell Locke + Ritter LLP

Austin, Texas
January 11, 2016



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

The Board of Trustees of
Taylor Independent School District:

Report on Compliance for Each Major Federal Program

We have audited Taylor Independent School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2015. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

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We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2015.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2015-001. Our opinion on the major federal program is not modified with respect to this matter.

The District's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Maxwell Socha + Ritter LLP

Austin, Texas
January 11, 2016

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

Project Number	Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<u>Passed Through Texas Education Agency:</u>			
15610101246911	Title I Grants to Local Educational Agencies	84.010A	\$ 731,980
15615001246911	Migrant Education_State Grant Program	84.011A	84,414
15420006246911	Career and Technical Education - Basic Grants to States	84.048A	34,113
15694501246911	Improving Teacher Quality State Grants	84.367A	140,691
15671001246911	English Language Acquisition State Grants	84.365A	61,717
156600012469116000	SSA - Special Education_Grants to States	84.027A	855,274
156610012469116000	SSA - Special Education_Preschool Grants	84.173A	27,476
146460037110027	Striving Readers	84.371C	<u>1,013,655</u>
TOTAL DEPARTMENT OF EDUCATION			<u>2,949,320</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<u>Passed Through Texas Education Agency:</u>			
71301501	National School Lunch Program	10.555	918,172
71401501	School Breakfast Program	10.553	431,312
<u>Passed Through Texas Department of Agriculture:</u>			
	Child and Adult Care Food Program	10.558	20,842
	Summer Food Service Program for Children	10.559	33,000
<u>Passed Through the Texas Department of Human Services-</u>			
	Non-Cash Assistance - Food Distribution Program	10.555	<u>107,542</u>
TOTAL DEPARTMENT OF AGRICULTURE			<u>1,510,868</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 4,460,188</u></u>

The accompanying notes are an integral part of this schedule.

TAYLOR INDEPENDENT SCHOOL DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED AUGUST 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Accounting - The expenditures on the accompanying schedule of expenditures of federal awards are presented using the modified accrual basis of accounting, with the exception of the National School Lunch Program, School Breakfast Program, Child and Adult Care Food Program, Summer Food Service Program for Children, and the Food Distribution Program. Under the modified accrual basis of accounting, revenue is recognized in the accounting period in which they become available and measurable, and expenditures in the accounting period in which the fund liability is incurred, if measurable. Expenditures in the National School Lunch Program, School Breakfast Program, Child and Adult Care Food Program, Summer Food Service Program for Children, and the Food Distribution Program are not specifically attributable to this revenue source and are shown on the accompanying schedule of expenditures of federal awards in an amount equal to revenue for balancing purposes only.

Relationship to Basic Financial Statements - Expenditures of federal awards are reported in the District's basic financial statements in the Special Revenue Funds.

Relationship to Federal Financial Reports - Amounts reported in the accompanying schedule of expenditures of federal awards agree with the amounts reported in the related federal financial reports in all significant respects.

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

TAYLOR INDEPENDENT SCHOOL DISTRICT

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

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued: unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? yes no

FEDERAL AWARDS

Internal control over major federal programs:

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

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

Child Nutrition Cluster unmodified

Special Education Cluster unmodified

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

Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
	Child Nutrition Cluster:
10.553	School Breakfast Program
10.555	National School Lunch Program
10.555	Non-Cash Assistance - Food Distribution Program
10.559	Summer Food Service Program for Children
	Special Education Cluster:
84.027A	Special Education Grants to States
84.173A	Special Education Preschool Grants

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

\$300,000

Auditee qualified as low-risk auditee?

yes no

TAYLOR INDEPENDENT SCHOOL DISTRICT

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

SECTION II - FINANCIAL STATEMENT FINDINGS

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

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding Relating to Noncompliance with Cost Principles Reported in Accordance with section 510(a) of OMB Circular A-133:

2015-001

Federal Program: Special Education Cluster - CFDA #84.027A and #84.173A; Federal Award Numbers - 156600012469116000 and 156610012469116000; Passed through the State Department of Education.

Criteria: OMB Circular A-87 requires that employees who work solely on a single cost objective must furnish a semi-annual certification that they have been engaged solely in activities supported by the applicable source.

Condition/Context: Payroll expenditures for District employees who worked solely on Special Education activities were reclassified out of the federal program and into locally funded programs during the year. The related payroll withholding expenditures were not reclassified. In addition, multiple substitute teachers who were substituting for these employees were charged to the federal program. Semi-annual certifications were not completed for these employees in the current year.

Questioned Costs: None

Effect: Noncompliance with time and effort documentation requirements of OMB Circular A-87 and OMB Circular A-133 Compliance Supplement if semi-annual certifications are not completed. The District recorded payroll expenditures of \$12,355.

Cause: Payroll withholding expenditures for employees who worked solely on the Special Education Cluster during the current year but were reclassified to be paid out of local funding were not supported by semi-annual certifications. Substitute teachers for these employees throughout the year were not supported by time and effort documentation.

Recommendations: District management should ensure that policies and procedures are in place and functioning so that all payroll expenditures charged to the federal program are properly supported by time and effort documentation.

Views of Responsible Officials and Planned Corrective Actions: The District's Special Education Grant Manager in conjunction with the Business Manager and appropriate financial staff will revise existing documented procedures. Procedures will be modified to ensure that all employee salaries and the related benefit costs that were originally assigned to a grant during the year, but were subsequently moved to a locally funded program are properly accounted for in the respective programs. These procedures will include the generation of a special report within the financial system to identify those specific employees. In addition, a final review of all employee payroll expenditures charged to the federal program will be performed to ensure time and effort documentation is maintained. Contact: Bill Mikulencak, Business Manager.

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