

KAUFMAN INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT FOR THE
YEAR ENDED AUGUST 31, 2015

KAUFMAN INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2015

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CERTIFICATE OF BOARD

Kaufman Independent School District
Name of School District

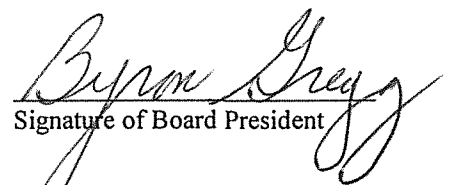
Kaufman
County

129-903
Co. - Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) ☒ approved ☐ disapproved for the 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

Members:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC
ACCOUNTANTS
TEXAS SOCIETY OF CERTIFIED
PUBLIC ACCOUNTANTS

**HANKINS, EASTUP, DEATON,
TONN & SEAY**
A PROFESSIONAL CORPORATION

CERTIFIED PUBLIC ACCOUNTANTS

902 NORTH LOCUST
P.O. BOX 977
DENTON, TX 76202-0977

TEL. (940) 387-8563
FAX (940) 383-4746

Independent Auditor's Report

To the Board of Trustees
Kaufman Independent School District
Kaufman, Texas

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District'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 Kaufman Independent School District as of August 31, 2015, and the respective changes in financial position 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 discussed in Note 1 and Note 20 to the financial statements, the District adopted the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, as of August 31, 2015. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

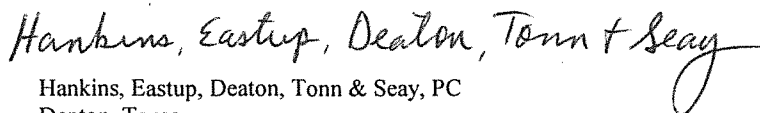
Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* on pages 5 through 10 and the *pension schedules* on pages 48 and 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Kaufman Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements and the required TEA schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, the required TEA 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 nonmajor fund financial statements, the required TEA 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 6, 2015 on our consideration of Kaufman Independent School District's internal control over financial reporting and on our test 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 Kaufman Independent School District's internal control over financial reporting and compliance.


Hankins, Eastup, Deaton, Tonn & Seay, PC
Denton, Texas

January 4, 2016

**KAUFMAN INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2015
(UNAUDITED)**

As management of Kaufman Independent School District, we offer readers of the District's financial statement this narrative overview and analysis of the financial activities of the District for the year ended August 31, 2015. Please read this narrative in conjunction with the independent auditors' report on page 3, and the District's Basic Financial Statements that begin on page 13.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of Kaufman Independent School District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$25,266,025 (net position). Of this amount, \$4,441,662 (unrestricted net position) may be used to meet the District's ongoing obligations to citizens and creditors in accordance with the District's fund balance and fiscal policies.
- The District's total net position increased by \$1,072,664 during the fiscal year from the result of current year operations. Total net position at the beginning of the fiscal year decreased by \$3,660,445 due to new standards that required recording of the District's proportionate share of the Texas Teacher Retirement System's net pension liability.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$13,728,076. Over 61% of this total amount (\$8,451,052) is unassigned and available for use within the District's fund balance policies.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$8,451,052 or 27.5% of the total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 13 and 15). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 16) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the District.

The notes to the financial statements (starting on page 25) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for nonmajor funds contain even more information about the District's individual funds. The sections labeled TEA Required Schedules and Federal Awards Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 13. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and deferred outflows of resources; and liabilities and deferred inflows of resources at the end of the year while the Statement of Activities includes all revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting (the basis used by private sector companies).

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as tuition received from students from outside the district and grants provided by the U.S. Department of Education to assist children with disabilities or from disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers or by TEA in equalization funding processes (general revenues). All the District's assets and deferred outflows of resources are reported whether they serve the current year or future years. Liabilities and deferred inflows of resources are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net position and changes in net position. The District's net position (the difference between assets and deferred outflows of resources; less liabilities and deferred inflows of resources) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position is one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider nonfinancial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, we divide the District into two kinds of activities:

- Governmental activities—Most of the District's basic services are reported here, including the instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.
- Business-type activities—The District does not have any programs in which it charges a fee to “customers” to help it cover all or most of the cost of services it provides. Thus, the District had no business-type activities during the current fiscal year.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 16 and provide detailed information about the most significant funds—not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the No Child Left Behind Act from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities).

Governmental funds—Most of the District's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities and for a scholarship fund. The District's fiduciary activity is reported in a separate Statement of Fiduciary Net Position on page 22 and a Statement of Changes in Fiduciary Fund Net Position on page 23. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in this fund are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The analysis below presents both current and prior year data and discusses significant changes in the accounts. Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental activities.

Net position of the District's governmental activities decreased from \$27,853,806 to \$25,266,025. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$4,441,662 at August 31, 2015. The increase in governmental net position was the result of higher revenues not fully offset by increased expenses.

Table I
Kaufman Independent School District

NET POSITION

| | Governmental Activities 2015 | Governmental Activities 2014 |
|----------------------------------|------------------------------------|------------------------------------|
| Current and other assets | \$18,111,469 | \$11,588,204 |
| Capital assets | 50,344,453 | 46,446,158 |
| Total assets | 68,455,922 | 58,034,362 |
| Deferred outflows of resources | 1,543,252 | 760,478 |
| Long-term liabilities | 40,049,206 | 28,646,016 |
| Other liabilities | 3,695,649 | 2,295,018 |
| Total liabilities | 43,744,855 | 30,941,034 |
| Deferred inflows of resources | 988,294 | - |
| Net Position: | | |
| Net investment in capital assets | 20,242,836 | 20,935,278 |
| Restricted | 581,527 | 384,646 |
| Unrestricted | 4,441,662 | 6,533,882 |
| Total net position | \$25,266,025 | \$27,853,806 |

Table II
Kaufman Independent School District
CHANGES IN NET POSITION

| | Governmental Activities 2015 | Governmental Activities 2014 |
|---|------------------------------------|------------------------------------|
| Revenues: | | |
| Program Revenues: | | |
| Charges for services | \$ 1,311,918 | \$ 1,339,713 |
| Operating grants and contributions | 6,809,505 | 6,784,905 |
| General Revenues: | | |
| Maintenance and operations taxes | 7,112,891 | 7,102,649 |
| Debt service taxes | 788,446 | 792,852 |
| State aid | 22,570,800 | 21,871,536 |
| Investment Earnings | 38,981 | 30,792 |
| Miscellaneous | 42,333 | 126,076 |
| Total Revenue | <u>38,674,874</u> | <u>38,048,523</u> |
| Expenses: | | |
| Instruction, curriculum and media services | 20,851,399 | 20,486,389 |
| Instructional and school leadership | 2,454,142 | 2,465,442 |
| Student support services | 2,727,582 | 2,660,387 |
| Food services | 2,028,091 | 1,939,268 |
| Extracurricular activities | 1,720,322 | 1,714,281 |
| General administration | 838,736 | 780,472 |
| Plant maintenance, security & data processing | 4,801,577 | 4,840,778 |
| Community services | 407,923 | 466,351 |
| Debt services | 1,327,055 | 1,281,033 |
| Facilities acquisition, construction | 350,324 | - |
| Other intergovernmental charges | 95,059 | 107,762 |
| Total Expenses | <u>37,602,210</u> | <u>36,742,163</u> |
| Increase in net position | 1,072,664 | 1,306,360 |
| Net position at beginning of year | 27,853,806 | 26,547,446 |
| Prior period adjustment | (3,660,445) | - |
| Net position at end of year | <u>\$25,266,025</u> | <u>\$27,853,806</u> |

Although this financial report presents relatively balanced revenues and expenditures as well as an acceptable fund balance in the General and Debt Service Funds, a number of adjustments were necessary in the preparation of the 2014-15 Budget to enable the District to maintain a sound financial position.

- General Fund expenditures increased 3.5% due primarily to higher personnel costs resulting from staff raises and additional capital outlay. General Fund revenues increased 2.0% due to increases in the State of Texas funding formula.
- The District's maintenance and operations tax rate remained \$1.17 per \$100 valuation for the fourth consecutive year. The Debt Service tax rate remained \$0.13 per \$100 valuation. The District's taxable property value increased 1.1%.

The cost of all governmental activities for the current fiscal year was \$37,602,210. However, as shown in the Statement of Activities on page 15, the amount that our taxpayers ultimately financed for these activities through District taxes was only \$7,901,337 because some of the costs were paid by those who directly benefited from the programs (\$1,311,918) or by other governments and organizations that subsidized certain programs with grants and contributions (\$6,809,505) or by State equalization funding (\$22,570,808).

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 16) reported a combined fund balance of \$13,728,076, which is \$5,130,858 more than last year's total of \$8,597,218. Included in this year's total change in fund balance is an increase of \$1,072,222 in the District's General Fund.

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments fall into three categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts we estimated in August 2014). The second category includes changes that the Board made during the year to reflect new information regarding revenue sources and expenditure needs. The primary amendment was for additional facilities acquisition and construction budgeted for land acquisition and other construction projects. The third category involves amendments moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs.

The District's General Fund balance of \$9,319,331 reported on page 16 differs from the General Fund's budgetary fund balance of \$7,005,057 reported in the budgetary comparison schedule on page 21. This is principally due to a transfer to the Debt Service Fund offset by cost savings in several functional categories and revenues higher than budgeted amounts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At August 31, 2015, the District had \$50,344,453 invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This amount represents a net increase of \$3,898,295, or 8.4 percent, less than last year.

More detailed information about the District's capital assets is presented in Note 4 to the financial statements.

Debt Administration

At August 31, 2015, the District had \$36,818,465 in bonds, notes, and capital leases outstanding (including accreted interest on bonds) versus \$28,646,016 last year—an increase of \$8,172,449. The District issued \$8.3 million (par value) of new school building bonds in June 2015. The District's general obligation bond rating is AAA (as a result of guarantees of the Texas Permanent School Fund) according to national rating agencies.

More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The District's maintenance and operations tax rate remained \$1.17 per \$100 valuation. The debt service tax rate increased from \$0.13 per \$100 valuation to \$0.29 per \$100 valuation.
- General Fund revenue from the State is budgeted to decrease approximately \$500,000 due to changes in the state funding formula.
- Expenditures are budgeted to decrease approximately \$107,000 due primarily to lower capital outlay.
- The 2015-2016 budget has budgeted revenue \$516,785 more than budgeted expenditures.

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 show 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 Kaufman Independent School District, 1000 S. Houston Street, Kaufman, Texas 75142 (972) 932-2622.

BASIC FINANCIAL STATEMENTS

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KAUFMAN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2015

EXHIBIT A-1

| Data Control Codes | Primary Government Governmental Activities |
|--|--|
| ASSETS | |
| 1110 Cash and Cash Equivalents | \$ 15,938,196 |
| 1220 Property Taxes Receivable (Delinquent) | 819,505 |
| 1230 Allowance for Uncollectible Taxes | (73,756) |
| 1240 Due from Other Governments | 555,916 |
| 1290 Other Receivables, net | 3,329 |
| 1410 Prepayments | 368,279 |
| Capital Assets: | |
| 1510 Land | 2,302,563 |
| 1520 Buildings, Net | 40,597,991 |
| 1530 Furniture and Equipment, Net | 2,949,533 |
| 1580 Construction in Progress | 4,494,366 |
| 1800 Restricted Assets | 500,000 |
| 1000 Total Assets | 68,455,922 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| 1701 Deferred Charge on Bond Refundings | 718,229 |
| 1705 Deferred Outflows Related to TRS | 825,023 |
| 1700 Total Deferred Outflows of Resources | 1,543,252 |
| LIABILITIES | |
| 2110 Accounts Payable | 1,970,743 |
| 2140 Accrued Interest Payable | 60,637 |
| 2160 Accrued Wages Payable | 1,117,432 |
| 2200 Accrued Expenses | 202,334 |
| 2300 Unearned Revenue | 344,503 |
| Noncurrent Liabilities | |
| 2501 Due Within One Year | 2,222,288 |
| 2502 Due in More Than One Year | 34,596,177 |
| 2540 Net Pension Liability (District's Share) | 3,230,741 |
| 2000 Total Liabilities | 43,744,855 |
| DEFERRED INFLOWS OF RESOURCES | |
| 2605 Deferred Inflows Related to TRS | 988,294 |
| 2600 Total Deferred Inflows of Resources | 988,294 |
| NET POSITION | |
| 3200 Net Investment in Capital Assets | 20,242,836 |
| 3820 Restricted for Federal and State Programs | 1,375 |
| 3850 Restricted for Debt Service | 580,152 |
| 3900 Unrestricted | 4,441,662 |
| 3000 Total Net Position | \$ 25,266,025 |

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

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KAUFMAN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2015

EXHIBIT B-1

| Data Control Codes | 1 | Program Revenues | | Net (Expense) Revenue and Changes in Net Position |
|---|---------------|-------------------------|--|--|
| | | 3 | 4 | |
| | | Charges for Services | Operating Grants and Contributions | |
| | Expenses | | | 6 Primary Gov. Governmental Activities |
| Primary Government: | | | | |
| GOVERNMENTAL ACTIVITIES: | | | | |
| 11 Instruction | \$ 20,156,606 | \$ 223,765 | \$ 2,831,750 | \$ (17,101,091) |
| 12 Instructional Resources and Media Services | 287,031 | - | 8,992 | (278,039) |
| 13 Curriculum and Staff Development | 407,762 | - | 13,636 | (394,126) |
| 21 Instructional Leadership | 150,029 | - | 28,993 | (121,036) |
| 23 School Leadership | 2,304,113 | - | 135,176 | (2,168,937) |
| 31 Guidance, Counseling and Evaluation Services | 1,100,051 | - | 183,700 | (916,351) |
| 33 Health Services | 455,569 | - | 75,097 | (380,472) |
| 34 Student (Pupil) Transportation | 1,171,962 | - | 428,984 | (742,978) |
| 35 Food Services | 2,028,091 | 324,128 | 1,553,387 | (150,576) |
| 36 Extracurricular Activities | 1,720,322 | 625,906 | 35,730 | (1,058,686) |
| 41 General Administration | 838,736 | - | 22,187 | (816,549) |
| 51 Facilities Maintenance and Operations | 3,645,961 | 5,160 | 53,964 | (3,586,837) |
| 52 Security and Monitoring Services | 275,048 | - | 11,617 | (263,431) |
| 53 Data Processing Services | 880,568 | - | 36,621 | (843,947) |
| 61 Community Services | 407,923 | 132,959 | 51,053 | (223,911) |
| 72 Debt Service - Interest on Long Term Debt | 1,182,053 | - | 1,338,618 | 156,565 |
| 73 Debt Service - Bond Issuance Cost and Fees | 145,002 | - | - | (145,002) |
| 81 Capital Outlay | 350,324 | - | - | (350,324) |
| 99 Other Intergovernmental Charges | 95,059 | - | - | (95,059) |
| [TP] TOTAL PRIMARY GOVERNMENT: | \$ 37,602,210 | \$ 1,311,918 | \$ 6,809,505 | (29,480,787) |

| Data Control Codes | | |
|--------------------------|--|---------------|
| | General Revenues: | |
| | Taxes: | |
| MT | Property Taxes, Levied for General Purposes | 7,112,891 |
| DT | Property Taxes, Levied for Debt Service | 788,446 |
| SF | State Aid - Formula Grants | 22,570,800 |
| IE | Investment Earnings | 38,981 |
| MI | Miscellaneous Local and Intermediate Revenue | 42,333 |
| TR | Total General Revenues | 30,553,451 |
| CN | Change in Net Position | 1,072,664 |
| NB | Net Position - Beginning | 27,853,806 |
| PA | Prior Period Adjustment | (3,660,445) |
| NE | Net Position--Ending | \$ 25,266,025 |

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

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

| Data Control Codes | 10 General Fund | 60 Capital Projects | Other Funds | Total Governmental Funds |
|--|-----------------------|---------------------------|---------------------|--------------------------------|
| ASSETS | | | | |
| 1110 Cash and Cash Equivalents | \$ 10,349,718 | \$ 5,222,088 | \$ 366,390 | \$ 15,938,196 |
| 1220 Property Taxes - Delinquent | 721,894 | - | 97,611 | 819,505 |
| 1230 Allowance for Uncollectible Taxes (Credit) | (64,971) | - | (8,785) | (73,756) |
| 1240 Receivables from Other Governments | - | - | 555,916 | 555,916 |
| 1260 Due from Other Funds | 204,639 | - | 111,751 | 316,390 |
| 1290 Other Receivables | - | - | 3,329 | 3,329 |
| 1410 Prepayments | 368,279 | - | - | 368,279 |
| 1800 Restricted Assets | 500,000 | - | - | 500,000 |
| 1000 Total Assets | <u>\$ 12,079,559</u> | <u>\$ 5,222,088</u> | <u>\$ 1,126,212</u> | <u>\$ 18,427,859</u> |
| LIABILITIES | | | | |
| 2110 Accounts Payable | \$ 481,719 | \$ 1,118,355 | \$ 370,669 | \$ 1,970,743 |
| 2140 Interest Payable - Current | - | - | 2,632 | 2,632 |
| 2160 Accrued Wages Payable | 999,543 | - | 117,889 | 1,117,432 |
| 2170 Due to Other Funds | 111,751 | - | 204,639 | 316,390 |
| 2200 Accrued Expenditures | 202,334 | - | - | 202,334 |
| 2300 Unearned Revenues | 307,958 | - | 36,545 | 344,503 |
| 2000 Total Liabilities | <u>2,103,305</u> | <u>1,118,355</u> | <u>732,374</u> | <u>3,954,034</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| 2601 Unavailable Revenue - Property Taxes | 656,923 | - | 88,826 | 745,749 |
| 2600 Total Deferred Inflows of Resources | <u>656,923</u> | <u>-</u> | <u>88,826</u> | <u>745,749</u> |
| FUND BALANCES | | | | |
| Nonspendable Fund Balance: | | | | |
| 3430 Prepaid Items | 368,279 | - | - | 368,279 |
| Restricted Fund Balance: | | | | |
| 3450 Federal or State Funds Grant Restriction | - | - | 1,375 | 1,375 |
| 3470 Capital Acquisition and Contractual Obligation | - | 4,103,733 | - | 4,103,733 |
| 3480 Retirement of Long-Term Debt | 500,000 | - | 49,331 | 549,331 |
| Committed Fund Balance: | | | | |
| 3545 Other Committed Fund Balance | - | - | 254,306 | 254,306 |
| 3600 Unassigned Fund Balance | 8,451,052 | - | - | 8,451,052 |
| 3000 Total Fund Balances | <u>9,319,331</u> | <u>4,103,733</u> | <u>305,012</u> | <u>13,728,076</u> |
| 4000 Total Liabilities, Deferred Inflows & Fund Balances | <u>\$ 12,079,559</u> | <u>\$ 5,222,088</u> | <u>\$ 1,126,212</u> | <u>\$ 18,427,859</u> |

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

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

| | |
|--|----------------------|
| Total Fund Balances - Governmental Funds | \$ 13,728,076 |
| 1 Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund financial statements. | 85,918,769 |
| 2 Accumulated depreciation is not reported in the fund financial statements. | (35,574,316) |
| 3 Bonds payable, capital leases payable, notes payable, and other long-term debt are not reported in the fund financial statements. | (32,429,485) |
| 4 Accreted interest payable on capital appreciation bonds is not reported in the fund financial statements. | (1,894,886) |
| 5 Premiums and discounts on outstanding bonds payable are not recognized in the fund financial statements. | (2,494,094) |
| 6 Property tax revenue reported as unavailable revenue in the fund financial statements is recognized as revenue in the government-wide financial statements. | 745,749 |
| 7 Interest on outstanding debt is accrued in the government-wide financial statements, whereas in the fund financial statements interest expenditures are reported when due. | (58,005) |
| 8 The deferred charge on bond refundings is not recognized in the fund financial statements. | 718,229 |
| 9 Included in the items related to government-wide long-term debt is the recognition of the District's proportionate share of the net pension liability required by GASB #68 and #71 in the amount of \$3,230,741, Deferred Resource Inflows related to TRS in the amount of \$988,294, and Deferred Resource Outflows related to TRS in the amount of \$825,023. This results in a net decrease in Net Position in the amount of \$3,394,012. | (3,394,012) |
| 19 Net Position of Governmental Activities | \$ 25,266,025 |

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

KAUFMAN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2015

| Data Control Codes | 10 General Fund | 60 Capital Projects | Other Funds | Total Governmental Funds |
|--|-----------------------|---------------------------|----------------|--------------------------------|
| REVENUES: | | | | |
| 5700 Total Local and Intermediate Sources | \$ 7,306,532 | \$ 5,902 | \$ 1,792,677 | \$ 9,105,111 |
| 5800 State Program Revenues | 24,241,424 | - | 1,723,834 | 25,965,258 |
| 5900 Federal Program Revenues | 188,847 | - | 3,415,947 | 3,604,794 |
| 5020 Total Revenues | 31,736,803 | 5,902 | 6,932,458 | 38,675,163 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| 0011 Instruction | 16,876,966 | - | 1,946,841 | 18,823,807 |
| 0012 Instructional Resources and Media Services | 268,756 | - | - | 268,756 |
| 0013 Curriculum and Instructional Staff Development | 383,969 | - | - | 383,969 |
| 0021 Instructional Leadership | 117,118 | - | 24,120 | 141,238 |
| 0023 School Leadership | 2,109,170 | - | 30,956 | 2,140,126 |
| 0031 Guidance, Counseling and Evaluation Services | 886,108 | - | 141,219 | 1,027,327 |
| 0033 Health Services | 369,195 | - | 55,370 | 424,565 |
| 0034 Student (Pupil) Transportation | 1,962,660 | - | - | 1,962,660 |
| 0035 Food Services | 79 | - | 2,038,565 | 2,038,644 |
| 0036 Extracurricular Activities | 1,182,144 | - | 549,180 | 1,731,324 |
| 0041 General Administration | 798,256 | - | - | 798,256 |
| 0051 Facilities Maintenance and Operations | 3,622,101 | - | - | 3,622,101 |
| 0052 Security and Monitoring Services | 258,961 | - | - | 258,961 |
| 0053 Data Processing Services | 834,818 | - | - | 834,818 |
| 0061 Community Services | 60,529 | - | 321,565 | 382,094 |
| Debt Service: | | | | |
| 0071 Principal on Long Term Debt | 227,220 | - | 824,581 | 1,051,801 |
| 0072 Interest on Long Term Debt | 67,240 | - | 1,828,447 | 1,895,687 |
| 0073 Bond Issuance Cost and Fees | 2,500 | 141,752 | 750 | 145,002 |
| Capital Outlay: | | | | |
| 0081 Facilities Acquisition and Construction | 619,009 | 4,887,169 | - | 5,506,178 |
| Intergovernmental: | | | | |
| 0099 Other Intergovernmental Charges | 95,059 | - | - | 95,059 |
| 6030 Total Expenditures | 30,741,858 | 5,028,921 | 7,761,594 | 43,532,373 |
| 1100 Excess (Deficiency) of Revenues Over (Under) Expenditures | 994,945 | (5,023,019) | (829,136) | (4,857,210) |
| OTHER FINANCING SOURCES (USES): | | | | |
| 7911 Capital Related Debt Issued (Regular Bonds) | - | 8,295,000 | - | 8,295,000 |
| 7913 Capital Leases | 859,854 | - | - | 859,854 |
| 7915 Transfers In | - | - | 782,577 | 782,577 |
| 7916 Premium or Discount on Issuance of Bonds | - | 831,752 | 1,462 | 833,214 |
| 8911 Transfers Out (Use) | (782,577) | - | - | (782,577) |
| 7080 Total Other Financing Sources (Uses) | 77,277 | 9,126,752 | 784,039 | 9,988,068 |
| 1200 Net Change in Fund Balances | 1,072,222 | 4,103,733 | (45,097) | 5,130,858 |
| 0100 Fund Balance - September 1 (Beginning) | 8,247,109 | - | 350,109 | 8,597,218 |
| 3000 Fund Balance - August 31 (Ending) | \$ 9,319,331 | \$ 4,103,733 | \$ 305,012 | \$ 13,728,076 |

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

KAUFMAN INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED AUGUST 31, 2015

| | |
|--|---------------------|
| Total Net Change in Fund Balances - Governmental Funds | \$ 5,130,858 |
| Current year capital asset additions are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. The effect of reclassifying the current year capital asset additions is to increase net position. | 6,149,209 |
| Depreciation is not recognized as an expense in government funds since it does not require the use of current financial resources. The effect of the current year's depreciation expense is to decrease net position. | (2,250,914) |
| Current year long-term debt principal payments on notes payable, capital leases payable, and bonds payable and payments of accreted interest payable on capital appreciation bonds are expenditures in the fund financial statements, but are shown as reductions in long-term debt in the government-wide financial statements. | 1,812,372 |
| Current year interest accretion on capital appreciation bonds is not reflected in the fund financial statements, but is shown as an increase in long-term liabilities in the government-wide financial statements. | (280,799) |
| Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements, interest expenditures are reported when due. | (7,935) |
| Revenues from property taxes are recorded as unavailable revenue in the fund financial statements until they are considered available to finance current expenditures, but such revenues are recognized when assessed, net of an allowance for uncollectible amounts, in the government-wide financial statements. | (289) |
| Current year amortization of the premiums/discounts on bonds payable is not recognized in the fund financial statements, but is shown as an increase in long-term debt in the government-wide financial statements. | 284,046 |
| Current year amortization of the deferred charge on bond refundings is not recognized in the fund financial statements, but is shown as a reduction of the deferred charge in the government-wide financial statements. | (42,249) |
| Current year issuance of capital related bonds are shown as an other financing source in the fund financial statements, but are shown as increases in long-term debt in the government-wide financial statements. | (8,295,000) |
| The premium on the current year issuance of bonds is recorded as an other financing source in the fund financial statements, but is shown as an increase in long-term debt in the government-wide financial statements. | (833,214) |

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

KAUFMAN INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED AUGUST 31, 2015

| | |
|---|-----------|
| Current year proceeds from capital leases are reported as an other financing source in the fund financial statements, but are shown as an increase in long-term debt in the government-wide financial statements. | (859,854) |
|---|-----------|

| | |
|---|---------|
| The implementation of GASB #68 and #71 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 8/31/2014 caused the change in the ending net position to increase \$565,057. These contributions were replaced with the District's pension expense for the measurement year of \$298,624, which results in a decrease in the change in net position. The net effect of these adjustments is to increase the change in net position by \$266,433. | 266,433 |
|---|---------|

| | |
|--|---------------------------------|
| Change in Net Assets of Governmental Activities | <hr/> \$ 1,072,664 <hr/> |
|--|---------------------------------|

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

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

| Data Control Codes | Budgeted Amounts | | Actual Amounts (GAAP BASIS) | Variance With Final Budget Positive or (Negative) | |
|---------------------------------|---|--------------|-----------------------------|---|--------------|
| | Original | Final | | | |
| REVENUES: | | | | | |
| 5700 | Total Local and Intermediate Sources | \$ 7,270,000 | \$ 7,270,000 | \$ 7,306,532 | \$ 36,532 |
| 5800 | State Program Revenues | 22,988,826 | 23,303,697 | 24,241,424 | 937,727 |
| 5900 | Federal Program Revenues | 100,000 | 100,000 | 188,847 | 88,847 |
| 5020 | Total Revenues | 30,358,826 | 30,673,697 | 31,736,803 | 1,063,106 |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| 0011 | Instruction | 16,486,794 | 17,700,167 | 16,876,966 | 823,201 |
| 0012 | Instructional Resources and Media Services | 288,484 | 308,484 | 268,756 | 39,728 |
| 0013 | Curriculum and Instructional Staff Development | 381,434 | 411,434 | 383,969 | 27,465 |
| 0021 | Instructional Leadership | 117,144 | 147,144 | 117,118 | 30,026 |
| 0023 | School Leadership | 2,162,938 | 2,192,938 | 2,109,170 | 83,768 |
| 0031 | Guidance, Counseling and Evaluation Services | 969,184 | 946,172 | 886,108 | 60,064 |
| 0033 | Health Services | 391,729 | 421,729 | 369,195 | 52,534 |
| 0034 | Student (Pupil) Transportation | 1,210,469 | 2,120,323 | 1,962,660 | 157,663 |
| 0035 | Food Services | 79 | 79 | 79 | - |
| 0036 | Extracurricular Activities | 1,056,862 | 1,275,502 | 1,182,144 | 93,358 |
| 0041 | General Administration | 786,314 | 801,314 | 798,256 | 3,058 |
| 0051 | Facilities Maintenance and Operations | 3,651,346 | 3,865,150 | 3,622,101 | 243,049 |
| 0052 | Security and Monitoring Services | 262,568 | 287,568 | 258,961 | 28,607 |
| 0053 | Data Processing Services | 866,634 | 866,634 | 834,818 | 31,816 |
| 0061 | Community Services | 65,497 | 70,497 | 60,529 | 9,968 |
| Debt Service: | | | | | |
| 0071 | Principal on Long Term Debt | 477,222 | 477,222 | 227,220 | 250,002 |
| 0072 | Interest on Long Term Debt | 70,035 | 70,035 | 67,240 | 2,795 |
| 0073 | Bond Issuance Cost and Fees | - | 6,000 | 2,500 | 3,500 |
| Capital Outlay: | | | | | |
| 0081 | Facilities Acquisition and Construction | 100,000 | 697,211 | 619,009 | 78,202 |
| Intergovernmental: | | | | | |
| 0099 | Other Intergovernmental Charges | 110,000 | 110,000 | 95,059 | 14,941 |
| 6030 | Total Expenditures | 29,454,733 | 32,775,603 | 30,741,858 | 2,033,745 |
| 1100 | Excess (Deficiency) of Revenues Over (Under) Expenditures | 904,093 | (2,101,906) | 994,945 | 3,096,851 |
| OTHER FINANCING SOURCES (USES): | | | | | |
| 7913 | Capital Leases | - | 859,854 | 859,854 | - |
| 8911 | Transfers Out (Use) | - | - | (782,577) | (782,577) |
| 7080 | Total Other Financing Sources (Uses) | - | 859,854 | 77,277 | (782,577) |
| 1200 | Net Change in Fund Balances | 904,093 | (1,242,052) | 1,072,222 | 2,314,274 |
| 0100 | Fund Balance - September 1 (Beginning) | 8,247,109 | 8,247,109 | 8,247,109 | - |
| 3000 | Fund Balance - August 31 (Ending) | \$ 9,151,202 | \$ 7,005,057 | \$ 9,319,331 | \$ 2,314,274 |

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

KAUFMAN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2015

EXHIBIT E-1

| | Private Purpose Trust Fund | Agency Fund |
|---------------------------|----------------------------------|------------------|
| ASSETS | | |
| Cash and Cash Equivalents | \$ 194,185 | \$ 87,833 |
| Total Assets | <u>194,185</u> | <u>\$ 87,833</u> |
| LIABILITIES | | |
| Accounts Payable | 400 | \$ - |
| Due to Student Groups | - | 87,833 |
| Total Liabilities | <u>400</u> | <u>\$ 87,833</u> |
| NET POSITION | | |
| Unrestricted Net Position | <u>193,785</u> | |
| Total Net Position | <u>\$ 193,785</u> | |

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

KAUFMAN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2015

| | Private Purpose Trust Fund |
|--|----------------------------------|
| ADDITIONS: | |
| Local and Intermediate Sources | \$ 102,458 |
| Total Additions | <u>102,458</u> |
| DEDUCTIONS: | |
| Other Operating Costs | <u>76,718</u> |
| Total Deductions | <u>76,718</u> |
| Change in Net Position | 25,740 |
| Total Net Position - September 1 (Beginning) | <u>168,045</u> |
| Total Net Position - August 31 (Ending) | <u><u>\$ 193,785</u></u> |

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

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KAUFMAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Kaufman Independent School District's (the "District") combined financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide (FAR). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

A. REPORTING ENTITY

The Board of Trustees, a seven member group, has fiscal accountability over all activities related to public elementary and secondary education within the jurisdiction of the District. The board of trustees is elected by the public. The trustees as a body corporate have the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency (Agency) or to the State Board of Education are reserved for the trustees, and the Agency may not substitute its judgment for the lawful exercise of those powers and duties by the trustees. The District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards.

The District's basic financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District

Based on the aforementioned criteria, Kaufman Independent School District has no component units.

B. BASIS OF PRESENTATION

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

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

KAUFMAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015

Fund Financial Statements:

The District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The District has presented the following major governmental fund:

1. **General Fund** - This fund is established to account for resources financing the fundamental operations of the District, in partnership with the community, in enabling and motivating students to reach their full potential. All revenues and expenditures not required to be accounted for in other funds are included here. This is a budgeted fund and any fund balances are considered resources available for current operations. Fund balances may be appropriated by the Board of Trustees to implement its responsibilities.
2. **Capital Projects Fund** - This fund is established to account for proceeds, from the sale of bonds and other resources to be used for Board authorized acquisition, construction, or renovation, as well as, furnishings and equipping of major capital facilities. Upon completion of a project, any unused bond proceeds are transferred to the Debt Service Fund and are used to retire related bond principal.

Additionally, the District reports the following fund types:

1. **Special Revenue Funds** - These funds are established to account for federally financed or expenditures legally restricted for specified purposes. In many special revenue funds, any unused balances are returned to the grantor at the close of specified project periods. For funds in this fund type, project accounting is employed to maintain integrity for the various sources of funds.
2. **Debt Service Fund** - This fund is established to account for payment of principal and interest on long-term general obligation debt and other long-term debts for which a tax has been dedicated. This is a budgeted fund. Any unused debt service fund balances are transferred to the General Fund after all of the related debt obligations have been met.
3. **Private Purpose Trust Fund** - The District accounts for donations which have the stipulation that the funds be used for a specific purpose in this fund. The District's Private Purpose Trust Fund is a scholarship fund. These funds are not budgeted.
4. **Agency Funds** - These custodial funds are used to account for activities of student groups and other organizational activities requiring clearing accounts. Financial resources for the Agency funds are recorded as assets and liabilities; therefore, these funds do not include revenues and expenditures and have no fund equity. If any unused resources are declared surplus by the student groups, they are transferred to the General Fund with a recommendation to the Board for an appropriate utilization through a budgeted program.

C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

KAUFMAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and deferred outflows of resources; and liabilities and deferred inflows of resources (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

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

The revenues susceptible to accrual are property taxes, charges for services, interest income and intergovernmental revenues. All other Governmental Fund Type revenues are recognized when received.

Revenues from state and federal grants are recognized as earned when the related program expenditures are incurred. Funds received but unearned are reflected as deferred revenues, and funds expended but not yet received are shown as receivables.

Revenue from investments, including governmental external investment pool, is based upon fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Most investments are reported at amortized cost when the investments have remaining maturities of one year or less at time of purchase. External investment pool are permitted to report short-term debt investments at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer, or other factors. For that purpose, a pool's short-term investments are those with remaining maturities of up to ninety days.

In accordance with the FAR, the District has adopted and installed an accounting system which exceeds the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. Specifically, the District's accounting system uses codes and the code structure presented in the Accounting Code Section of the FAR.

KAUFMAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015

D. BUDGETARY CONTROL

Formal budgetary accounting is employed for all required Governmental Fund Types, as outlined in TEA's FAR module, and is presented on the modified accrual basis of accounting consistent with generally accepted accounting principles. The budget is prepared and controlled at the function level within each organization to which responsibility for controlling operations is assigned.

The official school budget is prepared for adoption for required Governmental Fund Types prior to August 20 of the preceding fiscal year for the subsequent fiscal year beginning September 1. The budget is formally adopted by the Board of Trustees at a public meeting held at least ten days after public notice has been given. The budget is prepared by fund, function, object, and organization. The budget is controlled at the organizational level by the appropriate department head or campus principal within Board allocations. Therefore, organizations may transfer appropriations as necessary without the approval of the board unless the intent is to cross fund, function or increase the overall budget allocations. Control of appropriations by the Board of Trustees is maintained within Fund Groups at the function code level and revenue object code level.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, the Debt Service Fund and the Food Service Fund. The other special revenue funds adopt project-length budgets which do not correspond to the District's fiscal year. Each annual budget is presented on the modified accrual basis of accounting. The budget is amended throughout the year by the Board of Trustees. Such amendments are reflected in the official minutes of the Board.

A reconciliation of fund balances for both appropriated budget and nonappropriated budget special revenue funds is as follows:

| | |
|---|------------------|
| August 31, 2015 | |
| <u>Fund Balance</u> | |
| Appropriated Budget Funds - Food Service Special Revenue Fund | \$ - |
| Nonappropriated Budget Funds | <u>255,681</u> |
| All Special Revenue Funds | <u>\$255,681</u> |

E. ENCUMBRANCE ACCOUNTING

The District employs encumbrance accounting, whereby encumbrances for goods or purchased services are documented by purchase orders and contracts. An encumbrance represents a commitment of Board appropriation related to unperformed contracts for goods and services. The issuance of a purchase order or the signing of a contract creates an encumbrance but does not represent an expenditure for the period, only a commitment to expend resources. Appropriations lapse at August 31 and encumbrances outstanding at that time are either canceled or appropriately provided for in the subsequent year's budget. The District had no material encumbrances outstanding at August 31, 2015.

KAUFMAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015

F. IMPLEMENTATION OF NEW STANDARDS

In the current fiscal year, the District implemented the following new standards:

GASB Statement 68, *Accounting and Financial Reporting for Pensions* ("GASB 68") establishes accounting and financial reporting standards for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts or similar arrangements that meet certain criteria. The Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. Implementation is reflected in the financial statements, notes to the financial statements and required supplementary information.

GASB Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* ("GASB 71") amends the transition provisions of GASB 68. GASB 71 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions made subsequent to the measurement date of the beginning net pension liability. Implementation is reflected in the financial statements and the notes to the financial statements.

G. INVENTORIES

The District records purchases of supplies and materials as expenditures.

H. INTERFUND RECEIVABLES AND PAYABLES

Short-term amounts owed between funds are classified as "Due to/from other funds". Interfund loans are classified as "Advances to/from other funds" and are offset by a fund balance reserve account.

I. CAPITAL ASSETS

Capital assets, which includes property, plant, equipment, and infrastructure assets, are reported in the applicable governmental activities columns in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant and equipment.

Assets capitalized have an original cost of \$5,000 or more and over one-year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

| | |
|-------------------------|------------|
| Buildings | 40 Years |
| Furniture and Equipment | 5-20 Years |

J. COMPENSATED ABSENCES

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

KAUFMAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015

K. CASH EQUIVALENTS

Investments are considered to be cash equivalents if they are highly liquid with maturity within three months or less when purchased.

L. NET POSITION

Net position represents the difference between assets and deferred outflows of resources; less liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation's adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

When both restricted and unrestricted net position is available, restricted net position is expended before unrestricted net position if such use is consistent with the restricted purpose.

M. LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

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

N. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal 2014, the district purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

O. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2. FUND BALANCES

The District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent.

KAUFMAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015

Fund Balance Classification: The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form, such as prepaid items, or (b) are legally or contractually required to be maintained intact. The District has nonspendable fund balance for prepaid items.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. General Fund amounts that have been deposited into a sinking fund account for future debt service payments on the District's 2010 Maintenance Tax Notes is restricted for retirement of long-term debt. Capital Projects fund balance is restricted for future approved bond projects. Debt service fund resources are to be used for future servicing of the District's bonded debt and are restricted through debt covenants. Federal and State grant resources are restricted because their use is restricted pursuant to the grant requirements.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District's Board of Trustees. The Board of Trustees establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This can also be done through adoption and amendment of the budget. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Board of Trustees has committed resources as of August 31, 2015 for campus activities.
- Assigned: This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Trustees or through the Board of Trustees delegating this responsibility to other individuals in the District. Under the District's adopted policy, only the Board of Trustees may assign amounts for specific purposes. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The District has not assigned any fund balance as of August 31, 2015.
- Unassigned: This classification includes all amounts not included in other spendable classifications, including the residual fund balance of the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Trustees has provided otherwise in its commitment or assignment actions.

The details of the fund balances are included in the Governmental Funds Balance Sheet (page 16) and are described below:

General Fund

The General Fund has \$368,279 of nonspendable fund balance for prepaid items.

The General Fund has \$500,000 of fund balance restricted for future retirement of long-term debt on the QSC Maintenance Tax Notes issued in October 2010. The General Fund has unassigned fund balance of \$8,451,052 at August 31, 2015.

KAUFMAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015

Capital Projects Fund

The Capital Projects Fund has \$4,103,733 of fund balance restricted for future construction and other approved projects.

Debt Service Fund

The Debt Service Fund has restricted funds of \$49,331 at August 31, 2015 consisting primarily of property tax collections that are restricted for debt service payments on bonded debt.

Other Funds

The fund balance of \$254,306 of the Campus Activity Funds (a special revenue fund) is shown as committed due to Board policy committing those funds to campus activities. The following special revenue fund fund balance is restricted by Federal or State grant restrictions:

| | |
|-------------------------------|----------------|
| Advanced Placement Incentives | <u>\$1,375</u> |
| Total | <u>\$1,375</u> |

NOTE 3. DEPOSITS AND INVESTMENTS

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

1. Cash Deposits:

At August 31, 2015, the carrying amount of the District's deposits (checking accounts and interest-bearing demand accounts) was \$12,760,092 and the bank balance was \$13,694,831. The District's cash deposits at 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.

2. Investments:

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

KAUFMAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy. That policy addresses the following risks:

- a. Custodial Credit Risk – Deposits: In the case of deposits, this is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. As of August 31, 2015, the District's cash deposits totaled \$13,694,831. This entire amount was either collateralized with securities held by the District's agent or covered by FDIC insurance. Thus, the District's deposits are not exposed to custodial credit risk as of August 31, 2015.
- b. Custodial Credit Risk - Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At August 31, 2015, the District held investments in three public funds investment pools. Investments in external investment pools are considered unclassified as to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.
- c. Credit Risk: This is the risk that an issuer or other counterparty to an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. The credit quality rating for all three of the external investment pools held by the District at year-end was AAAm (Standard & Poor's).
- d. Interest Rate Risk: This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The weighted average maturity for the District's investment in external investment pools is less than 90 days.
- e. Foreign Currency Risk: This is the risk that exchange rates will adversely affect the fair value of an investment. At August 31, 2015, the District was not exposed to foreign currency risk.
- f. Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of the District's investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. Investment pools are excluded from the 5 percent disclosure requirement.

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

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

KAUFMAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015

The District's investments at August 31, 2015, are shown below:

| Name | Carrying Amount | Market Value |
|---------------------------|--------------------|--------------------|
| Lone Star Investment Pool | \$ 4,296 | \$ 4,296 |
| TexPool Investment Pool | 2,852 | 2,852 |
| MBIA Texas CLASS | <u>3,452,974</u> | <u>3,452,974</u> |
| | <u>\$3,460,122</u> | <u>\$3,460,122</u> |

NOTE 4. CAPITAL ASSETS

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

| | Balance September 1 | Additions/ Completions | Retirement/ Adjustments | Balance August 31 |
|--|------------------------|---------------------------|----------------------------|----------------------|
| Governmental Activities: | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 2,231,664 | \$ 70,899 | \$ - | \$ 2,302,563 |
| Construction in Progress | - | 4,494,366 | - | 4,494,366 |
| Total Capital assets not being depreciated | <u>2,231,664</u> | <u>4,565,265</u> | - | <u>6,796,929</u> |
| Capital assets, being depreciated | | | | |
| Buildings | 71,210,079 | 197,786 | - | 71,407,865 |
| Furniture and Equipment | <u>6,603,941</u> | <u>1,386,158</u> | <u>(276,124)</u> | <u>7,713,975</u> |
| Total capital assets being depreciated | <u>77,814,020</u> | <u>1,583,944</u> | <u>(276,124)</u> | <u>79,121,840</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | (28,958,961) | (1,850,913) | - | (30,809,874) |
| Furniture and Equipment | <u>(4,640,565)</u> | <u>(400,001)</u> | <u>276,124</u> | <u>(4,764,442)</u> |
| Total accumulated depreciation | <u>(33,599,526)</u> | <u>(2,250,914)</u> | <u>276,124</u> | <u>(35,574,316)</u> |
| Total capital assets, being depreciated, net | <u>44,214,494</u> | <u>(666,970)</u> | - | <u>43,547,524</u> |
| Governmental activities capital assets, net | <u>\$ 46,446,158</u> | <u>\$ 3,898,295</u> | <u>\$ -</u> | <u>\$ 50,344,453</u> |

Depreciation expense was charged as direct expense to programs of the District as follows:

| | |
|--|--------------------|
| Governmental activities: | |
| Instruction | \$1,534,505 |
| Instructional Resources & Media Services | 19,471 |
| Curriculum & Instructional Staff Development | 27,384 |
| Instructional Leadership | 10,933 |
| School Leadership | 184,399 |
| Guidance, Counseling & Evaluation Services | 84,674 |
| Health Services | 35,755 |
| Student (Pupil) Transportation | 74,902 |
| Food Services | 2,672 |
| Cocurricular/Extracurricular Activities | 50,296 |
| General Administration | 46,027 |
| Plant Maintenance and Operations | 83,266 |
| Security and Monitoring | 18,084 |
| Data Processing Services | 50,208 |
| Community Services | <u>28,338</u> |
| Total depreciation expense-Governmental activities | <u>\$2,250,914</u> |

KAUFMAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015

NOTE 5. MAINTENANCE TAX NOTES PAYABLE

Kaufman Independent School District Qualified School Construction Maintenance Tax Notes, Taxable Series 2010 were issued by the District on October 12, 2010 with an interest rate of 5.298%.

Debt service payments for the notes will be paid from the General Fund. 2010 Maintenance Tax Note payment requirements are as follows:

| Year Ended August 31, | Loans | | Total Requirements |
|--------------------------|--------------------|--------------------|-----------------------|
| | Principal | Interest | |
| 2016 | \$ - | \$ 185,430 | \$ 185,430 |
| 2017 | - | 185,430 | 185,430 |
| 2018 | - | 185,430 | 185,430 |
| 2019 | - | 185,430 | 185,430 |
| 2020 | - | 185,430 | 185,430 |
| 2021-2025 | - | 927,150 | 927,150 |
| 2026-2027 | 3,500,000 | 370,860 | 3,870,860 |
| Thereafter | - | - | - |
| | <u>\$3,500,000</u> | <u>\$2,225,160</u> | <u>\$5,725,160</u> |

The District is required to transfer into a sinking fund \$250,000 on August 15, 2014 and \$250,000 annually through August 15, 2027. These deposits are recorded as restricted cash in the General Fund and as a restriction of fund balance for retirement of long-term debt. At August 31, 2015 the District had \$500,000 in the sinking fund.

The District will receive an interest subsidy payment on the notes from the federal government of up to \$175,000 per year through 2027.

NOTE 6. CAPITAL LEASES PAYABLE

The following is a summary of leased property under capital leases at August 31, 2015:

| | |
|-----------|--------------------|
| Equipment | \$ 296,175 |
| Buses | <u>1,769,433</u> |
| Total | <u>\$2,065,608</u> |

The following is a schedule of future minimum lease payments as of August 31, 2015, for each of the next five years and in the aggregate:

| Year Ended August 31, | Principal | Interest | Total Lease Payment |
|--------------------------|--------------------|------------------|---------------------------|
| 2016 | \$ 408,188 | \$ 44,035 | \$ 452,223 |
| 2017 | 417,600 | 34,622 | 452,222 |
| 2018 | 420,780 | 18,643 | 439,423 |
| 2019 | 174,111 | 6,857 | 180,968 |
| 2020 | 177,506 | 3,461 | 180,967 |
| Thereafter | - | - | - |
| | <u>\$1,598,185</u> | <u>\$107,618</u> | <u>\$1,705,803</u> |

KAUFMAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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The lease payments will be made out of local general fund revenues. The interest rate on the capital leases are 2.87%-10.73%.

NOTE 7. LONG-TERM DEBT

Long-term debt includes par bonds, capital appreciation (deep discount) serial bonds, loans, and capital leases. All long-term debt represents transactions in the District's governmental activities.

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

The following is a summary of the changes in the District's Long-term Debt for the year ended August 31, 2015:

| Description | Interest Rate Payable | Amounts Outstanding 9/1/14 | Issued Current Year | Interest Accretion | Retired/ Refunded | Amounts Outstanding 8/31/15 | Due Within One Year |
|---|-----------------------------|----------------------------------|---------------------------|-----------------------|----------------------|-----------------------------------|---------------------------|
| Bonded Indebtedness: | | | | | | | |
| 2002 School Bldg. & Refunding Bonds | 2.88-5.96% | \$ 1,182,106 | \$ - | \$ - | \$ 609,581 | \$ 572,525 | \$ 572,525 |
| 2006 Refunding Bonds | 3.86-4.50% | 17,915,424 | - | - | 185,000 | 17,730,424 | 180,000 |
| 2014 Refunding Bonds | 1.00-2.14% | 763,351 | - | - | 30,000 | 733,351 | - |
| 2015 Unlimited Tax School Building Bonds | 4.00% | - | 8,295,000 | - | - | 8,295,000 | - |
| Total Bonded Indebtedness: | | <u>19,860,881</u> | <u>8,295,000</u> | <u>-</u> | <u>824,581</u> | <u>27,331,300</u> | <u>752,525</u> |
| Other Direct Obligations: | | | | | | | |
| Accreted Interest - | | | | | | | |
| Capital Appreciation Bonds | | 2,374,658 | - | 280,799 | 760,571 | 1,894,886 | 774,552 |
| Premiums/Discounts on Bonds Payable | | 1,944,926 | 833,214 | - | 284,046 | 2,494,094 | 287,023 |
| Qualified School Construction | | | | | | | |
| Maint. Tax Notes, 2010 | 5.298% | 3,500,000 | - | - | - | 3,500,000 | - |
| Capital Leases Payable | 2.87-10.73% | 965,551 | 859,854 | - | 227,220 | 1,598,185 | 408,188 |
| Total Other Obligations: | | <u>8,785,135</u> | <u>1,693,068</u> | <u>280,799</u> | <u>1,271,837</u> | <u>9,487,165</u> | <u>1,469,763</u> |
| Total Obligations of District | | <u>\$28,646,016</u> | <u>\$9,988,068</u> | <u>\$280,799</u> | <u>\$2,096,418</u> | <u>\$36,818,465</u> | <u>\$2,222,288</u> |

Presented below is a summary of general obligation bond requirements to maturity:

| Year Ended August 31, | General Obligation | | Total Requirements |
|--------------------------|---------------------|---------------------|-----------------------|
| | Principal | Interest | |
| 2016 | \$ 752,525 | \$ 2,142,431 | \$ 2,894,956 |
| 2017 | 476,514 | 2,408,442 | 2,884,956 |
| 2018 | 248,966 | 1,840,990 | 2,089,956 |
| 2019 | 231,931 | 1,858,025 | 2,089,956 |
| 2020 | 851,364 | 1,238,227 | 2,089,591 |
| 2021-2025 | 5,850,000 | 4,595,025 | 10,445,025 |
| 2026-2030 | 7,250,000 | 3,211,700 | 10,461,700 |
| 2031-2035 | 8,150,000 | 1,526,244 | 9,676,244 |
| 2036-2037 | 3,520,000 | 142,200 | 3,662,200 |
| | <u>\$27,331,300</u> | <u>\$18,963,284</u> | <u>\$46,294,584</u> |

KAUFMAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015

The 2002, 2006, and 2014 bond series include Capital Appreciation Bonds. No interest is paid on these bonds prior to maturity. The bonds mature variously in 2016 through 2020. Interest accrues on these bonds each February 15 and August 15 even though the interest is not paid until maturity.

General Obligation Bonds are direct obligations issued on a pledge of the general taxing power for the payment of the debt obligations of the District. General Obligation Bonds require the District to compute, at the time taxes are levied, the rate of tax required to provide (in each year bonds are outstanding) a fund to pay interest and principal at maturity. The District is in compliance with this requirement.

There are a number of limitations and restrictions contained in the various general obligation bonds indentures. The District is in compliance with all significant limitations and restrictions at August 31, 2015.

NOTE 8. DEBT ISSUANCE AND DEFEASED DEBT

In June 2015, the District issued \$8,295,000 (par value) in Unlimited Tax School Building Bonds Series 2015 to provide funds for approved construction and other projects. The net proceeds of \$8,985,000 (\$8,295,000 par amount of the bonds plus \$833,213 of premium paid on the bonds less \$143,213 of underwriting fees and other issuance costs) were deposited in the Capital Projects Fund.

The District's deferred charges on bond refundings in prior years are as follows:

| | |
|---------------------------|------------------|
| Balance – August 31, 2014 | \$760,478 |
| Current year amortization | <u>(42,249)</u> |
| Balance – August 31, 2015 | <u>\$718,229</u> |

NOTE 9. PROPERTY TAXES

Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The District levies its taxes on October 1 on the assessed (appraised) value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. The assessed value of the property tax roll upon which the levy for the 2014-15 fiscal year was based was \$616,458,219. Taxes are delinquent if not paid by June 30. Delinquent taxes are subject to both penalty and interest charges plus 15 % delinquent collection fees for attorney costs.

The tax rates assessed for the year ended August 31, 2015, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.17 and \$0.13 per \$100 valuation, respectively, for a total of \$1.30 per \$100 valuation.

Current tax collections for the year ended August 31, 2015 were 95.9% of the year-end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting 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. As of August 31, 2015, property taxes receivable, net of estimated uncollectible taxes, totaled \$656,923 and \$88,826 for the General and Debt Service Funds, respectively.

Property taxes are recorded as receivables and unavailable revenues at the time the taxes are assessed. Revenues are recognized as the related ad valorem taxes are collected.

KAUFMAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015

NOTE 10. DEFINED BENEFIT PENSION PLAN

Plan Description. Kaufman Independent School 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 the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592. The information provided in the Notes to the Financial Statements in the 2014 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2014.

| <u>Net Pension Liability</u> | <u>Total</u> |
|---|--------------------------|
| Total Pension Liability | \$159,496,075,886 |
| Less: Plan Fiduciary Net Position | <u>(132,779,243,085)</u> |
| Net Pension Liability | <u>\$ 26,716,832,801</u> |
| Net Position as percentage of Total Pension Liability | 83.25% |

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.

KAUFMAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015

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>Contribution Rates</u> | |
|---|---------------------------|-------------|
| | <u>2014</u> | <u>2015</u> |
| Member | 6.4% | 6.7% |
| Non-Employer Contributing Entity (State) | 6.8% | 6.8% |
| Employers | 6.8% | 6.8% |
| | | |
| Kaufman ISD 2014 Employer Contributions | \$ | 306,643 |
| Kaufman ISD 2014 Member Contributions | \$ | 1,275,271 |
| Kaufman ISD 2014 NECE On-Behalf Contributions | \$ | 1,097,980 |

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

As the non-employer contributing entity for public education, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during the fiscal year reduced by the amounts described below which are paid by the employers. Employers including public schools are required to pay the employer contribution rate in the following instances:

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

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

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 Normal | Individual Entry Age |
| Amortization Method of | 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% | |

KAUFMAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015

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:

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

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

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2014 Net Pension Liability.

KAUFMAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015

| | 1% Decrease in Discount Rate (7.0%) | Discount Rate (8.0%) | 1% Increase in Discount Rate (9.0%) |
|--|---|-------------------------|---|
| Kaufman ISD's proportionate share of the net pension liability: | \$5,773,139 | \$3,230,741 | \$1,329,501 |

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2015, Kaufman Independent School District reported a liability of \$3,230,741 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Kaufman Independent School District. The amount recognized by Kaufman Independent School 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 Kaufman Independent School District were as follows:

| | |
|--|---------------------|
| District's Proportionate share of the collective net pension liability | \$ 3,230,741 |
| State's proportionate share that is associated with the District | <u>11,592,865</u> |
| Total | <u>\$14,823,606</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 .000120950%. Since this is the first year of implementation, the District does not have the proportion measured as of August 31, 2013. The Notes to the Financial Statements for August 31, 2014 for TRS stated that 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 Old Age Survivor and Disability Insurance (OASDI) on certain employees went into law effective 09/01/2014. The amount of the expected resultant change in the employer's proportion cannot be determined at this time.

For the year ended August 31, 2015, Kaufman Independent School District recognized pension expense of \$1,071,739 and revenue of \$1,097,980 for support provided by the State.

At August 31, 2015, Kaufman Independent School 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:

KAUFMAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual economic experience | \$ 49,964 | \$ - |
| Changes in actuarial assumptions | 210,002 | - |
| Difference between projected and actual investment earnings | - | 987,447 |
| Changes in proportion and difference between the employer's contributions and the proportionate share of contributions | - | 847 |
| Contributions paid to TRS subsequent to the measurement date [to be calculated by employer] | 565,057 | - |
| Total | \$ 825,023 | \$988,294 |

\$565,057 reported as deferred outflows of resources 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. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended August 31: | Pension Expense Amount |
|-----------------------|------------------------|
| 2016 | \$ (203,148) |
| 2017 | (203,148) |
| 2018 | (203,148) |
| 2019 | (203,148) |
| 2020 | 43,713 |
| 2021 | 40,551 |

NOTE 11. SCHOOL DISTRICT RETIREE HEALTH PLAN

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

Funding Policy. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal year 2015 and 2014. The State of Texas contribution rate was 0.5% in fiscal year 2013. 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. For the years ended August 31, 2015, 2014, and 2013, the State's contributions to TRS-Care were \$188,163, \$184,157, and \$88,521, respectively, the active member contributions were \$132,385, \$129,521, and \$124,918, respectively, and the school district's contribution were \$127,528, \$124,698, and \$113,270, respectively, which equaled the required contributions each year.

KAUFMAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments are recognized as equal revenues and expenditures/expenses by the District. For the year ended August 31, 2015, the contribution made on behalf of the District was \$60,331.

NOTE 12. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables at August 31, 2015 represented short-term advances between funds. These amounts are expected to be repaid in less than one year from August 31, 2015.

| <u>Fund</u> | <u>Due from Other Funds</u> | <u>Due to Other Funds</u> |
|-----------------------------------|---------------------------------|-------------------------------|
| Major Governmental Funds: | | |
| General Fund: | | |
| Special Revenue Funds: | | |
| Head Start | \$ 91,440 | \$ - |
| ESEA I, Part A | 51,433 | - |
| IDEA-B, Formula | 45,125 | - |
| IDEA-B, Preschool | 1,425 | - |
| English Language Acquisition | 4,385 | - |
| ESEA Title II, Part A | 7,805 | - |
| Non-Ed. Community Based Support | 3,026 | - |
| Campus Activity Fund | - | 1,108 |
| Debt Service Fund | - | <u>110,643</u> |
| Total Major Governmental Funds | <u>204,639</u> | <u>111,751</u> |
| Nonmajor Governmental Funds: | | |
| Special Revenue Funds: | | |
| General Fund | 1,108 | 204,639 |
| Debt Service Fund: | | |
| General Fund | <u>110,643</u> | - |
| Total Nonmajor Governmental Funds | <u>111,751</u> | <u>204,639</u> |
| Total | <u>\$316,390</u> | <u>\$316,390</u> |

During the fiscal year ended August 31, 2015, \$140,453 was transferred from the General Fund to the District's Child Care Center. The District also transferred \$161,050 from the General Fund to the Child Nutrition Fund. These transfers were made to cover the operating deficits of the Child Care Center and the Child Nutrition Program. \$481,074 was transferred from the General Fund to the Debt Service Fund as an operating transfer to the Debt Service Fund.

NOTE 13. HEALTH CARE

During the year ended August 31, 2015, employees of Kaufman Independent School District were covered by a health insurance plan (the Plan). The District contributed \$260 per month per employee to the Plan and employees, at their option, authorized payroll withholdings to pay any additional contribution and contributions for dependents. All contributions were paid to a fully insured plan.

KAUFMAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015

NOTE 14. WORKERS COMPENSATION

The District participates in the Texas Educational Insurance Association Workers Compensation Self-Insurance Joint Fund. The District is partially self-funded to a loss fund maximum of \$214,703 for the 14-15 fiscal year. Additionally, the District incurred fixed costs of \$52,352 for their share of claims administration, loss control, record keeping, and cost of excess insurance.

Claims Administrative Services, Inc. provides claims administration. Reinsurance is provided for aggregate claim losses exceeding \$500,000 for the entire pool. The fixed cost charge is based on total payroll paid by the District. Increases or decreases in the fixed costs will adjust subsequent year charges.

The accrued liability for workers compensation self-insurance of \$202,334 includes incurred but not reported claims. This liability is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," which require that a liability for claims be reported if information indicates that it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. The liability recorded is an undiscounted actuarial calculation.

Changes in workers compensation claims liability amounts in fiscal years 2015 and 2014 are represented below:

| Fiscal Year | September 1 Claims Liability | Claims and Changes in Estimates | Claims Payments | August 31 Claims Liability |
|----------------|------------------------------------|---------------------------------------|--------------------|----------------------------------|
| 2015 | \$236,050 | \$ 23,000 | \$ 56,716 | \$202,334 |
| 2014 | 184,265 | 176,148 | 124,263 | 236,050 |

NOTE 15. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation, Per Capita, Existing Debt Allotment, and Instruction Facilities Allotment Programs. Amounts due from federal and state governments as of August 31, 2015, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from Other Governments.

| Fund | State Entitlements | Federal Grants | Local Governments | Total |
|--------------------------|-----------------------|-------------------|----------------------|------------------|
| General | \$ - | \$ - | \$ - | \$ - |
| Debt Service Fund | - | - | 2,632 | 2,632 |
| Nonmajor Special Revenue | <u>202,543</u> | <u>350,741</u> | - | <u>553,284</u> |
| Total | <u>\$202,543</u> | <u>\$350,741</u> | <u>\$ 2,632</u> | <u>\$555,916</u> |

NOTE 16. LITIGATION AND CONTINGENCIES

The District participates in numerous state and Federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2015 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

KAUFMAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015

NOTE 17. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

During the current year, revenues from local and intermediate sources consisted of the following:

| | General Fund | Capital Projects Fund | Special Revenue Funds | Debt Service Fund | Total |
|---|--------------------|--------------------------|--------------------------|----------------------|--------------------|
| Property Taxes | \$6,968,965 | \$ - | \$ - | \$774,953 | \$7,743,918 |
| Food Sales | - | - | 324,128 | - | 324,128 |
| Investment Income | 32,353 | 5,902 | - | 726 | 38,981 |
| Penalties, interest and other tax related income | 140,388 | - | - | 17,320 | 157,708 |
| Co-curricular student activities | 84,815 | - | 538,100 | - | 622,915 |
| Other | 80,011 | - | 137,450 | - | 217,461 |
| Total | <u>\$7,306,532</u> | <u>\$ 5,902</u> | <u>\$999,678</u> | <u>\$792,999</u> | <u>\$9,105,111</u> |

NOTE 18. UNEARNED REVENUE

Unearned revenue at year-end consisted of the following:

| | General Fund | Special Revenue Fund | Debt Service Fund | Total |
|---------------------|------------------|----------------------------|-------------------------|------------------|
| State Textbook Fund | \$ - | \$ 780 | \$ - | \$ 780 |
| Read to Succeed | - | 406 | - | 406 |
| Tobacco Grant | - | 40 | - | 40 |
| State Funding | <u>307,958</u> | <u>-</u> | <u>35,319</u> | <u>343,277</u> |
| | <u>\$307,958</u> | <u>\$ 1,226</u> | <u>\$ 35,319</u> | <u>\$344,503</u> |

NOTE 19. CONSTRUCTION COMMITMENTS

As of August 31, 2015, the District had entered into construction related contracts for four construction projects totaling \$6,778,029. At August 31, 2015, there was \$2,413,803 of remaining costs under these contracts. These projects are being funded by the District's Capital Projects Fund.

NOTE 20. PRIOR PERIOD ADJUSTMENT

In fiscal year 2015, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. As such, the prior period adjustment was necessary to record the beginning pension liability of the District. The following illustrates the effect of the prior period adjustment:

| | |
|--|----------------------------|
| Beginning Net Position – As Originally Presented | \$27,853,806 |
| Restatement due to: | |
| Net pension liability (measurement date as of August 31, 2013) | (3,967,088) |
| Deferred Outflows: | |
| District contributions made to TRS during the fiscal year, but subsequent to the measurement date | <u>306,643</u> |
| Beginning Net Position – As Restated | <u>\$24,193,361</u> |

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REQUIRED SUPPLEMENTARY INFORMATION

KAUFMAN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2015

EXHIBIT G-1

| | <u>2015</u> |
|--|----------------------|
| District's Proportion of the Net Pension Liability (Asset) | 0.00012095% |
| District's Proportionate Share of Net Pension Liability (Asset) | \$ 3,230,741 |
| State's Proportionate Share of the Net Pension Liability (Asset) associated with the District | 11,592,865 |
| Total | <u>\$ 14,823,606</u> |
| District's Covered-Employee Payroll | \$ 19,926,088 |
| District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its covered-Employee Payroll | 16.21% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 83.25% |

Note: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the period covered as of the measurement date of August 31, 2014 - the period from September 1, 2013 - August 31, 2014.

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

KAUFMAN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2015

EXHIBIT G-2

| | <u>2015</u> |
|---|---------------|
| Contractually Required Contribution | \$ 565,057 |
| Contribution in Relation to the Contractually Required Contribution | (565,057) |
| Contribution Deficiency (Excess) | <u>\$ -0-</u> |
| District's Covered-Employee Payroll | \$ 20,367,180 |
| Contributions as a Percentage of Covered-Employee Payroll | 2.77% |

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the District's current fiscal year as opposed to the time period covered by the measurement date of September 1, 2013 - August 31, 2014.

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

KAUFMAN INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2015

Changes of benefit terms.

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

Changes of assumptions.

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

COMBINING SCHEDULES

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

| Data Control Codes | 205 Head Start | 211 ESEA I, A Improving Basic Program | 224 IDEA - Part B Formula | 225 IDEA - Part B Preschool |
|--|-------------------|--|---------------------------------|-----------------------------------|
| ASSETS | | | | |
| 1110 Cash and Cash Equivalents | \$ - | \$ - | \$ - | \$ - |
| 1220 Property Taxes - Delinquent | - | - | - | - |
| 1230 Allowance for Uncollectible Taxes (Credit) | - | - | - | - |
| 1240 Receivables from Other Governments | 126,878 | 87,159 | 67,788 | 2,443 |
| 1260 Due from Other Funds | - | - | - | - |
| 1290 Other Receivables | - | - | - | - |
| 1000 Total Assets | <u>\$ 126,878</u> | <u>\$ 87,159</u> | <u>\$ 67,788</u> | <u>\$ 2,443</u> |
| LIABILITIES | | | | |
| 2110 Accounts Payable | \$ 1,275 | \$ - | \$ - | \$ - |
| 2140 Interest Payable - Current | - | - | - | - |
| 2160 Accrued Wages Payable | 34,163 | 35,726 | 22,663 | 1,018 |
| 2170 Due to Other Funds | 91,440 | 51,433 | 45,125 | 1,425 |
| 2300 Unearned Revenues | - | - | - | - |
| 2000 Total Liabilities | <u>126,878</u> | <u>87,159</u> | <u>67,788</u> | <u>2,443</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| 2601 Unavailable Revenue - Property Taxes | - | - | - | - |
| 2600 Total Deferred Inflows of Resources | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCES | | | | |
| Restricted Fund Balance: | | | | |
| 3450 Federal or State Funds Grant Restriction | - | - | - | - |
| 3480 Retirement of Long-Term Debt | - | - | - | - |
| Committed Fund Balance: | | | | |
| 3545 Other Committed Fund Balance | - | - | - | - |
| 3000 Total Fund Balances | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| 4000 Total Liabilities, Deferred Inflows & Fund Balances | <u>\$ 126,878</u> | <u>\$ 87,159</u> | <u>\$ 67,788</u> | <u>\$ 2,443</u> |

| 240 National Breakfast and Lunch Program | 244 Career and Technical - Basic Grant | 255 ESEA II,A Training and Recruiting | 263 Title III, A English Lang. Acquisition | 392 Non-Ed. Community Based Support | 397 Advanced Placement Incentives | 410 State Textbook Fund | 423 Read to Succeed |
|---|---|--|---|--|--|----------------------------------|------------------------------|
| \$ 117,753 | \$ - | \$ - | \$ - | \$ (1,078) | \$ 1,375 | \$ 509 | \$ 406 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 44,560 | - | 14,016 | 7,897 | 4,104 | - | 198,439 | - |
| - | - | - | - | - | - | - | - |
| 629 | - | - | - | - | - | - | - |
| <u>\$ 162,942</u> | <u>\$ -</u> | <u>\$ 14,016</u> | <u>\$ 7,897</u> | <u>\$ 3,026</u> | <u>\$ 1,375</u> | <u>\$ 198,948</u> | <u>\$ 406</u> |
| \$ 160,689 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 198,168 | \$ - |
| - | - | - | - | - | - | - | - |
| 2,253 | - | 6,211 | 3,512 | - | - | - | - |
| - | - | 7,805 | 4,385 | 3,026 | - | - | - |
| - | - | - | - | - | - | 780 | 406 |
| <u>162,942</u> | <u>-</u> | <u>14,016</u> | <u>7,897</u> | <u>3,026</u> | <u>-</u> | <u>198,948</u> | <u>406</u> |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | 1,375 | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | 1,375 | - | - |
| <u>\$ 162,942</u> | <u>\$ -</u> | <u>\$ 14,016</u> | <u>\$ 7,897</u> | <u>\$ 3,026</u> | <u>\$ 1,375</u> | <u>\$ 198,948</u> | <u>\$ 406</u> |

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

| Data Control Codes | | 427 Tobacco Grant | 461 Campus Activity Funds | 498 Child Care Center | Total Nonmajor Special Revenue Funds |
|--------------------------------------|---|-------------------------|------------------------------------|--------------------------------|---|
| ASSETS | | | | | |
| 1110 | Cash and Cash Equivalents | \$ 40 | \$ 261,035 | \$ 12,343 | \$ 392,383 |
| 1220 | Property Taxes - Delinquent | - | - | - | - |
| 1230 | Allowance for Uncollectible Taxes (Credit) | - | - | - | - |
| 1240 | Receivables from Other Governments | - | - | - | 553,284 |
| 1260 | Due from Other Funds | - | 1,108 | - | 1,108 |
| 1290 | Other Receivables | - | 2,700 | - | 3,329 |
| 1000 | Total Assets | <u>\$ 40</u> | <u>\$ 264,843</u> | <u>\$ 12,343</u> | <u>\$ 950,104</u> |
| LIABILITIES | | | | | |
| 2110 | Accounts Payable | \$ - | \$ 10,537 | \$ - | \$ 370,669 |
| 2140 | Interest Payable - Current | - | - | - | - |
| 2160 | Accrued Wages Payable | - | - | 12,343 | 117,889 |
| 2170 | Due to Other Funds | - | - | - | 204,639 |
| 2300 | Unearned Revenues | 40 | - | - | 1,226 |
| 2000 | Total Liabilities | <u>40</u> | <u>10,537</u> | <u>12,343</u> | <u>694,423</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| 2601 | Unavailable Revenue - Property Taxes | - | - | - | - |
| 2600 | Total Deferred Inflows of Resources | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCES | | | | | |
| Restricted Fund Balance: | | | | | |
| 3450 | Federal or State Funds Grant Restriction | - | - | - | 1,375 |
| 3480 | Retirement of Long-Term Debt | - | - | - | - |
| Committed Fund Balance: | | | | | |
| 3545 | Other Committed Fund Balance | - | 254,306 | - | 254,306 |
| 3000 | Total Fund Balances | <u>-</u> | <u>254,306</u> | <u>-</u> | <u>255,681</u> |
| 4000 | Total Liabilities, Deferred Inflows & Fund Balances | <u>\$ 40</u> | <u>\$ 264,843</u> | <u>\$ 12,343</u> | <u>\$ 950,104</u> |

| 599 Debt Service Fund | Total Nonmajor Governmental Funds |
|--------------------------------|--|
| \$ (25,993) | \$ 366,390 |
| 97,611 | 97,611 |
| (8,785) | (8,785) |
| 2,632 | 555,916 |
| 110,643 | 111,751 |
| - | 3,329 |
| <u>\$ 176,108</u> | <u>\$ 1,126,212</u> |
| | |
| \$ - | \$ 370,669 |
| 2,632 | 2,632 |
| - | 117,889 |
| - | 204,639 |
| 35,319 | 36,545 |
| <u>37,951</u> | <u>732,374</u> |
| | |
| <u>88,826</u> | <u>88,826</u> |
| <u>88,826</u> | <u>88,826</u> |
| | |
| - | 1,375 |
| 49,331 | 49,331 |
| | |
| - | 254,306 |
| <u>49,331</u> | <u>305,012</u> |
| | |
| <u>\$ 176,108</u> | <u>\$ 1,126,212</u> |

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

| Data Control Codes | | 205 | 211 | 224 | 225 |
|---------------------------------|---|------------|---|--------------------------|----------------------------|
| | | Head Start | ESEA I, A Improving Basic Program | IDEA - Part B Formula | IDEA - Part B Preschool |
| REVENUES: | | | | | |
| 5700 | Total Local and Intermediate Sources | \$ - | \$ - | \$ - | \$ - |
| 5800 | State Program Revenues | - | - | - | - |
| 5900 | Federal Program Revenues | 545,614 | 613,152 | 522,361 | 15,355 |
| 5020 | Total Revenues | 545,614 | 613,152 | 522,361 | 15,355 |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| 0011 | Instruction | 453,922 | 613,152 | 357,022 | 15,355 |
| 0021 | Instructional Leadership | - | - | 24,120 | - |
| 0023 | School Leadership | 30,956 | - | - | - |
| 0031 | Guidance, Counseling and Evaluation Services | - | - | 141,219 | - |
| 0033 | Health Services | 55,370 | - | - | - |
| 0035 | Food Services | - | - | - | - |
| 0036 | Extracurricular Activities | - | - | - | - |
| 0061 | Community Services | 5,366 | - | - | - |
| Debt Service: | | | | | |
| 0071 | Principal on Long Term Debt | - | - | - | - |
| 0072 | Interest on Long Term Debt | - | - | - | - |
| 0073 | Bond Issuance Cost and Fees | - | - | - | - |
| 6030 | Total Expenditures | 545,614 | 613,152 | 522,361 | 15,355 |
| 1100 | Excess (Deficiency) of Revenues Over (Under) Expenditures | - | - | - | - |
| OTHER FINANCING SOURCES (USES): | | | | | |
| 7915 | Transfers In | - | - | - | - |
| 7916 | Premium or Discount on Issuance of Bonds | - | - | - | - |
| 7080 | Total Other Financing Sources (Uses) | - | - | - | - |
| 1200 | Net Change in Fund Balance | - | - | - | - |
| 0100 | Fund Balance - September 1 (Beginning) | - | - | - | - |
| 3000 | Fund Balance - August 31 (Ending) | \$ - | \$ - | \$ - | \$ - |

| 240 National Breakfast and Lunch Program | 244 Career and Technical - Basic Grant | 255 ESEA II,A Training and Recruiting | 263 Title III, A English Lang. Acquisition | 392 Non-Ed. Community Based Support | 397 Advanced Placement Incentives | 410 State Textbook Fund | 423 Read to Succeed |
|---|---|--|---|--|--|----------------------------------|------------------------------|
| \$ 324,128 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 10,662 | - | - | - | 26,304 | 900 | 330,650 | - |
| 1,542,725 | 30,128 | 92,620 | 53,992 | - | - | - | - |
| 1,877,515 | 30,128 | 92,620 | 53,992 | 26,304 | 900 | 330,650 | - |
| - | 30,128 | 92,620 | 53,992 | - | - | 330,650 | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 2,038,565 | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | 26,304 | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 2,038,565 | 30,128 | 92,620 | 53,992 | 26,304 | - | 330,650 | - |
| (161,050) | - | - | - | - | 900 | - | - |
| 161,050 | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 161,050 | - | - | - | - | - | - | - |
| - | - | - | - | - | 900 | - | - |
| - | - | - | - | - | 475 | - | - |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,375 | \$ - | \$ - |

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

| Data Control Codes | | 427 Tobacco Grant | 461 Campus Activity Funds | 498 Child Care Center | Total Nonmajor Special Revenue Funds |
|---------------------------------|---|-------------------------|------------------------------------|--------------------------------|---|
| REVENUES: | | | | | |
| 5700 | Total Local and Intermediate Sources | \$ - | \$ 542,591 | \$ 132,959 | \$ 999,678 |
| 5800 | State Program Revenues | - | 217 | 16,483 | 385,216 |
| 5900 | Federal Program Revenues | - | - | - | 3,415,947 |
| 5020 | Total Revenues | - | 542,808 | 149,442 | 4,800,841 |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| 0011 | Instruction | - | - | - | 1,946,841 |
| 0021 | Instructional Leadership | - | - | - | 24,120 |
| 0023 | School Leadership | - | - | - | 30,956 |
| 0031 | Guidance, Counseling and Evaluation Services | - | - | - | 141,219 |
| 0033 | Health Services | - | - | - | 55,370 |
| 0035 | Food Services | - | - | - | 2,038,565 |
| 0036 | Extracurricular Activities | - | 549,180 | - | 549,180 |
| 0061 | Community Services | - | - | 289,895 | 321,565 |
| Debt Service: | | | | | |
| 0071 | Principal on Long Term Debt | - | - | - | - |
| 0072 | Interest on Long Term Debt | - | - | - | - |
| 0073 | Bond Issuance Cost and Fees | - | - | - | - |
| 6030 | Total Expenditures | - | 549,180 | 289,895 | 5,107,816 |
| 1100 | Excess (Deficiency) of Revenues Over (Under) Expenditures | - | (6,372) | (140,453) | (306,975) |
| OTHER FINANCING SOURCES (USES): | | | | | |
| 7915 | Transfers In | - | - | 140,453 | 301,503 |
| 7916 | Premium or Discount on Issuance of Bonds | - | - | - | - |
| 7080 | Total Other Financing Sources (Uses) | - | - | 140,453 | 301,503 |
| 1200 | Net Change in Fund Balance | - | (6,372) | - | (5,472) |
| 0100 | Fund Balance - September 1 (Beginning) | - | 260,678 | - | 261,153 |
| 3000 | Fund Balance - August 31 (Ending) | \$ - | \$ 254,306 | \$ - | \$ 255,681 |

| 599 Debt Service Fund | Total Nonmajor Governmental Funds |
|--------------------------------|--|
| \$ 792,999 | \$ 1,792,677 |
| 1,338,618 | 1,723,834 |
| - | 3,415,947 |
| <u>2,131,617</u> | <u>6,932,458</u> |
| - | 1,946,841 |
| - | 24,120 |
| - | 30,956 |
| - | 141,219 |
| - | 55,370 |
| - | 2,038,565 |
| - | 549,180 |
| - | 321,565 |
| 824,581 | 824,581 |
| 1,828,447 | 1,828,447 |
| 750 | 750 |
| <u>2,653,778</u> | <u>7,761,594</u> |
| <u>(522,161)</u> | <u>(829,136)</u> |
| 481,074 | 782,577 |
| 1,462 | 1,462 |
| <u>482,536</u> | <u>784,039</u> |
| (39,625) | (45,097) |
| <u>88,956</u> | <u>350,109</u> |
| <u>\$ 49,331</u> | <u>\$ 305,012</u> |

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REQUIRED T.E.A. SCHEDULES

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

| Last 10 Years Ended August 31 | (1) | (2) | (3) |
|----------------------------------|-------------|--------------|--|
| | Tax Rates | | Assessed/Appraised Value for School Tax Purposes |
| | Maintenance | Debt Service | |
| 2006 and prior years | Various | Various | \$ 497,378,167 |
| 2007 | 1.370000 | 0.220000 | 585,122,547 |
| 2008 | 1.040000 | 0.260000 | 625,455,230 |
| 2009 | 1.040000 | 0.260000 | 662,907,636 |
| 2010 | 1.040000 | 0.260000 | 643,399,255 |
| 2011 | 1.170000 | 0.130000 | 640,085,175 |
| 2012 | 1.170000 | 0.130000 | 630,217,324 |
| 2013 | 1.170000 | 0.130000 | 611,557,905 |
| 2014 | 1.170000 | 0.130000 | 609,875,328 |
| 2015 (School year under audit) | 1.170000 | 0.130000 | 616,458,219 |
| 1000 TOTALS | | | |

| (10) Beginning Balance 9/1/2014 | | (20) Current Year's Total Levy | | (31) Maintenance Collections | | (32) Debt Service Collections | | (40) Entire Year's Adjustments | | (50) Ending Balance 8/31/2015 | |
|--|----------------|---|------------------|------------------------------------|------------------|-------------------------------------|----------------|---|------------------|--|----------------|
| \$ | 128,570 | \$ | - | \$ | 2,327 | \$ | 309 | \$ | (60,931) | \$ | 65,003 |
| | 41,103 | | - | | 2,646 | | 425 | | (1,653) | | 36,379 |
| | 42,677 | | - | | 2,869 | | 717 | | (866) | | 38,225 |
| | 51,220 | | - | | 4,531 | | 1,133 | | (996) | | 44,560 |
| | 53,737 | | - | | 7,504 | | 1,876 | | (1,463) | | 42,894 |
| | 64,557 | | - | | 13,853 | | 1,539 | | (2,575) | | 46,590 |
| | 88,644 | | - | | 25,289 | | 2,810 | | (2,143) | | 58,402 |
| | 108,695 | | - | | 39,232 | | 4,359 | | (2,330) | | 62,774 |
| | 240,619 | | - | | 110,769 | | 12,308 | | (11,679) | | 105,863 |
| | - | | 7,838,121 | | 6,744,483 | | 749,387 | | (25,436) | | 318,815 |
| <u>\$</u> | <u>819,822</u> | <u>\$</u> | <u>7,838,121</u> | <u>\$</u> | <u>6,953,503</u> | <u>\$</u> | <u>774,863</u> | <u>\$</u> | <u>(110,072)</u> | <u>\$</u> | <u>819,505</u> |

KAUFMAN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED AUGUST 31, 2015

| Data Control Codes | Budgeted Amounts | | Actual Amounts (GAAP BASIS) | Variance With Final Budget Positive or (Negative) |
|--|------------------|--------------|--------------------------------|--|
| | Original | Final | | |
| REVENUES: | | | | |
| 5700 Total Local and Intermediate Sources | \$ 419,132 | \$ 419,132 | \$ 324,128 | \$ (95,004) |
| 5800 State Program Revenues | 12,406 | 12,406 | 10,662 | (1,744) |
| 5900 Federal Program Revenues | 1,520,076 | 1,520,076 | 1,542,725 | 22,649 |
| 5020 Total Revenues | 1,951,614 | 1,951,614 | 1,877,515 | (74,099) |
| EXPENDITURES: | | | | |
| 0035 Food Services | 2,057,653 | 2,257,653 | 2,038,565 | 219,088 |
| 6030 Total Expenditures | 2,057,653 | 2,257,653 | 2,038,565 | 219,088 |
| 1100 Excess (Deficiency) of Revenues Over (Under) Expenditures | (106,039) | (306,039) | (161,050) | 144,989 |
| OTHER FINANCING SOURCES (USES): | | | | |
| 7915 Transfers In | - | - | 161,050 | 161,050 |
| 1200 Net Change in Fund Balances | (106,039) | (306,039) | - | 306,039 |
| 0100 Fund Balance - September 1 (Beginning) | - | - | - | - |
| 3000 Fund Balance - August 31 (Ending) | \$ (106,039) | \$ (306,039) | \$ - | \$ 306,039 |

KAUFMAN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2015

| Data Control Codes | | Budgeted Amounts | | Actual Amounts (GAAP BASIS) | Variance With Final Budget Positive or (Negative) |
|---------------------------------|---|------------------|--------------|--------------------------------|--|
| | | Original | Final | | |
| REVENUES: | | | | | |
| 5700 | Total Local and Intermediate Sources | \$ 785,000 | \$ 785,000 | \$ 792,999 | \$ 7,999 |
| 5800 | State Program Revenues | 1,334,285 | 1,334,285 | 1,338,618 | 4,333 |
| 5020 | Total Revenues | 2,119,285 | 2,119,285 | 2,131,617 | 12,332 |
| EXPENDITURES: | | | | | |
| Debt Service: | | | | | |
| 0071 | Principal on Long Term Debt | 824,582 | 824,582 | 824,581 | 1 |
| 0072 | Interest on Long Term Debt | 1,772,093 | 1,831,080 | 1,828,447 | 2,633 |
| 0073 | Bond Issuance Cost and Fees | 3,000 | 3,000 | 750 | 2,250 |
| 6030 | Total Expenditures | 2,599,675 | 2,658,662 | 2,653,778 | 4,884 |
| 1100 | Excess (Deficiency) of Revenues Over (Under) Expenditures | (480,390) | (539,377) | (522,161) | 17,216 |
| OTHER FINANCING SOURCES (USES): | | | | | |
| 7915 | Transfers In | - | - | 481,074 | 481,074 |
| 7916 | Premium or Discount on Issuance of Bonds | - | 1,462 | 1,462 | - |
| 7080 | Total Other Financing Sources (Uses) | - | 1,462 | 482,536 | 481,074 |
| 1200 | Net Change in Fund Balances | (480,390) | (537,915) | (39,625) | 498,290 |
| 0100 | Fund Balance - September 1 (Beginning) | 88,956 | 88,956 | 88,956 | - |
| 3000 | Fund Balance - August 31 (Ending) | \$ (391,434) | \$ (448,959) | \$ 49,331 | \$ 498,290 |

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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*

To the Board of Trustees
Kaufman Independent School District
Kaufman, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kaufman Independent School District, as of and for the year ended August 31, 2015, and the related notes to the financial statements, which collectively comprise Kaufman Independent School District's basic financial statements, and have issued our report dated January 4, 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 District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 District's internal control or on compliance. This report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hankins, Eastup, Deaton, Tonn & Seay

Hankins, Eastup, Deaton, Tonn & Seay, PC
Denton, Texas

January 4, 2016

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

To the Board of Trustees
Kaufman Independent School District
Kaufman, Texas

Report on Compliance for Each Major Federal Program

We have audited Kaufman Independent School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Kaufman Independent School District's major federal programs for the year ended August 31, 2015. Kaufman Independent School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of finding and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Kaufman Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2015. However, the results of our auditing procedures disclosed instances of noncompliance with the requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as Finding 2015-001.

Report on Internal Control Over Compliance


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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that 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 District's responses to the findings identified in our audit are described in the accompanying Corrective Action Plan. We did not audit the District's responses and, accordingly, we express no opinion on the responses.

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.


Hankins, Eastup, Deaton, Tonn & Seay, PC
Denton, Texas

January 4, 2016

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

I. Summary of Auditor's Results

1. Type of auditor's report issued on the financial statements: Unmodified.
2. Internal control over financial reporting:
Material weakness(es) identified: None
Significant deficiency(ies) identified that are not considered to be material weaknesses: None reported
3. Noncompliance which is material to the financial statements: None
4. Internal controls over major federal programs:
Material weakness(es) identified: None
Significant deficiency(ies) identified that are not considered to be material weaknesses: None reported
5. Type of auditor's report on compliance for major federal programs: Unmodified.
6. Did the audit disclose findings which are required to be reported under Section .510(a)2-7 of OMB Circular A-133: No
7. Major programs include:

Child Nutrition Cluster:
CFDA 10.553 School Breakfast Program
CFDA 10.555 National School Lunch Program

CFDA 93.600 Head Start
8. Dollar threshold used to distinguish between Type A and Type B programs: \$300,000.
9. Low risk auditee: Yes

II. Findings Related to the Financial Statements

None

III. Other Findings and Findings and Questioned Costs Related to Federal Awards

Finding 2015-001 – Child Nutrition Program Capital Asset Acquisition Approval

Criteria: The State of Texas program guidelines for the Child Nutrition Program require the District to obtain state approval prior to purchasing any capital asset costing \$5,000 or more.

Condition: The District purchased two pieces of equipment with total cost of \$12,288 without state approval prior to the purchase.

Questioned Costs: None. State approval for the purchase was granted after the equipment was purchased.

KAUFMAN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2015

III. Other Findings and Findings and Questioned Costs Related to Federal Awards-Continued

Cause: The District food service management company failed to obtain the required approval due to a lack of understanding of the regulations.

Effect: The District was not in compliance with Child Nutrition Program regulations.

Recommendation: The District should establish additional procedures to ensure all capital asset purchases in excess of \$5,000 are approved by the state prior to purchase.

KAUFMAN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF STATUS OF PRIOR FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2015

PRIOR YEAR FINDING/NONCOMPLIANCE

No prior year findings

KAUFMAN INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2015

CORRECTIVE ACTION PLAN

Finding 2015-001 – Child Nutrition Program Capital Asset Acquisition Approval

The District will establish additional procedures during budgeting and purchase order approval processes to determine that capital asset purchases requiring approval are approved prior to the purchase.

Contact Person: Brian Carter, Director of Finance

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

| (1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE | (2) Federal CFDA Number | (3) Pass-Through Entity Identifying Number | (4) Federal Expenditures |
|--|----------------------------------|---|--------------------------------|
| U.S. DEPARTMENT OF EDUCATION | | | |
| <u>Passed Through Region 10 Service Center</u> | | | |
| ESEA, Title I, Part A - Improving Basic Programs | 84.010A | 15610101057950 | \$ 576,245 |
| ESEA, Title I, Part A - Improving Basic Programs | 84.010A | 16610101057950 | 36,907 |
| Total CFDA Number 84.010A | | | 613,152 |
| Title III, Part A - English Language Acquisition | 84.365A | 15671001057950 | 50,480 |
| Title III, Part A - English Language Acquisition | 84.365A | 16671001057950 | 3,512 |
| Total CFDA Number 84.365A | | | 53,992 |
| ESEA, Title II, Part A, Teacher/Principal Training | 84.367A | 15694501057950 | 86,409 |
| ESEA, Title II, Part A, Teacher/Principal Training | 84.367A | 16694501057950 | 6,211 |
| Total CFDA Number 84.367A | | | 92,620 |
| Total Passed Through Region 10 Service Center | | | \$ 759,764 |
| <u>Passed Through State Department of Education</u> | | | |
| *IDEA - Part B, Formula | 84.027 | 156600011299036600 | \$ 499,789 |
| *IDEA - Part B, Formula | 84.027 | 166600011299036600 | 22,572 |
| Total CFDA Number 84.027 | | | 522,361 |
| *IDEA - Part B, Preschool | 84.173 | 156610011299036610 | 14,337 |
| *IDEA - Part B, Preschool | 84.173 | 166610011299036610 | 1,018 |
| Total CFDA Number 84.173 | | | 15,355 |
| Total Special Education Cluster (IDEA) | | | 537,716 |
| Career and Technical - Basic Grant | 84.048 | 1520006129903 | 30,128 |
| Total Passed Through State Department of Education | | | \$ 567,844 |
| TOTAL U.S. DEPARTMENT OF EDUCATION | | | \$ 1,327,608 |
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | |
| <u>Direct Programs</u> | | | |
| Head Start | 93.600 | 06CH7004/15 | \$ 410,068 |
| Head Start | 93.600 | 06CH0101/16 | 135,546 |
| Total CFDA Number 93.600 | | | 545,614 |
| Total Direct Programs | | | \$ 545,614 |
| TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | \$ 545,614 |
| U.S. DEPARTMENT OF AGRICULTURE | | | |
| <u>Passed Through the State Department of Agriculture</u> | | | |
| *School Breakfast Program | 10.553 | 71501401 | \$ 378,092 |
| *National School Lunch Program - Cash Assistance | 10.555 | 71501401 | 1,073,981 |
| *National School Lunch Prog. - Non-Cash Assistance | 10.555 | 71501401 | 90,652 |
| Total CFDA Number 10.555 | | | 1,164,633 |
| Total Child Nutrition Cluster | | | 1,542,725 |
| Total Passed Through the State Department of Agriculture | | | \$ 1,542,725 |
| TOTAL U.S. DEPARTMENT OF AGRICULTURE | | | \$ 1,542,725 |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | \$ 3,415,947 |

*Clustered Programs

KAUFMAN INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2015

1. The District uses the fund types specified in Texas Education Agency's Financial Accountability System Resource Guide. Special Revenue Funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund. Generally, unused balances are returned to the grantor at the close of specified project periods.
2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in a Special Revenue Fund which is a Governmental Fund type. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

The modified accrual basis of accounting is used for the Governmental Fund types and Agency Funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as deferred revenues until earned.

3. The District participates in numerous state and Federal grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2015, may be impaired. In the opinion of the District, there are not significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions has been recorded in the accompanying combined financial statements for such contingencies.
4. The District also received \$188,847 of School Health and Related Services (SHARS) payments. These payments are not considered Federal awards for purposes of the Schedule of Expenditures of Federal Awards and were recorded as Federal revenues in the General Fund.