

**KENNEDALE INDEPENDENT SCHOOL  
DISTRICT**

**ANNUAL FINANCIAL REPORT FOR THE  
YEAR ENDED**

**AUGUST 31, 2015**

**KENNEDALE INDEPENDENT SCHOOL DISTRICT**

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Year Ended August 31, 2015**

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**CERTIFICATE OF THE BOARD**

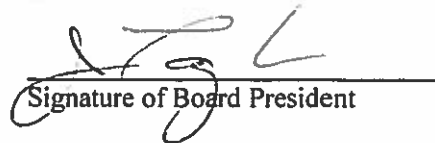
Kennedale Independent School District  
Name of School District

Tarrant  
County

220-914  
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 15<sup>th</sup> day of December, 2015.

  
(Signature of Board Secretary)

  
(Signature of Board President)

If the Board of Trustees disapproved of the auditor's report, the reason(s) for disapproving it is (are): (attach list as necessary)

# KIRK, RICHARDSON & POOLE, P. C.

## Certified Public Accountants

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<b>Tom Kirk, CPA</b>	<b>Don Richardson, CPA</b>	<b>Cindy Poole, CPA</b>
<b>7559 John T. White Road</b>	<b>P. O. Box 8342</b>	<b>Fort Worth, Texas 76124</b>
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### INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Kennedale Independent School District  
120 W. Kennedale Parkway  
Kennedale, Texas 76060

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

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

#### **Management's Responsibility for the Financial Statements**

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

#### **Auditor's Responsibility**

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of August 31, 2015, and the respective changes in financial position thereof 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 I to the financial statements, during fiscal year 2015, the District adopted new accounting guidance prescribed by GASB 68 – Accounting and Financial Reporting for Pensions (“GASB 68”) for its pension plan – a multiple-employer, cost-sharing, defined benefit pension plan that has a special funding situation. Because GASB 68 implements new measurement criteria and reporting provisions, significant information has been added to the Government-Wide Statements. Exhibit A-1 Statement of Net Position discloses the District’s Net Pension Liability and some deferred resource outflows and deferred resource inflows related to the District’s pension plan. Exhibit B-1 Statement of Activities discloses the adjustment to the District’s Beginning Net Position. Our opinion is not modified with respect to the matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and budgetary comparison information on pages 8-12 and 46 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. Also included as required supplementary information are the schedule of the District’s proportionate share of the net pension liability – Teacher Retirement System of Texas and schedule of District contributions – Teacher Retirement System of Texas on pages 47 and 48 respectively. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

The combining fund financial statements, the schedule of expenditures of federal awards, and the required Texas Education Agency schedules 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 fund financial statements, the schedule of expenditures of federal awards, and the required Texas Education Agency schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Texas Education Agency requires school districts to include certain information in the Annual Financial and Compliance Report in conformity with laws and regulations of the State of Texas. This information is in Exhibits identified in the Table of Contents as J-1, J-4 and J-5.

**Other Reporting Required By Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2015 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of law, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing on internal control over financial reports and compliance with the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Kirk, Richardson & Poole P.C.  
Fort Worth, Texas  
December 8, 2015

KENNEDALE INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2015  
UNAUDITED

In this section of the Annual Financial and Compliance Report, we, the managers of Kennedale Independent School District, discuss and analyze the District's financial performance for the fiscal year ended August 31, 2015. Please read it in conjunction with the independent auditor's report and the District's basic financial statements.

**FINANCIAL HIGHLIGHTS**

The District implemented GASB 68 –Accounting and Financial Reporting for Pensions during the current fiscal year. More detailed information concerning the effect of implementation can be found in Note 1 in the Notes to the Financial Statements. A prior period adjustment of (\$4,319,051) to the government-wide financial statement of activities resulted from implementing GASB 68.

During the year construction on the second floor of the high school was completed. A state of the art AV room was installed that will allow students to produce movie quality productions. More devices were purchased to allow students internet access for real time information. Fewer textbooks are being utilized as a result of this. By being able to purchase state of the art equipment and supplies for our students, they have excelled in academics and well as in athletics. Among the academic awards won by our students are 1. KHS UIL Academic district champs, 2. KHS /Audio Visual Team 3<sup>rd</sup> place in state UIL competition, 3. KHS band third in state, 4. Delaney Elementary 1<sup>st</sup> place in Tarrant County Sumdog math, and 5. James Arthur Whiz Quiz District Champs. Our student athletes excelled in football and volleyball and the girls soccer team were state champions.

Kennedale ISD was once again fortunate to secure an \$800,000.00 Texas 21<sup>st</sup> Century Community Grant to help students in before and after school programs to enhance their learning experience. The program provides food, fun and educational experience to foster academic support and ensure future success. Finally, the generosity of the Kennedale ISD Foundation which donated over \$34,000.00 for use in the classroom was instrumental in helping KISD campuses achieve these awards.

The District's governmental activities net position had a net decrease of \$1,854,133 from the prior year. Change in net position due to current fiscal year operations was an increase of \$2,464,918. This was offset by the GASB 68 prior period adjustment of (\$4,319,051).

During the year, the District had expenses that were \$362,965 less than the \$33,852,151 generated in tax and other revenues for governmental programs. This compares to last year when expenditures exceeded revenues by \$769,827.

Total cost of all of the District's programs increased slightly during the year due to campus renovations and addition of equipment for classroom use and campus safety; however, enrollment increased slightly from the previous year which resulted in more state revenue. TEA also partially funded the increased cost of contributions to the Teacher Retirement System which increased foundation revenue. Property values remained steady and loss of tax revenue was not realized.

The General Fund ended the year with an unassigned fund balance of \$5,061,231, an increase of \$938,467 from last year. The increase was due mainly to increases in gas and oil revenue and legislative restoration of funds taken from the previous legislative cycle.

The resources available for appropriations were \$533,537 less than budgeted for the General Fund, mainly due to receiving less local and intermediate revenues and state program revenues than anticipated. Actual expenditures were less than the budgeted amounts in all areas. The most significant of these were in



KENNEDALE INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2015  
UNAUDITED

Instruction, Student (Pupil) Transportation, and Facilities Maintenance and Operations. Actual expenditures were \$669,286, \$251,774, and \$236,305 respectively, less than the final amended budget amounts.

### **USING THIS ANNUAL REPORT**

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. 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 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 fiduciary statements provide financial information about activities for which the District acts solely as trustee or agent for the benefit of those outside of the District.

The notes to the financial statements 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. These are not required by the Texas Education Agency. The sections labeled "Texas Education Agency Required Schedules" and "Reports on Internal Control, Compliance and Federal Awards" contains 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 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, deferred outflows of resources, liabilities, and deferred inflows of resources at the end of the year while the statement of activities includes all the revenues and expenses generated by the District's operations during the year. These apply the same basis of accounting which is the basis used by most 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 outside the District and grants provided by the U.S. Department of Education to assist students with disabilities or from disadvantaged backgrounds, and revenues provided by the taxpayers or by Texas Education Agency in equalization funding processes (general revenues). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

KENNEDALE INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2015  
UNAUDITED

These two statements report the District's net position and changes in them. The District's net position (the difference between assets, deferred outflows of revenues, liabilities, and deferred inflows of resources) provides one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider non-financial 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, the District reports the following activities:

Governmental activities – Most of the District's basic services are reported here, including 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.

### **Reporting the District's Most Significant Funds**

#### ***Fund Financial Statements***

The fund financial statements 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.) The District's governmental funds are accounted for as follows:

Governmental funds – Most of the District's basic services are reported in governmental funds. These use the 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 funds 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. All of the District's fiduciary activities are reported in the separate statements of fiduciary net position. 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 these funds are used for their intended purposes.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Our analysis focuses on the net position (Table 1) and the changes in net position (Table 2) of the District's governmental activities.

KENNEDALE INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2015  
UNAUDITED

Net position of the District’s governmental activities decreased from \$17,511,333 to \$15,657,200. 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 \$245,934, a decrease of \$1,893,913 from the prior year.

**Table 1**  
**Kennedale Independent School District**  
**Net Position**

	Governmental Activities	
	2015	2014
<b>ASSETS</b>		
Current and other assets	\$10,606,672	\$ 9,714,524
Capital assets	55,970,852	57,168,553
Total assets	66,577,524	66,883,077
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred charges for refunding	1,772,959	1,719,618
Deferred outflow related to TRS	920,092	0
Total deferred outflows of resources	2,693,051	1,719,618
<b>LIABILITIES</b>		
Long-term liabilities	50,978,700	49,363,676
Other liabilities	1,468,562	1,727,686
Total liabilities	52,447,262	51,091,362
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows related to TRS	1,166,113	0
<b>NET POSITION</b>		
Net investment in capital assets	12,926,669	12,179,219
Restricted	2,484,597	3,192,267
Unrestricted	245,934	2,139,847
Total net position	\$15,657,200	\$17,511,333

KENNEDALE INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2015  
UNAUDITED

**Table 2**  
**Kennedale Independent School District**  
**Statement of Activities**

	Governmental Activities	
	2015	2014
REVENUES		
Program revenues:		
Charges for services	\$ 1,031,027	\$ 1,147,954
Operating grants and contributions	3,928,115	3,621,459
General revenues:		
Maintenance and operations taxes	12,440,735	11,585,065
Debt service taxes	3,665,412	3,188,236
State aid – formula grants	12,227,010	11,887,947
Grants and contributions not restricted	424,574	147,257
Other	201,063	259,845
Special item – gas lease proceeds	532,621	1,006,436
Extraordinary item – net fire recovery/(costs)	0	(5,645)
Total revenues	<u>34,450,557</u>	<u>32,838,554</u>
EXPENSES		
Instruction and instructional-related services	18,594,331	18,355,747
Instructional and school leadership	2,411,643	2,343,155
Support services – student (pupil)	4,497,211	4,512,347
Administrative support service	1,180,974	1,121,400
Support services – non-student based	3,594,122	3,466,565
Ancillary services	70,044	15,270
Debt service	1,487,459	1,632,826
Capital outlay	0	0
Payments to other governments	149,855	151,348
Total expenses	<u>31,985,639</u>	<u>31,598,658</u>
Increase/(decrease) in net position	2,464,918	1,239,896
Net position beginning	17,511,333	16,271,437
Prior period adjustment	(4,319,051)	0
Net position ending	<u>\$15,657,200</u>	<u>\$17,511,333</u>

The District’s total revenues were \$1,612,003, or 4.9%, more than last year. Most of this increase was from receiving \$855,670 more in maintenance and operations taxes, \$477,176 in debt service taxes and \$339,063 in state aid – formula grants.

The cost of all governmental activities this year was \$31,985,639, an increase of \$386,981 over last year, generally in all areas. As shown in the statement of activities, the amount that our taxpayers financed for these activities through District taxes was \$16,106,147, or 50.4%. State aid – formula grants contributed \$12,227,010, or 38.2% towards funding these activities.

**THE DISTRICT’S FUNDS**

As the District completed the year, its governmental funds reported a combined fund balance of \$8,481,557, which is more than last year’s total of \$7,419,854. The fund balance within the General Fund increased by \$702,091 and the Debt Service Fund balance increased by \$307,640.

KENNEDALE INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2015  
UNAUDITED

Over the course of the year, the Board of Trustees amended the District's budget to account for changes in grant appropriations. No amendments were needed to prevent budget overruns.

The District's actual General Fund balance of \$5,915,921 differs from the General Fund's budgetary fund balance of \$4,153,922. This is principally due to a combination of actual expenditures being less than expected by \$1,762,915 and special items of \$532,621 not been included in the final amended budget.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### Capital Assets

At August 31, 2015, the District had \$55,970,852 net of accumulated depreciation, invested in a broad range of capital assets, including instructional facilities and equipment, transportation facilities and equipment, athletic facilities, and administrative and maintenance buildings and equipment. This represents a net decrease of \$1,197,701 from last year. This decrease is mainly due to depreciation.

### Debt

At year-end, the District had \$50,978,700 in bonds, capital leases, accreted interest, unamortized premiums on issuance of bonds, and net pension liability (District's share) versus \$49,363,676 last year. The District's implementation of GASB 68 during the current fiscal year added \$3,812,035 to this year's long-term liabilities. More detailed information about the District's long-term liabilities is presented in Notes to the Financial Statements.

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

The District's elected officials and appointed officials considered many factors when setting the fiscal year 2016 budget and tax rates. Slow population growth was one important factor that had to be considered. Maintaining teachers' salaries to be comparable with area districts was another consideration. To compensate for the law passed by the special session of the Legislature in 2006 that capped Maintenance & Operation (M&O) tax rate at \$1.04, the District held an election in 2008 that has allowed KISD to adopt a tax rate of \$1.17. Because of the success of this election, the district is able to adopt the \$1.17 tax rate for the 15-16 school year. This will enable the district to continue funding for all programs. The debt service tax rate was decreased by 2 cents as a result of decrease in bond payment liabilities due to bond refinance.

Amounts available for appropriation in the General Fund are \$27,352,372, an increase of 2 percent over the final 2015 budget of \$26,737,046. The increase is a result of payroll increases and increases in utility costs. No program cuts were made because of increased state funding due to restoration of monies cut by the prior legislature. The district will use its revenues to finance programs currently offered. Budgeted expenditures are expected to rise slightly from 2015. The increase is due to normal operating expenses.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

The 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 information, contact the Superintendent's Office, at Kennedale Independent School District, 120 West Kennedale Pkwy., Kennedale, Texas 76060.

## **BASIC FINANCIAL STATEMENTS**

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

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 9,309,181
1220 Property Taxes Receivable (Delinquent)	752,645
1230 Allowance for Uncollectible Taxes	(15,053)
1240 Due from Other Governments	548,903
1290 Other Receivables, net	2,700
1300 Inventories	8,296
Capital Assets:	
1510 Land	5,870,283
1520 Buildings, Net	48,328,816
1530 Furniture and Equipment, Net	1,665,974
1550 Leased Property Under Capital Leases, Net	105,779
1000 Total Assets	66,577,524
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
1701 Deferred Charge for Refunding	1,772,959
1705 Deferred Outflow Related to TRS	920,092
1700 Total Deferred Outflows of Resources	2,693,051
<b>LIABILITIES</b>	
2110 Accounts Payable	158,403
2140 Interest Payable	81,039
2160 Accrued Wages Payable	1,019,802
2180 Due to Other Governments	181,113
2300 Unearned Revenue	28,205
Noncurrent Liabilities	
2501 Due Within One Year	2,025,509
2502 Due in More Than One Year	45,141,156
2540 Net Pension Liability (District's Share)	3,812,035
2000 Total Liabilities	52,447,262
<b>DEFERRED INFLOWS OF RESOURCES</b>	
2605 Deferred Inflow Related to TRS	1,166,113
2600 Total Deferred Inflows of Resources	1,166,113
<b>NET POSITION</b>	
3200 Net Investment in Capital Assets	12,926,669
3820 Restricted for Federal and State Programs	469,014
3850 Restricted for Debt Service	1,861,158
3870 Restricted for Campus Activities	154,425
3900 Unrestricted	245,934
3000 Total Net Position	\$ 15,657,200

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

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

EXHIBIT B-1

Data	Program Revenues			Net (Expense)
Control	1	3	4	Revenue and
Codes	Expenses	Charges for	Operating	Changes in Net
		Services	Grants and	Position
			Contributions	6
				Primary Gov.
				Governmental
				Activities

**Primary Government:**

GOVERNMENTAL ACTIVITIES:

11 Instruction	\$ 18,107,228	\$ 350,504	\$ 2,203,093	\$ (15,553,631)
12 Instructional Resources and Media Services	234,695	-	11,330	(223,365)
13 Curriculum and Staff Development	252,408	-	177,794	(74,614)
21 Instructional Leadership	610,107	-	146,537	(463,570)
23 School Leadership	1,801,536	-	89,274	(1,712,262)
31 Guidance, Counseling and Evaluation Services	719,315	-	186,398	(532,917)
33 Health Services	350,877	-	18,970	(331,907)
34 Student (Pupil) Transportation	791,211	-	14,239	(776,972)
35 Food Services	1,283,341	471,925	759,882	(51,534)
36 Extracurricular Activities	1,352,467	100,380	30,825	(1,221,262)
41 General Administration	1,180,974	-	50,219	(1,130,755)
51 Facilities Maintenance and Operations	3,052,144	108,218	95,185	(2,848,741)
52 Security and Monitoring Services	90,693	-	1,264	(89,429)
53 Data Processing Services	451,285	-	15,969	(435,316)
61 Community Services	70,044	-	71,626	1,582
72 Debt Service - Interest on Long Term Debt	1,319,174	-	-	(1,319,174)
73 Debt Service - Bond Issuance Cost and Fees	168,285	-	-	(168,285)
93 Payments related to Shared Services Arrangements	55,510	-	55,510	-
99 Other Intergovernmental Charges	94,345	-	-	(94,345)
<b>[TP] TOTAL PRIMARY GOVERNMENT:</b>	<b>\$ 31,985,639</b>	<b>\$ 1,031,027</b>	<b>\$ 3,928,115</b>	<b>(27,026,497)</b>

Data	General Revenues:		
Control			
Codes			
	Taxes:		
MT	Property Taxes, Levied for General Purposes		12,440,735
DT	Property Taxes, Levied for Debt Service		3,665,412
SF	State Aid - Formula Grants		12,227,010
GC	Grants and Contributions not Restricted		424,574
IE	Investment Earnings		5,203
MI	Miscellaneous Local and Intermediate Revenue		195,860
SI	Special Item - Mineral Interests		532,621
TR	Total General Revenues and Special Items		29,491,415
CN	Change in Net Position		2,464,918
NB	Net Position - Beginning		17,511,333
PA	Prior Period Adjustment		(4,319,051)
NE	Net Position--Ending		\$ 15,657,200

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



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

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
<b>ASSETS</b>				
1110 Cash and Cash Equivalents	\$ 6,816,616	\$ 1,932,947	\$ 559,618	\$ 9,309,181
1220 Property Taxes - Delinquent	597,710	154,935	-	752,645
1230 Allowance for Uncollectible Taxes (Credit)	(11,954)	(3,099)	-	(15,053)
1240 Receivables from Other Governments	407,910	-	140,993	548,903
1260 Due from Other Funds	-	9,250	-	9,250
1290 Other Receivables	2,700	-	-	2,700
1300 Inventories	-	-	8,296	8,296
1000 Total Assets	<u>\$ 7,812,982</u>	<u>\$ 2,094,033</u>	<u>\$ 708,907</u>	<u>\$ 10,615,922</u>
<b>LIABILITIES</b>				
2110 Accounts Payable	\$ 122,140	\$ -	\$ 36,263	\$ 158,403
2160 Accrued Wages Payable	998,802	-	21,000	1,019,802
2170 Due to Other Funds	9,250	-	-	9,250
2180 Due to Other Governments	181,113	-	-	181,113
2300 Unearned Revenues	-	-	28,205	28,205
2000 Total Liabilities	<u>1,311,305</u>	<u>-</u>	<u>85,468</u>	<u>1,396,773</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
2601 Unavailable Revenue - Property Taxes	585,756	151,836	-	737,592
2600 Total Deferred Inflows of Resources	<u>585,756</u>	<u>151,836</u>	<u>-</u>	<u>737,592</u>
<b>FUND BALANCES</b>				
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	469,014	469,014
3480 Retirement of Long-Term Debt	-	1,942,197	-	1,942,197
Committed Fund Balance:				
3510 Construction	254,690	-	-	254,690
3545 Other Committed Fund Balance	-	-	154,425	154,425
Assigned Fund Balance:				
3550 Construction	600,000	-	-	600,000
3600 Unassigned Fund Balance	5,061,231	-	-	5,061,231
3000 Total Fund Balances	<u>5,915,921</u>	<u>1,942,197</u>	<u>623,439</u>	<u>8,481,557</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 7,812,982</u>	<u>\$ 2,094,033</u>	<u>\$ 708,907</u>	<u>\$ 10,615,922</u>

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

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

<b>Total Fund Balances - Governmental Funds</b>	\$ 8,481,557
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$79,589,940 and the accumulated depreciation was \$22,421,387. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.	9,419,672
2 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2015 capital outlays and debt principal payments is to increase net position.	3,078,406
3 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of \$3,812,035, a deferred resource inflow related to TRS in the amount of \$1,166,113 and a deferred resource outflow related to TRS in the amount of \$920,092. The net effect is to decrease net position.	(4,058,056)
4 The 2015 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(2,292,118)
5 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.	1,027,739
<b>19 Net Position of Governmental Activities</b>	<u>\$ 15,657,200</u>

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

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

Data Control Codes		10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 12,796,255	\$ 3,682,121	\$ 794,902	\$ 17,273,278
5800	State Program Revenues	13,622,936	209,307	292,347	14,124,590
5900	Federal Program Revenues	10,424	-	2,443,859	2,454,283
5020	Total Revenues	<u>26,429,615</u>	<u>3,891,428</u>	<u>3,531,108</u>	<u>33,852,151</u>
<b>EXPENDITURES:</b>					
<b>Current:</b>					
0011	Instruction	15,381,719	-	1,430,290	16,812,009
0012	Instructional Resources and Media Services	226,709	-	5,065	231,774
0013	Curriculum and Instructional Staff Development	86,505	-	173,595	260,100
0021	Instructional Leadership	501,994	-	120,060	622,054
0023	School Leadership	1,675,889	-	66,757	1,742,646
0031	Guidance, Counseling and Evaluation Services	564,324	-	156,704	721,028
0033	Health Services	345,035	-	-	345,035
0034	Student (Pupil) Transportation	705,676	-	14,239	719,915
0035	Food Services	14,548	-	1,177,870	1,192,418
0036	Extracurricular Activities	884,567	-	160,672	1,045,239
0041	General Administration	1,182,810	-	-	1,182,810
0051	Facilities Maintenance and Operations	3,876,238	-	46,748	3,922,986
0052	Security and Monitoring Services	90,693	-	-	90,693
0053	Data Processing Services	451,285	-	-	451,285
0061	Community Services	1	-	71,626	71,627
<b>Debt Service:</b>					
0071	Principal on Long Term Debt	172,389	1,811,600	-	1,983,989
0072	Interest on Long Term Debt	5,418	1,770,020	-	1,775,438
0073	Bond Issuance Cost and Fees	-	168,285	-	168,285
<b>Intergovernmental:</b>					
0093	Payments to Fiscal Agent/Member Districts of SSA	-	-	55,510	55,510
0099	Other Intergovernmental Charges	94,345	-	-	94,345
6030	Total Expenditures	<u>26,260,145</u>	<u>3,749,905</u>	<u>3,479,136</u>	<u>33,489,186</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>169,470</u>	<u>141,523</u>	<u>51,972</u>	<u>362,965</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
7901	Refunding Bonds Issued	-	8,455,000	-	8,455,000
7916	Premium or Discount on Issuance of Bonds	-	764,529	-	764,529
8940	Payment to Bond Refunding Escrow Agent (Use)	-	(9,053,412)	-	(9,053,412)
7080	Total Other Financing Sources (Uses)	<u>-</u>	<u>166,117</u>	<u>-</u>	<u>166,117</u>
<b>SPECIAL ITEMS:</b>					
7918	Special Item - Mineral Interests	<u>532,621</u>	<u>-</u>	<u>-</u>	<u>532,621</u>
1200	Net Change in Fund Balances	702,091	307,640	51,972	1,061,703
0100	Fund Balance - September 1 (Beginning)	<u>5,213,830</u>	<u>1,634,557</u>	<u>571,467</u>	<u>7,419,854</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ 5,915,921</u>	<u>\$ 1,942,197</u>	<u>\$ 623,439</u>	<u>\$ 8,481,557</u>

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

KENNEDALE 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

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	1,061,703
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2015 capital outlays and debt principal payments is to increase net position.		3,078,406
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.		(2,292,118)
The implementation of GASB 68 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 in the amount of \$613,351. The District recorded their proportionate share of the pension expense during the measurement period as part of the net pension liability. The amounts expensed for fiscal year 2015 was \$592,167 for pension expense columns 6 - 12 from TRS data and the amounts de-expended for the net deferred resource inflow recognized by TRS in the measurement period was \$239,811. The impact of the GASB 68 entries is to increase net position.		260,995
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.		355,932
<b>Change in Net Position of Governmental Activities</b>	<u>\$</u>	<u>2,464,918</u>

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

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

	Agency Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 108,355
Total Assets	<u>\$ 108,355</u>
LIABILITIES	
Due to Student Groups	\$ 108,355
Total Liabilities	<u>\$ 108,355</u>

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

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Kennedale Independent School District is a public educational agency under the applicable laws and regulations of the State of Texas. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (“GASB”) and other authoritative sources identified in *Statement on Auditing Standards No. 69* of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of the *Financial Accountability System Resource Guide*, issued by the Texas Education Agency (“TEA”), and the requirements of contracts and grants of agencies from which it receives funds.

Pensions – The District adopted new accounting guidance prescribed by GASB 68 – Accounting and Financial Reporting for Pensions for its pension plan – a multiple-employer, cost-sharing, defined benefit pension plan that has a special funding situation as related to the Teacher Retirement System of Texas (TRS). The fiduciary net position of the 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.

**A. Reporting Entity**

The Board of Trustees (“Board”), a seven-member group, has governance responsibilities over all the activities related to public elementary and secondary education within the jurisdiction of the District. Because members of the board are elected by the public, they have the authority to make decisions, appoint administrators and managers, and significantly influence operations; and they have primary accountability for fiscal matters. The District is not included in any other governmental “reporting entity” as defined by GASB Statement No. 61, “*The Financial Reporting Entity: Omnibus; and amendment of GASB Statements No. 14 and No. 34.*” The District is not financially accountable for any other organizations; therefore, no component units are included within the reporting entity. The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes, state foundation funds, grants and other intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District does not have business-type activities.

The statement of activities demonstrates the degree to which direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and fees, fines, and charges paid by recipients of goods or services offered by the programs and 2) grants

and contributions that are restricted to meeting operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

The fund financial statements provide reports on financial condition and results of operations for three fund categories – governmental and and fiduciary. Since resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide financial statements. The emphasis on fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as other funds.

### **Major Governmental Funds**

General Fund – The General Fund is the District’s primary operating fund. It is used to account for all financial transactions except those required to be accounted for in another fund. Major revenue sources include local property taxes and state funding under the Foundation School Program. Expenditures include all costs associated with the daily operations of the schools except for costs incurred by programs accounted for in the Special Revenue Funds and Debt Service Fund. The General Fund is a budgeted fund, and any fund balances are considered resources available for current operations.

Debt Service Fund – The Debt Service Fund, which is a budgeted fund, accounts for the resources accumulated and payments made on long-term general obligation debt of governmental funds. Revenues include collections on general property taxes, state funding under the Instructional Facilities and Existing Debt Allotments, and earnings of interest on bonded debt. The fund balance represents amounts that will be used for retirement of bonds and payments of interest in the future.

### **Other Non-major Governmental Funds**

Special Revenue Funds - These funds are used to account for federal, state and locally financed programs where unused balances are generally returned to the grantor at the close of specified project periods. Proceeds of specific revenues resources are restricted or committed to expenditures for specified purposes, other than debt service or capital projects, are accounted for in a special revenue fund. Project accounting is employed to maintain integrity for the various sources of funds. The Child Nutrition Program is a budgeted fund.

Fiduciary Funds – Agency Funds – The Agency Fund, which is an unbudgeted fund, is custodial in nature and accounts for activities of student groups and other types of activities requiring clearing accounts. The fund has no equity. Assets are equal to liabilities, and do not include revenues and expenditures for general operations of the District. This accounting reflects the District’s agency relationship with student activity organizations. Fiduciary funds use the accrual basis of accounting to recognize assets and liabilities.

### **C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the

**KENNEDALE INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2015**

Exhibit F-1

year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual are principally certain inter-governmental revenues, property taxes and investment income. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Funds received from federal, state and other grants designated for payment of specific District expenditures are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

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

**Management's Use of Estimates**

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

The amount of state foundation revenue a district earns for a year can and does vary until the time when final values for each of the factors in the formula become available. Availability can be as late as into the next fiscal year. It is at least reasonably possible that the foundation revenue for fiscal year 2015 will ultimately change from the amount calculated as of August 31, 2015 because of the factors that TEA uses in its calculations.

**D. Assets, Liabilities, and Net Position or Fund Balances**

**1. Cash and cash equivalents**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. Investments for the District are reported at fair value.



**2. Receivables and payables**

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

**3. Property taxes**

Property taxes are levied by October 1 based upon property valuations as of January 1. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Tax collections are prorated between the General Fund and Debt Service Fund based on the tax rate adopted by the Board. The District is permitted under the Texas Education Code to levy taxes up to \$1.17 per \$100 of assessed valuation for general governmental services other than debt services on general obligation bonds. The tax rate which may be levied to service general obligation bonds is limited to \$0.50, except under certain conditions. For the current fiscal year, the Board of Trustees set tax rates applicable to general governmental services and to debt services of \$1.17 per \$100 valuation and \$0.344717 per \$100 valuation, respectively, based on a net assessed valuation of \$1,061,574,142.

Delinquent property taxes receivables are prorated between the General and Debt Service Funds based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables is based on historical experience in collecting property taxes. Management periodically reviews outstanding property taxes and establishes an allowance adequate to reflect the anticipated net collectible balance. The District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

Delinquent taxes receivables and the related allowance for uncollectible taxes in the governmental fund financial statements as of August 31, 2015 are as follows:

	Gross Delinquent Taxes Receivable	Allowance for Uncollectible Taxes	Net Delinquent Taxes Receivables
General Fund	\$597,710	(\$11,954)	\$585,756
Debt Service Fund	154,935	(3,099)	151,836
Totals	<u>\$752,645</u>	<u>(\$15,053)</u>	<u>\$737,592</u>

Current tax collections for the levy year ended August 31, 2015 were 98.7% of the year-end adjusted tax levy.

**4. Inventories and prepaid items**

The District records purchases of supplies and materials as expenditures when purchased. This method is used to avoid administrative costs that are considered excessive to any benefit gained and where expenditures tend to be equalized over a period of years.

**5. Interfund transactions and receivables and payables**

Interfund receivables and payables arise from interfund transactions in the normal course of operations and are recorded in all affected funds in the period in which transactions are executed. All legally authorized transfers are appropriately treated as transfers and are included in the results of operations.

**6. Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in the accounting system in order to reserve a portion of the applicable appropriation, is employed in the governmental fund types on the governmental fund financial statements. Encumbrances are liquidated at year end.

**7. Capital assets**

Capital assets, which include land, buildings and improvements, furniture and equipment, and construction in progress are reported in the governmental column in the government-wide financial statements. The cost of the infrastructure (e.g., roads, bridges, sidewalks, and similar items) was initially capitalized with the building cost and is being depreciated over the same useful life as the building. The District defines capital assets with an initial, individual cost which equals or exceeds \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. Land and construction in progress are not depreciable.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings and improvements and furniture and equipment of the District are depreciated using the straight-line method over the following estimated lives:

Asset Classification	Useful Life
Land	Not depreciated
Construction in progress	Not depreciated
Buildings and improvements	15-39
Furniture and equipment	10

**8. 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. Bond premiums and discounts are deferred and amortized over the life of the bonds using the appropriate effective interest rate and straight-line methods.

**KENNEDALE INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2015**

Exhibit F-1

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources.

Premiums and discounts received on debt issuances are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**9. Unearned revenues**

Unearned revenues at year end represents revenues received by the District but not yet earned and are not available for use by the District to liquidate current year liabilities. A summary of unearned revenues by fund follows:

Special Revenue Funds	
National Breakfast & Lunch Program – commodity inventory	\$ 8,296
State Textbook Fund	19,909
Total	<u>\$28,205</u>

**10. Deferred outflows/inflow of resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. During the current year, the District had \$1,772,959 in deferred charges for refunding and \$920,092 deferred outflow related to TRS as a result of implementing GASB 68. This amount consisted of \$306,741 for total net amounts per TRS August 31, 2014 measurement date and \$613,351 for contributions paid to TRS subsequent to the measurement date.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District recorded in the government-wide statement of net position \$1,166,113 for total net amounts per TRS August 31, 2014 measurement date as a result of implementing GASB 68. The District also recorded in the governmental fund balance sheet as *deferred inflows of resources* \$585,756 and \$151,836 as unavailable revenues - property taxes within the General Fund and Debt Service Fund respectively. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**11. Net position and fund balances**

Net position on the statement of net position include the following:

*Net investment in capital assets* – the component of net position that reports capital assets less both the accumulated depreciation and the outstanding balance of debt and is directly attributable to the acquisition, construction, or improvement of these capital assets.

**KENNEDALE INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2015**

Exhibit F-1

*Restricted for federal and state programs* – the component of net position that reports the difference between assets and liabilities related to federal and state programs that consist of assets with constraints placed on their use by granting agencies.

*Restricted for debt service* – the component of net position that reports the difference between assets and liabilities adjusted on a government-wide basis that consists of assets with constraints placed on their use by the bond covenants.

*Restricted for campus activities* – funds that have been committed solely for the use by various campuses within the District.

*Unrestricted net position* - the difference between the assets and liabilities that are not reported in net position net investment in capital assets or restricted net position.

*Net position flow assumption* – Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

In the fund financial statements, government funds report fund balances as either a non-spendable fund balance or a spendable fund balance.

Non-spendable fund balance – Non-spendable fund balance is that portion of fund balance that is not spendable. The District does not have a non-spendable fund balance.

Spendable fund balance – Spendable fund balance includes restricted, committed, assigned, and unassigned components. These components can be described as follows:

*Restricted fund balance* – the component of the spendable fund balance constrained to a specific purpose by a provider, such as creditor, grantor, contributor, or law or regulation of other governments. Restricted fund balance includes funds for federal/state grants, and debt service restrictions.

*Committed fund balance* – the component of spendable fund balance constrained to a specific purpose by the Board. A Board resolution is required to establish, modify, or rescind a fund balance commitment. Only the action that constitutes the most binding constraint of the Board can be considered a commitment for fund balance classification purposes. Committed fund balances includes construction and campus activity funds.

*Assigned fund balance* – the component of the spendable fund balance that is spendable or available for appropriation but has been tentatively earmarked for some specific purpose by the Board of Trustees or by an official or body to which the Board of Trustees delegates. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended

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use of those amounts is a specific purpose that is narrower than the general purposes of the District itself.

*Unassigned fund balance* – the component of the spendable fund balance which may be spent for any legal purpose. This portion of the total fund balance in the general fund is available to finance operating expenditures.

*Fund balance flow assumptions* – Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

The District does not have a minimum fund balance policy.

Disclosure of Fund Balances Reported on Balance Sheet – Governmental Funds  
 For Fiscal Year Ending August 31, 2015

	General Fund	Debt Service Fund	Other Funds	Total Governmental Funds
Restricted Fund Balance				
Nat’l School Break. & Lunch Program	\$ 0	\$ 0	\$469,014	\$ 469,014
Retirement of long-term debt	0	1,942,197	0	1,942,197
Committed Fund Balance				
Construction	254,690	0	0	254,690
Campus Activity Funds	0	0	154,425	154,425
Assigned Fund Balance				
Construction	600,000	0	0	600,000
Campus Activity Funds	0	0	0	0
Unassigned	5,061,231	0	0	5,061,231
Total Fund Balance	<u>\$5,915,921</u>	<u>\$1,942,197</u>	<u>\$623,439</u>	<u>\$8,481,557</u>

**12. Data control codes**

The data control codes refer to the account code structure prescribed by the TEA. The TEA requires school districts to display these codes in the financial statements filed with the TEA in order to insure accuracy in building a statewide data base for policy development and funding plans.

**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS.**

Exhibit C-2 “Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position” provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net position as reported in the government-wide statement of net position. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as

liabilities in the funds. Also, the property taxes receivable which is included as unavailable revenue in the fund financial statements are adjusted based on when the tax levy was made and adjusted for uncollectible amounts. Also included are all of the adjustments required by GASB 68.

Exhibit C-4 “Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities” provides a reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net position of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net asset balance and the change in net position. The debt payments on retirement of debt are recorded as expenditures for fund basis financial statements but are a reduction of debt in the government-wide financial statements. The capital asset additions are expenditures in the fund basis financial statements but capitalized in the government-wide financial statements. The fund-basis financial statements do not include depreciation expense. The depreciation expense is a deduction to reconcile to the government-wide statement of activities. New debt issues are treated as sources of revenue for fund-basis financial statements, but for the government-wide statements, those amounts are recorded as a liability. Property taxes are adjusted for the accrual basis and the unavailable revenues are adjusted based on prior year levies and current year uncollectable amounts. Also included are all of the adjustments required by GASB 68.

### **III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

#### **A. Budgets and Budgetary Information**

The District is legally required to adopt budgets for the General Fund, Debt Service Fund and the Child Nutrition Program. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The general fund budget report appears in Exhibit G-1 and the other two reports are in Exhibit J-4 and J-5.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

1. The superintendent or his designee prepares a budget covering all estimated revenues and proposed expenditures of the District for the next succeeding fiscal year. The budget is prepared by fund type and function.
2. Ten days after public notice of the meeting has been given, a public hearing is held, allowing the public to comment on the proposed budget.
3. A public meeting of the Board of Trustees is called for the purpose of adopting the budget. The State Board of Education requires that the budget be prepared no later than August 20th of each year.
4. Budget data must be received by the Texas Education Agency on or before December 15 each year. The legal level of budgetary control is at the function level within each generic fund type.

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Budget amounts are as originally adopted, or as amended by the Board. Once a budget is approved, it can be amended at the function and fund level only by approval of a majority of the members of the Board of Trustees. Changes can be made to the budget at any detail within the function level without an amendment approved by the Board. During the year, several budget amendments were made with Board approval. The most significant amendments were for carryover funding; mid-year adjustment of local and state revenues and appropriations and operating costs; and year-end adjustments to revise estimates of revenues and expenditures based on the latest information on student attendance, interest earnings, and operating costs. All budget appropriations lapse at year-end.

	Original Budget	Increase (Decrease)	Amended Budget
	<u>Appropriations</u>	<u>(Decrease)</u>	<u>Appropriations</u>
General Fund – Exhibit G-1	\$26,737,046	\$1,286,014	\$28,023,060
Child Nutrition Program – Exhibit J-4	1,228,665	0	1,258,665
Debt Service Fund – Exhibit J-5	3,587,224	166,117	3,753,341

The General Fund’s most significant budget amendment was in facilities maintenance and operations for increased operating costs. The Debt Service Fund was amended to recognized new amortization schedules related to issuing refunding bonds.

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

	August 31, 2015 Fund Balance
Child Nutrition Program	\$469,014
Non-appropriated Budgeted Funds	154,425
All Special Revenue Funds	<u>\$623,439</u>

**B. Excess of Expenditures over Appropriations**

There were no excess of expenditures over appropriations during the year.

**C. Deficit Fund Equity**

There were no deficit fund equities for the year ended August 31, 2015.

**IV. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

The District’s funds are required to be deposited and invested under the terms of a depository contract pursuant to the School Depository Act. The depository bank places approved pledged securities for safekeeping and trust with the District’s agent bank 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 Cooperation (“FDIC”) insurance.

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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 returns, (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. The District maintains an investment policy which authorizes the District to invest in obligations of U.S. Treasury and U.S. agencies, municipal securities and repurchase agreements and the State Treasurer’s investment pool or similar public investment pools. 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 policy.

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy.

At August 31, 2015, the carrying value of the District’s deposits was \$3,616,892 (excluding petty cash of \$205) and the bank balance was \$2,864,739. The carrying value of investments considered as cash equivalents was \$5,692,084. The District’s cash deposits at August 31, 2015, and during the year then ended, were entirely covered by FDIC insurance or by pledged collateral held by the District’s agent bank in the District’s name.

Petty cash	\$ 205
Cash in bank	3,616,892
Investments considered as cash equivalents	<u>5,692,084</u>
Total cash and cash equivalents	<u><u>\$9,309,181</u></u>

**Investments Considered as Cash Equivalents:**

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

<u>Investments</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Percentage of Investments</u>	<u>Weighted Average Maturity (Days)</u>
LoneStar	\$4,690,376	\$4,690,376	82.4%	On demand
TexStar	608,946	608,946	10.7%	On demand
TexPool	392,762	392,762	6.9%	On demand
Totals	<u>\$5,692,084</u>	<u>\$5,692,084</u>	<u>100.0%</u>	On demand

The District’s temporary investments consist of balances held by Lone Star Investment Pool (“LoneStar”), TexStar, and Texas Local Government Investment Pool (“TexPool”) as detailed above. These investment pools are public funds investment pools created to provide a safe environment for the placement of local government funds in authorized short-term, fully-collateralized investments, including direct obligations of, or obligations guaranteed by, the United States or State of Texas or their agencies; federally insured certificates of deposit issued by Texas banks or savings and loans; and fully collateralized direct repurchase agreements secured by U. S. Government agency securities and placed through a primary government securities dealer. These pools operate in a manner consistent with the Security and Exchange Commission’s Rule 2a7 of the Investment Act of 1940.



**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. The collateral shall always be held by and independent third party with whom the District has a current custodial agreement. The District is not exposed custodial credit risk for its deposits as all were covered by depository insurance or securities pledged to the District and held by a third-party custodian.

**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 possession of an outside party. The District's investment in LoneStar, TexPool and TexStar, are not exposed to custodial risk. External investment pools are not subject to custodial risk because investments are not evidenced by securities that exist in physical or book entry form. State law limits investments in public funds investment pools to those rated no lower than AAA or AAAM or an equivalent rating by at least one nationally recognized rating service. As of August 31, 2015, the District's investments in LoneStar are rated AAA and TexPool and TexStar are rated AAAM.

**Credit Risk** – This is the risk that a security issuer may default on an interest or principal payment. State law limits investment in local government pools to those that are rated AAA or equivalent by at least one Nationally Recognized Statistical Rating Organization (NRSRO). The District controls and monitors this risk by purchasing quality rated instruments that have been evaluated by agencies such as Standard and Poor's (S&P) or Moody's Investors Service, or by investing in public fund investment pools rated no lower than AAA or AAAM.

**Interest-rate Risk** – This type of risk occurs when potential purchasers of debt securities do not agree to pay face value for those securities if interest rates rise. The District's investment policy does not allow the purchase of investments that would expose the District to interest-rate risk.

**Concentration of Credit Risk** – This type of risk is defined as positions of 5 percent or more in securities of a single issuer. The District is not exposed to concentration of credit risk because the investment portfolio mainly consists of external investment pools.

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

The fair value of investments in external investment pools is the same as the value of the pool shares. The District reports investment at amortized cost. GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, state that investments should be reported at fair value, but provides an exception which applies to all investments of the District. Investments with a remaining maturity at time of purchase of one year or less and investments in an external pool that operates as a "2a7-like" pool may be reported at amortized cost. The external investment pools are not registered with the SEC, but are under the regulatory oversight of the Public Funds Investment Act, Chapter 2256 of the Texas Government Code.

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**B. Receivables and Payables**

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

There are no significant receivables which are not scheduled for collection within one year of August 31, 2015.

**C. Due from Other Governments**

Receivables due from other governments, as of August 31, 2015, are as follows:

General Fund – Due from State	<u>\$407,910</u>
Other Funds – Due from State:	
ESEA I, Part A, Improving Basic Program	\$ 30,349
IDEA – Part B, Formula	34,132
IDEA – Part B, Preschool	161
National Breakfast and Lunch Program	21,312
ESEA II, Part A, Training and Recruiting	4,360
Title III, Part A, English Language Acquisition	5,151
Title IV, Part B, Community Learning	37,355
Other Federal Special Revenue Funds	1,100
Total – Due from State	<u>133,920</u>
Other Funds – Due from Other Governments:	
Visually Impaired SSVI	894
Non-Education Community Based Support	6,179
Total – Due from Other Governments	<u>7,073</u>
Total Other Funds – Due from State and Other Governments	<u>\$140,993</u>

**D. Interfund Receivables and Payables**

The following is a summary of amounts due to and due from other funds:

	Due From Other Funds	Due To Other Funds
Debt Service Fund	<u>\$9,250</u>	
General Fund		<u>\$9,250</u>

Interfund receivables and payables generally arise from interfund loans between different funds with balances being repaid generally within one year.

**E. Other Financing Sources (Uses)**

The District had the following financing sources and uses during the year:

Debt Service Fund Other Financing Sources (Uses)	
Refunding bonds issued	\$8,455,000
Premium or discount on issuance of bonds	764,529
Payment to bond refunding escrow agent (use)	(9,053,412)

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**F. Special Item**

The District's General Fund received \$532,621 in mineral interest revenue during the fiscal year.

**G. Operating Leases**

The District leases office equipment under noncancelable operating leases. Total costs for such leases were \$86,624 for the year. The future minimum lease payments for active operating leases are summarized below:

Year Ending August 31	Amount
2016	\$22,937
2017	2,391
Thereafter	0
Total	<u>\$25,328</u>

**H. Capital Assets**

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

	Beginning Balance	Increases/ Adjustments	Decreases/ Adjustments	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 5,870,283	\$ 0	\$ 0	\$ 5,870,283
Construction in progress	309,401	0	309,401	0
Total Capital Assets, not being depreciated	<u>6,179,684</u>	<u>0</u>	<u>309,401</u>	<u>5,870,283</u>
Capital assets, being depreciated:				
Buildings and improvements	68,793,836	1,162,573	0	69,956,409
Furniture and equipment	4,616,420	241,245	0	4,857,665
Total capital assets, being depreciated	<u>73,410,256</u>	<u>1,403,818</u>	<u>0</u>	<u>74,814,074</u>
Less accumulated depreciation for:				
Buildings and improvements	19,801,202	1,826,391	0	21,627,593
Furniture and equipment	2,620,185	465,727	0	3,085,912
Total accumulated depreciation	<u>22,421,387</u>	<u>2,292,118</u>	<u>0</u>	<u>24,713,505</u>
Governmental activities capital assets, net	<u>\$57,168,553</u>	<u>\$(888,300)</u>	<u>\$309,401</u>	<u>\$55,970,852</u>

Additions to building and improvements and furniture and equipment result primarily from completions of renovations to the high school and purchase of related furniture and equipment.

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Depreciation expense was charged to governmental functions of the District as follows:

<b>Governmental activities:</b>	
11 – Instruction	\$1,535,282
12 – Instruction resources & media services	5,531
13 – Curriculum & instructional staff development	138
21 – Instructional leadership	1,104
23 – School leadership	74,550
31 – Guidance, counseling & evaluation services	11,338
33 – Health services	11,062
34 – Student transportation	71,296
35 – Food services	103,974
36 – Extracurricular activities	333,731
41 – General administration	3,384
51 – Plant maintenance & operations	139,701
61 – Community services	1,027
Total Depreciation Expense	<u>\$2,292,118</u>

**I. Long-Term Debt**

Long-term debt of the District is comprised of bonds payable, accreted interest, premium on bonds and capital leases payable. Debt service requirements for general obligation bonds are payable from fund balance and future revenues of the Debt Service Fund which consists principally of property taxes collected by the District, state funding, and interest earnings. Capital leases are payable from fund balance and future revenues of the General Fund.

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

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Bonds payable	\$43,366,050	\$8,455,000	\$10,651,600	\$41,169,450	\$1,850,465
Accreted interest	2,654,724	83,199	388,400	2,349,523	0
Premium on bonds	2,995,469	764,529	287,350	3,472,648	0
Capital leases payable	347,433	0	172,389	175,044	175,044
Net pension liability	0	3,812,035	0	3,812,035	0
Total	<u>\$49,363,676</u>	<u>\$13,114,763</u>	<u>\$11,499,739</u>	<u>\$50,978,700</u>	<u>\$2,025,509</u>

**Capital Leases**

In prior years, the District entered to a lease/purchase agreement to purchase laptops and peripheral devices for teachers and a networking system under a lease/purchase agreement as authorized by Texas Local Government Code Sec. 271. Capital lease indebtedness of the District is reflected in the statement of net position. Current requirements for principal and interest for capital leases are accounted for in the General Fund in the fund financial statements.

Issue/ Maturity Date	Interest Rates Payable	Amounts Original Issue	Beginning Balance	Issued	Retired	Ending Balance	Amounts Due Within One Year
2012/2016	0.0%	\$528,891	\$211,556	\$0	\$105,778	\$105,778	\$105,778
2014/2016	4.0%	207,907	135,877	0	66,611	69,266	69,266
Total			<u>\$347,433</u>	<u>\$0</u>	<u>\$172,389</u>	<u>\$175,044</u>	<u>\$175,044</u>

The District paid \$5,418 in interest expense during the year.

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**Bonds Payable**

During the current year the District issued \$8,455,000 Unlimited Tax Refunding Bonds, Series 2014, with an average interest rate of 3.4%, to advance refund the District's Unlimited Tax School Building and Refunding Bonds, Series 2005 with an average interest rate of 4.82%. The net proceeds of \$9,053,412, after paying underwriter's discount and cost of issuance of \$110,607, were used to purchase U.S government securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments of the refunded bonds. As a result, the previously identified refunded bonds are considered defeased and the liability for those bonds removed has been removed from the statement of net position. The District in effect decreased its aggregate debt service payments by \$1,606,000 over 17 years and obtained an present value savings of \$1,295,000.

Bonded indebtedness of the District is reflected in the statement of net position. Current requirements for principal and interest expenditures are accounted for in the debt service fund within the fund financial statements.

A summary of changes in general obligation bonds for the year ended August 31, 2015, are as follows:

Issue/ Maturity Date	Interest Rates Payable	Amounts Original Issue	Beginning Balance	Issued	Retired	Ending Balance	Amounts Due Within One Year
Series 1999 UTR Bonds/2033	4.2%/						
Series 2005 UTSB&R Bonds/2030	5.25%/ 3.0%/	\$2,780,000	\$ 830,000	\$ 0	\$ 0	\$ 830,000	\$ 0
Series 2006 UTR Bonds/2029	3.0%/	25,645,000	11,625,000	0	9,740,000	1,885,000	935,000
Series 2011 UTR Bonds/2026	5.0%/ 3.7%/	8,974,988	8,160,025	0	105,000	8,055,025	110,000
Series 2012 UTR Bonds/2021	4.5%/ 3.0%/	8,879,996	8,716,028	0	46,603	8,669,425	35,465
Series 2013 UTR Bonds/2030	2.0%/ 3.0%/ 0.35%/ 3.5%/ 2.0%/ 4.0%	5,429,997	5,319,997	0	499,997	4,820,000	705,000
Series 2014 UTR Bonds/2030		8,849,999	8,715,000	0	30,000	8,685,000	30,000
Totals		8,455,000	0	8,455,000	230,000	8,225,000	35,000
			<u>\$44,931,050</u>	<u>\$8,455,000</u>	<u>\$10,651,600</u>	<u>\$41,169,450</u>	<u>\$1,850,465</u>

The following is a summary of the District's future annual debt service requirements to maturity for general obligation bonds.

Year Ended August 31	Principal	Interest	Total Requirements
2016	\$ 1,850,465	\$ 1,662,633	\$ 3,513,098
2017	1,998,960	1,617,213	3,616,173
2018	2,380,000	1,280,223	3,660,223
2019	2,490,000	1,206,298	3,696,298
2020	2,610,000	1,128,748	3,738,748
2021-2025	13,625,000	5,982,472	19,607,472
2026-2030	16,215,025	5,291,076	21,506,101
Totals	<u>\$41,169,450</u>	<u>\$18,168,663</u>	<u>\$59,338,113</u>

Interest and fees paid on general obligation bonds during the year was \$1,938,305.

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

In the current and in prior years, the District issued refunding bonds for the purpose of restructuring debt cash flow requirements. Proceeds from the refunding bonds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. The old bonds are considered defeased, and accordingly, the trust account assets and liabilities are not included in the District's financial statements. On August 31, 2015, \$47,450,000 of bonds considered defeased are still outstanding.

**J. Revenue from Local and Intermediate Sources**

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

	General Fund	Debt Service Fund	Other Funds	Fund Totals
Property taxes	\$12,278,659	\$3,618,692	\$ 0	\$15,897,351
Food sales	0	0	471,925	471,925
Investment income	3,955	1,248	825	6,028
Penalties, interest & other tax related income	222,010	57,432	0	279,442
Extracurricular activities	89,275	0	11,105	100,380
Other	202,356	4,749	311,047	518,152
Total	<u>\$12,796,255</u>	<u>\$3,682,121</u>	<u>\$794,902</u>	<u>\$17,273,278</u>

**K. State Aid Revenue**

The District receives state revenues from TEA based upon application of formula allocations, on behalf allocations, and other state miscellaneous programs. The components of state program revenues as shown in the governmental fund financial statements are as follows:

Revenues	General Fund	Debt Service Fund	Other Funds	Totals
Per Capita Apportionment	\$ 799,292	\$ 0	\$ 0	\$ 799,292
Foundation School Program				
Act Entitlements	11,427,717	0	0	11,427,717
State Program Revenues	204,844	209,307	292,347	706,498
TRS On-behalf Payments	1,112,111	0	0	1,112,111
TRS Medicare Part-D	78,972	0	0	78,972
Totals	<u>\$13,622,936</u>	<u>\$209,307</u>	<u>\$292,347</u>	<u>\$14,124,590</u>

**L. Federal Program Revenues**

The District receives federal program revenues for various programs as follows:

Revenues	General Fund	Other Funds	Totals
U. S. Department of Education – Passed Through TEA	\$10,424	1,665,807	\$1,676,231
U. S. Department of Agriculture – Passed Through TEA	0	778,052	778,052
<b>Totals</b>	<b>\$10,424</b>	<b>\$2,443,859</b>	<b>\$2,454,283</b>

**M. Employee Benefits**

The following is a summary of the various insurance, reimbursement and retirement programs provided for the benefit of District employees and their dependents.

**1. Compensated absences**

Vacations are to be taken within the same year they are earned, and any unused days at the end of the year are forfeited. Therefore, no liability has been accrued in the accompanying financial statements. Employees of the District are entitled to sick leave based on category/class of employment. Sick leave is allowed to accumulate but does not vest. Therefore, a liability for unused sick leave has not been recorded in either the government-wide financial statements or the governmental fund financial statements.

**2. Defined Benefit Pension Plan**

**Plan Description** – The District participates in a cost-sharing multiple-employer defined benefit pension plan that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (“TRS”). TRS’s defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Sec. 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 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 education 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 obtain on the internet at <http://www.trs.state.tx.us/about/document/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.

**KENNEDALE INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2015**

Exhibit F-1

Net Pension Liability	Total
Total Pension Liability	\$159,496,075,886
Less: Plan Fiduciary Net Position	(132,779,075,085)
Net Pension Liability	<u>\$26,716,832,801</u>

Net Position as percentage of Total Pension Liability 83.2%

**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 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 require to amortize TRS’ unfunded actuarial liability would be increase to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Employee contribution rates are set in state statute, Texas Constitution Code 825.402. Senate Bill 1458 of the 83<sup>rd</sup> Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. It also added a 1.5% contribution for employees 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 CARF. The 83<sup>rd</sup> Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015.

**Contribution Rates**

	2014	2015
Member	6.4%	6.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
District 2015 Employer Contributions		\$1,301,683
District 2015 Member Contributions		\$1,282,542
District 2015 NECE On-Behalf Contributions		\$1,301,683



**KENNEDALE INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2015**

Exhibit F-1

Contributions 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 in the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers including public schools are required to pay the employer contribution rate in the following instances.

- On the portion of the member’s salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member’s first 90 days of employment.
- When any part or all of an employee’s salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or 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 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	Individual Entry
Age Normal Amortization Method	Level Percentage of Payroll, open
Remaining Amortization Period	30 years
Asset Valuation Method	5 year Market Value
Discount Rate	8.00%
Long-term expected Investment Rate of Return*	8.00%
Salary Increase*	4.25% to 7.25%
Weighted-Average at Valuation Date	5.55%
Payroll Growth Rate	3.50%

\*Includes inflation of 3%

**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

**KENNEDALE INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2015**

Exhibit F-1

(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*
<b>Global Equity</b>			
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%
<b>Stable Value</b>			
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%
<b>Real Return</b>			
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%
<b>Risk Parity</b>			
Risk Parity	5%	8.9%	0.4%
Alpha			1.0%
<b>Total</b>	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.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
District's proportionate share of the net pension liability:	\$6,811,876	\$3,812,035	\$1,568,713

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** – As of the August 31, 2014 measurement date, the District reported a liability of \$3,812,035 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

**KENNEDALE INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2015**

Exhibit F-1

District's Proportionate share of the collective net pension liability	\$ 3,812,035
State's proportionate share that is associated with [District]	<u>9,394,085</u>
Total	<u>\$13,206,120</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 .000142712%. 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 September 1, 2013. The amount of the expected resultant change in the employer's proportion cannot be determined at this time.

For the year ended August 31, 2015, the District recognized pension expense of \$352,356 and revenue of \$1,112,111 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 58,954	\$ 0
Changes in actuarial assumptions	247,787	0
Difference between projected and actual investment earnings	0	1,165,114
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	0	999
Contributions paid to TRS subsequent to the measurement date	<u>613,351</u>	<u>0</u>
Total	<u>\$920,092</u>	<u>\$1,166,113</u>

**KENNEDALE INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2015**

Exhibit F-1

The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended August 31:	Pension Expense Amount
2016	\$(239,700)
2017	(239,700)
2018	(239,700)
2019	51,592
2020	47,849

**3. Retiree Health Plan**

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

**Funding Policy** – Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively.

Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. Contribution rates and amounts are shown in the table below for fiscal years 2015-2013.

Year	Contribution Rates and Contribution Amounts					
	Active Member		State		School District	
	Rate	Amount	Rate	Amount	Rate	Amount
2015	.65%	\$124,428	1.0%	\$191,424	.55%	\$105,283
2014	.65%	118,756	1.0%	182,702	.55%	100,486
2013	.65%	175,313	0.5%	87,657	.55%	96,422

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments must be recognized as equal revenues and expenditures/expenses by each reporting entity. For the fiscal years ended August

31, 2015, August 31, 2014, and August 31, 2013, the contributions made on behalf of the District were \$78,972, \$49,492, and \$67,055, respectively.

**4. Health Care Coverage.**

Employees of the District are covered by TRS ActiveCare. TRS ActiveCare is a statewide health coverage program for public education employees established by the 77<sup>th</sup> Texas Legislature. The District contributed approximately \$241 per month per participant to the plan, and employees, at their option, authorized payroll withholdings to pay employee contributions and additional premiums for dependents. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS ActiveCare. That report may be obtained by visiting the TRS Web site at [www.trs.state.tx.us](http://www.trs.state.tx.us), by writing the Communications Department of the Texas Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling (800) 223-8778.

**5. Workers' Compensation Plan**

The District is exposed to various risks of loss related injuries to employees. Beginning with the current school year, the District entered into an interlocal agreement with the Texas Public Workers' Compensation Program ("Program") to provide workers' compensation coverage to the District's employees. The District's contributions to the Program are based on the District's various payroll classifications and the Texas Department of Insurance workers' compensation rates as modified by the District's experience rating factor.

**N. Commitments and Contingencies**

**State and Federal Grants**

The District receives monies under various state and federal grant project awards. These grants are subject to audit by the individual grantors and any disallowed costs arising from these audits would have to be refunded by the District. Management believes that the District has substantially complied with the terms and provisions of these grants, and any refunds, which might arise from these audits, would not be material.

**Litigation**

The District is not a party in any litigation.

**O. Risk Management**

The District purchases 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.

**P. Subsequent Events**

The District has evaluated subsequent events through December 8, 2015, the date which the financial statements were available.

**REQUIRED SUPPLEMENTARY INFORMATION**

KENNEDALE 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			
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 13,092,983	\$ 13,152,483	\$ 12,796,255	\$ (356,228)
5800	State Program Revenues	13,644,063	13,800,169	13,622,936	(177,233)
5900	Federal Program Revenues	-	10,500	10,424	(76)
5020	Total Revenues	26,737,046	26,963,152	26,429,615	(533,537)
<b>EXPENDITURES:</b>					
<b>Current:</b>					
0011	Instruction	15,857,088	16,051,005	15,381,719	669,286
0012	Instructional Resources and Media Services	267,570	265,270	226,709	38,561
0013	Curriculum and Instructional Staff Development	91,660	95,360	86,505	8,855
0021	Instructional Leadership	643,243	640,043	501,994	138,049
0023	School Leadership	1,679,861	1,793,592	1,675,889	117,703
0031	Guidance, Counseling and Evaluation Services	649,709	629,259	564,324	64,935
0033	Health Services	385,510	376,510	345,035	31,475
0034	Student (Pupil) Transportation	994,150	957,450	705,676	251,774
0035	Food Services	19,763	31,638	14,548	17,090
0036	Extracurricular Activities	885,534	962,354	884,567	77,787
0041	General Administration	1,188,298	1,197,298	1,182,810	14,488
0051	Facilities Maintenance and Operations	3,104,331	4,112,543	3,876,238	236,305
0052	Security and Monitoring Services	110,395	110,175	90,693	19,482
0053	Data Processing Services	581,030	521,639	451,285	70,354
0061	Community Services	325	345	1	344
<b>Debt Service:</b>					
0071	Principal on Long Term Debt	172,479	177,979	172,389	5,590
0072	Interest on Long Term Debt	5,500	-	5,418	(5,418)
<b>Intergovernmental:</b>					
0095	Payments to Juvenile Justice Alternative Ed. Prg.	5,000	5,000	-	5,000
0099	Other Intergovernmental Charges	95,600	95,600	94,345	1,255
6030	Total Expenditures	26,737,046	28,023,060	26,260,145	1,762,915
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(1,059,908)	169,470	1,229,378
<b>SPECIAL ITEMS:</b>					
7918	Special Item - Mineral Interests	-	-	532,621	532,621
1200	Net Change in Fund Balances	-	(1,059,908)	702,091	1,761,999
0100	Fund Balance - September 1 (Beginning)	5,213,830	5,213,830	5,213,830	-
3000	Fund Balance - August 31 (Ending)	\$ 5,213,830	\$ 4,153,922	\$ 5,915,921	\$ 1,761,999

KENNEDALE 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-6

	2015
District's Proportion of the Net Pension Liability (Asset)	0.000142712%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 3,812,035
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	9,394,085
Total	\$ 13,206,120
District's Covered-Employee Payroll	\$ 18,270,181
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	20.86%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.25%

Note: GASB 68, Paragraph 81,2,a 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."



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

EXHIBIT G-7

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	2015
Contractually Required Contribution	\$ 613,351
Contribution in Relation to the Contractually Required Contribution	(613,351)
	-
Contribution Deficiency (Excess)	\$ -0-
District's Covered-Employee Payroll	\$ 19,142,403
Contributions as a Percentage of Covered-Employee Payroll	3.20%

Note: GASB 68, Paragraph 81,2,b 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."

## **COMBINING SCHEDULES**

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

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program	
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ (30,349)	\$ (34,132)	\$ (161)	\$ 504,965
1240	Receivables from Other Governments	30,349	34,132	161	21,312
1300	Inventories	-	-	-	8,296
1000	Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 534,573</u>
<b>LIABILITIES</b>					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ 36,263
2160	Accrued Wages Payable	-	-	-	21,000
2300	Unearned Revenues	-	-	-	8,296
2000	Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>65,559</u>
<b>FUND BALANCES</b>					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	469,014
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>469,014</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 534,573</u>

244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	265 Title IV, B Community Learning	289 Other Federal Special Revenue Funds	385 Visually Impaired SSVI	392 Non-Ed. Community Based Support	410 State Textbook Fund
\$ -	\$ (4,360)	\$ (5,151)	\$ (37,355)	\$ (1,100)	\$ (894)	\$ (6,179)	\$ 19,909
-	4,360	5,151	37,355	1,100	894	6,179	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,909</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	19,909
-	-	-	-	-	-	-	19,909
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,909</u>

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

Data Control Codes	461 Campus Activity Funds	Total Nonmajor Governmental Funds
<b>ASSETS</b>		
1110 Cash and Cash Equivalents	\$ 154,425	\$ 559,618
1240 Receivables from Other Governments	-	140,993
1300 Inventories	-	8,296
1000 Total Assets	<u>\$ 154,425</u>	<u>\$ 708,907</u>
<b>LIABILITIES</b>		
2110 Accounts Payable	\$ -	\$ 36,263
2160 Accrued Wages Payable	-	21,000
2300 Unearned Revenues	-	28,205
2000 Total Liabilities	<u>-</u>	<u>85,468</u>
<b>FUND BALANCES</b>		
Restricted Fund Balance:		
3450 Federal or State Funds Grant Restriction	-	469,014
Committed Fund Balance:		
3545 Other Committed Fund Balance	154,425	154,425
3000 Total Fund Balances	<u>154,425</u>	<u>623,439</u>
4000 Total Liabilities and Fund Balances	<u>\$ 154,425</u>	<u>\$ 708,907</u>

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

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ 477,847
5800 State Program Revenues	-	-	-	7,346
5900 Federal Program Revenues	370,856	483,982	4,808	778,052
5020 Total Revenues	<u>370,856</u>	<u>483,982</u>	<u>4,808</u>	<u>1,263,245</u>
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	217,287	262,612	4,808	-
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	151,361	-	-	-
0021 Instructional Leadership	570	9,156	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	156,704	-	-
0034 Student (Pupil) Transportation	-	-	-	-
0035 Food Services	-	-	-	1,171,970
0036 Extracurricular Activities	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	25,613
0061 Community Services	1,638	-	-	-
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	-	55,510	-	-
6030 Total Expenditures	<u>370,856</u>	<u>483,982</u>	<u>4,808</u>	<u>1,197,583</u>
1200 Net Change in Fund Balance	-	-	-	65,662
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>403,352</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 469,014</u>

244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	265 Title IV, B Community Learning	289 Other Federal Special Revenue Funds	385 Visually Impaired SSVI	392 Non-Ed. Community Based Support	410 State Textbook Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	2,409	27,503	255,089
<u>30,161</u>	<u>45,088</u>	<u>24,683</u>	<u>704,016</u>	<u>2,213</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>30,161</u>	<u>45,088</u>	<u>24,683</u>	<u>704,016</u>	<u>2,213</u>	<u>2,409</u>	<u>27,503</u>	<u>255,089</u>
30,161	15,074	24,683	541,137	2,213	2,409	-	255,089
-	-	-	-	-	-	-	-
-	22,234	-	-	-	-	-	-
-	7,780	-	102,554	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	14,239	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	1,110	-	-	-	-
-	-	-	2,491	-	-	-	-
-	-	-	42,485	-	-	27,503	-
-	-	-	-	-	-	-	-
<u>30,161</u>	<u>45,088</u>	<u>24,683</u>	<u>704,016</u>	<u>2,213</u>	<u>2,409</u>	<u>27,503</u>	<u>255,089</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



KENNEDALE 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	461 Campus Activity Funds	Total Nonmajor Governmental Funds
<b>REVENUES:</b>		
5700 Total Local and Intermediate Sources	\$ 317,055	\$ 794,902
5800 State Program Revenues	-	292,347
5900 Federal Program Revenues	-	2,443,859
5020 Total Revenues	<u>317,055</u>	<u>3,531,108</u>
<b>EXPENDITURES:</b>		
Current:		
0011 Instruction	74,817	1,430,290
0012 Instructional Resources and Media Services	5,065	5,065
0013 Curriculum and Instructional Staff Development	-	173,595
0021 Instructional Leadership	-	120,060
0023 School Leadership	66,757	66,757
0031 Guidance, Counseling and Evaluation Services	-	156,704
0034 Student (Pupil) Transportation	-	14,239
0035 Food Services	5,900	1,177,870
0036 Extracurricular Activities	159,562	160,672
0051 Facilities Maintenance and Operations	18,644	46,748
0061 Community Services	-	71,626
Intergovernmental:		
0093 Payments to Fiscal Agent/Member Districts of SSA	-	55,510
6030 Total Expenditures	<u>330,745</u>	<u>3,479,136</u>
1200 Net Change in Fund Balance	(13,690)	51,972
0100 Fund Balance - September 1 (Beginning)	<u>168,115</u>	<u>571,467</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 154,425</u>	<u>\$ 623,439</u>

**REQUIRED TEXAS EDUCATION AGENCY SCHEDULES**

KENNEDALE 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	\$ 788,698,959
2007	1.370050	0.350312	832,263,082
2008	1.040000	0.318610	910,902,098
2009	1.170000	0.318610	956,962,650
2010	1.170000	0.318610	935,493,783
2011	1.170000	0.374821	931,311,783
2012	1.170000	0.342068	979,003,419
2013	1.170000	0.342068	974,035,229
2014	1.170000	0.322068	978,382,397
2015 (School year under audit)	1.170000	0.344717	1,061,574,142
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
\$ 249,107	\$ -	\$ 400	\$ 81	\$ -	\$ 248,626
17,352	-	214	55	-	17,083
22,683	-	247	76	-	22,360
21,908	-	1,317	358	-	20,233
33,814	-	24,580	6,693	28,165	30,706
24,515	-	24,461	7,836	29,192	21,410
42,088	-	27,184	7,948	28,570	35,526
87,833	-	29,591	8,652	25,256	74,846
186,217	-	46,957	12,926	(47,506)	78,828
-	16,079,844	12,235,764	3,605,022	(36,031)	203,027
<u>\$ 685,517</u>	<u>\$ 16,079,844</u>	<u>\$ 12,390,715</u>	<u>\$ 3,649,647</u>	<u>\$ 27,646</u>	<u>\$ 752,645</u>

KENNEDALE 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		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 474,465	\$ 476,465	\$ 477,847	\$ 1,382
5800 State Program Revenues	8,000	8,000	7,346	(654)
5900 Federal Program Revenues	746,200	774,200	778,052	3,852
5020 Total Revenues	1,228,665	1,258,665	1,263,245	4,580
<b>EXPENDITURES:</b>				
0035 Food Services	1,194,990	1,224,940	1,171,970	52,970
0051 Facilities Maintenance and Operations	33,675	33,725	25,613	8,112
6030 Total Expenditures	1,228,665	1,258,665	1,197,583	61,082
1200 Net Change in Fund Balances	-	-	65,662	65,662
0100 Fund Balance - September 1 (Beginning)	403,352	403,352	403,352	-
3000 Fund Balance - August 31 (Ending)	\$ 403,352	\$ 403,352	\$ 469,014	\$ 65,662

KENNEDALE 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			
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 3,414,579	\$ 3,414,579	\$ 3,682,121	\$ 267,542
5800	State Program Revenues	172,645	172,645	209,307	36,662
5020	Total Revenues	3,587,224	3,587,224	3,891,428	304,204
<b>EXPENDITURES:</b>					
Debt Service:					
0071	Principal on Long Term Debt	1,581,601	1,811,601	1,811,600	1
0072	Interest on Long Term Debt	2,002,123	1,772,123	1,770,020	2,103
0073	Bond Issuance Cost and Fees	3,500	169,617	168,285	1,332
6030	Total Expenditures	3,587,224	3,753,341	3,749,905	3,436
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(166,117)	141,523	307,640
<b>OTHER FINANCING SOURCES (USES):</b>					
7901	Refunding Bonds Issued	-	8,455,000	8,455,000	-
7916	Premium or Discount on Issuance of Bonds	-	764,530	764,529	(1)
8940	Payment to Bond Refunding Escrow Agent (Use)	-	(9,053,413)	(9,053,412)	1
7080	Total Other Financing Sources (Uses)	-	166,117	166,117	-
1200	Net Change in Fund Balances	-	-	307,640	307,640
0100	Fund Balance - September 1 (Beginning)	1,634,557	1,634,557	1,634,557	-
3000	Fund Balance - August 31 (Ending)	\$ 1,634,557	\$ 1,634,557	\$ 1,942,197	\$ 307,640

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**REPORT ON INTERNAL CONTROLS, COMPLIANCE,  
AND FEDERAL AWARDS**



# KIRK, RICHARDSON & POOLE, P. C.

## Certified Public Accountants

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<b>Tom Kirk, CPA</b>	<b>Don Richardson, CPA</b>	<b>Cindy Poole, CPA</b>
<b>7559 John T. White Road</b>	<b>P. O. Box 8342</b>	<b>Fort Worth, Texas 76124</b>
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees  
Kennedale Independent School District  
120 W. Kennedale Parkway  
Kennedale, Texas 76060

Members of the Board of Trustees:

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kennedale Independent School District (the "District") as of and for the year ended August 31, 2015, and the related notes to the financial statements which collectively comprise the District's basic financial statements and have issued our report thereon dated December 8, 2015.

### **Internal Control over Financial Reports**

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 opinion 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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those in charged with governance.

Our consideration of the 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 over financial reporting 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 of 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2015-001.

### **The Districts Response to Findings**

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

### **Purpose of this Report**

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



Kirk, Richardson & Poole, P. C.  
Fort Worth, Texas  
December 8, 2015

# KIRK, RICHARDSON & POOLE, P. C.

## Certified Public Accountants

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<b>Tom Kirk, CPA</b>	<b>Don Richardson, CPA</b>	<b>Cindy Poole, CPA</b>
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY *OMB CIRCULAR A-133*

Board of Trustees  
Kennedale Independent School District  
120 W. Kennedale Parkway  
Kennedale, Texas 76060

Members of the Board of Trustees:

### Report on Compliance for Each Major Federal Program

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

### Management's Responsibility

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

### Auditor's Responsibility

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

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

### Opinion on Each Major Federal Program

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

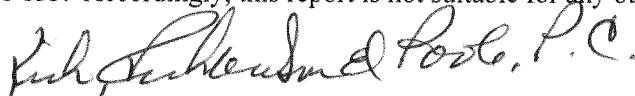
## Report on Internal Control over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control of 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.



Kirk, Richardson & Poole, P.C.  
Fort Worth, Texas  
December 8, 2015

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

**Section I - Summary of Auditor's Results**

*Financial Statements*

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiency(ies) identified that are not considered to be material weakness?	No
Noncompliance material to financial statements noted?	No

*Federal Awards*

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiency(ies) identified that are not considered to be material weakness?	No
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010a	ESEA, Title I, Part A – Improving Basic Programs
84.287	Title IV, Part B – 21 <sup>st</sup> Century Community Learning Center

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000.

Auditee qualified as low risk auditee?: Yes

**Section II – Financial Statement Findings**

2015-001 - Fund 240 National Breakfast and Lunch Program Excess Fund Balance

Criteria – A District may not have a fund balance exceeding three months' average food service operations expenditures (TEA Financial Accounting and Reporting Resource Guide 1.3.2.4 – Fund Balance).

Deficiency – The District's Food Service fund balance exceeded three months' average food service operations expenditures by approximately \$90,000.

Context – Review of Food Service fund balance and expenditures.

Effect – The District is not in compliance with the Texas Education Agency's food service fund balance requirement.

Cause – District was not monitoring food service fund balance on a regular basis to determine if District was in compliance with TEA guidelines.

Recommendations – We recommend the District monitor food service fund balance on a regular basis and to develop plans for using these funds exclusively for allowable child nutrition program purposes.

Views of responsible officials and planned corrective action – The District agrees with this finding and will various options to reduce food service fund balance to an acceptable level.

### **Section III – Federal Award Findings and Questioned Costs**

None.

KENNEDALE INDEPENDENT SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED AUGUST 31, 2015

PRIOR YEAR'S FINDING/NONCOMPLIANCE:

N/A

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

Contact Person: Sue Martin, Business Manager

CORRECTIVE ACTION PLAN:

2015-001 – Fund 240 National Breakfast and Lunch Program Excess Fund Balance

The District agrees with this finding and will monitor food service fund balance on a regular basis and develop plans for using these funds exclusively for allowable child nutrition program purposes.



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

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	15610101220914	\$ 370,856
*IDEA - Part B, Formula	84.027	15660001220914	483,982
*IDEA - Part B, Preschool	84.173	15661001220914	4,808
Total Special Education Cluster (IDEA)			488,790
Career and Technical - Basic Grant	84.048	15420006220914	30,161
Title IV, Pt B-21st Cent. Community Learning Cent.	84.287	146950217110005	714,440
Title III, Part A - English Language Acquisition	84.365A	15671001220914	24,683
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	15694501220914	45,088
Summer School LEP	84.369		2,213
Total Passed Through State Department of Education			\$ 1,676,231
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<b>\$ 1,676,231</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553		\$ 140,131
*National School Lunch Program - Cash Assistance	10.555		552,629
*National School Lunch Prog. - Non-Cash Assistance	10.555		85,292
Total CFDA Number 10.555			637,921
Total Child Nutrition Cluster			778,052
Total Passed Through the State Department of Agriculture			\$ 778,052
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<b>\$ 778,052</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 2,454,283</b>

\*Clustered Programs

KENNEDALE INDEPENDENT SCHOOL DISTRICT  
*NOTES TO SCHEDULE OF EXPENDITURES TO FEDERAL AWARDS*  
AUGUST 31, 2015

**Note 1 – Basis of Presentation**

The District accounts for all awards under federal programs in the General and Certain Special Revenue Funds in accordance with the Texas Education Agency’s *Financial Accountability System Resource Guide*. These programs are accounted for using a current financial resources measurement focus.

The modified accrual basis of accounting is used for the General and Special Revenue 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 liability is incurred, if measurable, except for 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 revenues are considered to be earned to the extent of expenditures made under the provisions of the grant, and accordingly, when such amounts are received, they are recorded as unearned revenues until earned. Generally, unused balances are returned to the grantor at the close of specified project periods.

**Note 2 – Period of Availability**

Federal awards may specify a time period during which the District may use the Federal funds. Where a funding period is specified, the District may charge to the award only costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the Federal awarding agency. Also, if authorized by the Federal program, unobligated balances may be carried over and charged for obligations of a subsequent funding period. Obligations means the amounts of orders placed, contracts and subgrants awarded, goods and services received, and similar transactions during a given period that will require payment by the District during the same or future period.

The District shall liquidate all obligations incurred under the award not later than 90 days after the end of the funding period (or as specified in a program regulation). The Federal agency may extend this deadline upon request. Section H, Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Supplement 2015.

**Note 3 – Reconciliation of Basic Financial Statements**

The following is a reconciliation of expenditures of federal awards program per the Schedule of Expenditures of Federal Awards and expenditures reported in the financial statements as follows:

Total federal sources per financial statements for Governmental Funds	<u>\$2,454,283</u>
Total federal expenditures on Schedule of Expenditures of Federal Awards	<u>\$2,454,283</u>