

ROCKWALL INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2015

Rockwall



Common Purpose ■ 1854 ■ Unified Effort

ANNUAL FINANCIAL REPORT

ROCKWALL INDEPENDENT SCHOOL DISTRICT

Rockwall, Texas

FOR THE YEAR ENDED JUNE 30, 2015

**Prepared by
Rockwall ISD Finance Department**

Rockwall

INDEPENDENT SCHOOL DISTRICT



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FOR THE YEAR ENDED JUNE 30, 2015**

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CERTIFICATE OF BOARD

Rockwall Independent School District
Name of School District

Rockwall
County

199-901
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 June 30, 2015 at a meeting of the Board of Trustees of such school district on the 16th day of November.



Signature of Board Secretary



Signature of Board President

If the Board of Trustees disapproved of the auditors' report, the reason(s) for disapproving it is (are):

FINANCIAL SECTION

Rockwall



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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Rockwall Independent School District
Rockwall, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Rockwall Independent School District (the District), as of and for the year ended June 30, 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, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 16 to the financial statements, in 2015 the District adopted new accounting guidance, GASB Statement No. 68, "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68". Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and Teacher Retirement System of Texas pension schedules on pages 4–12, 55–56, and 57–58, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

The School First Questionnaire has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2015 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Weaver and Tidwell LLP

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
November 13, 2015

Rockwall



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MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Rockwall Independent School District's (the District) financial performance provides an overview of the District's financial activities for the year ended June 30, 2015. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The general fund reported an ending fund balance of \$43,782,683. The net change in fund balance resulted in an increase in the general fund balance from the prior year in the amount of \$1,362,677, prior to the prior period adjustment. This increase in fund balance was the result of actual expenditures remaining well under budgeted expenditures and increased revenues of state funding and property tax collections. State funding increased due to a strong increase in average daily attendance (ADA), and property tax collections increased as a result of property values increasing significantly for tax year 2014 from the prior tax year.
- The District's long-term debt (bonds) is to meet the facility needs associated with student population growth. Because the District's debt management practice is to utilize appropriate bond instruments depending upon the economic circumstances, capital appreciation bonds have been issued. As a result, the liabilities and deferred inflows of resources of the District exceeded its assets and deferred outflows of resources at year end by \$71.4 million (net position).
- Capital appreciation bonds outstanding necessitated the accreted interest accrual of \$84.1 million in the government-wide financial statements, which reduces the net position of the District.
- General revenues accounted for \$133.4 million (86%) of all fiscal year 2015 revenue. Program-specific revenues in the form of charges for services and operating grants and contributions accounted for \$22.2 million (14%) of total fiscal year revenues.
- The District had approximately \$168.4 million in expenses related to governmental activities, of which approximately \$20.9 million was offset by program-specific charges for services or operating grants and contributions.
- As of the close of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$71.5 million. The general fund represents approximately 61% of this total amount, \$43.6 million which is available for spending at the government's discretion (unassigned fund balance).

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The basic financial statements include two kinds of statements that present different views of the District:

The first are government-wide financial statements, which provide both long-term and short-term information about the District's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the government, reporting the District's operations in more detail than the government-wide statements.

The governmental fund financial statements tell how general government services were financed in the short-term as well as what remains for future spending.

Proprietary fund financial statements offer short-term and long-term financial information about the activities the District operates like businesses. The District has two enterprise funds and an internal service fund reflected in the proprietary fund financial statements.

Fiduciary fund financial statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources belong.

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

Figure A-1 summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

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

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

Government-Wide Financial Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. The two government-wide statements report the District's net position and how they have changed. Net position is one way to measure the District's financial health or position.

Over time, increases or decreases in the District's net position is an indicator of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's tax base. The government-wide financial statements of the District are divided into two categories:

Governmental activities—Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services, and general administration. Property taxes and grants finance most of these activities.

Business-type activities—Account for funds where the District charges fees to customers to help it cover the costs of certain services it provides.

The government-wide financial statements can be found on pages 13-15 of this report.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds—not the District as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds—Most of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the reconciliations that explain the relationship (or differences) between them.

The governmental fund financial statements can be found on pages 16-21 of this report.

Proprietary funds—Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. There are two proprietary fund types: enterprise funds and an internal service fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. As mentioned above in the government-wide definition, the District has two business-type activities or enterprise funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among various functions. The District has one internal service fund that predominantly benefits governmental rather than business-type functions and has been included within governmental activities in the government-wide financial statements.

The proprietary fund financial statements can be found on pages 22-24 of this report.

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

The fiduciary fund financial statements can be found on page 25 of this report.

Notes to the Financial Statements—The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26-54 of this report.

Other Information—In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the budgetary comparison of the general fund and child nutrition fund and the TRS pension schedules. Required supplementary information can be found on pages 55-59 of this report.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position. The District’s overall deficit in net position increased between fiscal years 2014 and 2015 - increasing by \$29,290,278 to a deficit of approximately (\$71.4) million. (See Table A-1).

Table A-1

Rockwall Independent School District's Net Position						
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Assets:						
Cash and investments	\$ 79,102,561	\$ 75,320,133	\$ 297,693	\$ 187,834	\$ 79,400,254	\$ 75,507,967
Other assets	8,833,180	11,991,862	(85,759)	232,804	8,747,421	12,224,666
Capital assets less accumulated depreciation	287,317,083	301,871,666	341,709	342,818	287,658,792	302,214,484
Total assets	375,252,824	389,183,661	553,643	763,456	375,806,467	389,947,117
Total deferred outflows of resources	27,993,266	19,704,515	-	-	27,993,266	19,704,515
Liabilities:						
Current liabilities	18,605,350	18,764,543	127,359	332,763	18,732,709	19,097,306
Long-term liabilities	451,907,454	431,761,519	-	-	451,907,454	431,761,519
Total liabilities	470,512,804	450,526,062	127,359	332,763	470,640,163	450,858,825
Total deferred inflows of resources	4,592,785	935,744	-	-	4,592,785	935,744
Net position:						
Net investment in capital assets	(22,146,745)	(9,843,204)	341,709	342,818	(21,805,036)	(9,500,386)
Restricted	6,629,448	12,112,318	-	-	6,629,448	12,112,318
Unrestricted	(56,342,202)	(44,842,744)	84,575	87,875	(56,257,627)	(44,754,869)
Total net position	\$ (71,859,499)	\$ (42,573,630)	\$ 426,284	\$ 430,693	\$ (71,433,215)	\$ (42,142,937)

Unrestricted net position showed a \$56.3 million deficit at the end of this year. This deficit does not mean that the District does not have significant resources available to pay its bills next year. Rather, it is the result of having long-term commitments that are more than currently available resources.

Changes in net position. The District’s total revenues increased 5% to \$155.6 million. (See Table A-2.) A significant portion, 61% of the District’s revenue comes from taxes. (See Graph A-1.) 23% comes from state allocations and from federal and state grants. The remaining 16% relates to charges for services, investment earnings, and miscellaneous revenues. The total cost of all programs and services were \$169.2 million (8%). The District’s expenses cover a range of services.

Governmental Activities

Revenues for the District's governmental activities increased 5%, while total expenses increased 8%. The District's governmental net position decreased \$29.3 million, which includes a restatement of beginning net position of \$15.6 million for the implementation of GASB Statement No. 68 and the correction of an error.

Table A-2

Changes in the Rockwall Independent School District's Net Position

	Governmental Activities		Business-type Activities		Total	
	Year Ended 2015	Year Ended 2014	Year Ended 2015	Year Ended 2014	Year Ended 2015	Year Ended 2014
Program revenues:						
Charges for services	\$ 7,234,081	\$ 6,838,657	\$ 1,266,839	\$ 1,161,330	\$ 8,500,920	\$ 7,999,987
Operating grants and contributions	13,669,763	11,742,340	-	-	13,669,763	11,742,340
General revenues:						
Property taxes	97,534,647	89,419,720	-	-	97,534,647	89,419,720
State aid - formula	35,432,517	37,915,078	-	-	35,432,517	37,915,078
Investment earnings	136,194	121,994	-	-	136,194	121,994
Other	305,642	423,253	-	-	305,642	423,253
Total revenues	\$ 154,312,844	\$ 146,461,042	\$ 1,266,839	\$ 1,161,330	\$ 155,579,683	\$ 147,622,372
Expenses:						
Instruction	\$ 79,192,286	\$ 77,702,515	\$ -	\$ -	\$ 79,192,286	\$ 77,702,515
Instructional resources and media services	3,224,971	3,244,541	-	-	3,224,971	3,244,541
Curriculum and staff development	2,486,061	2,287,128	-	-	2,486,061	2,287,128
Instructional leadership	1,343,145	1,270,122	-	-	1,343,145	1,270,122
School leadership	6,802,363	6,711,312	-	-	6,802,363	6,711,312
Guidance, counseling and evaluation services	4,727,900	4,588,083	-	-	4,727,900	4,588,083
Social work services	214,704	201,715	-	-	214,704	201,715
Health services	1,764,320	1,748,698	-	-	1,764,320	1,748,698
Student (pupil) transportation	4,027,627	3,894,882	-	-	4,027,627	3,894,882
Food services	6,202,018	6,225,510	-	-	6,202,018	6,225,510
Cocurricular/extracurricular activities	9,498,917	8,978,902	-	-	9,498,917	8,978,902
General administration	3,610,599	3,343,939	-	-	3,610,599	3,343,939
Plant maintenance and operations	10,935,114	11,783,768	-	-	10,935,114	11,783,768
Security and monitoring services	1,394,242	1,306,536	-	-	1,394,242	1,306,536
Data processing services	2,644,750	2,532,153	-	-	2,644,750	2,532,153
Community services	174,601	225,245	-	-	174,601	225,245
Debt service	29,378,453	18,662,764	-	-	29,378,453	18,662,764
Capital outlay	697	10,337	-	-	697	10,337
Payments for shared service arrangements	14,070	16,875	-	-	14,070	16,875
Other intergovernmental charges	729,845	676,270	-	-	729,845	676,270
Sports marketing	-	-	83,950	96,542	83,950	96,542
ROCK after school program	-	-	787,298	796,512	787,298	796,512
Total expenses	\$ 168,366,683	\$ 155,411,295	\$ 871,248	\$ 893,054	\$ 169,237,931	\$ 156,304,349
Increase (decrease) in net position	\$ (14,053,839)	\$ (8,950,253)	\$ 395,591	\$ 268,276	\$ (13,658,248)	\$ (8,681,977)
Transfers	400,000	400,000	(400,000)	(400,000)	-	-
Change in net position	(13,653,839)	(8,550,253)	(4,409)	(131,724)	(13,658,248)	(8,681,977)
Net position - beginning (July 1), as restated	(58,205,660)	(34,023,377)	430,693	562,417	(57,774,967)	(33,460,960)
Net position - ending (June 30)	\$ (71,859,499)	\$ (42,573,630)	\$ 426,284	\$ 430,693	\$ (71,433,215)	\$ (42,142,937)

Business-Type Activities- Business type activities, decreased the District's net position by \$4,409. The decrease in net position is a direct result of transfers from the business-type activities to the governmental activities of \$400,000.

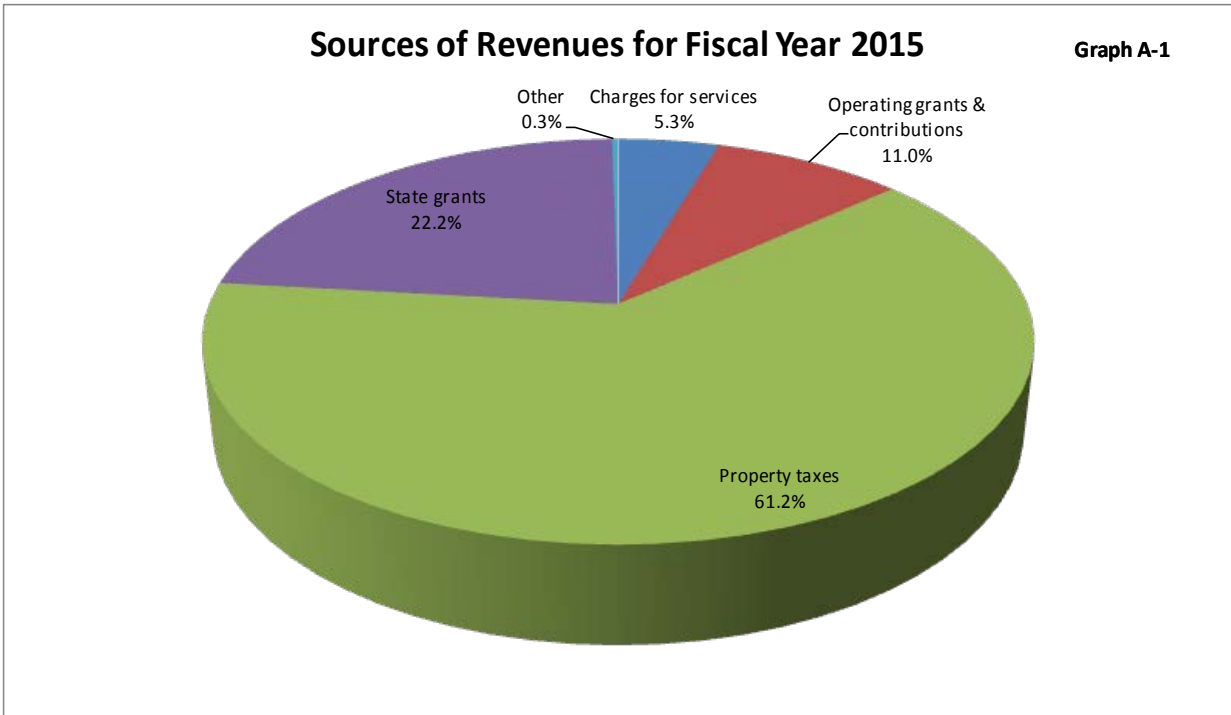


Table A-3 presents the cost of each of the District's largest functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions.

The cost of all activities this year was \$169.2 million. However, the amount that our taxpayers paid for these activities through property taxes was only \$97.5 million.

Some of the cost was paid by those who directly benefited from the programs (\$7.2 million), or by operating grants and contributions (\$13.7 million).

Table A-3

	Total Cost of Services		% Change	Net Cost of Services		% Change
	Year Ended 2015	Year Ended 2014		Year Ended 2015	Year Ended 2014	
Instruction	\$ 79,192,286	\$ 77,702,515	1.9%	\$ 69,719,412	\$ 70,072,517	-0.5%
School leadership	6,802,363	6,711,312	1.4%	6,449,294	6,384,964	1.0%
General administration	3,610,599	3,343,939	8.0%	3,428,591	3,189,886	7.5%
Plant maintenance and operations	10,935,114	11,783,768	-7.2%	10,050,043	10,857,514	-7.4%
Debt service	29,378,453	18,662,764	57.4%	29,378,453	18,481,558	59.0%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$71.5 million. Approximately 61% of this total amount or \$43.6 million constitutes the unassigned fund balance. The remainder of fund balance is nonspendable, restricted, or committed to indicate that it is not available for new spending because it has already been: 1) restricted for retirement of long-term debt \$16.5 million, 2) restricted for capital projects \$7.2 million, and 3) restricted, committed for other purposes, or nonspendable, totaling \$4.2 million.

The general fund is the primary operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$43.6 million, while the total fund balance of all governmental funds was \$71.5 million.

The general fund reported an ending fund balance of \$43,782,683. The net change in fund balance resulted in an increase in the general fund balance from the prior year in the amount of \$1,362,677, prior to including the prior period adjustment which reduced fund balance by \$1.7 million. The increase in fund balance was the result of actual expenditures remaining well under budgeted expenditures and increased revenues of state funding and property tax collections. State funding increased due to a strong increase in average daily attendance (ADA), and property tax collections increased as a result of property values increasing significantly for tax year 2014 from the prior tax year.

The debt service fund has a total fund balance of \$16.5 million, all of which is restricted for the payment of debt service. The net increase in fund balance during the period in the debt service fund was \$0.9 million. The current year debt payments are approximately the same as the prior year; however, the current year refundings recognized approximately \$1 million in sources in excess of the costs of the refundings.

General Fund Budgetary Highlights

Over the course of the year, the District recommended and the Board approved several revisions to budgeted revenues and appropriations. The amendments fall into the following categories:

- Amendments approved shortly after the beginning of the new fiscal year for amounts reserved and designated in the prior year.
- Amendments throughout the year to revise estimates for local and state revenue based on the latest information on student attendance and tax collections.
- Amendments throughout the year for transfers to and from other funds and federal indirect cost calculations.
- Amendments throughout the year for unexpected occurrences.
- Amendments throughout the year for resignations and employment of new personnel.

After appropriations were amended as described above, actual revenues for the general fund were \$2,459,998 above the final budget amounts. The District saw an increase in SHARS (School Health and Related Services) program revenues, due to the 2013 cost settle up. Actual expenditures were \$2,223,514 below final budget amounts, primarily due to lower transportation costs as a result of falling fuel prices and lower utility costs.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2015, amounts to \$287.3 million (net of accumulated depreciation). This amount represents a net decrease (including additions and deletions) of \$14.6 million or 4.8%. The investment in capital assets includes land, buildings and improvements, vehicles, equipment, and construction in progress.

Table A-4

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
	Land	\$ 18,891,536	\$ 18,891,536	\$ -	\$ -	\$ 18,891,536
Construction in progress	520,161	1,049,021	-	-	520,161	1,049,021
Buildings and improvements	421,026,533	418,763,376	-	-	421,026,533	418,763,376
Vehicles	8,352,709	8,595,585	-	-	8,352,709	8,595,585
Equipment	7,100,043	8,500,921	520,840	491,603	7,620,883	8,992,524
Totals at historical cost	455,890,982	455,800,439	520,840	491,603	456,411,822	456,292,042
Less accumulated depreciation	(168,573,899)	(153,928,773)	(179,131)	(148,785)	(168,753,030)	(154,077,558)
Net capital assets	\$ 287,317,083	\$ 301,871,666	\$ 341,709	\$ 342,818	\$ 287,658,792	\$ 302,214,484

Additional information on the District's capital assets can be found in Note 5.

Long-Term Debt

At year-end the District had \$431.3 million in long term debt – an increase of 1.6% over last year – as shown in Table A-5.

Table A-5
Rockwall Independent School District's Long Term Debt

	2015	2014	Total Percentage Change
Bonds payable	\$ 326,241,461	\$ 337,278,257	-3.3%
Accreted interest	84,118,185	70,920,625	18.6%
Bond premiums	20,924,474	16,154,301	29.5%
	<u>\$ 431,284,120</u>	<u>\$ 424,353,183</u>	1.6%

The "AAA" long term rating of the District's Texas bonds reflects the Texas Permanent School guarantee. The District has an underlying bond rating of "Aa2" and "AA" given to it by both Moody's and Standard & Poors respectively. This rating reflects the District's (1) strong economic situation, (2) strong administrative management, and (3) excellent financial performance.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND TAX RATES

The District's certified property values for 2015 reflect an 11.2% increase in property values, from the prior year. This increase in property values was offset by a decrease in state revenue for the general fund, as provided for under current state law. This provision does not apply to the debt service fund.

The maintenance and operating tax rate of \$1.04 is the same as the prior year. A total of 4 cents above \$1.00 is allowable at the local level, under provisions of HB 1. The District is now at its maximum maintenance and operating tax rate, and will remain at this rate until the Board of Trustees call for a tax ratification election to access up to 13 additional pennies.

Student enrollment has continued to increase, each year. With annual increases in student enrollment, the District continues to strategically plan for continued student growth. The District's Board of Trustees approved a bond referendum for voter approval on November 3, 2015. Voters approved the bond referendum of \$256,820,000 by a 65% margin. This bond will fund a new high school STEM academy, three new elementary campuses, additions and renovations to three campuses, athletic facility upgrades, and other capital facility improvements at many other campuses. These projects will be accomplished over the next 5-7 year period with multiple bond issuances. Additionally, a new elementary school will be constructed with the remaining bond funds from the 2007 bond election with the intent to be opened for the 2017-2018 school year.

The Administration is carefully monitoring future and outstanding debt, as well as fund balance, to maintain a tax rate not to exceed \$0.50 for debt service payments. The debt service tax rate was continued at \$0.40 for the 2015 tax year. It is projected to increase to \$0.425, \$0.45 and \$0.47 for tax years 2016, 2017, and 2018, respectively, as additional bond issuances occur for the approved bond election.

The Board of Trustees adopted a 2015-2016 general fund budget reflecting revenues and transfers from other funds of \$112,043,923 and expenditures of \$115,897,952. This budget included additional teaching staff necessary for increased enrollment and a 3.5% general pay increase for all employees.

The District will continue to review its priorities to maintain the level of service to its children and taxpayers for future budget years.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Randy McDowell, Chief Financial Officer for the District.

Rockwall



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BASIC FINANCIAL STATEMENTS

Rockwall



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**ROCKWALL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015**

Data Control Codes	1	2	3
	Governmental Activities	Business-type Activities	Total
ASSETS			
1110 Cash and cash equivalents	\$ 79,102,561	\$ 297,693	\$ 79,400,254
1220 Property taxes receivables (delinquent)	3,099,512	-	3,099,512
1230 Allowance for uncollectible taxes (credit)	(154,976)	-	(154,976)
1240 Due from other governments	5,494,896	-	5,494,896
1260 Internal balances	156,209	(156,209)	-
1290 Other receivables, net	21,170	70,450	91,620
1300 Inventories	80,966	-	80,966
1410 Prepaid items	135,403	-	135,403
Capital assets:			
1510 Land	18,891,536	-	18,891,536
1520 Buildings, net	265,340,768	-	265,340,768
1530 Furniture and equipment, net	2,564,618	341,709	2,906,327
1580 Construction in progress	520,161	-	520,161
1000 Total assets	<u>375,252,824</u>	<u>553,643</u>	<u>375,806,467</u>
DEFERRED OUTFLOWS OF RESOURCES			
1701 Accumulated decrease in fair value of hedging derivative	8,517,841	-	8,517,841
1702 Deferred loss on refunding	15,883,755	-	15,883,755
1705 Deferred outflows of resources -pensions	3,591,670	-	3,591,670
Total deferred outflows of resources	<u>27,993,266</u>	<u>-</u>	<u>27,993,266</u>
LIABILITIES			
2110 Accounts payable	511,099	8,774	519,873
2140 Interest payable	5,399,855	-	5,399,855
2150 Payroll deductions and withholdings	1,759,480	4,434	1,763,914
2160 Accrued wages payable	10,761,808	27,438	10,789,246
2180 Due to other governments	4,081	-	4,081
2300 Unearned revenue	169,027	86,713	255,740
2302 Derivative instrument	8,517,841	-	8,517,841
Long term liabilities:			
2501 Due within one year	11,729,615	-	11,729,615
2502 Due in more than one year	419,554,505	-	419,554,505
2540 Net pension liability (District's share)	12,105,493	-	12,105,493
2000 Total liabilities	<u>470,512,804</u>	<u>127,359</u>	<u>470,640,163</u>
DEFERRED INFLOWS OF RESOURCES			
2600 Deferred gain	889,680	-	889,680
2605 Deferred inflows of resources - pensions	3,703,105	-	3,703,105
Total deferred inflows of resources	<u>4,592,785</u>	<u>-</u>	<u>4,592,785</u>
NET POSITION			
3200 Net investment in capital assets	(22,146,745)	341,709	(21,805,036)
Restricted for:			
3820 Federal and state programs	226,825	-	226,825
3840 Food service	1,798,845	-	1,798,845
3850 Debt service	4,603,778	-	4,603,778
3900 Unrestricted	(56,342,202)	84,575	(56,257,627)
3000 Total net position	<u>\$ (71,859,499)</u>	<u>\$ 426,284</u>	<u>\$ (71,433,215)</u>

The Notes to Financial Statements are an integral part of this statement.

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

Data Control Codes	1	Program Revenues	
		3	4
	Expenses	Charges for Services	Operating Grants and Contributions
GOVERNMENTAL ACTIVITIES:			
11	Instruction	\$ 79,192,286	\$ 8,033,549
12	Instructional resources and media services	3,224,971	154,222
13	Curriculum and staff development	2,486,061	322,886
21	Instructional leadership	1,343,145	137,582
23	School leadership	6,802,363	353,069
31	Guidance, counseling, and evaluation services	4,727,900	601,325
32	Social work services	214,704	11,027
33	Health services	1,764,320	64,991
34	Student (pupil) transportation	4,027,627	182,830
35	Food services	6,202,018	2,483,717
36	Cocurricular/Extracurricular activities	9,498,917	257,852
41	General administration	3,610,599	182,008
51	Plant maintenance and operations	10,935,114	557,587
52	Security and monitoring services	1,394,242	69,912
53	Data processing services	2,644,750	138,130
61	Community services	174,601	31,395
72	Debt service - interest on long-term debt	28,204,035	-
73	Debt service - amortization and fees	1,174,418	-
81	Facilities acquisition and construction	697	50,709
93	Payments to fiscal agent/member districts of SSA	14,070	180
99	Other intergovernmental charges	729,845	36,792
	Total governmental activities	<u>168,366,683</u>	<u>13,669,763</u>
BUSINESS-TYPE ACTIVITIES:			
01	Sports marketing	\$ 83,950	\$ -
02	ROCK after school program	787,298	-
	Total business-type activities	<u>\$ 871,248</u>	<u>\$ -</u>
	[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 169,237,931</u>	<u>\$ 13,669,763</u>
Data	General Revenues:		
Control	Taxes		
Codes	Property taxes, levied for general purposes		
MT	Property taxes, levied for debt service		
DT	Grants and contributions not restricted		
GC	Investment earnings		
IE	Miscellaneous		
MI	Transfers		
FR	Total general revenues and transfers		
TR	Change in net position		
CN	Net position (deficit)- beginning		
NB	Prior period adjustments (Note 16)		
PA	Net position- ending		
NE			

The Notes to Financial Statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position		
6	7	8
Governmental Activities	Business-type Activities	Total
\$ (69,719,412)	\$ -	\$ (69,719,412)
(3,012,625)	-	(3,012,625)
(2,163,175)	-	(2,163,175)
(1,205,563)	-	(1,205,563)
(6,449,294)	-	(6,449,294)
(4,055,104)	-	(4,055,104)
(203,677)	-	(203,677)
(1,699,329)	-	(1,699,329)
(3,844,797)	-	(3,844,797)
(461,797)	-	(461,797)
(7,364,678)	-	(7,364,678)
(3,428,591)	-	(3,428,591)
(10,050,043)	-	(10,050,043)
(1,324,330)	-	(1,324,330)
(2,506,620)	-	(2,506,620)
(143,206)	-	(143,206)
(28,204,035)	-	(28,204,035)
(1,174,418)	-	(1,174,418)
50,012	-	50,012
(13,890)	-	(13,890)
(488,267)	-	(488,267)
<u>(147,462,839)</u>	<u>-</u>	<u>(147,462,839)</u>
\$ -	\$ 111,080	\$ 111,080
<u>-</u>	<u>284,511</u>	<u>284,511</u>
\$ -	\$ 395,591	\$ 395,591
<u>-</u>	<u>395,591</u>	<u>395,591</u>
\$ (147,462,839)	\$ 395,591	\$ (147,067,248)
<u>(147,462,839)</u>	<u>395,591</u>	<u>(147,067,248)</u>
70,459,616	-	70,459,616
27,075,031	-	27,075,031
35,432,517	-	35,432,517
136,194	-	136,194
305,642	-	305,642
400,000	(400,000)	-
<u>133,809,000</u>	<u>(400,000)</u>	<u>133,409,000</u>
(13,653,839)	(4,409)	(13,658,248)
(42,573,630)	430,693	(42,142,937)
(15,632,030)	-	(15,632,030)
<u>\$ (71,859,499)</u>	<u>\$ 426,284</u>	<u>\$ (71,433,215)</u>

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015**

Data Control Codes		10 General Fund	24 Child Nutrition Fund
ASSETS			
1110	Cash and cash equivalents	\$ 50,681,721	\$ 2,165,212
1220	Property taxes delinquent	2,253,430	-
1230	Allowance for uncollectable taxes (credit)	(112,672)	-
1240	Due from other governments	4,636,899	71,851
1260	Due from other funds	575,217	6,561
1290	Other receivables	9,303	-
1300	Inventories	23,391	54,687
1410	Prepaid items	128,004	-
1000	Total assets	<u>\$ 58,195,293</u>	<u>\$ 2,298,311</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES			
Liabilities:			
2110	Accounts payable	\$ 425,097	\$ 2,420
2150	Payroll deductions and withholdings	1,645,916	57,274
2160	Accrued wages payable	10,256,668	176,987
2170	Due to other funds	238	73,155
2180	Due to other governments	1,941	-
2300	Unearned revenue	33,884	134,943
2000	Total liabilities	<u>12,363,744</u>	<u>444,779</u>
Deferred inflows			
2600	Unavailable revenue	2,048,866	-
	Total deferred inflows	<u>2,048,866</u>	<u>-</u>
Fund balances:			
Nonspendable			
3410	Inventories	23,391	54,687
3430	Prepaid items	128,004	-
Restricted			
3480	Debt service	-	-
3470	Capital projects	-	-
3450	Grant funds	-	1,798,845
Committed			
3545	Local special revenue	-	-
3600	Unassigned	43,631,288	-
3000	Total fund balances	<u>43,782,683</u>	<u>1,853,532</u>
4000	Total liabilities, deferred inflows, and fund balances	<u>\$ 58,195,293</u>	<u>\$ 2,298,311</u>

The Notes to Financial Statements are an integral part of this statement.

EXHIBIT C-1

50 Debt Service Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
\$ 16,192,441	\$ 7,190,061	\$ 2,234,615	\$ 78,464,050
846,082	-	-	3,099,512
(42,304)	-	-	(154,976)
41,195	-	744,951	5,494,896
-	-	-	581,778
-	-	11,526	20,829
-	-	2,888	80,966
-	-	7,399	135,403
<u>\$ 17,037,414</u>	<u>\$ 7,190,061</u>	<u>\$ 3,001,379</u>	<u>\$ 87,722,458</u>
\$ 8,531	\$ -	\$ 33,904	\$ 469,952
-	-	56,290	1,759,480
-	-	328,153	10,761,808
-	-	352,167	425,560
-	-	2,140	4,081
-	-	200	169,027
<u>8,531</u>	<u>-</u>	<u>772,854</u>	<u>13,589,908</u>
549,166	-	-	2,598,032
<u>549,166</u>	<u>-</u>	<u>-</u>	<u>2,598,032</u>
-	-	2,888	80,966
-	-	7,399	135,403
16,479,717	-	-	16,479,717
-	7,190,061	-	7,190,061
-	-	226,825	2,025,670
-	-	1,991,413	1,991,413
-	-	-	43,631,288
<u>16,479,717</u>	<u>7,190,061</u>	<u>2,228,525</u>	<u>71,534,518</u>
<u>\$ 17,037,414</u>	<u>\$ 7,190,061</u>	<u>\$ 3,001,379</u>	<u>\$ 87,722,458</u>

Rockwall



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**ROCKWALL INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2015**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 71,534,518
1 The District uses internal service funds to charge the cost of certain activities, such as self-insurance, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The effect of this consolidation is to increase the net position.	597,696
2 Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund financial statements.	455,890,982
3 Accumulated depreciation has not been included in the governmental fund financial statements.	(168,573,899)
4 Bonds payable and contractual obligations have not been included in the governmental fund financial statements.	(326,241,461)
5 Accreted interest for capital appreciation bonds have not been included in the governmental fund financial statements as a liability.	(84,118,185)
6 Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the governmental fund financial statements, interest expenditures are reported when due.	(5,399,855)
7 Revenue reported as a deferred inflow in the governmental fund financial statements was recorded as revenue in the government-wide financial statements.	2,598,032
8 Premiums and discounts on the issuance of current interest bonds are reflected in the statement of net position in the government-wide financial statements, net of amortization.	(20,924,474)
9 Gains from partial refundings of hedges is reported as other resources in the governmental fund financial statements, however, they are recorded as a liability in the government-wide financial statements, net of amortization.	(889,680)
10 The loss on refunding amount is reflected in the statement of net position in the government-wide financial statements, net of amortization.	15,883,755
11 Included in the items related to debt is the recognition of the District's proportionate share of the TRS net pension liability (\$12,105,493) and a deferred inflow of resources (\$3,703,105), and a deferred outflow of resources (\$3,591,670). The result is a decrease in net position.	<u>(12,216,928)</u>
19 NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES	<u>\$ (71,859,499)</u>

The Notes to Financial Statements are an integral part of this statement.

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

Data Control Codes		General Fund	Child Nutrition Fund
REVENUES			
5700	Total local and intermediate sources	\$ 72,104,846	\$ 3,259,280
5800	State program revenues	40,492,084	27,168
5900	Federal program revenues	526,879	2,456,549
5020	Total revenues	<u>113,123,809</u>	<u>5,742,997</u>
EXPENDITURES			
CURRENT:			
0011	Instruction	65,786,513	-
0012	Instructional resources and media services	2,585,340	-
0013	Curriculum and staff development	2,288,319	-
0021	Instructional leadership	1,293,119	-
0023	School leadership	6,614,545	-
0031	Guidance, counseling, and evaluation services	4,285,683	-
0032	Social work services	218,734	-
0033	Health services	1,289,178	-
0034	Student (pupil) transportation	3,401,024	-
0035	Food services	-	5,321,734
0036	Cocurricular/extracurricular activities	4,078,107	-
0041	General administration	3,610,491	-
0051	Plant maintenance and operations	10,983,564	-
0052	Security and monitoring services	1,329,048	-
0053	Data processing services	2,740,076	-
0061	Community services	61,063	-
DEBT SERVICE:			
0071	Debt service - Principal on long-term debt	-	-
0072	Debt service - Interest on long-term debt	-	-
0073	Debt service - Bond issuance costs and fees	-	-
CAPITAL OUTLAY:			
0081	Facilities acquisition and construction	1,005,913	-
INTERGOVERNMENTAL:			
0093	Payments to member districts of SSA	3,570	10,500
0099	Other intergovernmental charges	729,845	-
6030	Total expenditures	<u>112,304,132</u>	<u>5,332,234</u>
1100	Excess (deficiency) of revenues over (under) expenditures	<u>819,677</u>	<u>410,763</u>
OTHER FINANCING SOURCES (USES) :			
7911	Issuance of bonds	-	-
7916	Premium on issuance of bonds	-	-
7915	Transfers in	543,000	-
8911	Transfers out	-	(73,000)
8940	Payments to refunded bond escrow agent	-	-
7080	Total other financing sources (uses)	<u>543,000</u>	<u>(73,000)</u>
1200	Net change in fund balances	1,362,677	337,763
0100	Fund balance - July 1 (beginning)	44,144,965	1,515,769
1300	Prior period adjustment	(1,724,959)	-
3000	Fund balances - June 30 (ending)	<u>\$ 43,782,683</u>	<u>\$ 1,853,532</u>

The Notes to Financial Statements are an integral part of this statement.

EXHIBIT C-2

Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ 27,130,748	\$ 15,536	\$ 3,052,712	\$ 105,563,122
-	-	1,836,785	42,356,037
-	-	3,443,249	6,426,677
<u>27,130,748</u>	<u>15,536</u>	<u>8,332,746</u>	<u>154,345,836</u>
-	-	5,334,074	71,120,587
-	-	138,768	2,724,108
-	-	231,200	2,519,519
-	-	81,408	1,374,527
-	-	93,196	6,707,741
-	-	463,039	4,748,722
-	-	-	218,734
-	-	51	1,289,229
-	-	11,381	3,412,405
-	-	26,377	5,348,111
-	28,695	1,288,482	5,395,284
-	29,130	3,351	3,642,972
-	-	29,532	11,013,096
-	-	47,550	1,376,598
-	-	-	2,740,076
-	-	118,735	179,798
11,030,000	-	-	11,030,000
14,982,666	-	-	14,982,666
1,174,418	-	-	1,174,418
-	543,618	-	1,549,531
-	-	-	14,070
-	-	-	729,845
<u>27,187,084</u>	<u>601,443</u>	<u>7,867,144</u>	<u>153,292,037</u>
<u>(56,336)</u>	<u>(585,907)</u>	<u>465,602</u>	<u>1,053,799</u>
89,568,204	-	-	89,568,204
29,538,170	-	-	29,538,170
-	-	2,858	545,858
-	-	(72,858)	(145,858)
<u>(118,113,239)</u>	<u>-</u>	<u>-</u>	<u>(118,113,239)</u>
<u>993,135</u>	<u>-</u>	<u>(70,000)</u>	<u>1,393,135</u>
936,799	(585,907)	395,602	2,446,934
15,542,918	7,775,968	1,832,923	70,812,543
-	-	-	(1,724,959)
<u>\$ 16,479,717</u>	<u>\$ 7,190,061</u>	<u>\$ 2,228,525</u>	<u>\$ 71,534,518</u>

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ 2,446,934
Current year capital outlays are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. The effect of removing the 2015 capital outlays is to increase net position.	2,211,185
Current year long-term debt principal payments on bonds payable are expenditures in the fund financial statements, but are shown as reductions in long-term debt in the government-wide financial statements.	11,030,000
Net increase in current year accretion on capital appreciation bonds is not reflected in the fund financial statements, but is shown as an increase in accreted interest on the government-wide financial statements.	(13,197,560)
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements an interest expenditure is reported when due. This amount represents the current year decrease in interest payable.	112,793
Proceeds from debt issued through bond proceeds are reflected as other financing sources on the governmental fund financial statements, but are shown as a long term liability in the government-wide financial statements.	(89,568,204)
Current year payment to escrow agent for refunded debt are other financing uses in the fund financial statements, but are shown as reductions in long-term debt in the government-wide financial statements.	118,113,239
Premiums and discounts are recognized in the fund financial statements as other financing sources or uses, but they are amortized over the term of the bonds in the government-wide financial statements.	(29,538,170)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(33,800)
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The effect of recording the current year's depreciation is to decrease net position.	(16,765,768)
The implementation of GASB 68 requires that certain expenditures be de-expended and recorded as deferred resource inflows. Contributions made after the measurement date caused the change in the ending net position to increase in the amount of \$2,809,081. Contributions before the measurement date also caused an increase in the change in net position of \$957,482. The net share of the District's amount of deferred inflows and outflows of resources decreased the change in net position by \$2,076,420.	1,690,143
The District uses internal service funds to charge the costs of self-insurance to appropriate functions in other funds. The net effect of this consolidation is to increase net position.	(18,029)
Amortization of the deferred loss on refunding is not recognized on the governmental fund financial statements.	(1,719,582)
Amortization of the gain on swap agreement is not recognized on the governmental fund financial statements.	46,064
Amortization of the premium on issuance of current interest bonds is not recognized on the governmental fund financial statements.	<u>1,536,916</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (13,653,839)</u>

The Notes to Financial Statements are an integral part of this statement.

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015**

Data Control Codes		Business-Type Activities	Governmental Activities
		Total Nonmajor Enterprise Funds	Internal Service Fund
	ASSETS		
	Current assets:		
1110	Cash and cash equivalents	\$ 297,693	\$ 638,511
1290	Other receivables, net	70,450	341
	Total current assets	368,143	638,852
	Noncurrent assets:		
1530	Furniture and equipment, net	341,709	-
	Total noncurrent assets	341,709	-
1000	Total assets	\$ 709,852	\$ 638,852
	LIABILITIES AND NET POSITION		
	Liabilities:		
	Current liabilities:		
2110	Accounts payable	\$ 8,774	\$ 41,147
2150	Payroll deductions and withholdings	4,434	-
2160	Accrued wages payable	27,438	-
2170	Due to other funds	156,209	9
2300	Unearned revenue	86,713	-
	Total current liabilities	283,568	41,156
2000	Total liabilities	283,568	41,156
	Net position:		
3200	Investment in capital assets	341,709	-
3620	Unrestricted	84,575	597,696
3000	Total net position	426,284	597,696
4000	Total liabilities and net position	\$ 709,852	\$ 638,852

The Notes to Financial Statements are an integral part of this statement.

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION-PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

Data Control Codes		Business-Type Activities	Governmental Activities
		Total Nonmajor Enterprise Funds	Internal Service Fund
OPERATING REVENUES			
5700	Total local and intermediate sources	\$ 1,266,839	\$ 462,697
5020	Total operating revenues	1,266,839	462,697
OPERATING EXPENSES			
6100	Payroll costs	671,289	-
6200	Professional and contracted services	47,358	476,906
6300	Supplies and materials	51,711	2,232
6400	Other operating costs	100,890	2,396
6030	Total operating expenses	871,248	481,534
	Operating income (loss)	395,591	(18,837)
NONOPERATING REVENUES			
7955	Earnings from temporary deposits and investments	-	808
8030	Total nonoperating revenues	-	808
	Income before transfers	395,591	(18,029)
8911	TRANSFERS OUT	(400,000)	-
1300	Change in net position	(4,409)	(18,029)
0100	Total net position, beginning (July 1)	430,693	615,725
3300	Total net position, ending (June 30)	\$ 426,284	\$ 597,696

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	Nonmajor Business-Type Activities	Nonmajor Governmental Activities
	Total Nonmajor Enterprise Funds	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from user charges	\$ 1,270,640	\$ 462,697
Payments to employees	(667,984)	-
Payments to suppliers	(39,304)	-
Cash payments for claims and administration	-	(476,906)
Other payments	(24,256)	(45,633)
Net cash provided by (used in) operating activities	<u>539,096</u>	<u>(59,842)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(29,237)	-
Net cash used in capital and related financing activities	<u>(29,237)</u>	<u>-</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Transfers out	(400,000)	-
Net cash used in non-capital financing activities	<u>(400,000)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest earned	-	808
Net cash provided by investing activities	<u>-</u>	<u>808</u>
Net increase (decrease) in cash and cash equivalents	109,859	(59,034)
Cash and cash equivalents, beginning of year	187,834	697,545
Cash and cash equivalents, end of year	<u>\$ 297,693</u>	<u>\$ 638,511</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Operating income (loss):	\$ 395,591	\$ (18,837)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation expense	30,346	-
Effect of increases and decreases in current assets and liabilities:		
Increase in account receivable	214,677	-
Increase in accounts payable	2,167	(2)
Increase (decrease) in interfund payable	103,886	(41,003)
Decrease in accrued liabilities	3,305	-
Increase in unearned revenue	(210,876)	-
Net cash provided by (used) in operating activities	<u>\$ 539,096</u>	<u>\$ (59,842)</u>

The Notes to Financial Statements are
an integral part of this statement.

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2015**

	<u>Student Activity</u>
ASSETS	
Cash and cash equivalents	\$ 130,049
Total assets	<u>\$ 130,049</u>
LIABILITIES	
Due to student groups	\$ 130,049
Total liabilities	<u>\$ 130,049</u>

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Rockwall Independent School District (the District) is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of School Trustees (the Board) elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB) and it complies with the requirements of the appropriate version of Texas Education Agency's Financial Accountability System Resource Guide (the Resource Guide) and the requirements of contracts and grants of agencies from which it receives funds.

Reporting Entity

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

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the District (primary government) and its component units. There are no component units of the District that are required to be presented in the financial statements.

The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities.

Government-Wide and Fund Financial Statements

The statement of net position and the statement of activities are government-wide financial statements. They report information on all of the District's nonfiduciary activities with most of the interfund activities removed except for interfund services provided and used which are not eliminated. *Governmental activities* include programs supported primarily by taxes, state foundation funds, grants and other intergovernmental revenues. *Business-type activities*, which are reported separately, rely to a significant extent, on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identified with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function. Taxes are reported as *general revenues*.

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Government-Wide and Fund Financial Statements – Continued

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide 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 nonmajor funds.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are nonoperating.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The effect of interfund activity has been eliminated from the government-wide financial statements. Agency funds also use the accrual basis of accounting, however, they have no measurement focus.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds 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.

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Measurement Focus, Basis of Accounting, and Financial Statement Presentation – Continued

The proprietary fund types are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable.

Fund Accounting

The District reports the following major governmental funds:

1. **The General Fund** – The general fund is the District’s primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
2. **Child Nutrition Fund** – This fund accounts for the child nutrition program’s transactions. The child nutrition fund is considered a special revenue fund because it meets the following criteria: 1) user fees are charged to supplement the national school lunch program (NSLP), 2) the general fund subsidizes the child nutrition program for all expenditures in excess of NSLP, and 3) the District does not consider the child nutrition program completely self-supporting. Child nutrition fund balances are used exclusively for child nutrition program purposes.
3. **Debt Service Fund** – The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.
4. **Capital Projects Funds** – The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in the capital projects funds.

Additionally, the District reports the following fund types:

Governmental Funds:

1. **Special Revenue Funds** – The District accounts for resources restricted to, or designated for, a specific purpose by the District or a grantor in a special revenue fund. Most federal and some state financial assistance is accounted for in a special revenue fund and sometimes unused balances must be returned to the grantor at the close of specified project periods.

Proprietary Funds:

1. **Enterprise Funds** – The two funds account for the operation of a self-supporting activity which provides services to outside parties in return for fees. The funds account for assets, liabilities, revenues and expenses of the sports marketing effort of the District and the ROCK after school program.
2. **Internal Service Fund** – This fund is used to account for revenues and expenses related to services provided to parties inside the District. This fund facilitates the distribution of support costs to the users of support services on a cost-reimbursement basis. Because the principal users of the internal services are the District’s governmental activities, this fund type is included in the “governmental activities” column of the government-wide financial statements.

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fund Accounting – Continued

Fiduciary Funds:

1. **Agency Funds** – The District accounts for resources held for others in a custodial capacity in agency funds. The District's agency fund is the student activity fund. Agency funds typically involve only the receipt, temporary investment, and remittance of resources to individuals, private organizations, or governments.

Financial Statement Amounts

Cash and Cash Equivalents

The District pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as a part of the District's cash and cash equivalents. For purposes of the statement of cash flows for proprietary and similar fund-types, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

Inventory

Inventories of materials, supplies and food commodities are reported on the balance sheet at weighted average cost. Inventory items are recorded as expenditures when consumed. Supplies are used for almost all functions of activities, while food commodities are used only in the food service functional activity.

Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which they were imposed. On January 31 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 (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the general and debt service funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas legislature.

The tax rates assessed for the year ended June 30, 2015 to finance general fund operations and the payment of principal and interest on general obligation debt were \$1.04 and \$0.40 per \$100 valuation, respectively, for a total of \$1.44 per \$100 valuation.

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial Statement Amounts – Continued

Capital Assets

Capital assets, which include land, construction in progress, buildings, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Land improvements, buildings, furniture and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

<u>Assets Class</u>	<u>Estimated Useful Lives</u>
Buildings and Improvements	15-50
Vehicles	5-10
Other Equipment	3-15

Long-Term Debt

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Gains or losses on refunding are deferred and amortized over the lesser of the remaining life of the old debt or the life of the new debt using the straight line method and are presented as deferred inflows/outflows in the government-wide financial statements. Bonds payable are reported net of the applicable bond premium or discount.

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

Accretion

Accretion is an adjustment of the difference between the price of a bond issued at an original discount and the par value of the bond. For governmental activities debt, the accreted value is recognized as it accrues by fiscal year.

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial Statement Amounts – Continued

Fund Balances and Net Position

Government-Wide Financial Statements

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

Net investment in capital assets -- the component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, net of premiums and discounts, excluding unspent proceeds, that is directly attributable to the acquisition, construction or improvement of these capital assets.

Restricted for debt service -- the component of net position that reports the difference between assets and liabilities with constraints placed on their use by the bond covenants.

Restricted for federal and state grants -- the component of net position that reports the difference between assets and liabilities with constraints placed on their use by the U.S. Department of Agriculture or other federal and state agencies.

Unrestricted -- the difference between the assets and liabilities that is not reported in net position invested in capital assets, net of related debt, restricted for federal and state grants, net position restricted for food service or net position restricted for debt service.

Governmental Fund Financial Statements

Fund balance classifications, under GASB Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions* (GASB 54) are: nonspendable, restricted, committed, assigned, and unassigned. These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Fund balance can have different levels of constraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification within the general fund. The general fund should be the only fund that reports a positive unassigned balance. In all other funds, unassigned is limited to negative residual fund balance. In accordance with GASB 54, the District classifies governmental fund balances as follows:

Nonspendable -- includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes inventories and prepaid items.

Restricted -- includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts restricted due to constitutional provisions or enabling legislation. This classification includes the child nutrition program, retirement of long term debt, construction programs and other federal and state grants.

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial Statement Amounts – Continued

Governmental Fund Financial Statements - Continued

Committed -- includes fund balance amounts that are constrained for specific purposes that are internally imposed by the District through formal action of the highest level of decision making authority. Committed fund balance is reported pursuant to resolution passed by the District's Board of Trustees. This classification includes campus activity funds, local special revenue funds and potential litigation, claims and judgments.

Assigned -- includes fund balance amounts that are self-imposed by the District to be used for a particular purpose. Fund balance can be assigned by the District's Board, the Superintendent, or the Assistant Superintendent of Finance and Human Resources. This classification includes insurance deductibles, encumbrances, program start-up costs, projected budget deficit for subsequent years and other legal uses.

Unassigned -- includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

The order of spending is to first use committed fund balance, then assigned fund balance, and last of all, unassigned fund balance. Restricted fund balance will be used before the unrestricted portion.

Interfund Activities

Interfund activity results from loans, service 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 "transfer" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "internal balances" line of government-wide statement of net position.

Data Control Codes

Data control codes refer to the account code structure prescribed by the Agency in the Resource Guide. The Agency requires the District to display these codes in its financial statements filed with the Agency in order to ensure accuracy in building a statewide database for policy development and funding plans.

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial Statement Amounts – Continued

Account Code Reporting

In accordance with Texas Education Code, Chapter 44, Subchapter A, the District adopted and implemented an accounting system which at least meets the minimum requirements prescribed by the State Board of Education and approved by the state auditor. The District's accounting system uses codes and the code structure presented in the accounting code section of the *Resource Guide*. Mandatory codes are utilized in the form provided in that section.

Estimates

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

The amount of state foundation revenue a school 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 midway into the next fiscal year. It is at least reasonably possible that the foundation revenue estimates as of June 30, 2015 will change.

Pensions

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

Subsequent Events

The District has evaluated all events or transactions that occurred after June 30, 2015 up through November 13, 2015, the date the financial statements were issued. During this period, there were no subsequent events requiring recognition or disclosure.

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS

The funds of the District must be deposited and invested under the terms of a depository contract, contents of which are set out in the Depository Contract Law.

At June 30, 2015, all District cash deposits have been covered by the Federal Deposit Insurance Corporation (FDIC) insurance. The District's deposits were properly secured throughout the fiscal year.

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS – CONTINUED

The Public Funds Investment Act (Government Code Chapter 2256) (PFIA) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity, allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes and the District’s investment policy authorized the District to invest in the following investments as summarized in the table below:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment In One Issuer</u>
U.S. Treasury Obligations	10 years	None	None
U.S. Agencies Securities	10 years	None	None
Certificates of Deposits	n/a	None	None
Fully Collateralized Repurchase Agreements	90 days	None	None
Securities Lending Program	1 year	None	None
Banker's Acceptance	270 days	None	None
Commercial Paper	270 days	None	None
No-Load Money Market Mutual Funds	90 days	None	None
No-Load Mutual Funds	2 years	None	None
Guaranteed Investment Contracts	5 years	None	None
Public Funds Investment Pools	n/a	None	None

The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

District investments include deposits in external investment pools, such as Lone Star Investment Pool, Texas CLASS, TexasTERM, and TexPool. All investment pool accounts are reported at share price (fair value) and are presented as cash equivalents.

The Lone Star Investment Pool is an investment pool available to governmental entities. The pool was established under the guidance of the Texas Public Funds Investment Act. A board of directors made up of members of the pool is responsible for the overall operation of the pool. The Board has employed various third party organizations to assist in the operations. These third parties are as follows: American Beacon Advisors and BNY Mellon Cash Investment Strategies-Investment Managers, RBC Wealth Management- Investment Consultant, Bank of New York Mellon- Custodian, First Public- Administration. In combination with these third party organizations, the pool has received an AAAM rating from Standard & Poor’s. This rating allows the pool to meet the standards required by the Texas Public Funds Investment Act.

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS – CONTINUED

The Texas Cooperative Liquid Assets Securities System Trust (Texas CLASS) was created as an investment pool for its participants pursuant to Section 2256.016 of the Public Funds Investment Act, Texas Government Code. The Texas CLASS Trust Agreement (Trust) is an agreement of indefinite term regarding the investment, reinvestment and withdrawal of local government funds. The parties to the Trust Agreement are Texas local government entities that choose to participate (the Participants), MBIA Municipal Investors Service Corporation as Program Administrator (the Program Administrator) and Wells Fargo Bank Texas, NA as Custodian (the Custodian).

Texas CLASS is supervised by a Board of Trustees who are elected by the Participants. The Board of Trustees supervises the Trust and its affairs and acts as the liaison between the Participants, the Custodian, and the Program Administrator. The Board administers the affairs of the Trust. It also selects the consultants for Texas CLASS, including the Program Administrator and the Custodian.

The Board of Trustees has appointed an Advisory Board composed of Participants and other persons who do not have a business relationship with the Trust and are qualified to advise the Trust. The Advisory Board provides advice to the Board of Trustees and the Program Administrator about the investment policy and investment strategy of the Trust and about other matters as requested by the Board of Trustees and the Program Administrator.

The Fund is rated AAAM by Standard & Poor's rating agency. This rating is the highest principal stability fund rating assigned by Standard & Poor's.

TexasTERM Local Government Investment Pool (TexasTERM) has been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code (PFIA). TexasTERM offers a series of professionally managed portfolios that are available to municipalities, counties, school districts, special districts and other governmental entities in the State of Texas.

An Advisory Board is responsible for the overall management of TexasTERM. With respect to TexasTERM, the Advisory Board's responsibilities include the formulation and implementation of its investment and operating policies. The Advisory Board selects and oversees the activities of the Investment Advisor/Administrator and the Custodian for TexasTERM and monitors TexasTERM investment performance and the method of valuing its shares. Board members serve a term of two years. Annually, Board members are elected by the participants for positions for staggered two-year terms.

TexasTERM purchases only investments of the type in which Texas local governments are permitted to invest their own funds. TexasTERM complies with statutory investment restrictions for Texas local governments as provided in the PFIA.

The Investment Advisor and Administrator for TexasTERM is PFM Asset Management LLC. The Custodian for TexasTERM is U.S. Bank, N.A.

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 2. CASH AND INVESTMENTS – CONTINUED

The TexasTERM portfolio is a fixed rate, fixed term portfolio option rated AAAf by Standard & Poor’s rating agency.

The District is a voluntary participant in TexPool. The State Comptroller of Public Accounts exercises responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters.

Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. TexPool operates in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than the market value to report net position to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares.

TexPool is rated AAAM by Standard & Poor’s rating agency. This rating is the highest principal stability fund rating assigned by Standard & Poor’s.

The following table categorizes the District’s investments at June 30, 2015:

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>
Lone Star Investment Pool	\$ 42,494,129	AAA/AAAm	AAA
Texas CLASS	14,253,473	AAA/AAAm	AAAm
TexPool	8,757,147	AAA/AAAm	AAAm
TexasTERM	<u>10,464,760</u>	AAA/AAAm	AAAf
Total cash equivalents	<u>\$ 75,969,509</u>		

At June 30, 2015, the carrying amount of the District’s deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$3,553,709 and the bank balance was \$4,180,261. The District’s cash deposits at June 30, 2015 and during the year ended June 30, 2015 were covered by the FDIC and pledged securities.

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

- a. Depository: American National Bank.
- b. The market value of securities pledged as of the date of the highest combined balance on deposit was \$20,558,067.
- c. The highest combined balances of cash, savings, and time deposit accounts amounted to \$19,637,547 and occurred on February 11, 2015.
- d. Total amount of FDIC coverage at the time of the highest combined balance was \$250,000.

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 2. CASH AND INVESTMENTS – CONTINUED

Cash and investments as of June 30, 2015 are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and cash equivalents	\$ 79,400,254
Fiduciary funds:	
Cash and cash equivalents	<u>130,049</u>
Total cash and cash equivalents	<u><u>\$ 79,530,303</u></u>

Cash and investments as of June 30, 2015 consist of the following:

Cash on hand	\$ 7,085
Deposits with financial institutions	3,553,709
Cash equivalents	<u>75,969,509</u>
Total cash and investments	<u><u>\$ 79,530,303</u></u>

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The table on page 36 presents the minimum rating required by (where applicable) the Public Funds Investment Act, the District’s investment policy, or debt agreements, and the actual rating as of the year-end for each investment type held by the District.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Investments held by third parties were fully collateralized and held in the District’s name.

Concentration of Credit Risk

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

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 2. CASH AND INVESTMENTS – CONTINUED

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. As of June 30, 2015 the District did not invest in any securities which are highly sensitive to interest rate fluctuations.

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.

As of June 30, 2015, the District had the following investments:

<u>Investment Type</u>	<u>Amount</u>	<u>Weighted Average Maturity</u>
Held in governmental funds:		
Lone Star Investment Pool	\$ 42,494,129	44 days
Texas CLASS	14,253,473	52 days
TexPool	8,757,147	43 days
TexasTERM	<u>10,464,760</u>	32 days
Total cash equivalents	<u>\$ 75,969,509</u>	

NOTE 3. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. The District also receives federal grants from the Region X Service Center. In addition, the District receives entitlements from the state through the school foundation and per capita programs. Amounts due from federal and state governments as of June 30, 2015, are summarized below. All federal grants shown below are passed through the Agency and are reported on the balance sheet as due from other governments. Furthermore, there are times whenever overpayment is received from a state agency and money may be due to other governments.

<u>Purpose</u>	<u>General Fund</u>	<u>Child Nutrition Fund</u>	<u>Debt Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
State Entitlement	\$ 3,819,970	\$ -	\$ -	\$ -	\$ 3,819,970
Federal Grants	709,462	71,851	-	743,674	1,524,987
State Grants	-	-	-	1,277	1,277
Other	<u>107,467</u>	<u>-</u>	<u>41,195</u>	<u>-</u>	<u>148,662</u>
	<u>\$ 4,636,899</u>	<u>\$ 71,851</u>	<u>\$ 41,195</u>	<u>\$ 744,951</u>	<u>\$ 5,494,896</u>

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 4. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund balances at June 30, 2015 consisted of the following individual fund receivables and payables:

<u>Payable Fund</u>	<u>Receivable Fund</u>	<u>Amount</u>	<u>Primary Purpose</u>
Child Nutrition Fund	General Fund	\$ 73,155	To cover cash shortage
Nonmajor Governmental Funds	General Fund	352,028	To cover cash shortage
Nonmajor Governmental Funds	Child Nutrition Fund	139	To cover cash shortage
Enterprise Fund	General Fund	150,025	To cover cash shortage
Enterprise Fund	Child Nutrition Fund	6,184	To cover cash shortage
Internal Service Fund	General Fund	9	To cover cash shortage
General Fund	Child Nutrition Fund	238	To cover cash shortage
		<u>\$ 581,778</u>	

All amounts due are scheduled to be repaid within one year.

The detail transfer schedule for the year ended June 30, 2015 includes the following:

<u>Transfer In:</u>	<u>Transfer Out:</u>	<u>Amount:</u>	<u>Purpose:</u>
General Fund	Enterprise Funds	\$ 400,000	BOT Approved TRF
General Fund	Nonmajor Funds	70,000	BOT Approved TRF
General Fund	Child Nutrition Fund	73,000	BOT Approved TRF
Nonmajor Funds	Nonmajor Governmental Funds	2,858	Campus Needs
		<u>\$ 545,858</u>	

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 5. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the year ended June 30, 2015, was as follows:

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
<u>Governmental Activities:</u>					
Capital assets not being depreciated:					
Land	\$ 18,891,536	\$ -	\$ -	\$ -	\$ 18,891,536
Construction in progress	1,049,021	14,719	-	(543,579)	520,161
Total capital assets not being depreciated	19,940,557	14,719	-	(543,579)	19,411,697
Capital assets being depreciated:					
Buildings and improvements	418,763,376	1,904,191	(184,613)	543,579	421,026,533
Furniture and equipment	17,096,506	292,275	(1,936,029)	-	15,452,752
Total capital assets being depreciated	435,859,882	2,196,466	(2,120,642)	543,579	436,479,285
Less accumulated depreciation for:					
Buildings and improvements	(140,181,257)	(15,689,121)	184,613	-	(155,685,765)
Furniture and equipment	(13,747,516)	(1,076,647)	1,936,029	-	(12,888,134)
Total accumulated depreciation	(153,928,773)	(16,765,768)	2,120,642	-	(168,573,899)
Total capital assets being depreciated, net	281,931,109	(14,569,302)	-	543,579	267,905,386
Governmental activities capital assets, net	\$ 301,871,666	\$ (14,554,583)	\$ -	\$ -	\$ 287,317,083
<u>Business-type activities:</u>					
Capital assets being depreciated:					
Furniture and equipment	\$ 491,603	\$ 29,237	\$ -	\$ -	\$ 520,840
Total capital assets being depreciated	491,603	29,237	-	-	520,840
Less accumulated depreciation for:					
Furniture and equipment	(148,785)	(30,346)	-	-	(179,131)
Total accumulated depreciation	(148,785)	(30,346)	-	-	(179,131)
Total capital assets being depreciated, net	342,818	(1,109)	-	-	341,709
Business-type activities capital assets, net	\$ 342,818	\$ (1,109)	\$ -	\$ -	\$ 341,709

Depreciation expense was charged to governmental functions as follows:

Governmental Function	Depreciation
Instruction	\$ 9,399,184
Instructional resources and media services	536,162
School leadership	203,404
Guidance, counseling and evaluation services	64,596
Health services	498,306
Pupil transportation	615,222
Food services	976,608
Co-curricular/ Extracurricular activities	4,174,365
General administration	21,986
Plant maintenance and operations	179,180
Security and monitoring services	50,276
Data processing services	46,479
Total depreciation expense	\$ 16,765,768

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 6. UNEARNED AND UNAVAILABLE REVENUE

Unearned and unavailable revenue reported in the governmental funds at year end consisted of the following:

	General Fund	Child Nutrition Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
Net tax unavailable revenue	\$ 1,631,282	\$ -	\$ 549,166	\$ -	\$ 2,180,448
SHARS unavailable revenue	417,584	-	-	-	417,584
Other unearned revenues	33,884	134,943	-	200	169,027
	<u>\$ 2,082,750</u>	<u>\$ 134,943</u>	<u>\$ 549,166</u>	<u>\$ 200</u>	<u>\$ 2,767,059</u>

Revenue that is not considered available at year end is reported as a deferred inflow in the governmental funds and is recorded as revenue in the government-wide financial statements. Accordingly, tax and SHARS unavailable revenues are reported as revenue in the government-wide financial statements.

NOTE 7. LONG-TERM DEBT

Unlimited Tax Bonds

Long-term obligation activities during the year ended June 30, 2015, were as follows:

	Beginning Balance	Additions	Reductions/Refunded	Ending Balance	Due Within One Year
Government Activities					
Bonds payable:					
General obligation bonds	\$ 337,278,257	\$ 89,568,204	\$ (100,605,000)	\$ 326,241,461	\$ 4,704,345
Accreted interest	70,920,625	27,015,589	(13,818,029)	84,118,185	7,025,270
Bond premium (discount)	16,154,301	5,480,671	(710,498)	20,924,474	-
Total bonds payable	<u>424,353,183</u>	<u>122,064,464</u>	<u>(115,133,527)</u>	<u>431,284,120</u>	<u>11,729,615</u>
Total long-term liabilities	<u>\$ 424,353,183</u>	<u>\$ 122,064,464</u>	<u>\$ (115,133,527)</u>	<u>\$ 431,284,120</u>	<u>\$ 11,729,615</u>

The District issues unlimited tax bonds for the governmental activities to provide funds for the acquisition and construction of major capital facilities. Unlimited tax bonds are direct obligations and pledge the full faith and credit of the District. Bonded indebtedness of the District is reflected in the statement of net position. The bonds issued require the District to levy an ad valorem tax annually to retire the current maturities.

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 7. LONG-TERM DEBT – CONTINUED

Unlimited Tax Bonds – Continued

Debt service requirements are as follows:

Year Ending June 30	Principal Requirements	Interest Requirements	Total Requirements
2016	\$ 4,704,345	\$ 20,878,711	\$ 25,583,056
2017	10,353,788	17,148,965	27,502,753
2018	4,914,878	22,487,826	27,402,704
2019	7,067,418	22,208,336	29,275,754
2020	6,926,770	22,226,834	29,153,604
2021 - 2025	41,539,784	110,511,109	152,050,893
2026 - 2030	78,735,549	76,019,235	154,754,784
2031 - 2035	101,283,929	28,640,792	129,924,721
2036 - 2040	61,820,000	7,292,798	69,112,798
2041 - 2042	8,895,000	672,750	9,567,750
	<u>\$ 326,241,461</u>	<u>\$ 328,087,356</u>	<u>\$ 654,328,817</u>

There are a number of limitations and restrictions contained in the unlimited tax school building and refunding bond indentures. Management has indicated that the District is in compliance with all significant limitations and restrictions at June 30, 2015.

Voters have authorized the issuance of additional bonds for construction and improvements. The following represents these authorizations:

Date of Authorization	Amount Authorized	Amount Issued	Remaining Unissued
May 12, 2007	\$ 198,150,000	\$ 171,950,000	\$ 26,200,000

Interest Rate Swap Agreement

Objective. The objective of the swap is to hedge against the potential of rising rates associated with the District's Variable Rate Unlimited Tax School Building Bonds, Series 2006 (Series 2006 Bonds).

Terms. The notional amount totals \$27,000,000, the principal amount of the Series 2006 Bonds. The District's swap agreement contains scheduled reductions to outstanding notional amounts that follow anticipated payments of principal of the Series 2006 Bonds in varying amounts during the years 2031 through 2036.

Under the terms of the swap, the District is obligated to make payments to JP Morgan Chase Bank (JPMCB) at a fixed rate of 3.853% per annum, and JPMCB is obligated to make floating rate payments to the District calculated on a notional amount that is equal to the hedge portion of the Series 2006 Bonds at a rate equal to 62.5% of the 5-year constant maturity swap rate (a reported market fixed rate at which 5-year interest rate swaps for a one-month U.S. dollar LIBOR rate are entered into from time to time). The Series 2006 Bonds and the 2006 Swap Agreement have a stated final maturity date of June 1, 2037. On August 11, 2010 the terms were amended to the floating rate from 68% of 1 month LIBOR to 68% of LIBOR.

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 7. LONG-TERM DEBT – CONTINUED

Interest Rate Swap Agreement – Continued

Interest in the maturity schedule was calculated at a rate, representing the sum of: (a) the actual fixed payment swap rate of 3.853% pursuant to the 2006 Swap Agreement; (b) the estimated cost of the liquidity facility for the Series 2006 Bonds (0.120%); (c) the estimated cost of remarketing the Series 2006 Bonds (0.125%); and (d) 0.72% per year to offset the potential differences between the floating rates payable to the District pursuant to the 2006 Swap Agreement and the actual interest rates payable by the District on the Series 2006 Bonds.

Arrangements made in respect of the 2006 Swap Agreement do not alter the District's obligation to pay principal of and interest on the Series 2006 Bonds. The 2006 Swap Agreement does not provide a source of security or other credit for the Series 2006 Bonds. The District's obligations under the 2006 Swap Agreement are secured by a levy of an annual ad valorem tax on parity with the District's obligation to pay principal and interest on the Series 2006 Bonds.

Fair value. Because long-term interest rates have changed since inception of the swaps, the swaps had a negative fair value of \$8,517,841, or a positive change of \$1,109,505. Fair market value is determined to be the amount the District would have paid, should the swap have terminated at June 30, 2015.

Credit risk. As of June 30, 2015, the District was not exposed to credit risk with JPMCB on the 2006 Swap Agreement because the swap has a negative fair value. However, should interest rates change so that the fair value of the 2006 Swap Agreement became positive, the District would be exposed to credit risk in the amount of the fair value of the 2006 Swap Agreement.

As of June 30, 2015, JPMCB was rated Aa3 and A+ by Moody's Investors Service (Moody's) and Standard & Poor's (S&P), respectively.

Termination risk. The 2006 Swap Agreement is subject to mandatory termination in the event of default or as follows:

If the ratings assigned to the District's unenhanced long-term debt obligations are withdrawn or reduced to Baa3 by Moody's or BBB- by S&P, or if the ratings assigned to JPMCB's unenhanced long-term debt obligations are withdrawn or reduced to Baa3 by Moody's or BBB- by S&P.

The 2006 Swap Agreement is also subject to optional termination by the District at any time over the term of the 2006 Swap Agreement at the then prevailing market value. JPMCB does not have the elective right to optionally terminate the 2006 Swap Agreement.

Swap payments and associated debt. The debt service requirements of the hedged portion of the Series 2006 Bonds are included in the debt service maturity schedule on page 43. As interest rates change in the future, the differences between the floating rates payable to the District under the 2006 Swap Agreements and the actual interest rates payable by the District on the Series 2006 Bonds will vary.

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 8. GENERAL FUND FEDERAL SOURCE REVENUES

During the current year, general fund federal source revenues consisted of the following:

<u>Program or Source</u>	<u>CFDA Number</u>	<u>Amount</u>
Medicare Reimbursement (SHARS)	N/A	<u>\$ 526,879</u>
		<u>\$ 526,879</u>

NOTE 9. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

During the year ended June 30, 2015, the District received revenues from local and intermediate sources consisting of the following:

	<u>General Fund</u>	<u>Child Nutrition Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Property taxes-current	\$ 69,049,767	\$ -	\$ 26,521,626	\$ -	\$ -	\$ 95,571,393
Property taxes-delinquent	1,001,308	-	408,062	-	-	1,409,370
Penalties, interest, and other	478,642	-	151,386	-	-	630,028
Investment earnings	67,989	2,187	49,674	15,536	-	135,386
Food service income	-	3,257,093	-	-	-	3,257,093
Gifts and bequest	74,916	-	-	-	238,529	313,445
Co-curricular/extracurricular activities	586,483	-	-	-	642,978	1,229,461
Other	845,741	-	-	-	2,171,205	3,016,946
Total local revenue	<u>\$ 72,104,846</u>	<u>\$ 3,259,280</u>	<u>\$ 27,130,748</u>	<u>\$ 15,536</u>	<u>\$ 3,052,712</u>	<u>\$ 105,563,122</u>

NOTE 10. RECEIVABLES

Receivables at June 30, 2015 for the District's individual major funds and aggregate non major funds including any applicable allowances for uncollectible accounts are as follows:

	<u>General Fund</u>	<u>Child Nutrition Fund</u>	<u>Debt Service Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Nonmajor Proprietary Funds</u>	<u>Total</u>
Due from other governments	\$ 4,636,899	\$ 71,851	\$ 41,195	\$ 744,951	\$ -	\$ 5,494,896
Property taxes	2,253,430	-	846,082	-	-	3,099,512
Other receivables	9,303	-	-	11,526	92,178	113,007
Less: Allowance for uncollectible accounts	<u>(112,672)</u>	<u>-</u>	<u>(42,304)</u>	<u>-</u>	<u>(21,387)</u>	<u>(176,363)</u>
Net receivables	<u>\$ 6,786,960</u>	<u>\$ 71,851</u>	<u>\$ 844,973</u>	<u>\$ 756,477</u>	<u>\$ 70,791</u>	<u>\$ 8,531,052</u>

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 11. EMPLOYEES' RETIREMENT PLAN

Plan Description

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

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

Pension Plan Fiduciary Net Position

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

Benefits Provided

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

Contributions

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

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 11. EMPLOYEES' RETIREMENT PLAN-CONTINUED

Contributions – Continued

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

	<u>Contribution Rates</u>	
	<u>2014</u>	<u>2015</u>
Member	6.4%	6.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
2014 Employer Contributions	\$ 1,148,979	
2014 Member Contributions	\$ 4,780,907	
2014 NECE On-behalf Contributions	\$ 4,010,766	

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

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

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

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

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 11. EMPLOYEES' RETIREMENT PLAN – CONTINUED

Actuarial Assumptions

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

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

**Includes Inflation of 3%*

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

Discount Rate

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

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 11. EMPLOYEES' RETIREMENT PLAN – CONTINUED

Discount Rate – Continued

Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2014 are summarized below:

Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return*
Global Equity			
U.S.	18%	7.0%	1.4%
Non-U.S. Developed	13%	7.3%	1.1%
Emerging Markets	9%	8.1%	0.9%
Directional Hedge Funds	4%	5.4%	0.2%
Private Equity	13%	9.2%	1.4%
Stable Value			
U.S. Treasuries	11%	2.9%	0.3%
Absolute Return	0%	4.0%	0.0%
Stable Value Hedge Funds	4%	5.2%	0.2%
Cash	1%	2.0%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	3.1%	0.0%
Real Assets	16%	7.3%	1.5%
Energy and Natural Resources	3%	8.8%	0.3%
Commodities	0%	3.4%	0.0%
Risk Parity			
Risk Parity	5%	8.9%	0.4%
Alpha			1.0%
Total	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:	\$21,631,780	\$12,105,493	\$4,981,603

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 11. EMPLOYEES' RETIREMENT PLAN – CONTINUED

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

At August 31, 2014, the District reported a liability of \$12,105,493 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 12,105,493
State's proportionate share that is associated with District	42,347,090
Total	<u>\$ 54,452,583</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 District's proportion of the collective net pension liability was 0.0453196%. 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, 2014, the District recognized pension expense of \$3,914,910 and revenue of \$3,914,910 for support provided by the State.

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 11. EMPLOYEES' RETIREMENT PLAN – CONTINUED

At August 31, 2014, 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 187,215	\$ -
Changes in actuarial assumptions	786,870	-
Difference between projected and actual investment earnings	-	(3,699,932)
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	-	(3,173)
Contributions paid to TRS subsequent to the measurement date	<u>2,617,585</u>	<u>-</u>
Total	<u>\$ 3,591,670</u>	<u>\$ (3,703,105)</u>

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

	<u>Pension Expense (Income)</u>
Year ended August 31:	
2016	\$ 1,856,394
2017	(761,191)
2018	(761,191)
2019	(761,191)
2020	163,793
Thereafter	<u>151,951</u>
Total	<u>\$ (111,435)</u>

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 12. RETIREE HEALTH PLAN

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

The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS web site at www.trs.state.tx.us, by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling 1-800-223-8778.

Funding Policy - Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2013, 2014, and 2015. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school.

For the years ended June 30, 2015, 2014 and 2013, the State's contributions to TRS-Care were \$776,788, \$747,016 and \$361,134, respectively, the active member contributions were \$504,912, \$485,560, and \$469,474, respectively, and the District's contributions were \$427,234, \$410,859, and \$397,247, respectively, which equaled the required contributions each year. In addition to the pension plan and TRS-Care on behalf, the District is allocated a portion of the Medicare Part D retiree drug subsidy the TRS-Care receives. The amount allocated on behalf for the year ended June 30, 2015 is estimated by TRS at \$201,986.

NOTE 13. RISK MANAGEMENT

Health Care

The District terminated the previously established health self insurance plan (Plan) beginning September 10, 2010. The plan will continue to pay claims until all are settled.

The District had a contract and inter-local agreement with United Healthcare, Inc. which limited the District's exposure on individual health claims incurred prior to October 1, 2008.

Claims incurred after October 1, 2008 were subject to an individual stop-loss of \$170,000 per participant annually and \$2,000,000 lifetime maximum benefits. Individual employee health claims were self insured up to \$170,000 annually and stop-loss benefits above \$170,000 were provided up to an aggregate district wide attachment point of \$9,181,607.

The latest financial statements available for United Healthcare, Inc. are filed with the Texas State Board of Insurance, Austin, Texas, and are public record. The District does not provide any post-retirement health benefits to its employees.

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 13. RISK MANAGEMENT – CONTINUED

Unemployment Compensation Pool

During the year ended June 30, 2015, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Local Government Code. The Fund's Unemployment Compensation program is authorized by Section 22.005 of Government Code. All members participating in the Fund execute interlocal agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued each month until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for Unemployment Compensation pool members.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2014 are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

Other Risk Management

The District is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2015, the District purchased commercial insurance to cover these 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.

NOTE 14. COMMITMENTS AND CONTINGENCIES

The District is a party to various legal actions, none of which are believed by administration to have a material effect on the financial condition of the District. Accordingly, no provision for losses has been recorded in the accompanying basic financial statements for such contingencies. The District participates in numerous state and federal grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at June 30, 2015 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 14. COMMITMENTS AND CONTINGENCIES – CONTINUED

The Tax Reform Act of 1986 imposed regulations on tax-exempt bond issues. Governmental bonds issued after August 31, 1986 are subject to the rebate provisions of the Tax Reform Act of 1986. The rebate applies to earnings from bond issue proceeds investments that exceed bond issue stated interest rates. There is a complicated formula based on a five year history, therefore the exact amount of liability, if any, is not known until five years from the bond issuance date. Total rebate liability as of June 30, 2015 was \$52,866.

NOTE 15. NEW ACCOUNTING PRONOUNCEMENTS

The GASB issued Statement No. 72, Fair Value Measurement, which will be effective for periods beginning after June 15, 2015. The objective of this Statement is to improve accounting and financial reporting related to fair value measurements. This Statement applies to all state and governmental entities. The District will evaluate the impact of the standard on its financial statements and will take the necessary steps to implement it.

The GASB issued Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, which will be effective for periods beginning after December 15, 2015. The objective of this Statement is to identify the hierarchy of generally accepted accounting principles (GAAP). This Statement applies to all state and governmental entities. The District will evaluate the impact of the standard on its financial statements and will take the necessary steps to implement it.

NOTE 16. PRIOR PERIOD RESTATEMENTS

As a result of the implementation of GASB Statement No. 68, “Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27” and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date”, an adjustment for a change in accounting principle has been made to record the District’s net pension liability as of July 1, 2014. As a result, beginning net position of the governmental activities has been decreased by \$13,907,071.

During the current year, the District noted that the due from state balance had been overstated in previous years due to an error in the timing of revenue recognition by not recording prior state overpayments in the proper year. As a result, a prior period adjustment decreased the beginning net position and fund balance of the governmental activities and general fund by \$1,724,959.

Rockwall

INDEPENDENT SCHOOL DISTRICT



Common Purpose ■ 1854 ■ Unified Effort

REQUIRED SUPPLEMENTARY INFORMATION

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015**

Data Control Codes	Budgeted Amounts		Actual Amounts GAAP BASIS Fund	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES					
5700	Total local and intermediate sources	\$ 65,892,453	\$ 66,204,503	\$ 72,104,846	\$ 5,900,343
5800	State program revenues	44,058,809	44,059,308	40,492,084	(3,567,224)
5900	Federal program revenues	400,000	400,000	526,879	126,879
5020	Total revenues	<u>110,351,262</u>	<u>110,663,811</u>	<u>113,123,809</u>	<u>2,459,998</u>
EXPENDITURES					
CURRENT:					
0011	Instruction	66,472,839	65,790,815	65,786,513	4,302
0012	Instructional resources and media services	2,582,717	2,642,212	2,585,340	56,872
0013	Curriculum and instructional staff development	2,173,341	2,375,006	2,288,319	86,687
0021	Instructional leadership	1,343,215	1,321,507	1,293,119	28,388
0023	School leadership	6,383,129	6,615,774	6,614,545	1,229
0031	Guidance, counseling, and evaluation services	4,405,183	4,302,422	4,285,683	16,739
0032	Social work services	212,883	278,883	218,734	60,149
0033	Health services	1,360,414	1,323,869	1,289,178	34,691
0034	Student (pupil) transportation	3,154,973	3,808,973	3,401,024	407,949
0036	Cocurricular/extracurricular activities	3,477,671	4,148,937	4,078,107	70,830
0041	General administration	3,796,872	3,769,299	3,610,491	158,808
0051	Plant maintenance and operations	11,792,569	11,904,162	10,983,564	920,598
0052	Security and monitoring services	1,355,129	1,518,381	1,329,048	189,333
0053	Data processing services	2,483,333	2,872,602	2,740,076	132,526
0061	Community services	85,666	81,933	61,063	20,870
0081	Facilities acquisition and construction	-	1,019,496	1,005,913	13,583
0099	Payments to member districts of SSA	6,375	16,375	3,570	12,805
0099	Other intergovernmental charges	727,000	737,000	729,845	7,155
6030	Total expenditures	<u>111,813,309</u>	<u>114,527,646</u>	<u>112,304,132</u>	<u>2,223,514</u>
1100	Excess (deficiency) of revenues over (under) expenditures	<u>(1,462,047)</u>	<u>(3,863,835)</u>	<u>819,677</u>	<u>4,683,512</u>
OTHER FINANCING SOURCES (USES) :					
7915	Transfers in	543,000	543,000	543,000	-
7080	Total other financing sources (uses)	<u>543,000</u>	<u>543,000</u>	<u>543,000</u>	<u>-</u>
1200	Net change in fund balances	(919,047)	(3,320,835)	1,362,677	4,683,512
0100	Fund balance - July 1 (beginning), as restated	44,144,965	44,144,965	42,420,006	(1,724,959)
3000	Fund balance - June 30 (ending)	<u>\$ 43,225,918</u>	<u>\$ 40,824,130</u>	<u>\$ 43,782,683</u>	<u>\$ 2,958,553</u>

EXHIBIT G-2

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE – CHILD NUTRITION FUND
FOR THE YEAR ENDED JUNE 30, 2015**

Data Control Codes	Budgeted Amounts		Actual Amounts GAAP BASIS Fund	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES					
5700	Total local and intermediate sources	\$ 3,225,920	\$ 3,225,920	\$ 3,259,280	\$ 33,360
5800	State program revenues	129,279	129,279	27,168	(102,111)
5900	Federal program revenues	2,402,966	2,415,966	2,456,549	40,583
5020	Total revenues	5,758,165	5,771,165	5,742,997	(28,168)
EXPENDITURES					
0035	Food service	5,585,904	5,598,904	5,321,734	277,170
0093	Payments to member districts of SSA	10,500	10,500	10,500	-
6030	Total expenditures	5,596,404	5,609,404	5,332,234	277,170
1100	Excess of revenues over expenditures	161,761	161,761	410,763	249,002
OTHER FINANCING USES					
8911	Transfers out	(73,000)	(73,000)	(73,000)	-
6030	Total other financing uses	(73,000)	(73,000)	(73,000)	-
1200	Net change in fund balances	88,761	88,761	337,763	249,002
0100	Fund balance - July 1 (beginning)	1,515,769	1,515,769	1,515,769	-
3000	Fund balance - June 30 (ending)	\$ 1,604,530	\$ 1,604,530	\$ 1,853,532	\$ 249,002

See accompanying Notes to Required Supplementary Information

EXHIBIT G-3

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY - TRS
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>2015</u>
District's Proportion of the Net Pension Liability (Asset)	0.0453196%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 12,105,493
States Proportionate Share of the Net Pension Liability (Asset) associated with the District	<u>42,347,090</u>
Total	\$ 54,452,583
District's Covered Employee Payroll	75,269,028.00
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Employee Payroll	16%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	83.25%

Note: GASB 68, 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."

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS- TRS
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>2015</u>
Contractually Required Contribution	\$ 2,009,059
Contribution in Relation to the Contractually Required Contribution	<u>(2,009,059)</u>
Contribution Deficiency (Excess)	-
District's Covered Employee Payroll	77,683,359
Contributions as a percentage of Covered Employee Payroll	2.59%

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."

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1. BUDGETARY DATA

The official budget was prepared for adoption for the general, child nutrition, and debt service funds. The following procedures are followed in establishing the budgetary data reflected in the basic financial statements

1. Prior to June 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning July 1.
2. A meeting of the Board is called for the purpose of adopting the proposed budget with public notice given at least 10 days prior to the meeting.
3. Prior to the expenditures of funds, the budget is adopted by the Board.

After adoption, the budget may be amended through action by the Board. Budget amendments are approved at the functional expenditure level. All amendments are before the fact and reflected in the official minutes of the Board. Budgets are controlled at the functional level by personnel responsible for the organizational financial reporting. All budget appropriations lapse at the year end. Budget amendments throughout the year were not significant.

NOTE 2. PENSION LIABILITY

Changes of benefit terms

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

Changes of assumptions

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

COMBINING STATEMENTS AND SCHEDULES

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015**

Data Control Codes		Federal Special Revenue Funds	State Special Revenue Funds	Local Special Revenue Funds	Total Nonmajor Governmental Funds
ASSETS					
1110	Cash and cash equivalents	\$ 33,341	\$ 194,514	\$ 2,006,760	\$ 2,234,615
1240	Due from other governments	743,674	1,277	-	744,951
1260	Due from other funds	-	-	-	-
1290	Other receivables	-	-	11,526	11,526
1300	Inventories	-	-	2,888	2,888
1410	Deferred expenditures	-	-	7,399	7,399
1000	Total assets	<u>\$ 777,015</u>	<u>\$ 195,791</u>	<u>\$ 2,028,573</u>	<u>\$ 3,001,379</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2110	Accounts payable	\$ 19,485	\$ 41	\$ 14,378	\$ 33,904
2150	Payroll payable	54,070	-	2,220	56,290
2160	Accrued wages payable	318,419	-	9,734	328,153
2170	Due to other funds	352,110	35	22	352,167
2180	Due to other governments	-	1,621	519	2,140
2300	Unearned revenues	-	200	-	200
2000	Total liabilities	<u>744,084</u>	<u>1,897</u>	<u>26,873</u>	<u>772,854</u>
Fund balances:					
Nonspendable					
3410	Inventory	-	-	2,888	2,888
3430	Prepaid expenditures	-	-	7,399	7,399
Restricted					
3450	Grant funds	32,931	193,894	-	226,825
Committed					
3545	Local special revenue	-	-	1,991,413	1,991,413
3000	Total fund balances	<u>32,931</u>	<u>193,894</u>	<u>2,001,700</u>	<u>2,228,525</u>
4000	Total liabilities and fund balances	<u>\$ 777,015</u>	<u>\$ 195,791</u>	<u>\$ 2,028,573</u>	<u>\$ 3,001,379</u>

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

Data Control Codes	Federal Special Revenue Funds	State Special Revenue Funds	Local Special Revenue Funds	Total Nonmajor Governmental Funds
REVENUES				
5700	\$ -	\$ 226,714	\$ 2,825,998	\$ 3,052,712
5800	-	1,836,785	-	1,836,785
5900	3,443,249	-	-	3,443,249
5020	3,443,249	2,063,499	2,825,998	8,332,746
EXPENDITURES				
Current:				
0011	2,752,099	1,940,428	641,547	5,334,074
0012	-	17,308	121,460	138,768
0013	184,310	21,532	25,358	231,200
0021	71,904	-	9,504	81,408
0023	-	17,430	75,766	93,196
0031	384,644	-	78,395	463,039
0033	-	-	51	51
0034	11,381	-	-	11,381
0035	-	26,377	-	26,377
0036	-	1,122	1,287,360	1,288,482
0041	-	-	3,351	3,351
0051	1,200	-	28,332	29,532
0052	-	551	46,999	47,550
0061	28,267	-	90,468	118,735
6030	3,433,805	2,024,748	2,408,591	7,867,144
1100	9,444	38,751	417,407	465,602
Other Financing Sources (Uses):				
7915	-	-	2,858	2,858
8911	-	-	(72,858)	(72,858)
7080	-	-	(70,000)	(70,000)
1200	9,444	38,751	347,407	395,602
0100	23,487	155,143	1,654,293	1,832,923
3000	\$ 32,931	\$ 193,894	\$ 2,001,700	\$ 2,228,525

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
JUNE 30, 2015**

Data Control Codes		Business-Type Activities		
		Sports Marketing Fund	ROCK After School Program Fund	Total
	ASSETS			
	Current assets:			
1110	Cash and cash equivalents	\$ 9,031	\$ 288,662	\$ 297,693
1290	Other receivables, net	69,633	817	70,450
	Total current assets	78,664	289,479	368,143
	Noncurrent assets:			
1530	Furniture and equipment, net	339,609	2,100	341,709
	Total noncurrent assets	339,609	2,100	341,709
1000	Total assets	\$ 418,273	\$ 291,579	\$ 709,852
	LIABILITIES AND NET POSITION			
	Liabilities:			
	Current liabilities:			
2110	Accounts payable	\$ 6,377	\$ 2,397	\$ 8,774
2150	Payroll deductions and withholdings	-	4,434	4,434
2160	Accrued wages payable	-	27,438	27,438
2170	Due to other funds	150,000	6,209	156,209
2300	Unearned revenue	70,083	16,630	86,713
	Total current liabilities	226,460	57,108	283,568
2000	Total liabilities	226,460	57,108	283,568
	Net position:			
3200	Investment in capital assets	339,609	2,100	341,709
3620	Unrestricted net position (deficit)	(147,796)	232,371	84,575
3000	Total net position	191,813	234,471	426,284
4000	Total liabilities and net position	\$ 418,273	\$ 291,579	\$ 709,852

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES
 IN FUND NET POSITION – NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2015**

Data Control Codes		Sports Marketing Fund	Business-Type Activities ROCK After School Program Fund	Total
OPERATING REVENUES				
5700	Total local and intermediate sources	\$ 195,030	\$ 1,071,809	\$ 1,266,839
5020	Total operating revenues	195,030	1,071,809	1,266,839
OPERATING EXPENSES				
6100	Payroll costs	-	671,289	671,289
6200	Professional and contracted services	41,666	5,692	47,358
6300	Supplies and materials	11,219	40,492	51,711
6400	Other operating costs	31,065	69,825	100,890
6030	Total operating expenses	83,950	787,298	871,248
	Operating income	111,080	284,511	395,591
8911	TRANSFERS OUT	(200,000)	(200,000)	(400,000)
1300	Change in net position	(88,920)	84,511	(4,409)
0100	Total net position, beginning (July 1)	280,733	149,960	430,693
3300	Total net position, ending (June 30)	\$ 191,813	\$ 234,471	\$ 426,284

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	Business-Type Activities		
	Sports Marketing Fund	ROCK After School Program Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from user charges	\$ 193,200	\$ 1,077,440	\$ 1,270,640
Payments to employees	-	(667,984)	(667,984)
Payments to suppliers	-	(39,304)	(39,304)
Other payments and receipts	45,610	(69,866)	(24,256)
Net cash provided by operating activities	<u>238,810</u>	<u>300,286</u>	<u>539,096</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of capital assets	(29,237)	-	(29,237)
Net cash used in capital and related financing activities	<u>(29,237)</u>	<u>-</u>	<u>(29,237)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Transfers out	(200,000)	(200,000)	(400,000)
Net cash used in non-capital financing activities	<u>(200,000)</u>	<u>(200,000)</u>	<u>(400,000)</u>
Net increase in cash and cash equivalents	9,573	100,286	109,859
Cash and cash equivalents at beginning of the year	(542)	188,376	187,834
Cash and cash equivalents at end of the year	<u>\$ 9,031</u>	<u>\$ 288,662</u>	<u>\$ 297,693</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating income:	\$ 111,080	\$ 284,511	\$ 395,591
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	29,146	1,200	30,346
Effect of increases and decreases in current assets and liabilities:			
Other receivables	214,677	-	214,677
Accounts payable	979	1,188	2,167
Interfund payables	99,435	4,451	103,886
Accrued liabilities	-	3,305	3,305
Unearned revenue	(216,507)	5,631	(210,876)
Net cash provided by operating activities	<u>\$ 238,810</u>	<u>\$ 300,286</u>	<u>\$ 539,096</u>

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Balance 7/1/2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2015</u>
Student Activities				
Assets:				
Cash and cash equivalents	\$ 143,774	\$ 663,988	\$ (677,713)	\$ 130,049
Total assets	<u>\$ 143,774</u>	<u>\$ 663,988</u>	<u>\$ (677,713)</u>	<u>\$ 130,049</u>
Liabilities:				
Due to SHW Scholarship	\$ 18,065	\$ -	\$ (18,065)	\$ -
Due to student groups	125,709	663,988	(659,648)	130,049
Total liabilities	<u>\$ 143,774</u>	<u>\$ 663,988</u>	<u>\$ (677,713)</u>	<u>\$ 130,049</u>

Rockwall



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T.E.A. REQUIRED SCHEDULES

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2015**

Last Ten Years Ended June 30	Tax Rates		3 Net Assessed/Appraised Value For School Tax Purposes
	1 Maintenance	2 Debt Service	
2006 and prior years	Various	Various	Various
2007	1.5000	0.3800	4,106,143,297
2008	1.3300	0.3800	4,826,934,598
2009	1.0400	0.4300	5,926,924,353
2010	1.0400	0.4300	6,408,876,215
2011	1.0400	0.4300	6,633,659,311
2012	1.0400	0.4300	6,654,503,446
2013	1.0400	0.4300	6,755,906,922
2014	1.0400	0.4200	6,973,258,049
2015 (School year under audit)	1.0400	0.4000	7,756,813,337
1000 TOTALS			

EXHIBIT J-1

10 Beginning Balance 7/1/2014	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 6/30/2015
\$ 481,463	\$ -	\$ 2,217	\$ 562	\$ 253,698	\$ 224,987
141,720	-	1,229	349	49,247	90,895
130,021	-	2,768	1,141	31,654	94,458
182,853	-	12,914	5,339	31,939	132,661
213,096	-	27,798	11,493	15,073	158,732
226,500	-	114,484	47,269	(107,854)	172,601
273,751	-	127,418	52,640	(119,275)	212,968
392,079	-	148,601	61,333	(111,432)	293,577
1,138,180	-	566,071	227,937	(72,992)	417,164
-	<u>97,006,602</u>	<u>69,137,850</u>	<u>26,521,625</u>	<u>45,658</u>	<u>1,301,469</u>
<u>\$ 3,179,663</u>	<u>\$ 97,006,602</u>	<u>\$ 70,141,350</u>	<u>\$ 26,929,688</u>	<u>\$ 15,716</u>	<u>\$ 3,099,512</u>

EXHIBIT J-2

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE – DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2015**

Data Control Codes	Budgeted Amounts		Actual Amounts GAAP BASIS Fund	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES					
5700	Total local and intermediate sources	\$ 26,190,254	\$ 26,190,254	\$ 27,130,748	\$ 940,494
5020	Total revenues	26,190,254	26,190,254	27,130,748	940,494
EXPENDITURES					
0071	Debt service - principal on long-term debt	11,030,000	11,030,000	11,030,000	-
0072	Debt service - interest on long-term debt	14,676,854	15,230,825	14,982,666	248,159
0073	Debt service - bond issuance costs and fees	200,000	1,193,135	1,174,418	18,717
6030	Total expenditures	25,906,854	27,453,960	27,187,084	266,876
1100	Excess (deficiency) of revenues over (under) expenditures	283,400	(1,263,706)	(56,336)	1,207,370
OTHER FINANCING SOURCES (USES)					
7911	Issuance of bonds	-	89,568,204	89,568,204	-
7916	Premium or discount on issuance of bonds	-	29,538,170	29,538,170	-
8940	Payments to refunded bond escrow agent	-	(118,113,239)	(118,113,239)	-
7080	Total other financing sources (uses)	-	993,135	993,135	-
1200	Net change in fund balances	283,400	(270,571)	936,799	1,207,370
0100	Fund balance - July 1 (beginning)	15,542,918	15,542,918	15,542,918	-
3000	Fund balance - June 30 (ending)	\$ 15,826,318	\$ 15,272,347	\$ 16,479,717	\$ 1,207,370

**OVERALL COMPLIANCE AND
INTERNAL CONTROLS SECTION**

Rockwall



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

To the Board of Trustees
Rockwall Independent School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Rockwall Independent School District (the District), as of and for the year ended June 30, 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 November 13, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Weaver and Tidwell LLP

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
November 13, 2015



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

To the Board of Trustees
Rockwall Independent School District

Report on Compliance for Each Major Federal Program

We have audited Rockwall Independent School District's (the District) compliance with the types of compliance requirements described in the *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 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 Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 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 an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

Weaver and Tidwell LLP

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
November 13, 2015

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

I. Summary of the Auditor's Results:

Financial Statements

- a. An unmodified opinion was issued on the financial statements.
- b. Internal control over financial reporting:
- Material weakness(es) identified? _____ Yes X No
 - Significant deficiency(ies) identified that are not considered a material weakness? _____ Yes X None Reported
- c. Noncompliance material to financial statements noted _____ Yes X No

Major Programs

- d. Internal control over major programs:
- Material weakness(es) identified? _____ Yes X No
 - Significant deficiency(ies) identified that are not considered a material weakness? _____ Yes X None Reported
- e. An unmodified opinion was issued on compliance for major programs.
- f. Any audit findings disclosed that were required to be reported under Section 510(a) or OMB Circular A-133. _____ Yes X No
- g. Identification of major programs:
- | | |
|-------------------------|------------------------|
| Child Nutrition Cluster | 10.553, 10.555, 10.559 |
|-------------------------|------------------------|
- h. The dollar threshold used to distinguish between Type A and Type B programs. \$300,000
- i. Auditee qualified as a low-risk auditee. X Yes _____ No

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

**II. Findings Relating To The Financial Statements Which Are To Be Reported In Accordance With
*Generally Accepted Government Auditing Standards:***

None

**III. Findings And Questioned Costs For Federal Awards Including Audit Findings As Described
Above In I.b:**

None

IV. Prior Year Findings and Questioned Costs:

None

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

(1) Federal and State/ Pass-Through Grantor/ Program Title	(2) Federal CFDA Number	(2A) Pass-Through Entity Identifying Number	(3) Federal Expenditures
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
<u>Passed Through Education Service Center, Region X:</u>			
Head Start	93.600	06CH0391	\$ 232,393
Total Passed Through Education Service Center, Region X			<u>232,393</u>
<u>Passed Through Aldine ISD:</u>			
MAC Program	93.778	199-901	9,444
			<u>9,444</u>
Total Department of Health and Human Services			<u>241,837</u>
<u>U.S. DEPARTMENT OF EDUCATION:</u>			
<u>Passed Through the State Department of Education</u>			
ESEA Title I Part A Cluster			
ESEA Title I Part A- Improving Basic Programs*	84.010	13610101199901	768,041
Special Education Cluster (IDEA)			
IDEA- Part B, Formula*	84.027	136600011999016600	2,066,002
IDEA- Part B, Preschool*	84.173	136610011999016610	11,688
Vocational Education- Basic Grant	84.048	13420006199901	93,774
ESEA Title III, Part A, LEP	84.365	13671001057950	91,407
ESEA Title II, Part A, Teacher Principal Training	84.367	13694501199901	162,754
Summer School LEP	84.369A	69551302	7,746
Total Passed Through State Department of Education			<u>3,201,412</u>
Total Department of Education			<u>3,201,412</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<u>Passed Through the State Department of Education</u>			
Child Nutrition Cluster			
National School Breakfast Program	10.553	71400701	430,197
National School Lunch Program	10.555	71300701	1,699,889
Commodity Supplemental Food Program	10.555	199002A	287,972
Summer Food Service Program	10.559	N/A	38,491
Total Passed Through State Department of Education			<u>2,456,549</u>
Total Department of Agriculture			<u>2,456,549</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 5,899,798</u>

* Denotes Major Federal Program

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

1. The District utilizes the funds specified in the Texas Education Agency Resource Guide.

Special Revenue Funds – are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes by a grantor. Federal and state awards generally are accounted for in the general fund and in special revenue funds. Generally, unused balances are returned to the grantor at the close of specified project periods.

2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The governmental funds are accounted for using a current financial resources measurement focus. All federal grant funds were accounted for in the general fund and special revenue funds, which are governmental funds. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases or decreases in net current assets.

The modified accrual basis of accounting is used for the governmental funds. Accordingly, the schedule of expenditures of federal awards was prepared under this basis of accounting, which requires that revenues are recognized in the accounting period in which they become susceptible to accrual, i.e., both measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for interest on long-term debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

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

3. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Statement - Provisional 6/97.
4. The following table reconciles total expenditures per the schedule of expenditures of federal awards (Exhibit K-1) to the federal program revenues per Exhibit C-2:

Total expenditures of federal awards per Exhibit K-1	\$ 5,899,798
SHARS revenue	<u>526,879</u>
Total federal programs revenue per Exhibit C-2	<u><u>\$ 6,426,677</u></u>

**ROCKWALL INDEPENDENT SCHOOL DISTRICT
SCHOOL FIRST QUESTIONNAIRE (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2015**

<u>Data Control Codes</u>		<u>Response</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on capital appreciation bonds included in government-wide financial statements at fiscal year-end:	\$ 84,118,185
SF11	Net Pension Assets (1920) at fiscal year-end.	\$ -
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$ 12,105,493
SF13	Pension Expense (6147) at fiscal year-end.	\$ (1,690,142)