

**COLLEGE STATION INDEPENDENT
SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED

AUGUST 31, 2015

COLLEGE STATION INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

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CERTIFICATE OF BOARD

COLLEGE STATION INDEPENDENT SCHOOL DISTRICT
Name of School

BRAZOS
County

021-901
Co.-Dist Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and

APPROVED --- DISAPPROVED
(Check One)

for the year ended August 31, 2015 at a meeting of the Board of Trustees of such school district on the 15th day of December, 2015.



SIGNATURE OF BOARD SECRETARY



SIGNATURE OF BOARD PRESIDENT

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

FINANCIAL SECTION

HLSK

Hereford, Lynch, Sellars & Kirkham

Certified Public Accountants • A Professional Corporation

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees to
College Station Independent School District
1812 Welsh Avenue
College Station, Texas 77840

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 College Station Independent School District (District) as of and for the year ended August 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of College Station Independent School District as of August 31, 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.

Emphasis of Matter

As discussed in Note I.E., in 2015 the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27, and 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 these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Required Supplementary Information, as listed in the table of contents, 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 College Station Independent School District's basic financial statements. The Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis and is 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 Supplementary Information and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2015 on our consideration of the College Station Independent School 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 College Station Independent School District's internal control over financial reporting and compliance.

Respectfully,

Hereford, Lynch, Sellars & Kirkham, P.C.

HEREFORD, LYNCH, SELLARS & KIRKHAM, P.C.
Certified Public Accountants

Conroe, Texas
November 27, 2015

Management's Discussion and Analysis

As management of the College Station Independent School District ("the District"), we offer readers of the accompanying report this narrative overview and analysis of the financial activities of the District for the fiscal year ended August 31, 2015. In reviewing this report, readers should be mindful that it is often necessary for management to make and use estimates in the preparation of financial statements. Examples of the use of such estimates may be found in amounts reported for depreciation, net taxes receivable, claims payable of the District's self-insured workers' compensation program, and net pension liability.

Financial Highlights

- Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources at year-end by \$86,942,435 (net position). Of this amount, \$20,524,354 (unrestricted net position) is available to meet the District's ongoing obligations to students and creditors in subsequent years.
- The District's total net position increased by \$3,996,984 from current operations, and decreased by \$14,725,878 from the implementation of GASB 68 and 71.
- As of the close of the year, the District's governmental funds had combined ending fund balances of \$75,943,828, a decrease of \$30,565,552 as compared to the preceding year.
- At the end of the year, unassigned fund balance of the general fund was \$14,765,948, or 16 percent of the year's total general fund expenditures.
- The District's total bonded debt decreased by \$8,534,627 (3 percent) during the year.

Overview of the Financial Statements

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

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

The *Statement of Net Position* (Exhibit A-1) presents information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as an indicator of how the financial position of the District is changing.

The *Statement of Activities* (Exhibit B-1) presents information showing how the District's net position changed during the most recent fiscal year. Changes in net position are reported upon occurrence of the underlying event giving rise to the change, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some transactions that will not result in cash flows until future fiscal periods (e.g., uncollected taxes and incurred but unpaid workers' compensation benefits).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include *Instruction, Instructional Resources and Media Services, Curriculum and Staff Development, Instructional Leadership, School Leadership, Guidance, Counseling, and Evaluation Services, Social Work Services, Health Services, Student Transportation, Food Service, Extracurricular Activities, General Administration, Plant Maintenance and Operations, Security and Monitoring Services, Data Processing Services, Community Services, Interest on Long-term Debt, Issuance Costs and Fees, Facilities Repair and Maintenance, Payments Related to Shared Services Arrangements, Payments to Juvenile Justice Alternative Education Programs, and Other Intergovernmental Charges*. The business-type activities of the District include the Enterprise Funds for *Community Education, Kids Klub, and Community Sports Camps*.

In fiscal year 2015, the District adopted five new statements of financial accounting standards issued by the Governmental Accounting Standards Board:

- Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*
- Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*
- Statement No. 69, *Government Combinations and Disposals of Government Operations*
- Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*
- Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*

Statement No. 67 establishes financial reporting standards, but not funding or budgetary standards, for state and local government defined benefit pension plans and defined contribution pension plans that are administered through trusts or equivalent arrangements (Pension Trusts) in which:

- a. Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- b. Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- c. Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

For defined benefit pension plans, this Statement establishes standards of financial reporting for separately issued financial reports and presentation as pension trust funds in the financial statements of another government, and specifies the required approach to measuring the pension liability of employers and any nonemployer contributing entities for benefits provided through the pension plan (the net pension liability), about which certain information is required to be presented. Distinctions are made regarding the particular presentation requirements depending upon the type of pension plan administered. For defined contribution plans, the Statement provides specific note disclosure requirements.

The adoption of Statement No. 67 has no impact on the District's financial statements.

Statement No. 68 establishes standards of accounting and financial reporting, but not funding or budgetary standards, for defined benefit pensions and defined contribution pensions provided to the employees of state and local government employers through pension plans that are administered through trusts or equivalent arrangements criteria detailed above in the description of Statement No. 67. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans within the scope of the Statement.

The requirements of Statement No. 68 apply to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts or equivalent arrangements as described above, and to the financial statements of state and local governmental nonemployer contributing entities that have a legal obligation to make contributions directly to such pension plans. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. Note disclosure and RSI requirements about pensions also are addressed. For defined benefit pension plans, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

The adoption of Statement No. 68 has no impact on the District's governmental fund financial statements, which continue to report expenditures in the contribution amount determined by the state legislature for the TRS plan. The calculation of pension contributions is unaffected by the change. However, the adoption has resulted in the restatement of the District's beginning net position for the fiscal year 2015 government-wide financial statements to reflect the reporting of net pension liabilities and deferred inflows of resources and deferred outflows of resources for its qualified pension plan and the recognition of pension expense in accordance with the provisions of the Statement. Net position as of September 1, 2014 was decreased by \$14,725,878 to reflect the cumulative effect of adoption. The net pension liability of \$15,959,491 and the deferred outflows of resources of \$1,233,613 at August 31, 2014 were reported as a prior period adjustment to the net position on September 1, 2014. Refer to Note IV.C for more information regarding the District's pension.

Statement No. 69 improves financial reporting by addressing accounting and financial reporting for government combinations and disposals of government operations. The term "government combinations" is used to refer to a variety of arrangements including mergers and acquisitions. Mergers include combinations of legally separate entities without the exchange of significant consideration. Government acquisitions are transactions in which a government acquires another entity, or its operations, in exchange for significant consideration. Government combinations also include transfers of operations that do not constitute entire legally separate entities in which no significant consideration is exchanged. Transfers of operations may be present in shared service arrangements, reorganizations, redistricting, annexations, and arrangements in which an operation is transferred to a new government created to provide those services.

There was no impact on the District's financial statements as a result of the implementation of Statement No. 69.

Statement No. 70 was issued to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees.

The Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The Statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. The Statement requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. When a government is released as an obligor, the government should recognize revenue as a result of being relieved of the obligation. This Statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units.

There was no impact on the District's financial statements as a result of the implementation of Statement No. 70.

Statement No. 71 amends Statement No. 68 to require that, at transition, a government recognizes a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Since the measurement date of the pension plan was different than the District's fiscal year-end, the effect from the District's reported contributions to the plan subsequent to the respective measurement date of the plan as an increase in deferred outflow of resources and a decrease in net position are as follows:

- TRS – The beginning deferred outflow includes contributions from September 1, 2013 through August 31, 2014, totaling \$1,233,613.

The government-wide financial statements can be found as noted in the table of contents of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, as do 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. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of cash resources*, as well as on *balances of cash resources* available at the end of the fiscal year. Such information may be useful in evaluating near-term financing requirements.

Because the focus of governmental funds financial statements is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term effect of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintained nineteen individual governmental funds during the year. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and capital projects funds, which are considered to be major funds. Data from the other sixteen governmental funds are combined into a single, aggregated presentation titled *other governmental funds*.

The District adopts an annual revenue and appropriations budget for its general fund. Subsequent to adoption, amendments approved by the governing body are reflected in a revised budget. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements are noted in the table of contents of this report.

Proprietary fund. The District maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The District uses enterprise funds to account for its Community Education program, Kids Klub, and Community Sports Camps. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the District's various funds and functions. The District uses the internal service fund to account for its self-funded workers' compensation program. Because this service predominantly benefits governmental operations, their financial activities have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide essentially the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements are provided with the basic financial statements and provide information for the Community Education program, Kids Klub, Community Sports Camps, and the self-funded workers' compensation program.

The basic proprietary fund financial statements are noted in the table of contents of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of students and student organizations. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs and activities. A statement of fiduciary assets and liabilities is the only financial statement presented for fiduciary funds, as noted in the table of contents of this report.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements are noted in the table of contents of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report presents required supplementary information and supplementary information, including schedules required by the Texas Education Agency. Such information is noted in the table of contents of this report.

Government-wide Financial Analysis

As mentioned earlier, net position may, over time, serve as an indicator of a District's changing financial position. At the close of the District's most recent fiscal year, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$86,942,435.

College Station Independent School District's Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
	Amount	Amount	Amount	Amount	Amount	Amount
Current and Other Assets	\$ 88,984,577	\$ 117,898,430	\$ 1,183,596	\$ 832,143	\$ 90,168,173	\$ 118,730,573
Capital Assets, net of Depreciation	293,567,403	274,317,674	-	-	293,567,403	274,317,674
Total Assets	382,551,980	392,216,104	1,183,596	832,143	383,735,576	393,048,247
Total Deferred Outflows of Resources	7,835,644	805,678	-	-	7,835,644	805,678
Long-Term Liabilities Outstanding	290,749,190	286,286,205	-	-	290,749,190	286,286,205
Other Liabilities	8,720,118	9,064,248	270,203	191,843	8,990,321	9,256,091
Total Liabilities	299,469,308	295,350,453	270,203	191,843	299,739,511	295,542,296
Total Deferred Inflows of Resources	3,975,881	-	-	-	3,975,881	-
Net Position:						
Net Investment in Capital Assets	60,015,116	58,854,115	-	-	60,015,116	58,854,115
Restricted for Debt Service	6,148,591	4,834,187	-	-	6,148,591	4,834,187
Restricted for Grants	254,374	278,158	-	-	254,374	278,158
Unrestricted	20,524,354	33,704,869	913,393	640,300	21,437,747	34,345,169
Total Net Position	\$ 86,942,435	\$ 97,671,329	\$ 913,393	\$ 640,300	\$ 87,855,828	\$ 98,311,629

The largest portion of the District's net position (60,015,116 or 68 percent of net position) is investment in capital assets (e.g., land and improvements, buildings and improvements, furniture and equipment, and construction in progress), less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net position that is restricted for debt service and grants totals \$6,402,965 or 7 percent of net position. Unrestricted net position (\$21,437,747 or 24 percent of net position), may be used to meet the District's ongoing obligations to students and creditors. At the end of the current fiscal year, the District is able to report positive balances in all three categories of net position.

Governmental Activities. Governmental Activities increased the District's net position by \$3,996,984 from current operations and decreased \$14,725,878 from the implementations of GASB 68 and 71. The elements giving rise to this increase may be determined from the table below.

College Station Independent School District's Changes in Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
	Amount	Amount	Amount	Amount	Amount	Amount
Revenue:						
Program Revenues:						
Charges for Services	\$ 3,911,432	\$ 3,489,469	\$ 2,099,983	\$ 1,982,860	\$ 6,011,415	\$ 5,472,329
Operating Grants and Contributions	14,020,768	12,932,951	-	-	14,020,768	12,932,951
General Revenues:						
Property Taxes, Levied for General Purpose	75,033,937	70,066,484	-	-	75,033,937	70,066,484
Property Taxes, Levied for Debt Service	24,508,969	18,866,635	-	-	24,508,969	18,866,635
Grants and Contributions Not Restricted	10,761,542	8,509,465	-	-	10,761,542	8,509,465
Investment Earnings	540,635	530,631	-	-	540,635	530,631
Miscellaneous Local and Intermediate	493,749	187,246	-	-	493,749	187,246
Total Revenues	129,271,032	114,582,881	2,099,983	1,982,860	131,371,015	116,565,741
Expenses:						
Instruction	66,426,323	63,093,900	-	-	66,426,323	63,093,900
Instructional Resources and Media Services	1,205,830	1,168,995	-	-	1,205,830	1,168,995
Curriculum and Development	1,391,802	1,468,366	-	-	1,391,802	1,468,366
Instructional Leadership	1,833,959	1,780,540	-	-	1,833,959	1,780,540
School Leadership	5,927,450	5,802,033	-	-	5,927,450	5,802,033
Guidance, Counseling, and Evaluation Services	3,362,717	3,274,083	-	-	3,362,717	3,274,083
Social Work Services	15,569	15,935	-	-	15,569	15,935
Health Services	1,210,376	1,015,456	-	-	1,210,376	1,015,456
Student Transportation	3,812,129	3,689,524	-	-	3,812,129	3,689,524
Food Service	5,603,720	5,313,250	-	-	5,603,720	5,313,250
Extracurricular Activities	5,718,476	5,268,254	-	-	5,718,476	5,268,254
General Administration	2,437,127	2,339,584	-	-	2,437,127	2,339,584
Plant Maintenance and Operations	9,867,658	9,452,116	-	-	9,867,658	9,452,116
Security and Monitoring Services	498,841	475,091	-	-	498,841	475,091
Data Processing Services	2,099,898	1,972,577	-	-	2,099,898	1,972,577
Community Services	652,357	607,106	-	-	652,357	607,106
Interest on Long-term Debt	10,387,483	10,010,701	-	-	10,387,483	10,010,701
Issuance Costs and Fees	426,623	486,298	-	-	426,623	486,298
Facilities Repair and Maintenance	1,424,239	637,604	-	-	1,424,239	637,604
Payments Related to Shared Services Arrangements	90,074	125,285	-	-	90,074	125,285
Payments to Juvenile Justice Alternative Education Programs	1,011	7,416	-	-	1,011	7,416
Other Intergovernmental Charges	880,386	835,092	-	-	880,386	835,092
Community Education	-	-	478,677	519,956	478,677	519,956
Kids Club	-	-	1,184,694	1,042,521	1,184,694	1,042,521
Community Sports Camps	-	-	163,519	152,777	163,519	152,777
Total Expenses	125,274,048	118,839,206	1,826,890	1,715,254	127,100,938	120,554,460
Change in Net Position	3,996,984	(4,256,325)	273,093	267,606	4,270,077	(3,988,719)
Net Position - Beginning	97,671,329	101,927,654	640,300	372,694	98,311,629	102,300,348
Prior Period Adjustment- Implement GASB 68 and 71 for Pensions (a)	(14,725,878)	-	-	-	(14,725,878)	-
Net Position - Beginning, as restated	82,945,451	101,927,654	640,300	372,694	83,585,751	102,300,348
Net Position - Ending	\$ 86,942,435	\$ 97,671,329	\$ 913,393	\$ 640,300	\$ 87,855,828	\$ 98,311,629

(a) The restatement of the beginning net position in fiscal year 2015 is the result of the District implementing GASB Statement No. 68 and 71 in fiscal year 2015. The implementation is discussed above in MD&A and more information is available in Note IV.C.

Revenues, aggregating \$129,271,032, were generated primarily from two sources. Property taxes of \$99,542,906 represent 77 percent of total revenues, while grants and contributions (program and general) totaling \$24,782,310 represent 19 percent of total revenues. The remaining 4 percent is generated from investment earnings, charges for services, and miscellaneous revenues.

The primary functional expense of the District is Instruction (\$66,426,323), which represents 53 percent of total expenses. The remaining expense categories are individually less than 10 percent of total expenses. There were no significant changes in expenses.

The District's increase in net position resulted primarily from an increase in property tax revenues related to increased appraised values.

Business-type Activities. Business-type activities increased the District's net position by \$273,093 primarily due to the increase in enrollment in Kids Klub during the year.

Financial Analysis of the Government's Funds

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

Governmental funds. At the end of the fiscal year, the District's governmental funds had combined ending fund balances of \$75,943,828, a decrease of \$30,565,552 from the preceding year. Comments as to each individual fund's change in fund balance follow.

The general fund is the primary operating fund of the District. At year-end, unassigned fund balance of the general fund was \$14,765,948, while total fund balance was \$30,627,938. To evaluate the general fund's liquidity, it may be helpful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 16 percent of total general fund expenditures, while total fund balance represents 34 percent of that same total. The fund balance of the general fund increased \$325,768 during the year, primarily as a result of the increase in property tax revenues and state revenues exceeding the increase in expenditures.

The debt service fund ended the year with a total fund balance of \$5,903,390, all of which is reserved for the payment of principal and interest on debt. The debt service fund balance decreased \$447,309 during the year, primarily due to scheduled debt payments.

The capital projects fund has a total fund balance of \$38,253,268, all of which is reserved for capital expenditures. The net decrease in fund balance during the current year in the capital projects fund was \$30,534,541. The decrease was due to an increase in construction expenditures to build additional facilities.

Governmental funds financial statements may be found by referring to the table of contents.

Proprietary funds. The District's proprietary fund financial statements, reflecting enterprise and internal service funds created for its Community Education program, Kids Klub, Community Sports Camps, and self-funded workers' compensation program, provides information as to profitability of those programs. The net change in assets of the internal service fund is eliminated and allocated to the governmental expenses in the government-wide financial statements. The enterprise funds have been addressed in the discussion of the District's business-type activities.

General Fund Budgetary Highlights

The District amends the budget as needed throughout the year. The variations between the original budget and the final amended budget of the general fund were not significant.

There were no significant variations between the final budget and the actual results at year end.

Capital Assets and Long-term Liabilities

Capital assets. The District's investment in capital assets for its governmental and business-type activities as of August 31, 2015 was \$293,567,403 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings and improvements, furniture and equipment, and construction in progress. The increase in net investment in capital assets for the current fiscal year was \$19,249,729.

Major capital asset addition activity during the year included the following:

- Furniture and Equipment totaling \$1,368,222.
- Construction in Progress totaling \$28,910,085.

College Station Independent School District's Capital Assets
(net of depreciation)

	Governmental Activities		Business-Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
	Amount	Amount	Amount	Amount	Amount	Amount
Land and Improvements	\$ 12,233,149	\$ 12,228,126	\$ -	\$ -	\$ 12,233,149	\$ 12,228,126
Buildings and Improvements	263,894,901	238,497,497	-	-	263,894,901	238,497,497
Furniture and Equipment	6,398,492	6,999,129	-	-	6,398,492	6,999,129
Construction in Progress	11,040,861	16,592,922	-	-	11,040,861	16,592,922
Totals	\$ 293,567,403	\$ 274,317,674	\$ -	\$ -	\$ 293,567,403	\$ 274,317,674

Commitments. At the end of the current fiscal year, the District's commitments with construction contractors totaled \$17,482,907.

Additional information on the District's capital assets can be found in the notes to the financial statements per the table of contents.

Long-term liabilities. At year-end, the District had the following long-term liabilities:

College Station Independent School District's Long-Term Liabilities Outstanding

	Governmental Activities					
	2015		2014		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
General Obligation Bonds (Net)	\$ 276,522,419	96	\$ 285,057,046	95	\$ (8,534,627)	(3)
Workers' Compensation	579,831	-	614,794	-	(34,963)	(6)
Compensated Absences	649,742	-	614,365	-	35,377	6
Net Pension Liability*	12,997,198	4	15,959,491	5	(2,962,293)	(19)
Totals	\$ 290,749,190	100	\$ 302,245,696	100	\$ (11,496,506)	

*2014 Net Pension Liability was restated for implementation of GASB 68.

The District's total bonded debt decreased by \$8,534,627. The key factor was the defeasement of bonds.

The District's general obligation debt is backed by the full faith and credit of the District and is further guaranteed by the Texas Permanent School Fund Guarantee Program or by a municipal bond insurance policy.

State statutes do not limit the tax rate or amount of local tax support of school districts' bonded indebtedness. However, approval by the Attorney General of the State of Texas is required prior to the sale of bonds.

Additional information on the District's long-term debt can be found in the notes to the financial statements per the table of contents.

The adoption of Statement No. 68 resulted in the District's reporting of net pension liabilities and deferred inflows of resources and deferred outflows of resources for each of its qualified pension plans and the recognition of pension expense in accordance with the provisions of the Statement. The decrease in the District's net pension liability (NPL) to \$12,997,198 at August 31, 2015 from \$15,959,491 at August 31, 2014 was the result of a significant increase in net investment income in the TRS plan during 2014.

The following table provides the District's key pension statistics related to the TRS plan as of and for the fiscal year ended August 31, 2015:

College Station Independent School District's Key Pension Statistics

Net Pension Liability (NPL)	\$ 12,997,198
Pension Expense	\$ 4,317,043

Additional information on the District's net pension liability can be found in the notes to the financial statements as indicated in the table of contents of this report.

Economic and Other Factors and Fiscal Year 2015-16 Budgets

- School year (2015-16) student enrollment is, 13,018, a 4% increase from the preceding year.
- District staff totals 1,980 employees in 2015-16, excluding substitutes and other part-time employees, of which 888 are teachers and 357 are teacher aides and secretaries.
- The District maintains 16 regular education campuses.
- Property values of the District are projected to increase by 7.7 percent for the 2015-16 year.
- A maintenance and operations tax rate of \$1.04 and a debt service tax rate of \$.3229, a total rate of \$1.3629, were adopted for 2015-16. Preceding year rates were \$1.04, \$.34, and \$1.38, respectively.

All of these factors and others were considered in preparing the District's budget for the 2015-16 fiscal year.

Requests for Information

This financial report is intended to provide a general overview of the District's finances for those with an interest in this information. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, College Station Independent School District, 1812 Welsh, College Station, Texas 77840.

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BASIC FINANCIAL STATEMENTS

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COLLEGE STATION INDEPENDENT SCHOOL DISTRICT

EXHIBIT A-1

STATEMENT OF NET POSITION

AUGUST 31, 2015

Data Control Codes	Primary Government			
	1	2	3	
	Governmental Activities	Business-type Activities	Total	
ASSETS:				
1110	Cash and Cash Equivalents	\$ 66,771,078	\$ 1,183,596	\$ 67,954,674
1120	Current Investments	13,157,308	-	13,157,308
1220	Property Taxes Receivable	3,598,896	-	3,598,896
1230	Allowance for Uncollectible Taxes	(35,989)	-	(35,989)
1240	Due from Other Governments	4,316,639	-	4,316,639
1250	Accrued Interest	34,279	-	34,279
1267	Due from Fiduciary	7	-	7
1290	Other Receivables	33,939	-	33,939
1300	Inventories	276,293	-	276,293
1410	Prepaid Items	832,127	-	832,127
Capital Assets:				
1510	Land and Improvements	12,233,149	-	12,233,149
1520	Buildings and Improvements (Net)	263,894,901	-	263,894,901
1530	Furniture and Equipment (Net)	6,398,492	-	6,398,492
1580	Construction in Progress	11,040,861	-	11,040,861
1000	Total Assets	<u>382,551,980</u>	<u>1,183,596</u>	<u>383,735,576</u>
1700	DEFERRED OUTFLOWS OF RESOURCES	<u>7,835,644</u>	<u>-</u>	<u>7,835,644</u>
LIABILITIES:				
2110	Accounts Payable	5,263,414	17,593	5,281,007
2140	Interest Payable	470,552	-	470,552
2160	Accrued Wages Payable	2,826,183	61,096	2,887,279
2300	Unearned Revenue	159,969	191,514	351,483
Noncurrent Liabilities:				
2501	Due within One Year	15,304,573	-	15,304,573
2502	Due in More Than One Year	275,444,617	-	275,444,617
2000	Total Liabilities	<u>299,469,308</u>	<u>270,203</u>	<u>299,739,511</u>
2600	DEFERRED INFLOWS OF RESOURCES	<u>3,975,881</u>	<u>-</u>	<u>3,975,881</u>
NET POSITION:				
3200	Net Investment in Capital Assets	60,015,116	-	60,015,116
3820	Restricted for Grants	254,374	-	254,374
3850	Restricted for Debt Service	6,148,591	-	6,148,591
3900	Unrestricted	20,524,354	913,393	21,437,747
3000	Total Net Position	<u>\$ 86,942,435</u>	<u>\$ 913,393</u>	<u>\$ 87,855,828</u>

The accompanying notes are an integral part of this statement.

COLLEGE STATION INDEPENDENT SCHOOL DISTRICT

STATEMENTS OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	Functions/Programs	1 Expenses	3 Charges for Services	4 Program Revenues	
				Charges for Services	Operating Grants and Contributions
	Primary Government:				
	Governmental Activities:				
0011	<i>Instruction</i>	\$ 66,426,323	\$ 378,568	\$ 7,934,929	
0012	<i>Instructional Resources and Media Services</i>	1,205,830	124,541	41,595	
0013	<i>Curriculum and Staff Development</i>	1,391,802	16,739	645,541	
0021	<i>Instructional Leadership</i>	1,833,959	-	340,392	
0023	<i>School Leadership</i>	5,927,450	58,940	253,894	
0031	<i>Guidance, Counseling, and Evaluation Services</i>	3,362,717	-	387,883	
0032	<i>Social Work Services</i>	15,569	-	15,189	
0033	<i>Health Services</i>	1,210,376	171	202,018	
0034	<i>Student Transportation</i>	3,812,129	1,906	104,106	
0035	<i>Food Service</i>	5,603,720	2,610,055	2,958,350	
0036	<i>Extracurricular Activities</i>	5,718,476	657,164	99,620	
0041	<i>General Administration</i>	2,437,127	1,340	156,600	
0051	<i>Plant Maintenance and Operations</i>	9,867,658	48,553	285,846	
0052	<i>Security and Monitoring Services</i>	498,841	199	3,338	
0053	<i>Data Processing Services</i>	2,099,898	-	63,214	
0061	<i>Community Services</i>	652,357	13,256	514,113	
0072	<i>Interest on Long-term Debt</i>	10,387,483	-	-	
0073	<i>Issuance Costs and Fees</i>	426,623	-	-	
0081	<i>Facilities Repair and Maintenance</i>	1,424,239	-	14,140	
0093	<i>Payments Related to Shared Services Arrangement</i>	90,074	-	-	
0095	<i>Payments to Juvenile Justice Alternative Education Programs</i>	1,011	-	-	
0099	<i>Other Intergovernmental Charges</i>	880,386	-	-	
TG	Total Governmental Activities	<u>125,274,048</u>	<u>3,911,432</u>	<u>14,020,768</u>	
	Business-type-Activities:				
01	<i>Community Education</i>	478,677	550,651	-	
02	<i>Kids Klub</i>	1,184,694	1,381,288	-	
03	<i>Community Sports Camps</i>	163,519	168,044	-	
TB	Total Business-type Activities	<u>1,826,890</u>	<u>2,099,983</u>	<u>-</u>	
TP	Total Primary Government	\$ <u>127,100,938</u>	\$ <u>6,011,415</u>	\$ <u>14,020,768</u>	
	General Revenues:				
MT	<i>Property Taxes, Levied for General Purposes</i>				
DT	<i>Property Taxes, Levied for Debt Services</i>				
GC	<i>Grants and Contributions Not Restricted to Specific Programs</i>				
IE	<i>Investment Earnings</i>				
MI	<i>Miscellaneous</i>				
TR	Total General Revenues				
CN	Change in Net Position				
NB	Net Position - Beginning				
PA	<i>Prior Period Adjustment - Implement GASB 68 & 71 for Pensions</i>				
	Net Position - Beginning, as restated				
NE	Net Position - Ending				

The accompanying notes are an integral part of this statement.

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Net (Expense) Revenue and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (58,112,826)		\$ (58,112,826)
(1,039,694)		(1,039,694)
(729,522)		(729,522)
(1,493,567)		(1,493,567)
(5,614,616)		(5,614,616)
(2,974,834)		(2,974,834)
(380)		(380)
(1,008,187)		(1,008,187)
(3,706,117)		(3,706,117)
(35,315)		(35,315)
(4,961,692)		(4,961,692)
(2,279,187)		(2,279,187)
(9,533,259)		(9,533,259)
(495,304)		(495,304)
(2,036,684)		(2,036,684)
(124,988)		(124,988)
(10,387,483)		(10,387,483)
(426,623)		(426,623)
(1,410,099)		(1,410,099)
(90,074)		(90,074)
(1,011)		(1,011)
<u>(880,386)</u>		<u>(880,386)</u>
<u>(107,341,848)</u>		<u>(107,341,848)</u>
-	\$ 71,974	71,974
-	196,594	196,594
-	4,525	4,525
<u>-</u>	<u>273,093</u>	<u>273,093</u>
<u>(107,341,848)</u>	<u>273,093</u>	<u>(107,068,755)</u>
75,033,937	-	75,033,937
24,508,969	-	24,508,969
10,761,542	-	10,761,542
540,635	-	540,635
493,749	-	493,749
<u>111,338,832</u>	<u>-</u>	<u>111,338,832</u>
<u>3,996,984</u>	<u>273,093</u>	<u>4,270,077</u>
97,671,329	640,300	98,311,629
(14,725,878)	-	(14,725,878)
82,945,451	640,300	83,585,751
<u>\$ 86,942,435</u>	<u>\$ 913,393</u>	<u>\$ 87,855,828</u>

COLLEGE STATION INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2015

Data	199	599
Control	General	Debt Service
Codes	Fund	Fund
ASSETS:		
1110 <i>Cash and Cash Equivalents</i>	\$ 19,389,122	\$ 2,959,715
1120 <i>Current Investments</i>	10,236,072	2,919,313
1220 <i>Property Taxes Receivable</i>	2,875,913	722,983
1230 <i>Allowance for Uncollectible Taxes</i>	(28,759)	(7,230)
1240 <i>Due from Other Governments</i>	3,779,076	20,462
1250 <i>Accrued Interest</i>	9,604	3,900
1260 <i>Due from Other Funds</i>	430,052	-
1290 <i>Other Receivables</i>	23,823	-
1300 <i>Inventories</i>	81,085	-
1410 <i>Prepaid Items</i>	780,905	-
1000 Total Assets	<u>37,576,893</u>	<u>6,619,143</u>
1000a Total Assets and Deferred Outflows of Resources	<u>\$ 37,576,893</u>	<u>\$ 6,619,143</u>
LIABILITIES:		
2110 <i>Accounts Payable</i>	\$ 1,217,828	\$ -
2160 <i>Accrued Wages Payable</i>	2,826,183	-
2170 <i>Due to Other Funds</i>	-	-
2300 <i>Unearned Revenue</i>	57,790	-
2000 Total Liabilities	<u>4,101,801</u>	<u>-</u>
2600 DEFERRED INFLOWS OF RESOURCES	<u>2,847,154</u>	<u>715,753</u>
FUND BALANCES:		
3410 <i>Nonspendable - Inventories</i>	81,085	-
3430 <i>Nonspendable - Prepaid Items</i>	780,905	-
3450 <i>Restricted - Grant Funds</i>	-	-
3470 <i>Restricted - Capital Acquisitions and Contractual Obligations</i>	-	-
3480 <i>Restricted - Debt Service</i>	-	5,903,390
3510 <i>Committed - Construction</i>	15,000,000	-
3545 <i>Committed - Other</i>	-	-
3600 <i>Unassigned</i>	14,765,948	-
3000 Total Fund Balances	<u>30,627,938</u>	<u>5,903,390</u>
4000 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 37,576,893</u>	<u>\$ 6,619,143</u>

The accompanying notes are an integral part of this statement.

699 Capital Projects Fund	Total Nonmajor Funds	98 Total Governmental Funds
\$ 42,049,202	\$ 1,189,773	\$ 65,587,812
-	1,001	13,156,386
-	-	3,598,896
-	-	(35,989)
-	517,101	4,316,639
20,055	176	33,735
-	-	430,052
-	10,116	33,939
-	195,208	276,293
-	-	780,905
<u>42,069,257</u>	<u>1,913,375</u>	<u>88,178,668</u>
<u>\$ 42,069,257</u>	<u>\$ 1,913,375</u>	<u>\$ 88,178,668</u>
\$ 3,815,989	\$ 221,919	\$ 5,255,736
-	-	2,826,183
-	430,045	430,045
-	102,179	159,969
<u>3,815,989</u>	<u>754,143</u>	<u>8,671,933</u>
-	-	3,562,907
-	108,143	189,228
-	-	780,905
-	254,374	254,374
38,253,268	-	38,253,268
-	-	5,903,390
-	-	15,000,000
-	796,715	796,715
-	-	14,765,948
<u>38,253,268</u>	<u>1,159,232</u>	<u>75,943,828</u>
<u>\$ 42,069,257</u>	<u>\$ 1,913,375</u>	<u>\$ 88,178,668</u>

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

EXHIBIT C-1R

Total Fund Balances - Governmental Funds (Exhibit C-1) **\$ 75,943,828**

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The governmental capital assets at year-end consist of:

Governmental Capital Assets Costs	\$ 412,395,917	
Accumulated Depreciation of Governmental Capital Assets	<u>(118,828,514)</u>	293,567,403

Property taxes receivable, which will be collected subsequent to year-end, but are not available soon enough to pay expenditures and, therefore, are deferred in the funds.	3,562,907
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Long-term liabilities, including bonds payable, compensated absences, and net pension liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Liabilities at year-end related to such items, consist of:

Bonds Payable, at Original Par	\$ (264,555,000)	
Premium on Bonds Payable	(11,967,419)	
Deferred Charge on Refunding	4,716,864	
Accrued Interest on the Bonds	(470,552)	
Compensated Absences	(649,742)	
Net Pension Liability	<u>(12,997,198)</u>	(285,923,047)

An internal service fund is used by the District to charge the costs of workers' compensation benefits to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.	648,445
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Deferred outflows for pension are included in the statement of net position and are not reported in the funds due to they are not current financial resources available to pay for current expenditures.	3,118,780
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Deferred inflows for pension are included in the statement of net position and are not reported in the funds due to they are not current financial resources available to pay for current expenditures.	<u>(3,975,881)</u>
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Total Net Position - Governmental Activities (Exhibit A-1) **\$ 86,942,435**

The accompanying notes are an integral part of this statement.

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

Data	199	599
Control		Debt Service
Codes	General Fund	Fund
REVENUES:		
5700 <i>Local and Intermediate Sources</i>	\$ 76,127,983	\$ 24,498,885
5800 <i>State Program Revenues</i>	14,734,874	-
5900 <i>Federal Program Revenues</i>	278,355	-
5020 <i>Total Revenues</i>	<u>91,141,212</u>	<u>24,498,885</u>
EXPENDITURES:		
Current:		
0011 <i>Instruction</i>	54,870,335	-
0012 <i>Instructional Resources and Media Services</i>	889,983	-
0013 <i>Curriculum and Staff Development</i>	750,323	-
0021 <i>Instructional Leadership</i>	1,582,227	-
0023 <i>School Leadership</i>	5,441,729	-
0031 <i>Guidance, Counseling, and Evaluation Services</i>	2,913,982	-
0032 <i>Social Work Services</i>	-	-
0033 <i>Health Services</i>	1,020,183	-
0034 <i>Student Transportation</i>	2,609,061	-
0035 <i>Food Service</i>	-	-
0036 <i>Extracurricular Activities</i>	4,337,664	-
0041 <i>General Administration</i>	2,309,569	-
0051 <i>Plant Maintenance and Operations</i>	9,654,064	-
0052 <i>Security and Monitoring Services</i>	423,901	-
0053 <i>Data Processing Services</i>	2,050,541	-
0061 <i>Community Services</i>	118,026	-
Debt Service:		
0071 <i>Principal on Long-term Debt</i>	-	12,520,000
0072 <i>Interest on Long-term Debt</i>	-	12,421,977
0073 <i>Issuance Costs and Fees</i>	-	426,623
Capital Outlay:		
0081 <i>Facilities Acquisition and Construction</i>	738,837	-
Intergovernmental:		
0093 <i>Payments Related to Shared Services Arrangements</i>	90,074	-
0095 <i>Payments to Juvenile Justice Alternative Education Programs</i>	1,011	-
0099 <i>Other Intergovernmental Charges</i>	880,386	-
6030 <i>Total Expenditures</i>	<u>90,681,896</u>	<u>25,368,600</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<u>459,316</u>	<u>(869,715)</u>
OTHER FINANCING SOURCES (USES):		
7901 <i>Issuance of Refunding Bond</i>	-	46,455,000
7915 <i>Transfers In</i>	-	-
7916 <i>Premium or Discount on Issuance of Bonds</i>	-	5,779,497
8911 <i>Transfers Out</i>	(51,263)	-
8940 <i>Payment to Bond Refunding Escrow Agent</i>	-	(51,812,091)
8989 <i>Headstart Refund</i>	(82,285)	-
7080 <i>Total Other Financing Sources (Uses)</i>	<u>(133,548)</u>	<u>422,406</u>
1200 <i>Net Change in Fund Balances</i>	325,768	(447,309)
0100 <i>Fund Balances - Beginning</i>	30,302,170	6,350,699
3000 Fund Balances - Ending	<u>\$ 30,627,938</u>	<u>\$ 5,903,390</u>

The accompanying notes are an integral part of this statement.

699 Capital Projects Fund	Total Nonmajor Funds	98 Total Governmental Funds
\$ 308,664	\$ 3,862,169	\$ 104,797,701
-	1,055,742	15,790,616
-	8,321,499	8,599,854
<u>308,664</u>	<u>13,239,410</u>	<u>129,188,171</u>
181,346	5,404,724	60,456,405
-	119,708	1,009,691
-	638,378	1,388,701
-	262,197	1,844,424
-	53,445	5,495,174
-	248,506	3,162,488
-	15,569	15,569
-	154,618	1,174,801
-	-	2,609,061
-	5,442,626	5,442,626
95,744	267,788	4,701,196
-	7,537	2,317,106
-	121,718	9,775,782
-	180	424,081
-	390	2,050,931
-	462,759	580,785
-	-	12,520,000
-	-	12,421,977
-	-	426,623
30,566,115	-	31,304,952
-	-	90,074
-	-	1,011
-	-	880,386
<u>30,843,205</u>	<u>13,200,143</u>	<u>160,093,844</u>
<u>(30,534,541)</u>	<u>39,267</u>	<u>(30,905,673)</u>
-	-	46,455,000
-	51,263	51,263
-	-	5,779,497
-	-	(51,263)
-	-	(51,812,091)
-	-	(82,285)
-	51,263	340,121
(30,534,541)	90,530	(30,565,552)
<u>68,787,809</u>	<u>1,068,702</u>	<u>106,509,380</u>
<u>\$ 38,253,268</u>	<u>\$ 1,159,232</u>	<u>\$ 75,943,828</u>

COLLEGE STATION INDEPENDENT SCHOOL DISTRICT**EXHIBIT C-3***RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED AUGUST 31, 2015***Total Net Changes in Fund Balances - Governmental Funds (Exhibit C-2)** \$ (30,565,552)

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital Assets <i>increased</i>	\$ 30,367,435	
Depreciation Expense	<u>(11,117,706)</u>	19,249,729

Because some property taxes will not be collected for several months after the District's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues increased (decreased) by this amount this year. 273,635

Issuance of bonds provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.

Par Value	\$ (46,455,000)	
(Premium) Discount	<u>(5,779,497)</u>	(52,234,497)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 12,520,000

Payment to escrow agent to refund bonds from refunding proceeds 51,812,091

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The (increase) decrease in interest reported in the statement of activities consist of the following:

Accrued Interest on Current Interest Bonds Payable (<i>increased</i>) <i>decreased</i>	\$ 1,686,275	
Amortization of Bond Premium	648,863	
Amortization of Deferred Charge on Refundings	<u>(300,644)</u>	2,034,494

An internal service fund is used by the District to charge the costs of workers' compensation benefits to the individual funds. The net activity of the internal service fund was reported in the government-wide statements. 70,882

The (increase) decrease in compensated absences is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. (35,377)

The net change in net pension liability, deferred outflows, and deferred inflows is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. The net change consists of the following:

Deferred Outflows Increased (Decreased)	\$ 1,885,167	
Deferred Inflows (Increased) Decreased	(3,975,881)	
Net Pension Liability (Increased) Decreased	<u>2,962,293</u>	<u>871,579</u>

Change in Net Position - Governmental Activities (Exhibit B-1) **\$ 3,996,984**

The accompanying notes are an integral part of this statement.

COLLEGE STATION INDEPENDENT SCHOOL DISTRICT

EXHIBIT D-1

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 AUGUST 31, 2015

Data Control Codes	Business-type Activities - Enterprise Funds				Governmental Activities	
	Community Education	Kids Klub	Community Sports Camps	Total Enterprise Funds	Internal Service Fund Workers' Compensation	
ASSETS:						
Current Assets:						
1110	Cash and Cash Equivalents	\$ 269,165	\$ 905,685	\$ 8,746	\$ 1,183,596	\$ 1,183,266
1120	Current Investments	-	-	-	-	922
1250	Accrued Interest	-	-	-	-	544
1410	Prepaid Items	-	-	-	-	51,222
	Total Current Assets	<u>269,165</u>	<u>905,685</u>	<u>8,746</u>	<u>1,183,596</u>	<u>1,235,954</u>
Noncurrent Assets:						
Capital Assets:						
1530	Furniture and Equipment	7,902	39,670	-	47,572	-
1570	Accumulated Depreciation	(7,902)	(39,670)	-	(47,572)	-
	Total Noncurrent Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1000	Total Assets	<u>269,165</u>	<u>905,685</u>	<u>8,746</u>	<u>1,183,596</u>	<u>1,235,954</u>
LIABILITIES:						
Current Liabilities:						
2110	Accounts Payable	11,457	6,136	-	17,593	7,678
2160	Accrued Wages Payable	-	61,096	-	61,096	-
2300	Unearned Revenue	-	191,514	-	191,514	-
2123	Claims Payable - Due Within One Year	-	-	-	-	579,831
	Total Current Liabilities	<u>11,457</u>	<u>258,746</u>	<u>-</u>	<u>270,203</u>	<u>587,509</u>
2000	Total Liabilities	<u>11,457</u>	<u>258,746</u>	<u>-</u>	<u>270,203</u>	<u>587,509</u>
NET POSITION:						
3900	Unrestricted	<u>257,708</u>	<u>646,939</u>	<u>8,746</u>	<u>913,393</u>	<u>648,445</u>
3000	Total Net Position	<u>\$ 257,708</u>	<u>\$ 646,939</u>	<u>\$ 8,746</u>	<u>\$ 913,393</u>	<u>\$ 648,445</u>

The accompanying notes are an integral part of this statement.

COLLEGE STATION INDEPENDENT SCHOOL DISTRICT

EXHIBIT D-2

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	Business-type Activities - Enterprise Funds				Governmental Activities
	Community		Community	Total	Internal Service Fund
	Education	Kids Klub	Sports Camps	Enterprise Funds	Workers' Compensation
OPERATING REVENUES:					
5739 Tuition	\$ 550,651	\$ 1,381,288	\$ 168,044	\$ 2,099,983	\$ -
5745 Insurance Recovery	-	-	-	-	1,852
5754 Interfund Service Provided	-	-	-	-	244,820
5020 Total Revenues	<u>550,651</u>	<u>1,381,288</u>	<u>168,044</u>	<u>2,099,983</u>	<u>246,672</u>
OPERATING EXPENSES:					
6100 Payroll Costs	316,160	937,789	147,846	1,401,795	-
6200 Professional and Contracted Services	12,309	13,603	-	25,912	8,000
6300 Supplies and Materials	17,181	41,196	15,043	73,420	-
6400 Other Operating Costs	<u>133,027</u>	<u>192,106</u>	<u>630</u>	<u>325,763</u>	<u>174,216</u>
6030 Total Expenses	<u>478,677</u>	<u>1,184,694</u>	<u>163,519</u>	<u>1,826,890</u>	<u>182,216</u>
Operating Income (Loss)	71,974	196,594	4,525	273,093	64,456
NONOPERATING REVENUES (EXPENSES):					
7955 Earnings from Temp. Deposits and Investments	-	-	-	-	6,426
8030 Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,426</u>
1300 Change in Net Position	71,974	196,594	4,525	273,093	70,882
0100 Net Position - Beginning	<u>185,734</u>	<u>450,345</u>	<u>4,221</u>	<u>640,300</u>	<u>577,563</u>
3300 Net Position - Ending	<u>\$ 257,708</u>	<u>\$ 646,939</u>	<u>\$ 8,746</u>	<u>\$ 913,393</u>	<u>\$ 648,445</u>

The accompanying notes are an integral part of this statement.

COLLEGE STATION INDEPENDENT SCHOOL DISTRICT

EXHIBIT D-3

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE YEAR ENDED AUGUST 31, 2015

	Business-type Activities - Enterprise Funds				Governmental Activities
				Internal Service Fund	
	Community Education	Kids Klub	Community Sports Camps	Total Enterprise Funds	Workers' Compensation
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash Received from User Charges	\$ 550,651	\$ 1,381,288	\$ 168,044	\$ 2,099,983	\$ 246,672
Cash Payments for Employees Services & Benefits	(345,650)	(992,588)	(162,889)	(1,501,127)	-
Cash Payments for Other Operating Expenses	(140,467)	(106,306)	(630)	(247,403)	(226,650)
Net Cash Provided by (Used for) Operating Activities	<u>64,534</u>	<u>282,394</u>	<u>4,525</u>	<u>351,453</u>	<u>20,022</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest Received	-	-	-	-	6,426
Purchase of Investments	-	-	-	-	(20)
Net Cash Provided by (Used for) Investing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,406</u>
Net Increase (Decrease) in Cash and Cash Equivalents	64,534	282,394	4,525	351,453	26,428
Cash and Cash Equivalents at the Beginning of the Year	204,631	623,291	4,221	832,143	1,156,838
Cash and Cash Equivalents at the End of the Year	<u>\$ 269,165</u>	<u>\$ 905,685</u>	<u>\$ 8,746</u>	<u>\$ 1,183,596</u>	<u>\$ 1,183,266</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:					
Operating Income (Loss)	\$ 71,974	\$ 196,594	\$ 4,525	\$ 273,093	\$ 64,456
EFFECT OF INCREASES AND DECREASES IN CURRENT ASSETS AND LIABILITIES:					
(Increase) Decrease in Prepaid Items	-	-	-	-	(943)
Increase (Decrease) in Accounts Payable	(7,440)	955	-	(6,485)	(8,528)
Increase (Decrease) in Accrued Wages Payable	-	14,416	-	14,416	-
Increase (Decrease) in Unearned Revenue	-	70,429	-	70,429	-
Increase (Decrease) in Claims Payable	-	-	-	-	(34,963)
Net Cash Provided (Used) by Operating Activities	<u>\$ 64,534</u>	<u>\$ 282,394</u>	<u>\$ 4,525</u>	<u>\$ 351,453</u>	<u>\$ 20,022</u>

The accompanying notes are an integral part of this statement.

COLLEGE STATION INDEPENDENT SCHOOL DISTRICT

EXHIBIT E-1

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

FIDUCIARY FUNDS

AUGUST 31, 2015

Data Control Codes		Agency Fund
ASSETS:		
1110	<i>Cash and Cash Equivalents</i>	\$ 544,267
1120	<i>Current Investments</i>	3,410
1250	<i>Accrued Interest</i>	26
1000	Total Assets	\$ 547,703
LIABILITIES:		
2170	<i>Due to Other Funds</i>	\$ 7
2190	<i>Due to Student Groups</i>	547,696
2000	Total Liabilities	\$ 547,703

The accompanying notes are an integral part of this statement.

COLLEGE STATION INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015

I. Summary of Significant Accounting Policies

A. Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government (District). All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support.

B. Reporting Entity

The College Station Independent School District (District) is governed by a seven-member board of trustees (Board), which has governance responsibilities over all activities related to public, elementary and secondary, education within the District. Members of the Board are elected by the public, have authority to make decisions, appoint management and significantly influence operations, and have primary accountability for fiscal matters; the District is not included in any other governmental reporting entity. The accompanying financial statements present the District.

C. Basis of Presentation – Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the District's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those accounted for in another fund.

The *debt service fund* is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of governmental funds.

The *capital projects fund* accounts for the acquisition and construction of the District's major capital facilities, other than those financed by proprietary funds.

Additionally, the District reports the following fund types:

The *enterprise funds* account for the District's operation of a before and after school care program (Kids Klub) and summer programs (Community Education and Sports Camps). These funds are supported principally by revenues generated through program fees.

The *internal service fund* accounts for risk management services claims for workers' compensation claims and administrative expenses provided to other departments or agencies of the District.

The *agency fund* accounts for assets held by the District for student organizations. The fund is custodial in nature (assets equal liabilities) and does not involve measurement or results of operations.

COLLEGE STATION INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in business-type activities column.

E. New Accounting Standards Adopted

In fiscal year 2015, the District adopted five new statements of financial accounting standards issued by the Governmental Accounting Standards Board:

- Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*
- Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*
- Statement No. 69, *Government Combinations and Disposals of Government Operations*
- Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*
- Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*

Statement No. 67 establishes financial reporting standards, but not funding or budgetary standards, for state and local government defined benefit pension plans and defined contribution pension plans that are administered through trusts or equivalent arrangements (Pension Trusts) in which:

1. Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.
2. Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
3. Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

For defined benefit pension plans, this Statement establishes standards of financial reporting for separately issued financial reports and presentation as pension trust funds in the financial statements of another government, and specifies the required approach to measuring the pension liability of employers and any nonemployer contributing entities for benefits provided through the pension plan (the net pension liability), about which certain information is required to be presented. Distinctions are made regarding the particular presentation requirements depending upon the type of pension plan administered. For defined contribution plans, the Statement provides specific note disclosure requirements.

The adoption of Statement No. 67 has no impact on the District's financial statements.

Statement No. 68 establishes standards of accounting and financial reporting, but not funding or budgetary standards, for defined benefit pensions and defined contribution pensions provided to the employees of state and local government employers through pension plans that are administered through trusts or equivalent arrangements criteria detailed above in the description of Statement No. 67. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans within the scope of the Statement.

COLLEGE STATION INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015

The requirements of Statement No. 68 apply to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts or equivalent arrangements as described above, and to the financial statements of state and local governmental nonemployer contributing entities that have a legal obligation to make contributions directly to such pension plans. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. Note disclosure and RSI requirements about pensions also are addressed. For defined benefit pension plans, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

The adoption of Statement No. 68 has no impact on the District's governmental fund financial statements, which continue to report expenditures in the contribution amount determined legislatively for the TRS plan. The calculation of pension contributions is unaffected by the change. However, the adoption has resulted in the restatement of the District's beginning net position for the fiscal year 2015 government-wide financial statements to reflect the reporting of net pension liability and deferred inflows of resources and deferred outflows of resources for its qualified pension plan and the recognition of pension expense in accordance with the provisions of the Statement. Net position as of September 1, 2014, was decreased by \$14,725,878 to reflect the cumulative effect of adoption. The net pension liability of \$15,959,491 and the deferred outflows of resources of \$1,233,613 at August 31, 2014 were reported as a prior period adjustment to the net position on September 1, 2014. Refer to Note IV.C for more information regarding the District's pensions.

Statement No. 69 improves financial reporting by addressing accounting and financial reporting for government combinations and disposals of government operations. The term "government combinations" is used to refer to a variety of arrangements including mergers and acquisitions. Mergers include combinations of legally separate entities without the exchange of significant consideration. Government acquisitions are transactions in which a government acquires another entity, or its operations, in exchange for significant consideration. Government combinations also include transfers of operations that do not constitute entire legally separate entities in which no significant consideration is exchanged. Transfers of operations may be present in shared service arrangements, reorganizations, redistricting, annexations, and arrangements in which an operation is transferred to a new government created to provide those services.

There was no impact on the District's financial statements as a result of the implementation of Statement No. 69.

Statement No. 70 was issued to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees.

The Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The Statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. The Statement requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. When a government is released as an obligor, the government should recognize revenue as a result of being relieved of the obligation. This Statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units.

There was no impact on the District's financial statements as a result of the implementation of Statement No. 70.

COLLEGE STATION INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015

Statement No. 71 amends Statement No. 68 to require that, at transition, a government recognizes a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Since the measurement date of the pension plan was different than the District's fiscal year-end, the effects from the District's reported contributions to the plan subsequent to the respective measurement date of the plan as an increase in deferred outflow of resources and a decrease in net position are as follows:

- TRS – The beginning deferred outflow includes contributions from September 1, 2013 through August 31, 2014, totaling \$1,233,613.

F. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as required under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Interest associated with the current fiscal period is all considered to be susceptible to accrual and has been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items, including property taxes, are considered to be measurable and available only when cash is received by the District.

The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand and bank demand or time deposits with original maturities of three months or less from the date of acquisition.

2. Investments

Investments for the District are reported at fair value (generally based on quoted market prices) except for the position in investment pools. In accordance with state law, the pools operate in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, the pools qualify as a 2a7-like pool and are

COLLEGE STATION INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015

reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. The pools are subject to regulatory oversight by the State Treasurer, although it is not registered with the SEC.

3. Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. Capital Assets

Capital assets, which include land and improvements, construction in progress, buildings and improvements, and furniture and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. The District's infrastructure includes parking lots and sidewalks associated with various buildings. The cost of the infrastructure was initially capitalized with the building cost and is being depreciated over the same useful life as the building. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the District chose to include all such items regardless of their acquisition date or amount. The District was able to estimate the historical cost for the initial reporting of these assets. As the District constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

Land and improvements and construction in progress are not depreciated. The buildings and improvements and furniture and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

Capital Asset Classes	Lives
Buildings and Improvements	7-47
Furniture and Equipment	3-7

5. Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditures) until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

The components of the deferred outflows of resources and deferred inflows of resources in the government-wide and fund level financial statements are as follows:

	Statement of	Balance Sheet - Governmental Funds	
	Net Position	General	Debt Service
	Governmental	Fund	Fund
	Activities		
Deferred Outflows of Resources:			
Deferred Outflows from Pension Activities	\$ 3,118,780	\$ -	\$ -
Deferred Charge on Refunding	4,716,864	-	-
Total Deferred Outflows of Resources	\$ 7,835,644	\$ -	\$ -
Deferred Inflows of Resources:			
Deferred Inflows from Pension Activities	\$ 3,975,881	\$ -	\$ -
Unavailable Property Taxes	-	2,847,154	715,753
Total Deferred Inflows of Resources	\$ 3,975,881	\$ 2,847,154	\$ 715,753

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Deferred outflows/inflows of resources are amortized as follows:

- Deferred outflows/inflows from pension activities are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan, except for projected and actual earnings differences on investments which are amortized on a closed basis over a 5-year period.
- Deferred charge/gain on refunding is amortized over the shorter of the life of the refunded or refunding debt.
- Property taxes are recognized in the period the amount becomes available.

6. Net Position Flow Assumption

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

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

7. Fund Balance Flow Assumptions

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

8. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The board of trustees is the highest level of decision-making authority for the District that can, by board action or adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the board action or resolution remains in place until a similar action is taken (the board action or adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The board of trustees (Board) has by policy authorized the superintendent or his designee to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

9. Pension

In government-wide financial statements, pensions are required to be recognized and disclosed using the accrual basis of accounting (see Note IV.C. and the RSI section immediately following the Notes to the Financial Statements), regardless of the amount recognized as pension expenditures on the modified accrual basis of accounting. The District recognizes a net pension liability for the qualified pension plan in which it participates, which represents the excess of the total pension liability over the fiduciary net position of the qualified pension plan, or the District's proportionate share thereof in the case of a cost-sharing multiple-employer plan, measured as of the respective pensions' fiscal year-end. Changes in the net pension liability

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during the period are recorded as pension expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred. The District charges funding requirements to pension expense in the government activities and business-type activities as incurred; however, any additional allocation of pension assets, deferred outflows, deferred inflows, and net pension liability is recognized in governmental activities due to the District's policy requiring the general fund to assume responsibility.

H. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as *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 or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property Taxes

Property values are determined by the County Appraisal District as of January 1 of each year. Prior to September 1 of each year, the District must adopt its annual budget and as soon thereafter as practicable, shall adopt a tax rate thus creating the tax levy. Property taxes for the current calendar year are levied on approximately October 1 of each year and are payable by January 31 of the following year. Property tax receivables are recorded as of the date levied. Unpaid taxes become delinquent on February 1 and a tax lien on real property is created as of July 1 of each year.

3. Compensated Absences

It is the District's policy to permit full-time employees in positions normally requiring 12 months of service to accumulate earned vacation. Vacation leave shall not accumulate beyond the end of the contract or fiscal year following the year it was earned. On the first day of a contract or fiscal year, the maximum number of days that may be carried over is the number of days earned in the preceding year. Upon separation from the District, employees shall be paid for all unused vacation days at their daily rate provided they have given their administrator or supervisor at least two weeks' written notice of their intent to resign or retire. All vacation is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employees' separation from the District.

It is the District's policy to permit employees to accumulate earned but unused sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District.

4. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

5. Use of Estimates

The presentation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities,

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disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

6. Data Control Codes

The Data Control Codes refer to the account code structure prescribed by TEA in the *Financial Accountability System Resource Guide*. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to ensure accuracy in building a statewide data base for policy development and funding plans.

II. Stewardship, Compliance, and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, *National School Breakfast and Lunch Program* special revenue fund, and debt service fund. All annual appropriations lapse at fiscal year end. The following procedures are followed in establishing the budgetary data reflected in the financial statements.

1. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board.

The appropriated budget is prepared by fund, function, and campus/department. The District's campus/department heads may make transfers of appropriations within a department. Transfers of appropriations between campus/departments require the approval of the District's management. Transfers of appropriations between functions require the approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the function level within a fund.

B. Encumbrances

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as restricted, committed, or assigned fund balances as appropriate. The encumbrances do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

III. Detailed Notes on All Funds

A. Deposits and Investments

Cash Deposits. The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the Texas School Depository Act. The depository bank pledges securities which comply with state law and these securities are held for safekeeping and trust with the District's and the depository banks' agent bank. The pledged securities shall be in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

Investments. The District's investment policy is in accordance with the Public Funds Investment Act, the Public Funds Collateral Act, and federal and state laws. State law and District policy limits credit risk by allowing investing in 1) Obligations of the United States or its agencies which are backed by the full faith and credit of the United States, obligations of the State of Texas or its agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm (NRIRF) not less than A or its equivalent; 2) Certificates of deposit issued by a broker or depository located in Texas which is insured by the FDIC; 3) Repurchase agreements secured by obligations of the United States or its agencies not to exceed 90 days to maturity from the date of purchase; 4) Bankers acceptances with a stated maturity of 270 days or fewer which are eligible for collateral for borrowing from a Federal Reserve Bank; 5) No-load money market mutual funds which shall be registered with the Securities and Exchange Commission which have an average weighted maturity of less than two years, investments comply with the Public Funds Investment Act and are continuously rated not less than AAA by at least one NRIRF; 6) A

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guaranteed investment contract (for bond proceeds only) which meets the criteria and eligibility requirements established by the Public Funds Investment Act; 7) Public funds investment pools which meets the requirements of the Public Funds Investment Act. State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations; 8) Commercial paper is an authorized investment if it has a stated maturity of 271 days or fewer from the date of its issuance; and it is rated not less than A-1 or P-1 or an equivalent rating by at least: two nationally recognized credit rating agencies; or one nationally recognized agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state; 9) Securities lending program as permitted by Government Code 2256.0115.

As of August 31, 2015, the District had the following governmental activities and fiduciary fund investments:

<u>Governmental Funds' Investment Type</u>	<u>Standard & Poor's Rating</u>	<u>Fair Value</u>	<u>Percentage of Total Investments</u>	<u>Weighted Average Maturity (Years)</u>
Texpool	AAA	\$ 1,666,778	13%	0.11
Lone Star	AAA	11,490,530	87%	0.25
Total Fair Value		\$ 13,157,308	100%	
Portfolio Weighted Average Maturity				0.24

<u>Fiduciary Funds' Investment Type</u>	<u>Standard & Poor's Rating</u>	<u>Fair Value</u>	<u>Percentage of Total Investments</u>	<u>Weighted Average Maturity (Years)</u>
Lonestar - Corporate Overnight	AAA	\$ 3,410	100%	0.11
Total Fair Value		\$ 3,410	100%	
Portfolio Weighted Average Maturity				0.11

Credit risk. At year-end, the District's investments were rated as noted in the table above. All credit ratings met acceptable levels required by legal guidelines prescribed in both the PFIA and the District's investment policy.

Interest rate risk. Interest rate risk is the risk that changes in interest rates may adversely affect the value of the investments. The District monitors interest rate risk on internally created pool funds by utilizing weighted average maturity analysis. In accordance with its investment policy, the District shall have a maximum dollar weighted maturity of 180 days. The maximum allowable stated maturity of any other individual investment owned by the District is not to exceed one year from the time of purchase.

Concentration of credit risk. The District's investment policy does not limit an investment in any one issuer. The investment portfolio shall be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting from over-concentration of assets in a specific class of investments, specific maturity, or specific issuer.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of August 31, 2015, the District's bank balance of \$69,432,251 was not exposed to custodial credit risk because it was insured and collateralized with securities held by the District's agent in the District's name.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investments are held by the District's agent in the District's name for the benefit of the District.

B. Receivables

Tax revenues of the general and debt service fund are reported net of estimated uncollectible amounts. Total uncollectible amounts related to revenues of the current period increased (decreased) revenues as follows:

Uncollectibles Related to General Fund Property Taxes	\$ (2,002)
Uncollectibles Related to Debt Service Property Taxes	(762)
Total Uncollectibles of the Current Fiscal Year	\$ (2,764)

Approximately 87% of the outstanding balance of property taxes receivable is not anticipated to be collected within the next year.

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C. Interfund Receivables, Payables, and Transfers

1. Receivables/Payables

The composition of interfund balances as of August 31, 2015, is as follows:

<u>Funds</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General fund	\$ 430,052	\$ -
Other Governmental Funds	-	430,045
Agency Fund	-	7
Totals	\$ 430,052	\$ 430,052

Interfund balances consist of short-term lending/borrowing arrangements that result primarily from payroll and other regularly occurring charges that are paid by the general fund and then charged back to the appropriate other fund. Additionally, some lending/borrowing may occur between two or more nonmajor governmental funds.

2. Transfers

Interfund transfers are defined as “flows of assets without equivalent flow of assets in return and without a requirement for repayment.” Transfers are the use of funds collected in one fund and are transferred to finance various programs accounted for in other funds. The following is a summary of the District’s transfers for the year ended August 31, 2015.

<u>Transfer Out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 51,263

D. Capital Assets

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions and Transfers</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets, not being Depreciated:				
Land and Improvements	\$ 12,228,126	\$ 5,023	\$ -	\$ 12,233,149
Construction in Progress	16,592,922	28,910,085	(34,462,146)	11,040,861
Total Capital Assets, not being Depreciated	28,821,048	28,915,108	(34,462,146)	23,274,010
Capital Assets, being Depreciated:				
Buildings and Improvements	328,311,710	84,105	34,462,146	362,857,961
Furniture and Equipment	25,533,853	1,368,222	(638,129)	26,263,946
Total Capital Assets, being Depreciated	353,845,563	1,452,327	33,824,017	389,121,907
Less Accumulated Depreciation for:				
Buildings and Improvements	(89,814,213)	(9,148,847)	-	(98,963,060)
Furniture and Equipment	(18,534,724)	(1,968,859)	638,129	(19,865,454)
Total Accumulated Depreciation	(108,348,937)	(11,117,706)	638,129	(118,828,514)
Total Capital Assets, being Depreciated, net	245,496,626	(9,665,379)	34,462,146	270,293,393
Governmental Activities Capital Assets, net	\$ 274,317,674	\$ 19,249,729	\$ -	\$ 293,567,403
Business-Type Activities:				
Capital Assets, being Depreciated:				
Furniture and Equipment	\$ 47,572	\$ -	\$ -	\$ 47,572
Less Accumulated Depreciation for:				
Furniture and Equipment	(47,572)	-	-	(47,572)
Business-type Activities Capital Assets, net	\$ -	\$ -	\$ -	\$ -

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Depreciation expense of the governmental activities and the business-type activities was charged to functions/programs of the District as follows:

Governmental Activities:	
11 Instruction	\$ 6,878,434
12 Instructional Resources and Media Services	199,925
13 Curriculum and Instructional Staff Development	17,360
21 Instructional Leadership	11,440
23 School Leadership	507,047
31 Guidance, Counseling, and Evaluation Services	237,978
33 Health Services	44,311
34 Student (Pupil) Transportation	1,233,567
35 Food Service	319,184
36 Extracurricular Activities	1,151,589
41 General Administration	78,666
51 Plant Maintenance and Operations	218,861
52 Security and Monitoring Services	76,125
53 Data Processing	127,599
61 Community Services	15,620
Total Depreciation Expense-Governmental Activities	\$ 11,117,706
Business-type Activities:	
Kids Klub	\$ -
Total Depreciation Expense-Business-Type Activities	\$ -

Construction Commitments

The District has active construction projects as of August 31, 2015. The projects include the construction and equipment of school facilities. At year end, the District's commitments with contractors are as follows:

<u>Project</u>	<u>Remaining Commitment</u>
Alternative Center for Learning	\$ 8,552,402
Purchasing Support Services	4,833,464
High School Renovations	1,878,557
Middle School Renovations	1,014,221
New Elementary School No. 9	980,098
District Wide Paging-Intercom Systems	111,723
Baseball/Softball Renovation	73,624
Rock Prairie Elementary School Renovations Phase II	29,860
Spring Creek	8,958
Totals	\$ 17,482,907

The commitment for construction and equipment of school facilities is being financed by general obligation bonds secured by tax revenues and local funds.

E. Long-term Liabilities

The District's long-term liabilities consist of bond indebtedness, self-insured workers' compensation, compensated absences, and net pension liability. The current requirements for general obligation bonds principal and interest expenditures are accounted for in the debt service fund. The current requirements for the self-funded workers' compensation claims are accounted for in the internal service fund. Other long-term liabilities are generally liquidated with resources of the general fund.

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Changes in Long-term Liabilities

Long-term liability activity for the year ended August 31, 2015, was as follows:

	Beginning Balance *	Additions and (Provision Adjustment)	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	\$ 278,045,000	\$ 46,455,000	\$ (59,945,000)	\$ 264,555,000	\$ 14,075,000
Deferred Amounts:					
For Issuance Premiums	7,012,046	5,779,497	(824,124)	11,967,419	-
Total Bonds Payable, net	<u>285,057,046</u>	<u>52,234,497</u>	<u>(60,769,124)</u>	<u>276,522,419</u>	<u>14,075,000</u>
Workers' Compensation	614,794	97,195	(132,158)	579,831	579,831
Compensated Absences	614,365	64,829	(29,452)	649,742	649,742
Net Pension Liability*	15,959,491	8,920,222	(11,882,515)	12,997,198	-
Governmental Activity Long-term Liabilities	<u>\$ 302,245,696</u>	<u>\$ 61,316,743</u>	<u>\$ (72,813,249)</u>	<u>\$ 290,749,190</u>	<u>\$ 15,304,573</u>

*Per GASB 68, beginning balance for net pension liability includes the restatement of net pension liability at September 1, 2014.

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities.

General Obligation Bonds

The District issues general obligation bonds to provide funds for the construction and equipment of school facilities (SCH) and to refund general obligation bonds (REF). General obligation bonds are direct obligations and pledge the full faith and credit of the District. These bonds are issued as 11-25 year current interest bonds with various amounts of principal maturing each year.

The following is a summary of changes in the general obligation bonds for the fiscal year:

Series	Interest Rate	Original Issue	Maturity Date	Beginning Balance	Additions	Reductions	Ending Balance
2004 REF	2.00-5.00%	\$ 18,095,000	2016	\$ 3,545,000	\$ -	\$ (2,300,000)	\$ 1,245,000
2006 REF	3.875-5.00%	9,350,000	2019	9,350,000	-	(8,240,000)	1,110,000
2007 SCH	4.125-5.00%	67,420,000	2027	48,765,000	-	(42,250,000)	6,515,000
2009 SCH	3.00-5.00%	37,500,000	2034	29,655,000	-	(995,000)	28,660,000
2009 REF	2.00-3.75%	4,920,000	2020	3,165,000	-	(475,000)	2,690,000
2010 SCH	2.00-4.00%	65,000,000	2035	57,905,000	-	(1,900,000)	56,005,000
2011 SCH	2.00-5.00%	41,700,000	2036	38,765,000	-	(1,020,000)	37,745,000
2012 REF	2.00-4.00%	8,945,000	2024	8,105,000	-	(685,000)	7,420,000
2014 SCH	3.00-5.00%	78,790,000	2039	78,790,000	-	(1,615,000)	77,175,000
2015 REF	2.00-5.00%	46,455,000	2027	-	46,455,000	(465,000)	45,990,000
Totals				<u>\$ 278,045,000</u>	<u>\$ 46,455,000</u>	<u>\$ (59,945,000)</u>	<u>\$ 264,555,000</u>

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Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending August 31	Principal	Interest	Total Requirements
2016	\$ 14,075,000	\$ 10,579,938	\$ 24,654,938
2017	14,700,000	10,095,363	24,795,363
2018	15,020,000	9,461,188	24,481,188
2019	15,705,000	8,799,975	24,504,975
2020	11,660,000	8,099,106	19,759,106
2021	11,510,000	7,645,987	19,155,987
2022	11,980,000	7,194,550	19,174,550
2023	12,435,000	6,773,687	19,208,687
2024	12,910,000	6,304,888	19,214,888
2025	12,525,000	5,747,231	18,272,231
2026	13,085,000	5,186,519	18,271,519
2027	13,565,000	4,691,131	18,256,131
2028	9,445,000	4,193,481	13,638,481
2029	9,845,000	3,814,706	13,659,706
2030	10,265,000	3,419,831	13,684,831
2031	10,700,000	3,005,787	13,705,787
2032	11,165,000	2,630,875	13,795,875
2033	11,665,000	2,239,350	13,904,350
2034	12,180,000	1,757,075	13,937,075
2035	10,425,000	1,239,240	11,664,240
2036	6,755,000	806,078	7,561,078
2037	4,145,000	517,600	4,662,600
2038	4,310,000	351,800	4,661,800
2039	4,485,000	179,400	4,664,400
Totals	\$ 264,555,000	\$ 114,734,786	\$ 379,289,786

As of August 31, 2015, the District did not have any authorized but unissued bonds.

In April 2015, the District issued \$46,455,000 of refunding bonds. The proceeds of the refunding bonds were used to legally defease \$47,425,000 of previously issued District bonds in order to lower its overall debt service requirements. The reacquisition price exceeded the net carrying value of the old debt by \$4,232,697. The District advance-refunded bonds in order to reduce its future debt service payments by \$4,774,998 and to obtain an economic gain (differences between the present values of the debt service payments on the old and new debt) of \$4,285,092.

The District defeased certain bonds through the issuance of new bonds and placed the proceeds in an irrevocable trust to provide for all future debt service payments of the old bonds. Securities being utilized to repay the refinanced debt as it becomes due consist solely of U.S. government obligations. Accordingly, the trust account securities and the liability for the defeased bonds are not included in the District's basic financial statements. As of August 31, 2015, the outstanding defeased bonds are noted below:

2006	General Obligation Bonds (maturing 2019, callable February 15, 2016)	\$ 8,240,000
2007	General Obligation Bonds (maturing 2027, callable August 15, 2017)	39,185,000
Totals		\$ 47,425,000

F. Fund Balance

Other committed fund balance includes the following commitments of funds:

Other Governmental Funds:

Campus Activity	\$ 796,715
Total Other Committed Fund Balance	\$ 796,715

COLLEGE STATION INDEPENDENT SCHOOL DISTRICT

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G. Revenues from Local and Intermediate Sources

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

	General	Debt Service	Capital Projects Funds	Nonmajor Governmental Funds	Totals
Property Taxes	\$ 74,526,596	\$ 24,346,113	\$ -	\$ -	\$ 98,872,709
Penalties and Interest	309,144	87,418	-	-	396,562
Tuition and Fees	178,358	-	-	-	178,358
Investment Income	157,696	65,354	308,664	2,495	534,209
Food Sales	-	-	-	2,610,055	2,610,055
Extracurricular Student Activities	361,844	-	-	-	361,844
Charges for Services	2,164	-	-	507,448	509,612
Rent	47,624	-	-	-	47,624
Gifts and Bequests	50,170	-	-	538,870	589,040
Other	494,387	-	-	203,301	697,688
Total	\$ 76,127,983	\$ 24,498,885	\$ 308,664	\$ 3,862,169	\$ 104,797,701

IV. Other Information

A. Risk Management

General

Like all public school districts, the District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal 2015, the District purchased commercial insurance for claims related to all risks.

Health Care Coverage

During the year ended August 31, 2015, employees of the District were covered by TRS-Active Care (the Plan) a statewide health coverage program for Texas public education employees, implemented by the Teacher Retirement System of Texas (TRS). The District paid premiums of \$363 per month, per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to TRS. The legislature created the Plan for public school employee group health coverage in 2002-03, requiring all Districts with fewer than 500 employees to participate in the Plan.

Workers' Compensation

During the year ended August 31, 2015, the District met its statutory workers' compensation obligations by participating as a self-funded member of 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 Government Code and Chapter 504, Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

As a self-funded member of the TASB Risk Management Fund, the District is solely responsible for all claim costs, both reported and unreported. The Fund provides administrative services to its self-funded members including claims administration and customer service.

The District is protected against higher than expected claims costs through the purchase of stop loss coverage.

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 on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

COLLEGE STATION INDEPENDENT SCHOOL DISTRICT

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The liability estimation requires the estimate of loss development over an extended period of time. During the self-insurance period of time, numerous internal and external factors will affect the ultimate settlement value of claims. Due to the inherent uncertainty with regard to the impact of these factors, there can be no guarantee that actual losses will not vary, perhaps significantly, from the estimates. There were no significant reductions in insurance coverage from the prior year or settlements exceeding insurance coverage for each of the past three fiscal years. The following is a summary of the changes in the balances of claims liabilities for workers' compensation for the year ended August 31:

	Year Ended 8/31/2015	Year Ended 8/31/2014
Unpaid Claims, Beginning of Fiscal Year	\$ 614,794	\$ 784,475
Incurred Claims (including IBNRs and changes in provisions)	97,195	(8,780)
Claim Payments	(132,158)	(160,901)
Unpaid Claims, End of Fiscal Year	\$ 579,831	\$ 614,794

B. Litigation and Contingencies

The District is engaged in various legal matters arising principally in the normal course of operations. In the opinion of the District's management, the potential losses on all allegations or claims will not have a material effect on the District's financial position, results of operations, or liquidity.

The District participates in a number of federal and state financial assistance programs. Although the District's grant programs have been audited in accordance with the provisions of the Single Audit Act through August 31, 2015, these programs are subject to financial and compliance audits by the grantor agencies. The District is also subject to audit by the TEA of the attendance data upon which payments from the agency are based. These audits could result in questioned costs or refunds to be paid back to the granting agencies.

C. Defined Benefit Pension Plan

Plan Description

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

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

Pension Plan Fiduciary Net Position

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

COLLEGE STATION INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015

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 services credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan Description above.

Contributions

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

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

	<u>2015</u>	<u>2014</u>
Member	\$ 6.7%	\$ 6.4%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers/District	6.8%	6.8%

The contribution amounts for the District's fiscal year 2015 are as follows:

District Contributions	\$ 2,072,942
Member Contributions	4,418,498
NECE On-behalf Contributions (State)	3,312,880

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.

COLLEGE STATION INDEPENDENT SCHOOL DISTRICT

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- 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.

Actuarial Assumptions

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

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

*Includes Inflation of 3%

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

COLLEGE STATION INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015

Discount Rate

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

Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return*
Global Equity			
U.S.	18.0%	7.0%	1.4%
Non-U.S. Developed	13.0%	7.3%	1.1%
Emerging Markets	9.0%	8.1%	0.9%
Directional Hedge Funds	4.0%	5.4%	0.2%
Private Equity	13.0%	9.2%	1.4%
Stable Value			
U.S. Treasuries	11.0%	2.9%	0.3%
Absolute Return	0.0%	4.0%	0.0%
Stable Value Hedge Funds	4.0%	5.2%	0.2%
Cash	1.0%	2.0%	0.0%
Real Return			
Global Inflation Linked Bonds	3.0%	3.1%	0.0%
Real Assets	16.0%	7.3%	1.5%
Energy and Natural Resources	3.0%	8.8%	0.3%
Commodities	0.0%	3.4%	0.0%
Risk parity			
Risk Parity	5.0%	8.9%	0.4%
Alpha			1.0%
Total	100.0%		8.7%

*The expected contribution to returns incorporates the volatility drag resulting from the conversion between arithmetic and geometric mean return

The following table presents the District's proportionate share of net pension liability for TRS calculated using the discount rate of 8.0%, as well as the District's proportionate share of the respective net pension liability if it was calculated using a discount rate that is 1-percentage-point lower (7%) or 1-percentage-point higher (9%) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
TRS	\$ 23,225,205	\$ 12,997,198	\$ 5,348,554

COLLEGE STATION INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015

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

At August 31, 2015, the District reported a liability of \$12,997,198 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 are as follows:

District's Proportionate Share of the Net Pension Liability	\$	12,997,198
State's Proportionate Share of the Net Pension Liability Associated with the District		33,701,919
Total	\$	<u>46,699,117</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 District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2013 through August 31, 2014.

At August 31, 2014, the employer's proportion of the net pension liability was .0486579%. The change in the employer's proportion of the net pension liability 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, 2014. The amount of the expected resultant change in the employer's proportion cannot be determined at this time.

For the year ended August 31, 2015, the District recognized pension expense of \$4,317,043 and revenue of \$3,115,680 for support provided by the state.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actuarial Experience	\$ 201,006	\$ -
Changes of Assumptions	844,832	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	3,972,474
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions (Cost-Sharing Plan)	-	3,407
District Contribution after Measurement Date	2,072,942	-
Totals	<u>\$ 3,118,780</u>	<u>\$ 3,975,881</u>

COLLEGE STATION INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015

\$2,072,942 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended August 31, 2016. Other amounts reported as deferred outflows of resources (deferred inflows of resources) related to pensions will be recognized in pension expense as follows:

Year Ending August 31:		
2016		\$ (817,261)
2017		(817,261)
2018		(817,261)
2019		(817,261)
2020		175,858
Thereafter		163,143
Totals		\$ <u>(2,930,043)</u>

D. School District Retiree Health Plan

Plan Description. The College Station Independent School District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas. TRS-Care 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 Teacher Retirement System of Texas 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 website at www.trs.state.tx.us under the TRS Publications heading, by calling the TRS Communications Department at 1-800-223-8778, or by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701.

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

Contribution Rates

Year	Active Member		State		School District	
	Rate	Amount	Rate	Amount	Rate	Amount
2015	0.65%	\$ 428,660	1.00%	\$ 609,113	0.55%	\$ 362,713
2014	0.65%	\$ 410,468	1.00%	\$ 584,579	0.55%	\$ 347,319
2013	0.65%	\$ 384,167	0.50%	\$ 274,056	0.55%	\$ 325,064

In addition, the State of Texas contributed \$268,457, \$168,564 and \$155,199 in 2015, 2014, and 2013, respectively, for on-behalf payments for Medicare Part D and Early Retiree Reinsurance Program.

For the current fiscal year and each of the past two years, the District's actual contributions were equal to 100 percent of the required contributions. The contributions made by the State are on behalf of the District and have been recorded in the governmental funds' financial statements of the District as both state revenues and expenditures. These contributions are the legal responsibility of the State.

COLLEGE STATION INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015

E. Joint Venture-Shared Services Arrangement

The District participates in the following shared services arrangements:

Brazos Valley Regional Day School Program for the Deaf

The District participates in a shared services arrangement, Brazos Valley Regional Day School Program for the Deaf, with numerous districts for the education of students with a hearing impairment. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Bryan Independent School District, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent is responsible for the financial activities of the shared services arrangement. The District's portion of expenditures for the year ended August 31, 2015 totaled \$90,074.

F. Nonmonetary Transactions

During 2015, the District received textbooks purchased by the State of Texas for the benefit of the District for a purchase price of \$932,565. The District receives the textbooks as part of state funding for textbook allotment. The textbooks have been recorded in the amount of \$932,565 in a special revenue fund as both state revenues and expenditures, which represents the amount of consideration given by the State of Texas.

G. Prior Period Adjustment

Net position at September 1, 2014 was restated per the following table for the implementation of GASB 68 and 71:

	Governmental Activities
Beginning Net Position, as Previously Reported	\$ 97,671,329
Implementation of GASB 68 and 71 for Pensions	(14,725,878)
Beginning Net Position, Restated	\$ 82,945,451

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REQUIRED SUPPLEMENTARY INFORMATION

COLLEGE STATION INDEPENDENT SCHOOL DISTRICT

EXHIBIT G-1

REQUIRED SUPPLEMENTARY INFORMATION

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL

FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	1		2		3		Variance with Final Budget Positive (Negative)
	Budgeted Amounts				Actual		
	Original	Final					
REVENUES:							
5700	Local and Intermediate Sources	\$ 75,055,481	\$ 75,063,144	\$ 76,127,983	\$	1,064,839	
5800	State Program Revenues	12,175,983	13,999,340	14,734,874		735,534	
5900	Federal Program Revenues	250,000	250,000	278,355		28,355	
5020	Total Revenues	<u>87,481,464</u>	<u>89,312,484</u>	<u>91,141,212</u>		<u>1,828,728</u>	
EXPENDITURES:							
Current:							
0011	Instruction	55,164,840	55,487,353	54,870,335		617,018	
0012	Instructional Resources and Media Services	869,015	919,260	889,983		29,277	
0013	Curriculum and Staff Development	897,879	895,305	750,323		144,982	
0021	Instructional Leadership	1,594,682	1,636,090	1,582,227		53,863	
0023	School Leadership	5,439,310	5,481,604	5,441,729		39,875	
0031	Guidance, Counseling, and Evaluation Services	2,884,856	2,929,243	2,913,982		15,261	
0033	Health Services	972,979	1,030,896	1,020,183		10,713	
0034	Student Transportation	2,492,242	2,613,720	2,609,061		4,659	
0036	Extracurricular Activities	4,340,616	4,507,665	4,337,664		170,001	
0041	General Administration	2,393,765	2,482,070	2,309,569		172,501	
0051	Plant Maintenance and Operations	9,836,441	9,873,835	9,654,064		219,771	
0052	Security and Monitoring Services	389,986	428,726	423,901		4,825	
0053	Data Processing Services	2,059,867	2,192,203	2,050,541		141,662	
0061	Community Services	148,715	126,887	118,026		8,861	
Capital Outlay							
0081	Facilities Acquisition and Construction	-	772,023	738,837		33,186	
Intergovernmental Charges:							
0093	Payments Related to Shared Services Arrangements	130,000	90,074	90,074		-	
0095	Payments to Juvenile Justice Alternative Education Programs	10,000	5,000	1,011		3,989	
0099	Other Intergovernmental Charges	887,000	882,000	880,386		1,614	
6030	Total Expenditures	<u>90,512,193</u>	<u>92,353,954</u>	<u>90,681,896</u>		<u>1,672,058</u>	
1100	Excess (Deficiency) of Revenues Over (Under)						
1100	Expenditures	<u>(3,030,729)</u>	<u>(3,041,470)</u>	<u>459,316</u>		<u>3,500,786</u>	
OTHER FINANCING SOURCES (USES):							
8911	Transfers Out	-	(51,263)	(51,263)		-	
8989	Headstart Refund	-	(82,285)	(82,285)		-	
7080	Total Other Financing Sources (Uses)	<u>-</u>	<u>(133,548)</u>	<u>(133,548)</u>		<u>-</u>	
1200	Net Change in Fund Balance	(3,030,729)	(3,175,018)	325,768		3,500,786	
0100	Fund Balance - Beginning	<u>30,302,170</u>	<u>30,302,170</u>	<u>30,302,170</u>		<u>-</u>	
3000	Fund Balance - Ending	<u>\$ 27,271,441</u>	<u>\$ 27,127,152</u>	<u>\$ 30,627,938</u>		<u>\$ 3,500,786</u>	

See accompanying notes to the required supplementary information.

COLLEGE STATION INDEPENDENT SCHOOL DISTRICT

EXHIBIT G-2

*REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
OF A COST-SHARING MULTIPLE-EMPLOYER PENSION PLAN
TEACHER RETIREMENT SYSTEM OF TEXAS (TRS)
FOR THE YEAR ENDED AUGUST 31, 2015**

	<u>2015</u>
District's Proportion of the Net Pension Liability	0.0486579%
District's Proportionate Share of the Net Pension Liability	\$ 12,997,198
State's Proportionate Share of the Net Pension Liability Associated with the District	33,701,919
Total	\$ <u>46,699,117</u>
District's Covered-Employee Payroll	\$ 63,148,855
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	20.58%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.25%

* The amounts presented for the fiscal year were determined as of the Plan's fiscal year end, August 31 of the prior year.
Ten years of data is not available.

See accompanying notes to the required supplementary information.

COLLEGE STATION INDEPENDENT SCHOOL DISTRICT

EXHIBIT G-3

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS TO THE TEACHER RETIREMENT SYSTEM

PENSION PLAN (TRS)

FOR THE YEAR ENDED AUGUST 31, 2015*

	<u>2015</u>
TRS	
Contractually Required Contributions	\$ 2,072,942
Contributions in Relation to the Contractually Required Contributions	<u>(2,072,942)</u>
Contribution Deficiency (Excess)	\$ <u><u>-</u></u>
District's Covered-Employee Payroll	\$ 65,947,738
Contributions as a Percentage of Covered- Employee Payroll	3.14%

*The amounts presented for the fiscal year were determined as of the District's fiscal year end August 31.
Ten years of data is not available.

See accompanying notes to the required supplementary information.

COLLEGE STATION INDEPENDENT SCHOOL DISTRICT

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
AUGUST 31, 2015

I. Budget

A. Budgetary Information

Each school district in Texas is required by law to prepare annually a budget of anticipated revenues and expenditures for the general fund, debt service fund, and the National School Breakfast and Lunch Program special revenue fund. The Texas Education Code requires the budget to be prepared not later than August 20 and adopted by August 31 of each year. The budgets are prepared on a basis of accounting that is used for reporting in accordance with generally accepted accounting principles.

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

1. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
3. Prior to September 1, the budget is formally approved and adopted by the Board.

The appropriated budget is prepared by fund and function. The District's campus/department heads may make transfers of appropriations within a campus or department. Transfers of appropriations between campuses or departments require the approval of the District's management. Increasing any one of the functional spending categories, or revenues object accounts and other resources require the approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the function level within a fund. All annual appropriations lapse at fiscal year end and will be reappropriated and honored during the subsequent year.

B. Variances with Final Budget

The District's general fund budget differs from the original budget due to budget revisions that were made during the fiscal period:

- Amendments approved shortly after the beginning of the new fiscal year period for amounts restricted, committed, or assigned in the prior year,
- amendments in early and late spring to revise estimates for local and state revenues based on the latest information on student attendance numbers and tax collections, and
- amendments during the year for unexpected occurrences.

There were no significant variations between the original and final budget.

C. Excess of Expenditures Over Appropriations

For the year ended August 31, 2015, expenditures exceeded appropriations per the functions (the legal level of budgetary control) in the following funds:

<u>Fund</u>	<u>Function</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
None		\$ -	\$ -	\$ -

COLLEGE STATION INDEPENDENT SCHOOL DISTRICT

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
AUGUST 31, 2015

II. Pension

TRS

Actuarial Assumptions – The information presented in the required supplementary schedules was used in the actuarial valuation for determining the actuarially determined contribution rate and the net pension liability in accordance with GASB 67. Actuarial methods and assumptions used for funding purposes can be found in the Actuarial Section. The GASB 67 assumptions are as follows:

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
Actuarial Assumptions:	
Discount Rate	8.00%
Long-term Expected Investment Rate of Return	8.00%
Inflation	3.00%
Salary Increases	4.25% to 7.25% Including Inflation
Ad hoc Post-Employment Benefit Changes	None*

*The COLA for the period beginning September 1, 2013 was paid starting October 1, 2013 and was included in the 2013 actuarial valuation and thus is not considered an ad hoc post-employment benefit change assumption for fiscal year 2014.

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

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

SUPPLEMENTARY INFORMATION

COLLEGE STATION INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2015

Data Control Codes	205	211
ASSETS:	Head Start	ESEA, Title I, Part A - Improving Basic Programs
1110 <i>Cash and Cash Equivalents</i>	\$ -	\$ -
1120 <i>Current Investments</i>	-	-
1240 <i>Due from Other Governments</i>	149,341	100,945
1250 <i>Accrued Interest</i>	-	-
1290 <i>Other Receivables</i>	-	-
1300 <i>Inventories</i>	-	-
1000 Total Assets	\$ 149,341	\$ 100,945
LIABILITIES:		
2110 <i>Accounts Payable</i>	\$ 2,816	\$ 330
2170 <i>Due to Other Funds</i>	146,525	100,615
2300 <i>Unearned Revenue</i>	-	-
2000 Total Liabilities	149,341	100,945
FUND BALANCES:		
3410 <i>Nonspendable - Inventories</i>	-	-
3450 <i>Restricted - Grant Funds</i>	-	-
3545 <i>Committed - Other</i>	-	-
3000 Total Fund Balances	-	-
4000 Total Liabilities and Fund Balances	\$ 149,341	\$ 100,945

224	225	240	244
<u>IDEA - Part B, Formula</u>	<u>IDEA - Part B, Preschool</u>	<u>National School Breakfast and Lunch Program</u>	<u>Career and Technical - Basic Grant</u>
\$ -	\$ -	\$ 306,571	\$ -
-	-	1,001	-
155,463	2,550	79,707	-
-	-	-	-
-	-	9,291	-
-	-	195,208	-
<u>\$ 155,463</u>	<u>\$ 2,550</u>	<u>\$ 591,778</u>	<u>\$ -</u>
\$ 4,203	\$ -	\$ 207,288	\$ -
151,260	2,550	-	-
-	-	87,065	-
<u>155,463</u>	<u>2,550</u>	<u>294,353</u>	<u>-</u>
-	-	108,143	-
-	-	189,282	-
-	-	-	-
<u>-</u>	<u>-</u>	<u>297,425</u>	<u>-</u>
<u>\$ 155,463</u>	<u>\$ 2,550</u>	<u>\$ 591,778</u>	<u>\$ -</u>

Continued

COLLEGE STATION INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 AUGUST 31, 2015

Data Control Codes	255 ESEA, Title II, Part A: Teacher and Principal Training and Recruiting	263 Title III, Part A, English Language Acquisition and Enhancement
ASSETS:		
1110 <i>Cash and Cash Equivalents</i>	\$ -	\$ -
1120 <i>Current Investments</i>	-	-
1240 <i>Due from Other Governments</i>	19,666	9,429
1250 <i>Accrued Interest</i>	-	-
1290 <i>Other Receivables</i>	-	-
1300 <i>Inventories</i>	-	-
1000 Total Assets	\$ 19,666	\$ 9,429
LIABILITIES:		
2110 <i>Accounts Payable</i>	\$ -	\$ -
2170 <i>Due to Other Funds</i>	19,666	9,429
2300 <i>Unearned Revenue</i>	-	-
2000 Total Liabilities	19,666	9,429
FUND BALANCES:		
3410 <i>Nonspendable - Inventories</i>	-	-
3450 <i>Restricted - Grant Funds</i>	-	-
3545 <i>Committed - Other</i>	-	-
3000 Total Fund Balances	-	-
4000 Total Liabilities and Fund Balances	\$ 19,666	\$ 9,429

289 Improving Academic Achievement (Summer School LEP)	385 Supplemental Visually Impaired	397 Advanced Placement Incentives	410 State Textbook Fund
\$ 7,823	\$ -	\$ 7,291	\$ 1,590
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ 7,823</u>	<u>\$ -</u>	<u>\$ 7,291</u>	<u>\$ 1,590</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
7,823	-	7,291	-
<u>7,823</u>	<u>-</u>	<u>7,291</u>	<u>-</u>
-	-	-	-
-	-	-	1,590
-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,590</u>
<u>\$ 7,823</u>	<u>\$ -</u>	<u>\$ 7,291</u>	<u>\$ 1,590</u>

Continued

COLLEGE STATION INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 AUGUST 31, 2015

<u>Data Control Codes</u>	427	429
	<u>Workforce Investment Act Dislocated Workers Grant</u>	<u>Read to Succeed Grant</u>
ASSETS:		
1110 Cash and Cash Equivalents	\$ -	\$ 200
1120 Current Investments	-	-
1240 Due from Other Governments	-	-
1250 Accrued Interest	-	-
1290 Other Receivables	-	-
1300 Inventories	-	-
1000 Total Assets	<u>\$ -</u>	<u>\$ 200</u>
LIABILITIES:		
2110 Accounts Payable	\$ -	\$ 200
2170 Due to Other Funds	-	-
2300 Unearned Revenue	-	-
2000 Total Liabilities	<u>-</u>	<u>200</u>
FUND BALANCES:		
3410 Nonspendable - Inventories	-	-
3450 Restricted - Grant Funds	-	-
3545 Committed - Other	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 200</u>

461	481	Total Nonmajor Funds (See Exhibit C-1)
<u>Campus Activity Funds</u>	<u>Education Foundation Grant</u>	<u></u>
\$ 802,796	\$ 63,502	\$ 1,189,773
-	-	1,001
-	-	517,101
176	-	176
825	-	10,116
-	-	195,208
<u>\$ 803,797</u>	<u>\$ 63,502</u>	<u>\$ 1,913,375</u>
\$ 7,082	\$ -	\$ 221,919
-	-	430,045
-	-	102,179
<u>7,082</u>	<u>-</u>	<u>754,143</u>
-	-	108,143
-	63,502	254,374
796,715	-	796,715
<u>796,715</u>	<u>63,502</u>	<u>1,159,232</u>
<u>\$ 803,797</u>	<u>\$ 63,502</u>	<u>\$ 1,913,375</u>

COLLEGE STATION INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	205	211
REVENUES:	Head Start	ESEA, Title I, Part A - Improving Basic Programs
5700 <i>Local and Intermediate Sources</i>	\$ 33	\$ -
5800 <i>State Program Revenues</i>	-	-
5900 <i>Federal Program Revenues</i>	<u>2,050,653</u>	<u>1,179,805</u>
5020 Total Revenues	<u>2,050,686</u>	<u>1,179,805</u>
 EXPENDITURES:		
Current:		
0011 <i>Instruction</i>	1,026,216	1,022,960
0012 <i>Instructional Resources and Media Services</i>	-	6,673
0013 <i>Curriculum and Staff Development</i>	292,280	141,750
0021 <i>Instructional Leadership</i>	170,451	8,422
0023 <i>School Leadership</i>	-	-
0031 <i>Guidance, Counseling, and Evaluation Services</i>	-	-
0032 <i>Social Work Services</i>	15,569	-
0033 <i>Health Services</i>	113,139	-
0035 <i>Food Service</i>	-	-
0036 <i>Extracurricular Activities</i>	-	-
0041 <i>General Administration</i>	6,322	-
0051 <i>Plant Maintenance and Operations</i>	55,215	-
0052 <i>Security and Monitoring Services</i>	-	-
0053 <i>Data Processing Services</i>	-	-
0061 <i>Community Services</i>	<u>422,757</u>	<u>-</u>
6030 Total Expenditures	<u>2,101,949</u>	<u>1,179,805</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(51,263)</u>	<u>-</u>
 OTHER FINANCING SOURCES (USES):		
7915 <i>Transfers In</i>	<u>51,263</u>	<u>-</u>
7080 Total Other Financing Sources (Uses)	<u>51,263</u>	<u>-</u>
1200 Net Change in Fund Balances	-	-
0100 Fund Balances - Beginning	-	-
3000 Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>

224	225	240	244
<u>IDEA - Part B, Formula</u>	<u>IDEA - Part B, Preschool</u>	<u>National School Breakfast and Lunch Program</u>	<u>Career and Technical - Basic Grant</u>
\$ -	\$ -	\$ 2,610,267	\$ -
-	-	28,868	-
<u>1,815,186</u>	<u>26,183</u>	<u>2,855,050</u>	<u>103,630</u>
<u>1,815,186</u>	<u>26,183</u>	<u>5,494,185</u>	<u>103,630</u>
1,452,624	26,183	-	95,235
-	-	-	-
5,860	-	-	-
82,197	-	-	-
-	-	-	-
233,181	-	-	8,395
-	-	-	-
41,324	-	-	-
-	-	5,442,626	-
-	-	-	-
-	-	-	-
-	-	66,503	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>1,815,186</u>	<u>26,183</u>	<u>5,509,129</u>	<u>103,630</u>
-	-	(14,944)	-
-	-	-	-
-	-	-	-
-	-	(14,944)	-
-	-	312,369	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 297,425</u>	<u>\$ -</u>

Continued

COLLEGE STATION INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	255 ESEA, Title II, Part A: Teacher and Principal Training and Recruiting	263 Title III, Part A, English Language Acquisition and Enhancement
REVENUES:		
5700 <i>Local and Intermediate Sources</i>	\$ -	\$ -
5800 <i>State Program Revenues</i>	-	-
5900 <i>Federal Program Revenues</i>	174,033	89,566
5020 Total Revenues	<u>174,033</u>	<u>89,566</u>
EXPENDITURES:		
Current:		
0011 <i>Instruction</i>	-	81,996
0012 <i>Instructional Resources and Media Services</i>	-	-
0013 <i>Curriculum and Staff Development</i>	174,033	6,443
0021 <i>Instructional Leadership</i>	-	1,127
0023 <i>School Leadership</i>	-	-
0031 <i>Guidance, Counseling, and Evaluation Services</i>	-	-
0032 <i>Social Work Services</i>	-	-
0033 <i>Health Services</i>	-	-
0035 <i>Food Service</i>	-	-
0036 <i>Extracurricular Activities</i>	-	-
0041 <i>General Administration</i>	-	-
0051 <i>Plant Maintenance and Operations</i>	-	-
0052 <i>Security and Monitoring Services</i>	-	-
0053 <i>Data Processing Services</i>	-	-
0061 <i>Community Services</i>	-	-
6030 Total Expenditures	<u>174,033</u>	<u>89,566</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):		
7915 <i>Transfers In</i>	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balances	-	-
0100 Fund Balances - Beginning	-	-
3000 Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>

289 Improving Academic Achievement (Summer School LEP)	385 Supplemental Visually Impaired	397 Advanced Placement Incentives	410 State Textbook Fund
\$ -	\$ -	\$ -	\$ -
-	6,930	2,584	999,410
16,693	-	-	-
<u>16,693</u>	<u>6,930</u>	<u>2,584</u>	<u>999,410</u>
16,693	-	-	999,554
-	-	-	-
-	-	2,584	-
-	-	-	-
-	6,930	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>16,693</u>	<u>6,930</u>	<u>2,584</u>	<u>999,554</u>
-	-	-	(144)
-	-	-	-
-	-	-	-
-	-	-	(144)
-	-	-	1,734
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,590</u>

Continued

COLLEGE STATION INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	427	429
REVENUES:	Workforce Investment Act Dislocated Workers Grant	Read to Succeed Grant
5700 <i>Local and Intermediate Sources</i>	\$ -	\$ -
5800 <i>State Program Revenues</i>	16,555	1,395
5900 <i>Federal Program Revenues</i>	10,700	-
5020 Total Revenues	<u>27,255</u>	<u>1,395</u>
 EXPENDITURES:		
Current:		
0011 <i>Instruction</i>	-	1,290
0012 <i>Instructional Resources and Media Services</i>	-	105
0013 <i>Curriculum and Staff Development</i>	-	-
0021 <i>Instructional Leadership</i>	-	-
0023 <i>School Leadership</i>	-	-
0031 <i>Guidance, Counseling, and Evaluation Services</i>	-	-
0032 <i>Social Work Services</i>	-	-
0033 <i>Health Services</i>	-	-
0035 <i>Food Service</i>	-	-
0036 <i>Extracurricular Activities</i>	-	-
0041 <i>General Administration</i>	-	-
0051 <i>Plant Maintenance and Operations</i>	-	-
0052 <i>Security and Monitoring Services</i>	-	-
0053 <i>Data Processing Services</i>	-	-
0061 <i>Community Services</i>	27,255	-
6030 Total Expenditures	<u>27,255</u>	<u>1,395</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>
 OTHER FINANCING SOURCES (USES):		
7915 Transfers In	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balances	-	-
0100 Fund Balances - Beginning	-	-
3000 Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>

461	481	Total Nonmajor Funds (See Exhibit C-2)
<u>Campus Activity Funds</u>	<u>Education Foundation Grant</u>	<u>Total Nonmajor Funds (See Exhibit C-2)</u>
\$ 1,175,207	\$ 76,662	\$ 3,862,169
-	-	1,055,742
-	-	8,321,499
<u>1,175,207</u>	<u>76,662</u>	<u>13,239,410</u>
600,663	81,310	5,404,724
112,930	-	119,708
15,178	250	638,378
-	-	262,197
53,445	-	53,445
-	-	248,506
-	-	15,569
155	-	154,618
-	-	5,442,626
267,788	-	267,788
1,215	-	7,537
-	-	121,718
180	-	180
-	390	390
12,020	727	462,759
<u>1,063,574</u>	<u>82,677</u>	<u>13,200,143</u>
<u>111,633</u>	<u>(6,015)</u>	<u>39,267</u>
-	-	51,263
-	-	<u>51,263</u>
111,633	(6,015)	90,530
685,082	69,517	1,068,702
<u>\$ 796,715</u>	<u>\$ 63,502</u>	<u>\$ 1,159,232</u>

COLLEGE STATION INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2015*

<u>Year Ended August 31</u>	<u>Tax Rates</u>		<u>3 Assessed/Appraised Value For School Tax Purposes</u>
	<u>1</u>	<u>2</u>	
	<u>Maintenance</u>	<u>Debt Service</u>	
2006 and Prior Years	\$ Various	\$ Various	\$ Various
2007	1.33000	0.150000	4,425,403,783
2008	1.00005	0.241000	4,925,454,736
2009	1.00005	0.221000	5,452,956,472
2010	1.00005	0.253363	5,789,175,635
2011	1.00005	0.309880	5,867,839,885
2012	1.00005	0.334983	6,175,482,404
2013	1.04000	0.295033	6,369,476,485
2014	1.04000	0.280000	6,717,124,848
2015 (School Year Under Audit)	1.04000	0.340000	7,186,517,899

1000 Totals

9000 - Portion of Row 1000 for Taxes Paid into Tax Increment Zone Under Chapter 311, Tax Code

10 Beginning Balance 9/1/14	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/15
\$ 420,797	\$ -	\$ 973	\$ 113	\$ (11,738)	\$ 407,973
263,492	-	155	18	(801)	262,518
232,376	-	609	147	-	231,620
255,460	-	5,914	1,307	214	248,453
330,905	-	25,666	6,501	22,046	320,784
325,623	-	24,328	7,540	20,683	314,438
356,101	-	48,330	16,188	39,427	331,010
445,913	-	85,508	24,258	37,349	373,496
691,830	-	215,360	57,981	(4,967)	413,522
-	99,173,947	74,140,228	24,238,152	(100,485)	695,082
\$ 3,322,497	\$ 99,173,947	\$ 74,547,071	\$ 24,352,205	\$ 1,728	\$ 3,598,896
		\$ -	\$ -		

COLLEGE STATION INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-2

NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	1	2	3	Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES:				
5700 <i>Local and Intermediate Sources</i>	\$ 2,655,500	\$ 2,762,000	\$ 2,610,267	\$ (151,733)
5800 <i>State Program Revenues</i>	28,000	28,000	28,868	868
5900 <i>Federal Program Revenues</i>	2,735,733	2,802,733	2,855,050	52,317
5020 Total Revenues	<u>5,419,233</u>	<u>5,592,733</u>	<u>5,494,185</u>	<u>(98,548)</u>
EXPENDITURES:				
Current:				
0035 <i>Food Service</i>	5,338,828	5,487,458	5,442,626	44,832
0051 <i>Plant Maintenance and Operations</i>	80,300	80,300	66,503	13,797
6030 Total Expenditures	<u>5,419,128</u>	<u>5,567,758</u>	<u>5,509,129</u>	<u>58,629</u>
1200 Net Change in Fund Balance	105	24,975	(14,944)	(39,919)
0100 Fund Balance - Beginning	312,369	312,369	312,369	-
3000 Fund Balance - Ending	<u>\$ 312,474</u>	<u>\$ 337,344</u>	<u>\$ 297,425</u>	<u>\$ (39,919)</u>

COLLEGE STATION INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-3

DEBT SERVICE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	1	2	3	Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES:				
5700 <i>Local and Intermediate Sources</i>	\$ 24,364,644	\$ 24,364,644	\$ 24,498,885	\$ 134,241
5020 Total Revenues	<u>24,364,644</u>	<u>24,364,644</u>	<u>24,498,885</u>	<u>134,241</u>
EXPENDITURES:				
Debt Service:				
0071 <i>Principal on Long-term Debt</i>	12,520,000	12,520,000	12,520,000	-
0072 <i>Interest on Long-term Debt</i>	12,421,977	12,421,977	12,421,977	-
0073 <i>Issuance Costs and Fees</i>	132,492	428,908	426,623	2,285
Total Debt Service	<u>25,074,469</u>	<u>25,370,885</u>	<u>25,368,600</u>	<u>2,285</u>
6030 Total Expenditures	<u>25,074,469</u>	<u>25,370,885</u>	<u>25,368,600</u>	<u>2,285</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(709,825)</u>	<u>(1,006,241)</u>	<u>(869,715)</u>	<u>136,526</u>
OTHER FINANCING SOURCES (USES):				
7901 <i>Issuance of Refunding Bond</i>	-	46,455,000	46,455,000	-
7916 <i>Premium or Discount on Issuance of Bonds</i>	-	5,779,497	5,779,497	-
8940 <i>Payment to Bond Refunding Escrow Agent</i>	-	(51,812,091)	(51,812,091)	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>422,406</u>	<u>422,406</u>	<u>-</u>
1200 Net Change in Fund Balance	(709,825)	(583,835)	(447,309)	136,526
0100 Fund Balance - Beginning	<u>6,350,699</u>	<u>6,350,699</u>	<u>6,350,699</u>	<u>-</u>
3000 Fund Balance - Ending	<u>\$ 5,640,874</u>	<u>\$ 5,766,864</u>	<u>\$ 5,903,390</u>	<u>\$ 136,526</u>

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OVERALL COMPLIANCE, INTERNAL CONTROL SECTION AND FEDERAL AWARDS

HLSK

Hereford, Lynch, Sellars & Kirkham

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

The Board of Trustees of
College Station Independent School District
1812 Welsh Avenue
College Station, Texas 77840

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 College Station Independent School District (District), as of and for the year ended August 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 27, 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Respectfully,

Hereford, Lynch, Sellars & Kirkham, P.C.

HEREFORD, LYNCH, SELLARS & KIRKHAM, P.C.
Certified Public Accountants

Conroe, Texas
November 27, 2015

HLSK

Hereford, Lynch, Sellars & Kirkham

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

The Board of Trustees of
College Station Independent School District
1812 Welsh Avenue
College Station, Texas 77840

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB 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, College Station Independent School District complied in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2015.

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.

Respectfully,

Hereford, Lynch, Sellars & Kirkham, P.C.

HEREFORD, LYNCH, SELLARS & KIRKHAM, P.C.
Certified Public Accountants

Conroe, Texas
November 27, 2015

COLLEGE STATION INDEPENDENT SCHOOL DISTRICT

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

SECTION I – SUMMARY OF AUDITORS’ RESULTS	
FINANCIAL STATEMENTS	
1. Type of auditors’ report issued	Unmodified
2. Internal Control over Financial Reporting:	
a. Material Weakness(es) identified?	No
b. Significant Deficiency(ies) identified that are not considered to be material weaknesses?	None reported
3. Noncompliance material to Financial Statements noted?	No
FEDERAL AWARDS	
4. Internal control over major programs:	
a. Material Weakness(es) identified?	No
b. Significant Deficiency(ies) identified that are not considered to be material weaknesses?	None reported
5. Type of auditors’ report issued on compliance with major programs	Unmodified
6. Any Audit Findings Disclosed that are Required to be Reported in Accordance with Section 510(a) of OMB Circular A-133?	No
7. Identification of Major Programs	Child Nutrition Cluster
8. Dollar Threshold Used to Distinguish Between Type A and Type B Federal Programs	\$300,000
9. Auditee Qualified as a Low-Risk Auditee?	Yes
SECTION II –FINANCIAL STATEMENT FINDINGS	
None reported	
SECTION III-FEDERAL AWARD FINDINGS AND QUESTIONED COSTS	
None reported	

COLLEGE STATION INDEPENDENT SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2015

PRIOR YEAR FINDINGS

2014-001 EARMARKING (INCOME-ELIGIBILITY)

**DEPARTMENT OF HEALTH AN HUMAN SERVICES (HHS)
CFDA No. 93.600 Head Start**

Earmarking (Income – Eligibility)

Criteria:

Per 45 CFR section 1305.4(b)(1), at least 90 percent of the enrollees must come from families whose income is below the official Federal poverty guidelines or who are receiving public assistance.

Condition:

85% of the enrollees came from families whose income is below the official Federal poverty guidelines or who are receiving public assistance.

Questioned Costs:

The questioned costs of ineligible enrollees served totaled \$82,285. The questioned costs are calculated by taking the total amount of the grant award expended and reducing it by the administrative costs expended to arrive at the direct award amount. The direct award amount is then divided by the number of enrollees to arrive at the direct program costs per enrollee. The direct costs per enrollee are multiplied by the number of ineligible enrollees to project the total estimated question costs.

Perspective Information:

The Head Start Director took into account all of the risk factors associated with each applicant prior to their enrollment in the head start program. The Director did not use income eligibility as the first step in their approval process, instead, they considered other factors such as a single parent home and child's enrollment in children's protective services custody to develop a conclusion as to each applicant's need.

Cause:

Current year enrollees do not achieve the 90 percent income eligibly requirement.

Effect:

The District is not in compliance with 45 CFR section 1305.4(b)(1).

Recommendation:

We recommend that the District modify procedures to ensure compliance with the income eligibility requirement in future years.

Current Status:

The District addressed all of the recommendations noted above and was in compliance with the Earmarking (Income-Eligibility) requirements for the fiscal year ended August 31, 2015.

COLLEGE STATION INDEPENDENT SCHOOL DISTRICT

CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED AUGUST 31, 2015

CURRENT YEAR FINDINGS

None reported

COLLEGE STATION INDEPENDENT SCHOOL DISTRICT

EXHIBIT K-1

*SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2015*

(1) Federal Grantor/ Pass-Through Grantor/ Program Title	(2) Federal CFDA Number	(2A) Pass-Through Entity Identifying Number	(3) Federal Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed Through State Department of Education:			
<i>ESEA Title I, Part A - Improving Basic Programs</i>	84.010A	15610101021901	\$ 1,201,006
Special Education Cluster (IDEA):			
<i>IDEA - Part B, Formula</i>	84.027A	156600010219016600	1,847,066
<i>IDEA - Part B, Preschool</i>	84.173A	156610010219016610	26,653
Total Special Education Cluster (IDEA)			<u>1,873,719</u>
<i>Career and Technology - Basic Grant</i>	84.048A	15420006021901	104,412
<i>Title III, Part A - English Language Acquisition and Language Enhancement</i>	84.365A	15671001021901	91,176
<i>ESEA Title II, Part A - Teacher & Principal Training & Recruiting</i>	84.367A	15694501021901	177,160
<i>Summer School LEP</i>	84.369A	69551402	16,693
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>3,464,166</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Child Nutrition Cluster:			
Passed Through State Department of Agriculture - Non-Cash Assistance:			
<i>National School Lunch Program</i>	10.555	00122	318,340
Passed Through State Department of Education - Cash Assistance:			
<i>National School Breakfast Program</i>	10.553	71401501	534,878
<i>National School Lunch Program</i>	10.555	71301501	2,001,832
TOTAL U.S. DEPARTMENT OF AGRICULTURE - CHILD NUTRITION CLUSTER			<u>2,855,050</u>
<u>U.S. DEPARTMENT OF LABOR</u>			
Passed Through Texas Workforce Commission:			
<i>WIA Dislocated Workers</i>	17.278	1615ATP000	9,186
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Direct:			
<i>Head Start - Reg Grant</i>	93.600	06CH7114-01	1,874,215
<i>Head Start - Reg Grant</i>	93.600	06CH7114-02	176,438
Total 93.600			<u>2,050,653</u>
Passed Through Texas Workforce Commission:			
<i>Temporary Assistance for Needy Families</i>	93.558	1615ATP000	1,514
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>2,052,167</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 8,380,569</u>

The accompanying notes are an integral part of this schedule.

COLLEGE STATION INDEPENDENT SCHOOL DISTRICT

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

Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of College Station Independent School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133 and *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. Presented below is a reconciliation of federal revenues:

<i>Total Expenditures of Federal Awards per Exhibit K-1</i>	\$ 8,380,603
General Fund - Federal Revenue	
SHARS	219,285
<i>Total Federal Revenues per Exhibit C-2</i>	<u>\$ 8,599,888</u>

COLLEGE STATION INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2015

EXHIBIT L-1

<u>Data Control Codes</u>	<u>Responses</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 CABs included in government-wide financial statements at fiscal year-end?	\$ -
SF11 Net Pension Assets (1920) at fiscal year-end.	\$ -
SF12 Net Pension Liabilities (2540) at fiscal year-end.	\$ 12,997,198
SF13 Pension Expense (6147) at fiscal year-end, excluding On-Behalf Pension Expense (6144).	\$ 1,201,363