

**POINT ISABEL  
INDEPENDENT SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED  
AUGUST 31, 2015

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

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**CERTIFICATE OF BOARD**

Point Isabel Independent School District  
Name of District

Cameron  
County

031-909  
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one)  approved  disapproved for the year ended August 31, 2015 at a meeting of the Board of Trustees of such school district on the 19TH day of January, 2016.

Beth Zamora  
Signature of Board Secretary

[Handwritten Signature]  
Signature of Board President

**INDEPENDENT AUDITORS' REPORT**

Board of Trustees  
Point Isabel Independent School District  
Port Isabel, Texas

**Report on the Financial Statements**

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

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

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

***Auditors' Responsibility***

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

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

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

***Opinions***

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

### ***Emphasis of Matter***

As discussed in Note I to the financial statements, in 2015, the District adopted new accounting guidance prescribed by GASB Statement No. 68 for its pension plan – a multiple-employer, cost-sharing, defined benefit pension plan that has a special funding situation. Because GASB Statement No. 68 implements new measurement criteria and reporting provisions, significant information has been added to the Government-Wide Statements. Exhibit A-1 discloses the District’s Net Pension Liability and some deferred resource outflows and deferred resource inflows related to the District’s pension plan. Exhibit B-1 discloses the adjustment to the District’s Beginning Net Position. Our opinion is not modified with respect to the matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis on pages 5 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2016 on our consideration of the Point Isabel 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 the Point Isabel Independent School District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Pattillo, Brown & Hill, CPAs". The signature is written in black ink and is positioned above the typed name and date.

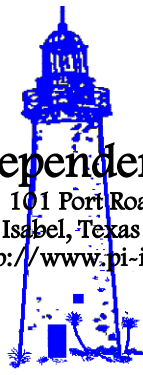
Brownsville, Texas  
January 19, 2016

# Point Isabel Independent School District

101 Port Road  
Port Isabel, Texas 78578  
<http://www.pi-isd.net>

Dr. Lisa Garcia  
Superintendent of Schools

Phone: 956-943-0000  
Fax: 956-943-1119



## MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2015

Our discussion and analysis of Point Isabel Independent School District's financial performance provides an overview of the District's financial activities for the fiscal year ended August 31, 2015. Please read it in conjunction with the District's financial statements, which begins on page 12.

### FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$29,777,021 (*net position*). Of this amount, \$5,753,869 (*unrestricted net position*) may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net position decreased by \$3,848,900, or 11%, as a result of this year's operations.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$12,415,687 a decrease of \$1,952,973 in comparison with the prior year. \$2,205,128 is *available for spending* at the District's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,205,128 or 5% of total General Fund expenditures.

### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 12-14). These provide information about the activities of the District as a whole and present a long-term view of the District's property and obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 15) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short-term, as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how services of the District were sold to external customers. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee.

"PIISD does not discriminate on basis of race, color, national origin, sex, religion, age or disability in employment or provision of services, programs or activities"



The notes to the financial statements (starting on page 24) provide narrative explanations or additional data needed for full disclosure in the government-wide statements of the fund financial statements.

The combining statements for nonmajor funds contain even more information about the District's individual funds. These are not required by TEA. The sections labeled TEA Required Schedules and Federal Awards Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

## **Reporting the District as a Whole**

### ***The Statement of Net Position and the Statement of Activities***

The analysis of the District's overall financial condition and operations begins on page 12. Its primary objective is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities while the Statement of Activities includes all the revenue and expenses generated by the District's operations during the year. These apply the accrual basis of accounting, which is the same method used by most private sector companies.

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

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

In the Statement of Net Position and the Statement of Activities, the District has one kind of activity:

***Government Activities*** – Most of the District's basic services are reported here, including instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.

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

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

The fund financial statements begin on page 15 and provide detailed information about the most significant funds – not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under ESEA Title I from the U. S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). The District's two kinds of funds – governmental and proprietary – use different accounting approaches.

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

***Proprietary Funds*** – Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Internal service funds are an accounting device used to accumulate and allocate costs internally among the various functions. The District uses the Internal Service Fund to report activities for its self-funded insurance and workers' compensation programs.

## **The District as Trustee**

### ***Reporting the District's Fiduciary Responsibilities***

The District is the trustee, or fiduciary, for money raised by student activities. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position on page 22. We exclude these resources from the District's other financial statements because the District cannot use them to support its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The following analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the District's governmental and business-type activities.

Net position of the District's governmental activities decreased from \$33,625,921 to \$29,777,021. Unassigned net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$5,753,869 at August 31, 2015 (See Table 1). The decrease in net position is primarily due to a prior period adjustment needed to record the initial Net Pension Liability required to improve the decision usefulness of information in governmental financial report. The net position over time serves as a useful indicator of the District's financial position.

**TABLE 1**  
**POINT ISABEL INDEPENDENT SCHOOL DISTRICT**  
**NET POSITION**

	Governmental Activities 2014	Governmental Activities 2015	Total % Change
Current and other assets	\$ 23,954,821	\$ 19,973,640	-19.93%
Capital assets	<u>35,184,581</u>	<u>34,650,234</u>	-1.54%
Total Assets	<u>59,139,402</u>	<u>54,623,874</u>	-8.27%
Deferred outflows of resources	<u>-</u>	<u>592,129</u>	100.00%
Total Deferred outflows of resources	<u>-</u>	<u>592,129</u>	100.00%
Other liabilities	2,157,760	1,269,173	-70.01%
Long-term liabilities	<u>23,355,721</u>	<u>23,480,864</u>	0.53%
Total Liabilities	<u>25,513,481</u>	<u>24,750,037</u>	-3.08%
Deferred inflows of resources	<u>-</u>	<u>688,945</u>	100.00%
Total Deferred inflows of resources	<u>-</u>	<u>688,945</u>	100.00%
Net position:			
Net investment in capital assets	12,255,463	13,812,593	11.27%
Restricted	7,901,726	10,210,559	22.61%
Unrestricted	<u>13,468,732</u>	<u>5,753,869</u>	-134.08%
Total Net Position	<u>\$ 33,625,921</u>	<u>\$ 29,777,021</u>	-12.93%

**TABLE 2**  
**POINT ISABEL INDEPENDENT SCHOOL DISTRICT**  
**CHANGES IN NET POSITION**

	Governmental Activities 2014	Governmental Activities 2015	Total % Change
<b>REVENUE:</b>			
Program revenue:			
Charges for services	\$ 209,707	\$ 228,845	9.13%
Operating grants and contributions	5,169,623	5,202,131	0.63%
General revenue:			
Maintenance and operations taxes	35,755,589	34,819,268	-2.62%
Debt service taxes	3,659,740	3,571,277	-2.42%
State aid - formula grants	2,909,134	2,437,274	-16.22%
Grants and contributions not restricted	295,592	446,031	100%
Investment earnings	7,254	10,294	41.91%
Miscellaneous local and intermediate	764,053	702,354	-8.08%
Total Revenue	<u>48,770,692</u>	<u>47,417,474</u>	-2.77%
<b>EXPENDITURES:</b>			
Instruction	14,477,350	14,013,179	-3.21%
Instructional resources and media services	328,567	307,932	-6.28%
Curriculum and staff development	512,220	559,286	9.19%
Instructional leadership	342,660	355,478	3.74%
School leadership	1,130,328	1,203,240	6.45%
Guidance, counseling and evaluation services	741,245	786,426	6.10%
Health services	207,569	210,675	1.50%
Student (pupil) transportation	880,444	840,299	-4.56%
Food services	1,859,548	1,913,998	2.93%
Co-curricular/extra curricular activities	1,551,709	1,544,901	-0.44%
General administration	1,343,385	1,769,221	31.70%
Plant maintenance and operations	3,571,662	4,640,585	29.93%
Security and monitoring services	333,608	376,127	12.75%
Data processing services	1,066,853	516,644	-51.57%
Community services	45,777	19,380	-57.66%
Debt service - interest on long-term debt	1,514,607	1,640,959	8.34%
Bond issuance cost and fees	63,058	867	-98.63%
Contractual instructional services	16,466,127	15,979,411	-2.96%
Other intergovernmental changes	570,868	577,555	1.17%
Total Expenditures	<u>47,007,585</u>	<u>47,256,163</u>	0.53%
<b>INCREASE (DECREASE) IN NET POSITION</b>	1,763,107	161,311	-90.85%
<b>NET POSITION, BEGINNING</b>	32,324,615	33,625,921	4.03%
<b>PRIOR PERIOD ADJUSTMENT</b>	( 461,801)	( 4,010,211)	
<b>NET POSITION, ENDING</b>	<u>\$ 33,625,921</u>	<u>\$ 29,777,021</u>	-11.45%

## THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 15) reported a combined fund balance of approximately \$12.4 million, which is a decrease of last year's total of \$14.3 million. In addition, the District's expenditures decreased by approximately \$3.6 million, with a decrease of revenues of \$1.3 million.

Over the course of the year, the Board of Trustees amended the District's budget several times. These amendments fall into two categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts we estimated in August of 2014). Also, the second category was the Board approving several increases in appropriations to prevent budget overruns.

The District's General Fund balance of \$10,737,760 reported on page 45 differs from the General Fund's budgetary fund balance of \$6,891,241. This is principally due to conservative budgeting principles.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2015, the District had approximately \$34.6 million (net of accumulated depreciation) invested in a broad range of capital assets, including instructional facilities and equipment, transportation facilities and equipment, athletic facilities, and administrative and maintenance buildings and equipment.

This year's major additions include:

Construction in Progress	\$ 2,883
Buildings and Improvements	1,078,106
Furniture and Equipment	<u>23,245</u>
Total	<u>\$1,104,234</u>

### Debt

At year-end, the District had approximately \$20.8 million in bonds outstanding versus approximately \$22.9 million last year. The District's general obligation bond rating continues to carry the highest rating possible, a rating that has been assigned by national rating agencies.

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

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Administration Office, at 101 Port Road, Port Isabel, Texas.

## **BASIC FINANCIAL STATEMENTS**

POINT ISABEL INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
AUGUST 31, 2015

EXHIBIT A-1

Data Control Codes	1	2	3
	Primary Government		
	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ 14,826,339	\$ 1,815	\$ 14,828,154
1220 Property Taxes Receivable (Delinquent)	4,252,025	-	4,252,025
1230 Allowance for Uncollectible Taxes	(425,202)	-	(425,202)
1240 Due from Other Governments	1,179,076	-	1,179,076
1290 Other Receivables, net	10,793	-	10,793
1300 Inventories	22,093	-	22,093
1410 Prepayments	108,516	-	108,516
Capital Assets:			
1510 Land	339,511	-	339,511
1520 Buildings, Net	33,925,995	-	33,925,995
1530 Furniture and Equipment, Net	381,845	-	381,845
1580 Construction in Progress	2,883	-	2,883
1000 Total Assets	<u>54,623,874</u>	<u>1,815</u>	<u>54,625,689</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
1705 Deferred Outflow Related to TRS	592,129	-	592,129
1700 Total Deferred Outflows of Resources	<u>592,129</u>	<u>-</u>	<u>592,129</u>
<b>LIABILITIES</b>			
2110 Accounts Payable	254,206	-	254,206
2150 Payroll Deductions & Withholdings	63,994	-	63,994
2160 Accrued Wages Payable	627,293	-	627,293
2180 Due to Other Governments	189,031	-	189,031
2200 Accrued Expenses	13,335	-	13,335
2300 Unearned Revenue	121,314	-	121,314
Noncurrent Liabilities			
2501 Due Within One Year	1,986,676	-	1,986,676
2502 Due in More Than One Year	19,242,017	-	19,242,017
2540 Net Pension Liability (District's Share)	2,252,171	-	2,252,171
2000 Total Liabilities	<u>24,750,037</u>	<u>-</u>	<u>24,750,037</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
2605 Deferred Inflow Related to TRS	688,945	-	688,945
2600 Total Deferred Inflows of Resources	<u>688,945</u>	<u>-</u>	<u>688,945</u>
<b>NET POSITION</b>			
3200 Net Investment in Capital Assets	13,812,593	-	13,812,593
Restricted:			
3820 Restricted for Federal and State Programs	317,031	-	317,031
3850 Restricted for Debt Service	1,507,883	-	1,507,883
3860 Restricted for Capital Projects	5,505,599	-	5,505,599
3890 Restricted for Other Purposes	2,880,046	-	2,880,046
3900 Unrestricted	5,753,869	1,815	5,755,684
3000 Total Net Position	<u>\$ 29,777,021</u>	<u>\$ 1,815</u>	<u>\$ 29,778,836</u>

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



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

Data Control Codes	1	Program Revenues	
		3	4
	Expenses	Charges for Services	Operating Grants and Contributions
<b>Primary Government:</b>			
<b>GOVERNMENTAL ACTIVITIES:</b>			
11 Instruction	\$ 14,013,179	\$ 36,635	\$ 2,369,613
12 Instructional Resources and Media Services	307,932	-	9,120
13 Curriculum and Staff Development	559,286	-	302,512
21 Instructional Leadership	355,478	-	22,769
23 School Leadership	1,203,240	-	87,520
31 Guidance, Counseling and Evaluation Services	786,426	-	164,952
33 Health Services	210,675	-	8,484
34 Student (Pupil) Transportation	840,299	-	30,756
35 Food Services	1,913,998	46,298	2,031,642
36 Extracurricular Activities	1,544,901	103,023	39,346
41 General Administration	1,769,221	-	41,207
51 Facilities Maintenance and Operations	4,640,585	42,889	49,352
52 Security and Monitoring Services	376,127	-	16,777
53 Data Processing Services	516,644	-	16,751
61 Community Services	19,380	-	11,330
72 Debt Service - Interest on Long Term Debt	1,640,959	-	-
73 Debt Service - Bond Issuance Cost and Fees	867	-	-
91 Contracted Instructional Services Between Schools	15,979,411	-	-
99 Other Intergovernmental Charges	577,555	-	-
[TG] Total Governmental Activities:	47,256,163	228,845	5,202,131
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 47,256,163	\$ 228,845	\$ 5,202,131
Data Control Codes	General Revenues:		
	Taxes:		
MT	Property Taxes, Levied for General Purposes		
DT	Property Taxes, Levied for Debt Service		
SF	State Aid - Formula Grants		
GC	Grants and Contributions not Restricted		
IE	Investment Earnings		
MI	Miscellaneous Local and Intermediate Revenue		
TR	Total General Revenues		
CN	Change in Net Position		
NB	Net Position - Beginning		
PA	Prior Period Adjustment		
NE	Net Position--Ending		

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

Net (Expense) Revenue and Changes in Net Position		
6	7	8
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (11,606,931)	\$ -	\$ (11,606,931)
(298,812)	-	(298,812)
(256,774)	-	(256,774)
(332,709)	-	(332,709)
(1,115,720)	-	(1,115,720)
(621,474)	-	(621,474)
(202,191)	-	(202,191)
(809,543)	-	(809,543)
163,942	-	163,942
(1,402,532)	-	(1,402,532)
(1,728,014)	-	(1,728,014)
(4,548,344)	-	(4,548,344)
(359,350)	-	(359,350)
(499,893)	-	(499,893)
(8,050)	-	(8,050)
(1,640,959)	-	(1,640,959)
(867)	-	(867)
(15,979,411)	-	(15,979,411)
(577,555)	-	(577,555)
<u>(41,825,187)</u>	<u>-</u>	<u>(41,825,187)</u>
<u>(41,825,187)</u>	<u>-</u>	<u>(41,825,187)</u>
34,819,268	-	34,819,268
3,571,277	-	3,571,277
2,437,274	-	2,437,274
446,031	-	446,031
10,294	-	10,294
702,354	-	702,354
<u>41,986,498</u>	<u>-</u>	<u>41,986,498</u>
161,311	-	161,311
33,625,921	1,815	33,627,736
(4,010,211)	-	(4,010,211)
<u>\$ 29,777,021</u>	<u>\$ 1,815</u>	<u>\$ 29,778,836</u>

POINT ISABEL INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2015

Data Control Codes	10 General Fund	50 Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
1110 Cash and Cash Equivalents	\$ 11,359,813	\$ 1,498,140	\$ (620,017)	\$ 12,237,936
1220 Property Taxes - Delinquent	3,865,301	386,724	-	4,252,025
1230 Allowance for Uncollectible Taxes	(386,530)	(38,672)	-	(425,202)
1240 Receivables from Other Governments	158,752	9,743	1,010,581	1,179,076
1260 Due from Other Funds	1,173,933	-	97,707	1,271,640
1290 Other Receivables	10,793	-	-	10,793
1300 Inventories	22,093	-	-	22,093
1000 Total Assets	<u>\$ 16,204,155</u>	<u>\$ 1,855,935</u>	<u>\$ 488,271</u>	<u>\$ 18,548,361</u>
<b>LIABILITIES</b>				
2110 Accounts Payable	\$ 132,120	\$ -	\$ 122,086	\$ 254,206
2150 Payroll Deductions and Withholdings Payable	63,994	-	-	63,994
2160 Accrued Wages Payable	581,129	-	46,164	627,293
2170 Due to Other Funds	886,716	-	149,977	1,036,693
2180 Due to Other Governments	189,031	-	-	189,031
2200 Accrued Expenditures	13,320	-	-	13,320
2300 Unearned Revenues	121,314	-	-	121,314
2000 Total Liabilities	<u>1,987,624</u>	<u>-</u>	<u>318,227</u>	<u>2,305,851</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
2601 Unavailable Revenue - Property Taxes	3,478,771	348,052	-	3,826,823
2600 Total Deferred Inflows of Resources	<u>3,478,771</u>	<u>348,052</u>	<u>-</u>	<u>3,826,823</u>
<b>FUND BALANCES</b>				
Nonspendable Fund Balance:				
3410 Inventories	22,093	-	-	22,093
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	299,408	-	17,623	317,031
3480 Retirement of Long-Term Debt	-	1,507,883	-	1,507,883
Committed Fund Balance:				
3510 Construction	5,353,178	-	152,421	5,505,599
3545 Other Committed Fund Balance	2,857,953	-	-	2,857,953
3600 Unassigned Fund Balance	2,205,128	-	-	2,205,128
3000 Total Fund Balances	<u>10,737,760</u>	<u>1,507,883</u>	<u>170,044</u>	<u>12,415,687</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 16,204,155</u>	<u>\$ 1,855,935</u>	<u>\$ 488,271</u>	<u>\$ 18,548,361</u>

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

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

<b>Total Fund Balances - Governmental Funds</b>	\$	12,415,687
The District uses internal service funds to charge the costs of certain activities, such as transportation, catering and insurance, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.		2,461,957
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$61,464,684 and the accumulated depreciation was (\$26,280,103). In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.		12,255,463
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2015 capital outlays and debt principal payments is to increase net position.		3,257,535
Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of \$2,252,171, a Deferred Resource Inflow related to TRS in the amount of \$688,945 and a Deferred Resource Outflow related to TRS in the amount of \$592,129. This amounted to a (decrease) in Net Position in the amount of \$2,348,987.		(2,348,987)
The 2015 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to (decrease) net position.		(1,700,405)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.		3,435,771
<b>Net Position of Governmental Activities</b>	<b>\$</b>	<b>29,777,021</b>

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

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

Data Control Codes	10 General Fund	50 Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 36,002,612	\$ 3,686,635	\$ 6	\$ 39,689,253
5800 State Program Revenues	3,296,464	-	66,131	3,362,595
5900 Federal Program Revenues	2,371,148	-	2,351,693	4,722,841
5020 Total Revenues	<u>41,670,224</u>	<u>3,686,635</u>	<u>2,417,830</u>	<u>47,774,689</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
0011 Instruction	10,784,169	-	1,930,478	12,714,647
0012 Instructional Resources and Media Services	310,091	-	-	310,091
0013 Curriculum and Instructional Staff Development	269,935	-	293,873	563,808
0021 Instructional Leadership	351,975	-	5,580	357,555
0023 School Leadership	1,185,624	-	25,325	1,210,949
0031 Guidance, Counseling and Evaluation Services	656,252	-	140,186	796,438
0033 Health Services	212,935	-	-	212,935
0034 Student (Pupil) Transportation	699,457	-	619	700,076
0035 Food Services	1,920,016	-	-	1,920,016
0036 Extracurricular Activities	1,459,798	-	9,362	1,469,160
0041 General Administration	964,050	-	-	964,050
0051 Facilities Maintenance and Operations	4,683,261	-	-	4,683,261
0052 Security and Monitoring Services	377,067	-	-	377,067
0053 Data Processing Services	518,670	-	-	518,670
0061 Community Services	8,369	-	11,328	19,697
<b>Debt Service:</b>				
0071 Principal on Long Term Debt	150,000	1,806,215	-	1,956,215
0072 Interest on Long Term Debt	86,465	1,725,307	-	1,811,772
0073 Bond Issuance Cost and Fees	-	867	-	867
<b>Capital Outlay:</b>				
0081 Facilities Acquisition and Construction	1,062,192	-	-	1,062,192
<b>Intergovernmental:</b>				
0091 Contracted Instructional Services Between Schools	15,979,411	-	-	15,979,411
0099 Other Intergovernmental Charges	577,555	-	-	577,555
6030 Total Expenditures	<u>42,257,292</u>	<u>3,532,389</u>	<u>2,416,751</u>	<u>48,206,432</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(587,068)	154,246	1,079	(431,743)
<b>OTHER FINANCING SOURCES (USES):</b>				
8911 Transfers Out (Use)	(912)	-	-	(912)
1200 Net Change in Fund Balances	(587,980)	154,246	1,079	(432,655)
0100 Fund Balance - September 1 (Beginning)	12,846,058	1,353,637	168,965	14,368,660
1300 Increase (Decrease) in Fund Balance	(1,520,318)	-	-	(1,520,318)
3000 Fund Balance - August 31 (Ending)	<u>\$ 10,737,760</u>	<u>\$ 1,507,883</u>	<u>\$ 170,044</u>	<u>\$ 12,415,687</u>

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

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

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	(432,655)
The District uses internal service funds to charge the costs of certain activities, such as transportation, catering and insurance, to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to (decrease) net position.		(782,406)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2015 capital outlays and debt principal payments is to increase net position.		3,195,711
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to (decrease) net position.		(1,700,405)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to (decrease) net position.		(321,664)
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 8/31/2014 caused the change in the ending net position to increase in the amount of \$410,904. Contributions made before the measurement but during the 2015 FY were also de-expended and recorded as a reduction in the net pension liability for the district. The District's proportionate share of the TRS pension expense on the plan as a whole had to be recorded as an expense. The net pension expense decreased the change in net position by \$208,174. The result of these amounts is to increase the change in net position by \$202,730.		202,730
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b>161,311</b>

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

POINT ISABEL INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
AUGUST 31, 2015

EXHIBIT D-1

	Business-Type Activities -	Governmental Activities -
	Total Enterprise Funds	Total Internal Service Funds
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 1,815	\$ 2,588,403
Due from Other Funds	-	1,628
Prepayments	-	108,516
Total Assets	1,815	2,698,547
<b>LIABILITIES</b>		
Current Liabilities:		
Due to Other Funds	-	236,575
Accrued Expenses	-	15
Total Liabilities	-	236,590
<b>NET POSITION</b>		
Unrestricted Net Position	1,815	2,461,957
Total Net Position	\$ 1,815	\$ 2,461,957

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

POINT ISABEL INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2015

	Business-Type Activities -	Governmental Activities -
	Total Enterprise Funds	Total Internal Service Funds
<b>OPERATING REVENUES:</b>		
Local and Intermediate Sources	\$ -	\$ 2,256,525
State Program Revenues	-	225
Total Operating Revenues	<u>-</u>	<u>2,256,750</u>
<b>OPERATING EXPENSES:</b>		
Payroll Costs	-	243,686
Professional and Contracted Services	-	112,575
Supplies and Materials	-	37,664
Other Operating Costs	-	2,646,143
Total Operating Expenses	<u>-</u>	<u>3,040,068</u>
Income (Loss) Before Transfers	-	(783,318)
Transfer In	<u>-</u>	<u>912</u>
Change in Net Position	-	(782,406)
Total Net Position - September 1 (Beginning)	<u>1,815</u>	<u>3,244,363</u>
Total Net Position - August 31 (Ending)	<u>\$ 1,815</u>	<u>\$ 2,461,957</u>

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



POINT ISABEL INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2015

EXHIBIT D-3

	Business-Type Activities	Governmental Activities -
	Total	Total
	Enterprise Funds	Internal Service Funds
<u>Cash Flows from Operating Activities:</u>		
Cash Received from User Charges	\$ -	\$ 2,255,423
Cash Payments to Employees for Services	-	(4,456)
Cash Payments to (from) Other Funds	-	(912)
Cash Payments for Other Operating Expenses	-	(3,047,659)
Net Cash Used for Operating Activities	-	(797,604)
<u>Cash Flows from Non-Capital Financing Activities:</u>		
Operating Transfer In	-	912
Net Decrease in Cash and Cash Equivalents	-	(796,692)
Cash and Cash Equivalents at Beginning of Year	1,815	3,385,095
Cash and Cash Equivalents at End of Year	\$ 1,815	\$ 2,588,403
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>		
<u>Used for Operating Activities:</u>		
Operating Income (Loss):	\$ -	\$ (783,318)
Effect of Increases and Decreases in Current Assets and Liabilities:		
Decrease (increase) in Due from Other Funds	-	(1,628)
Decrease (increase) in Prepayments	-	(108,516)
Increase (decrease) in Accounts Payable	-	(37,616)
Increase (decrease) in Due to Other Funds	-	156,268
Increase (decrease) in Accrued Expenses	-	(22,794)
Net Cash Used for Operating Activities	\$ -	\$ (797,604)

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

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

	836-849 Investment Trust Funds	Agency Funds
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 182,667	\$ 235,561
Other Receivables	-	5,152
Total Assets	<u>182,667</u>	<u>\$ 240,713</u>
<b>LIABILITIES</b>		
Accounts Payable	-	\$ 2,322
Due to Other Governments	-	3,993
Due to Student Groups	-	149,807
Accrued Expenses	-	84,591
Total Liabilities	<u>-</u>	<u>\$ 240,713</u>
<b>NET POSITION</b>		
Unrestricted Net Position	<u>182,667</u>	
Total Net Position	<u>\$ 182,667</u>	

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

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

	836-849 Investment Trust Funds
DEDUCTIONS:	
Other Operating Costs	\$ 4,566
Total Deductions	4,566
Change in Net Position	(4,566)
Total Net Position - September 1 (Beginning)	187,233
Total Net Position - August 31 (Ending)	\$ 182,667

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

**POINT ISABEL INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2015**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. REPORTING ENTITY**

The Board of School Trustees (the “Board”), a seven-member group, has governance responsibilities over all activities related to educational services within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency (“TEA”) or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental “reporting entity” as defined by the Governmental Accounting Standards Board (“GASB”), and there are no component units within the reporting entity.

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on the entire District with the interfund activities removed. *Governmental activities* include programs supported primarily by grants, state foundation funds and other intergovernmental revenues.

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The “charges for services” column includes payments made by parties that purchase, use or directly benefit from goods or services provided by a given function or segment of the District.

The “grants and contributions” column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants through the Department of Education and the Department of Agriculture. If revenue is not program revenue, it is general revenue used to support all of the District’s functions.

Interfund activities between governmental funds appear as due to/due from on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Position and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance and on the Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Position. All interfund transactions between governmental funds and between governmental funds and internal service funds are eliminated on the government-wide statements.

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

## **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

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

### **C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION**

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

Revenues from local sources consist primarily of property tax revenue. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

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

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable.

### **D. BASIS OF PRESENTATION - FUND ACCOUNTING**

The District reports the following major governmental funds:

1. **General Fund** - is used to account for financial resources used for general operations. This is a budgeted fund and any fund balances are considered resources available for current operations. All revenues and expenditures not required to be accounted for in other funds, are accounted for in this fund.
2. **Debt Service Fund** - is used to account for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### D. BASIS OF PRESENTATION - FUND ACCOUNTING

Additionally, the District reports the following fund type(s):

Governmental Funds:

1. ***Special Revenue Funds*** - are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund. Normally, unused balances are returned to the grantor at the close of specified project periods.
2. ***Capital Projects Funds*** - are used to account for proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions.
3. ***Permanent Funds*** - are used to account for donations for which the donor has stipulated that the principal may not be expended and where the income may only be used for purposes that support the District's programs. The District has no Permanent Funds.

Proprietary Fund:

1. ***Internal Service Funds*** - are used to account for revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis.
2. ***Enterprise Fund*** - are used to account for revenues and expenses related to services provided to organizations inside the District.

Fiduciary funds:

1. ***Private Purpose Trust Funds*** - are used to account for donations, which have stipulations that the principal may not be expended; only the income may be used for a specific purpose.
2. ***Agency Funds*** - are used to account for resources held for others in a custodial capacity.

### E. OTHER ACCOUNTING POLICIES

1. For purposes of the statement of cash flows for proprietary and similar fund-types, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.
2. Inventories of supplies on the balance sheet are stated at weighted average cost and they include consumable maintenance and food service items. Supplies are recorded as expenditures when they are consumed.
3. In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities statement of net position.
4. Capital assets, which include land, buildings, furniture and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**E. OTHER ACCOUNTING POLICIES**

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Buildings, furniture and equipment of the District is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	30
Building Improvements	10
Vehicles	5-8
Office Equipment	5
Computer Equipment	5

5. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.
6. When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first unless unrestricted assets will have to be returned because they were not used.
7. The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:
  - **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
  - **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
  - **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by board resolution by the Board. The Board's commitment may be modified or rescinded by a majority vote in a scheduled meeting. Board commitments cannot exceed the amount of fund balance that is greater than the sum of non-spendable and restricted fund balances since that practice would commit funds that the District does not have. Board commitments must occur before the end of the reporting period with amounts to be determined subsequently.
  - **Assigned:** This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board, the Superintendent, or Superintendent's designee.

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### E. OTHER ACCOUNTING POLICIES

- Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

The order of spending and availability shall be to reduce funds from the listed areas in the following order: restricted, committed, assigned, and unassigned.

8. 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 and service Districts to display these codes in the financial statements filed with the agency in order to insure accuracy in building a statewide database for policy development and funding plans.
9. The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past four fiscal years.
10. In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statements element, deferred outflows of resources, presents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statements element, deferred inflows or resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues from one source: property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

11. Net position represents the differences between assets, deferred outflows (inflows) of resources and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
12. Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond and grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered applied. It is the District's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.
13. During fiscal year 2015, the District adopted GASB Statement No. 68 for Accounting and Reporting for Pensions. With GASB 68, the District must assume their proportionate share of the Net Pension Liability of the Teacher Retirement System of Texas. Adoption of GASB 68 required a prior period adjustment to report the effect of GASB 68 retroactively. The amount of the prior period adjustment is (\$2,551,717). The restated beginning net position is \$31,074,204.



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

### A. EXPLANATION OF DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net position for governmental activities as reported in the government-wide statement of net position.

One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including capital leases payable, are not due and payable in the current period and are not reported as liabilities in the funds. The details of capital assets and long-term debt at the beginning of the year were as follows:

<u>Capital Assets at the Beginning of Year</u>	<u>Historic Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Value at the Beginning of Year</u>	<u>Change in Net Position</u>
Land	\$ 339,511	\$ -	\$ 339,511	
Buildings & Improvements	57,927,561	(23,597,712)	34,329,849	
Furniture & Equipment	<u>3,197,612</u>	<u>(2,682,391)</u>	<u>515,221</u>	
Change in Net Position				<u>\$ 35,184,581</u>
<u>Long - Term Liabilities at the Beginning of Year</u>			<u>Payable at the Beginning of Year</u>	
Bonds Payable			(22,732,795)	
Accreted Interest			<u>(196,323)</u>	
Change in Net Position				<u>(22,929,118)</u>
Net Adjustment to Net Position				<u>\$ 12,255,463</u>

### B. EXPLANATION OF DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Exhibit C-4 provides reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures and changes in fund balances and the changes in net position of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net asset balance and the change in net position. The details of this adjustment are as follows:

<u>Current Year Capital Outlay</u>	<u>Amount</u>	<u>Adjustments to Changes in Net Position</u>	<u>Adjustments in Net Position</u>
Construction in Progress	\$ 2,883	\$ 2,883	
Buildings & Improvements	1,078,106	1,078,106	
Furniture & Equipment	<u>23,245</u>	<u>23,245</u>	
Total Capital Outlay			\$ 1,104,234
<u>Debt Principal Payments</u>			
Bond Principal Payments	1,956,215	1,956,215	
Accreted Interest, Net	<u>135,262</u>	<u>135,262</u>	
Total Principal Payments	<u>2,091,477</u>	<u>2,091,477</u>	<u>2,091,477</u>
Net Adjustment to Net Position			<u>\$ 3,195,711</u>

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

#### **A. BUDGETARY DATA**

The Board adopts an “appropriated budget” for the General Fund, which is included in the General Fund. The District is required to present the adopted and final amended budgeted revenues and expenditures. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1.

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

1. Prior to August 20<sup>th</sup>, the District prepares a budget for the next succeeding fiscal year beginning September 1<sup>st</sup>. 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. Public notice of the meeting must be given at least ten days prior to the meeting.
3. Prior to September 1<sup>st</sup>, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end. During the year, the budget was amended as necessary. These were no significant budget amendments passed during the 2014-2015 school year.
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function or object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year-end.
5. Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31<sup>st</sup>, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year’s budget.

### **IV. DETAILED NOTES ON ALL FUNDS**

#### **A. DEPOSITS AND INVESTMENTS**

The funds of the District must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the District’s agent bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank’s dollar amount of Federal Deposit Insurance Corporation (“FDIC”) insurance.

At August 31, 2015, the carrying amount of the District’s deposits, excluding agency funds, was \$2,151,867 and the bank balance was \$2,758,434. The District’s cash deposits at August 31, 2015 and during the year were covered by FDIC insurance or by pledged collateral held by the District’s agent bank in the District’s name.

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

- a. Depository: Plains Capital Bank
- b. The market value of securities pledged as of the date of the highest combined balance on deposit was \$20,027,956.
- c. The highest combined balances of cash, savings and time deposit accounts amounted to \$18,057,359 and occurred during the month of November 2014.
- d. Total amount of FDIC coverage at the time of the largest combined balance was \$250,000.

**IV. DETAILED NOTES ON ALL FUNDS**

**A. DEPOSITS AND INVESTMENTS**

District Policies and Legal Contractual Provisions Governing Deposits

**Custodial Credit Risk for Deposits** – State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the District complies with this law, it has no custodial risk for deposits.

**Foreign Currency Risk for Deposits** – The District limits the risk that changes in exchange rates will adversely affect the fair value of a deposit. At year-end, the District was not exposed to foreign currency risk.

District Policies and Legal Contractual Provisions Governing Investments

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

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>			
		<u>Less Than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>	<u>More Than 10</u>
Texpool Investments	\$ 12,354,376	\$ 12,354,376	\$ -	\$ -	\$ -
Lone Star Investments	321,911	321,911	-	-	-
Total	<u>\$ 12,676,287</u>	<u>\$ 12,676,287</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Additional policies and contractual provisions governing deposits and investments for the District are specified below:

**Credit Risk** – In accordance with state law and the District’s investment policy, investments in mutual funds and investment pools must be rated at least AAA or have an equivalent rating, commercial paper must be rated at least A-1, P-1 or have an equivalent rating, and obligations of states, agencies, counties, and cities must be at least A or its equivalent. As of August 31, 2015, the District’s investments in Lone Star Investment Pool was rated AAAs/t by Standard and Poor’s (S&P) and TexPool was rated AAAs by Standard and Poor’s (S&P).

**Custodial Risk for 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. All investments held by third parties were fully collateralized and held in the District’s name.

**IV. DETAILED NOTES ON ALL FUNDS**

**A. DEPOSITS AND INVESTMENTS**

**Concentration of Credit Risk** – The investment portfolio is diversified in terms of investment instruments and maturity scheduling to reduce risk of loss resulting from over concentration of assets in specific class of investments, specific maturity or specific issuer.

**Interest Rate Risk** – In accordance with state law and the District’s investment policy, the District does not purchase any investments greater than five (5) years for its operating funds.

**Foreign Currency Risk for Investments** – The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment. At year-end, the District was not exposed to foreign currency risk.

**B. PROPERTY TAXES**

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

**C. DELINQUENT TAXES RECEIVABLE**

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

**D. DUE FROM OTHER GOVERNMENTS**

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

<u>Fund</u>	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>Other</u>	<u>Total</u>
General	\$ 64,466	\$ -	\$ 94,286	\$ 158,752
Special Revenue	61,994	948,587	-	1,010,581
Debt Service	-	-	9,743	9,743
Total	<u>\$ 126,460</u>	<u>\$ 948,587</u>	<u>\$ 104,029</u>	<u>\$ 1,179,076</u>

**IV. DETAILED NOTES ON ALL FUNDS**

**E. INTERFUND RECEIVABLES AND PAYABLES**

Interfund balances at August 31, 2015 consisted of the following individual fund balances:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
<b><u>General Fund</u></b>		
General Fund	\$ 860,114	\$ 860,114
Special Revenue Funds	77,244	24,974
Internal Service Funds	<u>236,575</u>	<u>1,628</u>
Total General Fund	<u>1,173,933</u>	<u>886,716</u>
<b><u>Special Revenue Funds</u></b>		
General Fund	24,974	77,244
Special Revenue Funds	<u>72,733</u>	<u>72,733</u>
Total Special Revenue Funds	<u>97,707</u>	<u>149,977</u>
<b><u>Internal Service Funds</u></b>		
General Fund	<u>1,628</u>	<u>236,575</u>
Total Internal Service Funds	<u>1,628</u>	<u>236,575</u>
Totals	<u>\$ 1,273,268</u>	<u>\$ 1,273,268</u>

**F. CAPITAL ASSET ACTIVITY**

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

	Balance 9/1/2014	Changes During Year			Balance 8/31/2015
		<u>Additions</u>	<u>Retirements</u>	<u>Adjustments/ Reclassifications</u>	
Governmental Activities:					
Land	\$ 339,511	\$ -	\$ -	\$ -	\$ 339,511
Construction in Progress	1,915,712	2,883	-	(1,915,712)	2,883
Buildings & improvements	56,011,849	1,078,106	(72,976)	1,915,712	58,932,691
Furniture & equipment	<u>3,197,612</u>	<u>23,245</u>	<u>-</u>	<u>-</u>	<u>3,220,857</u>
Totals at historic cost	<u>61,464,684</u>	<u>1,104,234</u>	<u>(72,976)</u>	<u>-</u>	<u>62,495,942</u>
Less accumulated depreciation:					
Buildings & improvements	(23,597,712)	(1,543,784)	72,976	61,824	(25,006,696)
Furniture & equipment	<u>(2,682,391)</u>	<u>(156,621)</u>	<u>-</u>	<u>-</u>	<u>(2,839,012)</u>
Total accum. Depreciation	<u>(26,280,103)</u>	<u>(1,700,405)</u>	<u>72,976</u>	<u>61,824</u>	<u>(27,845,708)</u>
Governmental Activities					
Capital Assets, Net	<u>\$ 35,184,581</u>	<u>\$ (596,171)</u>	<u>\$ -</u>	<u>\$ 61,824</u>	<u>\$ 34,650,234</u>

**IV. DETAILED NOTES ON ALL FUNDS**

**F. CAPITAL ASSET ACTIVITY**

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 1,441,294
Student (pupil) transportation	158,112
Cocurricular/extracurricular activities	82,020
General administration	12,107
Security	1,257
Plant maintenance & operations	<u>5,615</u>
Totals	<u>\$ 1,700,405</u>

**G. UNEARNED REVENUE**

Unearned revenue at year-end consisted of the following:

<u>Description</u>	<u>General Fund</u>	<u>Total</u>
Disaster Aid Revenue	<u>\$ 121,314</u>	<u>\$ 121,314</u>
	<u>\$ 121,314</u>	<u>\$ 121,314</u>

**H. BONDS PAYABLE**

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

Bonded indebtedness of the District is reflected in the Long-Term Debt Account Group, and current requirements for principal and interest expenditures are accounted for in the Debt Service Fund. Effective interest rates range from 4.00% to 6.125%.

A summary of changes in bonds payable for the year ended August 31, 2015, is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Amount of Original Issue</u>	<u>Interest Current Year</u>	<u>Balance 9/1/2014</u>	<u>Principal Issued</u>	<u>Retired</u>	<u>Balance 8/31/2015</u>
Unlimited Tax School and Refunding Bonds, Series 1996	4.35 - 5.10%	\$ 6,078,946	\$ 918,785	\$ 1,137,795	\$ -	\$ (436,215)	\$ 701,580
Accreted Interest Unlimited Tax School and Refunding Bonds, Series 1996	-	-	-	196,323	-	(135,262)	61,061
Unlimited Tax Refunding Bonds, Series 1999	4.125 - 6.125%	4,000,000	32,278	930,000	-	(295,000)	635,000
Unlimited Tax School Building Bonds, Series 2006-B	4.00 - 5.00%	23,755,000	774,244	16,945,000	-	(1,075,000)	15,870,000
Maintenance Tax Notes, Series 2014	2.500%	3,720,000	<u>86,465</u>	<u>3,720,000</u>	<u>-</u>	<u>(150,000)</u>	<u>3,570,000</u>
Totals			<u>\$ 1,811,772</u>	<u>\$ 22,929,118</u>	<u>\$ -</u>	<u>\$ (2,091,477)</u>	<u>\$ 20,837,641</u>

#### IV. DETAILED NOTES ON ALL FUNDS

##### H. **BONDS PAYABLE**

Debt service requirements are as follows:

Year Ending <u>August 31,</u>	<u>Principal</u>	<u>Interest</u>	Total <u>Requirements</u>
2016	\$ 1,986,676	\$ 1,783,099	\$ 3,769,775
2017	1,949,904	1,524,787	3,474,691
2018	1,390,000	693,863	2,083,863
2019	1,455,000	626,675	2,081,675
2020	1,530,000	556,113	2,086,113
2021-2025	8,790,000	1,630,730	10,420,730
2026-2030	2,775,000	216,188	2,991,188
2031-2034	<u>900,000</u>	<u>45,875</u>	<u>945,875</u>
Totals	<u>\$ 20,776,580</u>	<u>\$ 7,077,330</u>	<u>\$ 27,853,910</u>

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions.

Bonds payable at August 31, 2015 are comprised of the following individual issues:

On April 19, 1996, the District issued Unlimited Tax School and Refunding Bonds, Series 1996 in the amount of \$6,078,946. The bonds were issued with interest rates varying from 4.35% to 5.10%.

The 1996 Series bonds were issued for building and to refund part of the Unlimited Tax Refunding Bonds, Series 1989 with \$2,199,993 principal outstanding. The 1996 Bonds carried an initial principal amount of \$6,089,946, and after the District paid issuance costs of \$79,294 the net proceeds were \$5,999,651.

Some of the above proceeds were used to issue Unlimited Tax Refunding Bonds, which were used to purchase U.S. Government securities, and those securities were deposited into an irrevocable trust with an escrow agent to provide debt service payments to the advance refunded issues. The advanced refunding met the requirements of an insubstance debt defeasance and the refunded part of the bonds was removed from the District's General Long-Term Debt Account Group.

As a result of the advanced refundings, the District reduced its total debt service requirements by \$201,797 for the 1993 Series and \$363,628 for the 1996 Series, which resulted in an economic gain (difference between the present value of the debt service payments and the old and new debt) of \$201,797 and \$107,589, respectively.

On July 20, 2000, the District issued Unlimited Tax Refunding Bonds, Series 1999 in the amount of \$4,000,000. The bonds were issued with interest rates varying between 4.125% and 6.125%. Proceeds from the sale of the bonds will be used to construct, renovate and equip school buildings in the District and the purchase of necessary sites. These bonds are due in various amounts beginning February 1, 2001 through February 1, 2017. Payment of interest will begin on February 1, 2001 and each August 1 and February 1 thereafter, until the earlier of maturity or prior redemption.

On September 21, 2006, the District issued Unlimited Tax School Building Bonds, Series 2006-B in the amount of \$23,755,000. The bonds were issued with interest rates varying between 4.0% and 5.0%. Proceeds from the sale of bonds will be used to construct, renovate, and equip school buildings in the District. These bonds are due in various amounts beginning February 1, 2007 through February 1, 2026. Payment of interest will begin on February 1, 2007 and each August 1 and February 1 thereafter, until the earlier of maturity or prior redemption.

#### IV. DETAILED NOTES ON ALL FUNDS

##### H. BONDS PAYABLE

On July 15, 2015, the District issued Maintenance Tax Notes, Series 2014 in the amount of \$3,720,000. The bonds were issued with an interest rate of 2.50%. Proceeds from the sale of bonds will be used to pay lawful maintenance expenses of the District including all costs incurred in connection with the repair, rehabilitation, or replacement of heating, air conditioning, electric, or other building systems of existing school properties and paying the costs of issuance of the bonds. These bonds are due in various amounts beginning February 1, 2015 through February 1, 2034. Payment of interest will begin on February 1, 2015 and each August 1 and February 1 thereafter, until the earlier of maturity of prior redemption.

##### I. CHANGES IN LONG-TERM LIABILITIES

The following is a summary of changes in long-term debt:

	Balance <u>9/01/2014</u>	Principal <u>Issued</u>	Principal <u>Retired</u>	Balance <u>8/31/2015</u>	Due Within <u>One Year</u>
Bonds payable	\$ 22,732,795	\$ -	\$(1,956,215)	\$ 20,776,580	\$ 1,986,676
Accreted Interest	196,323	-	(135,262)	61,061	-
Discount on Bonds	<u>426,603</u>	-	<u>(35,551)</u>	<u>391,052</u>	-
Total	<u>\$ 23,355,721</u>	<u>\$ -</u>	<u>\$(2,127,028)</u>	<u>\$ 21,228,693</u>	<u>\$ 1,986,676</u>

##### J. ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS

At August 31, 2015, the District had no liability for unpaid vacation or sick leave benefits.

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



**IV. DETAILED NOTES ON ALL FUNDS**

**K. DEFINED BENEFIT PENSION PLAN**

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

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

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

<b>Contribution Rates</b>		
	<u>2014</u>	<u>2015</u>
Member	6.4%	6.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
2014 Employer Contributions		\$ 213,762
2014 Member Contributions		\$ 980,315
2014 NECE On-Behalf Contributions		\$ 841,285

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.

**IV. DETAILED NOTES ON ALL FUNDS**

**K. DEFINED BENEFIT PENSION PLAN**

Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

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

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

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

Valuation Date	8/31/2014
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	30 years
Asset Valuation Method	5 years 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.

IV. **DETAILED NOTES ON ALL FUNDS**

K. **DEFINED BENEFIT PENSION PLAN**

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

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

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

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
Proportionate share of the net pension liability:	\$ 4,024,492	\$ 2,252,171	\$ 926,805

**IV. DETAILED NOTES ON ALL FUNDS**

**K. DEFINED BENEFIT PENSION PLAN**

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* At August 31, 2014, the District reported a liability of \$2,252,171 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 2,252,171
State's proportionate share that is associated with the District	<u>8,882,580</u>
Total	<u>\$ 11,134,751</u>

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

At August 31, 2014 the employer's proportion of the collective net pension liability was 0.0084315%. Since this is the first year of implementation, the District does not have the proportion measured as of August 31, 2013. The change in proportion was immaterial and, therefore, disregarded this year.

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

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

There was a change in employer contribution requirements that occurred after the measurement date of the net pension liability and the employer's reporting date. A 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees went into law effective September 1, 2013. The amount of the expected resultant change in the employer's proportion cannot be determined at this time.

For the year ended August 31, 2014, the District recognized pension expense of \$821,178 and revenue of \$821,178 for support provided by the State.

At August 31, 2014, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experiences	\$ 34,831	\$ -
Changes in actuarial assumptions	146,394	-
Differences between projected and actual investment earnings	-	688,355
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	-	<u>590</u>
Total	<u>\$ 181,225</u>	<u>\$ 688,945</u>

**IV. DETAILED NOTES ON ALL FUNDS**

**K. DEFINED BENEFIT PENSION PLAN**

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

<u>Year ended August 31,</u>	<u>Pension Expense Amount</u>
2015	\$ (141,616)
2016	(141,616)
2017	(141,616)
2018	(141,616)
2019	30,473
Thereafter	28,271

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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Total net amounts per August 31, 2014 measurement date	\$ 181,225	\$ 688,945
Contributions paid to TRS subsequent to the measurement date	410,904	-
Total	<u>\$ 592,129</u>	<u>\$ 688,945</u>

**L. HEALTH CARE COVERAGE**

During the year ended June 30, 2015 employees of the District were covered by a health insurance plan (the “Plan”). The District contributed \$225 per month per employee and dependents to the Plan. Employees, at their option, authorized payroll withholdings to pay contributions for dependents. All contributions were paid to a third party administrator, acting on behalf of the self-funded pool. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

In accordance with state statute, the District was protected against unanticipated catastrophic individual or aggregate loss by stop-loss coverage carried through Life Insurance of North America, a commercial insurer licensed or eligible to do business in Texas in accordance with the Texas Insurance Code. Stop-loss coverage was in effect for individual claims exceeding \$80,000. The aggregate stop-loss coverage is \$1,806,957.

Latest financial statements for the self-insurance fund are available for the year ended August 31, 2015, have been filed with the Texas State Board of Insurance, Austin, Texas, and are public record.

The following is a summary of the changes in the balances of claims liabilities for the year ended August 31, 2015:

Unpaid claims, beginning of year	\$ 1,867,307
Incurred claims (including IBNR's)	2,631,426
Claim payments	<u>(3,025,610)</u>
Unpaid claims, end of year	<u>\$ 1,473,123</u>

**IV. DETAILED NOTES ON ALL FUNDS**

**M. RETIREE HEALTH PLAN**

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

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

*Medicare Part D.* Federal legislation enacted in January 2006 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. As a result, this provision allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset pharmacy claims paid by TRS-Care on behalf of plan participants. GASB Statement No. 24 requires recognition of these on-behalf payments in the financial statements. Medicare Part D payments made on-behalf of Point Isabel ISD participants for the years ended August 31, 2013, 2014 and 2015 were \$40,546, \$42,924 and \$66,303 respectively.

**N. GENERAL FUND FEDERAL SOURCE REVENUES**

The following summarizes general fund federal program revenues:

<u>Program or Source</u>	<u>CFDA Number</u>	<u>Amount</u>
National School Lunch Program	10.555	\$ 1,134,092
School Breakfast Program	10.553	698,096
Food Distribution	10.550	114,300
Medicaid Administrative Claiming Program	93.778	27,253
School Health and Related Services	N/A	397,407
Total Programs		<u>\$ 2,371,148</u>

**O. LITIGATION**

The District's attorney reports no litigation that would have a negative fiscal consequence to the District. There were no other threatened or pending claims or assessments that would have, either separately or collectively, a material impact on the District.

**IV. DETAILED NOTES ON ALL FUNDS**

**P. COMMITMENTS AND CONTINGENCIES**

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

**Q. USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS**

The preparation 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 and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**R. LOCAL AND INTERMEDIATE REVENUES**

During the year, local and intermediate revenues for all funds consisted of the following:

<u>Revenue Description</u>	<u>Fund</u>	<u>Revenue Amount</u>
Property Taxes	General	\$ 34,900,081
Penalties, Interest and Other		
Tax related income	General	863,973
Investment Income	General	9,712
Local Sources	General	89,353
Food Sales	General	36,469
Other	General	103,024
Property Taxes	Debt Service	3,594,652
Penalties, Interest and Other		
Tax related income	Debt Service	91,407
Investment Income	Debt Service	576
Investment Income	Capital Projects	6
Investment Income	Internal Service	742
Local Sources	Internal Service	2,255,155
Other	Internal Service	628
		<u>\$ 41,945,778</u>

**IV. DETAILED NOTES ON ALL FUNDS**

**S. INCREASE (DECREASE) IN FUND BALANCES**

Adjustments to the fund balance during the 2014-2015 school year consisted of adjustments to unearned revenue accounts and to recognize state revenue and Chapter 41 payments and refunds in the proper period in the amount of \$1,531,566. Additionally, there was an adjustment to an asset account that had not been properly stated in the previous fiscal year in the amount of \$11,248. The net effect was a decrease in fund balance in the amount of \$1,520,318.

The beginning net position on the Statement of Activities, Exhibit B-1, was adjusted by \$61,824 for adjustments to capital assets. The effect was a decrease in net position.

During the fiscal year 2015, the District adopted GASB Statement No.68 for Accounting and Reporting for Pensions. With GASB 68, the District must assume their proportionate share of the Net Pension Liability of the Teacher Retirement System of Texas. Adoption of GASB 68 required a prior period adjustment to report the effect of GASB 68 retroactively. The amount of the prior period adjustment is (\$2,551,717). The restated beginning net position is \$31,074,204.

**T. MAINTENANCE OF EFFORT**

The District sponsors a modified self-insurance plan to provide health care benefits to employees and their dependents.

A. Total District premium paid for health care for 2014 - 2015:		\$ 2,638,396
B. Subtract any non-medical expenditures:		
Life insurance	\$ 5,477	
Dental insurance	-	
Vision insurance	-	
Long-term disability	-	
Short-term disability	-	
Alternate plans	-	
COBRA expense	-	
Retiree expense	-	5,477
C. 2014 - 2015 Maintenance of Effort:		<u>\$ 2,632,919</u>

**U. SUBSEQUENT EVENT**

After the close of the fiscal year, the District authorized the issuance, sale and delivery of Unlimited Tax Refunding Bonds, Series 2015 in the amount of \$13,835,000.



**REQUIRED SUPPLEMENTARY INFORMATION**

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

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP Basis - See Note III A)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 35,933,540	\$ 35,933,540	\$ 36,002,612	\$ 69,072
5800	State Program Revenues	3,827,100	3,828,011	3,296,464	(531,547)
5900	Federal Program Revenues	2,275,454	2,290,454	2,371,148	80,694
5020	Total Revenues	42,036,094	42,052,005	41,670,224	(381,781)
<b>EXPENDITURES:</b>					
Current:					
0011	Instruction	11,805,579	11,839,311	10,784,169	1,055,142
0012	Instructional Resources and Media Services	341,029	341,343	310,091	31,252
0013	Curriculum and Instructional Staff Development	225,367	281,314	269,935	11,379
0021	Instructional Leadership	368,053	372,534	351,975	20,559
0023	School Leadership	1,227,374	1,225,422	1,185,624	39,798
0031	Guidance, Counseling and Evaluation Services	731,411	734,058	656,252	77,806
0033	Health Services	231,627	233,776	212,935	20,841
0034	Student (Pupil) Transportation	923,061	972,572	699,457	273,115
0035	Food Services	2,012,349	2,012,349	1,920,016	92,333
0036	Extracurricular Activities	1,575,313	1,601,324	1,459,798	141,526
0041	General Administration	1,038,607	1,048,287	964,050	84,237
0051	Facilities Maintenance and Operations	4,120,169	6,096,432	4,683,261	1,413,171
0052	Security and Monitoring Services	407,174	408,085	377,067	31,018
0053	Data Processing Services	643,626	681,938	518,670	163,268
0061	Community Services	15,820	16,120	8,369	7,751
Debt Service:					
0071	Principal on Long Term Debt	236,475	150,000	150,000	-
0072	Interest on Long Term Debt	-	86,475	86,465	10
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	2,657,008	1,062,192	1,594,816
Intergovernmental:					
0091	Contracted Instructional Services Between Schools	16,153,350	16,653,350	15,979,411	673,939
0099	Other Intergovernmental Charges	595,124	595,124	577,555	17,569
6030	Total Expenditures	42,651,508	48,006,822	42,257,292	5,749,530
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(615,414)	(5,954,817)	(587,068)	5,367,749
<b>OTHER FINANCING SOURCES (USES):</b>					
8911	Transfers Out (Use)	-	-	(912)	(912)
1200	Net Change in Fund Balances	(615,414)	(5,954,817)	(587,980)	5,366,837
0100	Fund Balance - September 1 (Beginning)	12,846,058	12,846,058	12,846,058	-
1300	Increase (Decrease) in Fund Balance	-	-	(1,520,318)	(1,520,318)
3000	Fund Balance - August 31 (Ending)	\$ 12,230,644	\$ 6,891,241	\$ 10,737,760	\$ 3,846,519

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

EXHIBIT G-2

	2015
District's Proportion of the Net Pension Liability (Asset)	0.0084315%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 2,252,171
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	8,882,580
Total	\$ 11,134,751
District's Covered-Employee Payroll	\$ 15,269,921
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	14.75%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.25%

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

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

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

EXHIBIT G-3

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		2015
Contractually Required Contribution	\$	410,904
Contribution in Relation to the Contractually Required Contribution		(410,904)
		-
Contribution Deficiency (Excess)	\$	-0-
District's Covered-Employee Payroll	\$	15,338,644
Contributions as a Percentage of Covered-Employee Payroll		2.68%

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

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

## **COMBINING STATEMENTS**

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

Data Control Codes	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ (368,584)	\$ (358)	\$ (149,340)	\$ (10,420)
1240	Receivables from Other Governments	557,128	358	181,049	10,667
1260	Due from Other Funds	-	-	-	-
1000	<b>Total Assets</b>	<u>\$ 188,544</u>	<u>\$ -</u>	<u>\$ 31,709</u>	<u>\$ 247</u>
<b>LIABILITIES</b>					
2110	Accounts Payable	\$ 80,000	\$ -	\$ 20,497	\$ -
2160	Accrued Wages Payable	30,683	-	11,212	247
2170	Due to Other Funds	77,861	-	-	-
2000	<b>Total Liabilities</b>	<u>188,544</u>	<u>-</u>	<u>31,709</u>	<u>247</u>
<b>FUND BALANCES</b>					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	-
Committed Fund Balance:					
3510	Construction	-	-	-	-
3000	<b>Total Fund Balances</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	<b>Total Liabilities and Fund Balances</b>	<u>\$ 188,544</u>	<u>\$ -</u>	<u>\$ 31,709</u>	<u>\$ 247</u>

244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	274 GEAR UP	401 Optional Extended Year Program	404 Student Success Initiative	410 State Textbook Fund	411 Technology Allotment
\$ (24,350)	\$ (88,792)	\$ (23,947)	\$ (62,276)	\$ 11,881	\$ 2,168	\$ (61,994)	\$ 2,501
24,350	109,764	24,466	40,805	-	-	-	61,994
-	10,739	-	24,974	-	-	61,994	-
<u>\$ -</u>	<u>\$ 31,711</u>	<u>\$ 519</u>	<u>\$ 3,503</u>	<u>\$ 11,881</u>	<u>\$ 2,168</u>	<u>\$ -</u>	<u>\$ 64,495</u>
\$ -	\$ 21,589	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	519	3,503	-	-	-	-
-	10,122	-	-	-	-	-	61,994
<u>-</u>	<u>31,711</u>	<u>519</u>	<u>3,503</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>61,994</u>
-	-	-	-	11,881	2,168	-	2,501
-	-	-	-	-	-	-	-
-	-	-	-	11,881	2,168	-	2,501
<u>\$ -</u>	<u>\$ 31,711</u>	<u>\$ 519</u>	<u>\$ 3,503</u>	<u>\$ 11,881</u>	<u>\$ 2,168</u>	<u>\$ -</u>	<u>\$ 64,495</u>

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

Data Control Codes	414 Texas Reading Initiative	Total Nonmajor Special Revenue Funds	698 Capital Projects Fund	699 Capital Projects Fund	
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ 1,073	\$ (772,438)	\$ 5,351	\$ 147,070
1240	Receivables from Other Governments	-	1,010,581	-	-
1260	Due from Other Funds	-	97,707	-	-
1000	Total Assets	<u>\$ 1,073</u>	<u>\$ 335,850</u>	<u>\$ 5,351</u>	<u>\$ 147,070</u>
<b>LIABILITIES</b>					
2110	Accounts Payable	\$ -	\$ 122,086	\$ -	\$ -
2160	Accrued Wages Payable	-	46,164	-	-
2170	Due to Other Funds	-	149,977	-	-
2000	Total Liabilities	<u>-</u>	<u>318,227</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	1,073	17,623	-	-
Committed Fund Balance:					
3510	Construction	-	-	5,351	147,070
3000	Total Fund Balances	<u>1,073</u>	<u>17,623</u>	<u>5,351</u>	<u>147,070</u>
4000	Total Liabilities and Fund Balances	<u>\$ 1,073</u>	<u>\$ 335,850</u>	<u>\$ 5,351</u>	<u>\$ 147,070</u>



Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
\$ 152,421	\$ (620,017)
-	1,010,581
-	97,707
<u>\$ 152,421</u>	<u>\$ 488,271</u>
\$ -	\$ 122,086
-	46,164
-	149,977
<u>-</u>	<u>318,227</u>
-	17,623
<u>152,421</u>	<u>152,421</u>
<u>152,421</u>	<u>170,044</u>
<u>\$ 152,421</u>	<u>\$ 488,271</u>

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

Data Control Codes	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
<b>REVENUES:</b>				
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -
5800	State Program Revenues	-	-	-
5900	Federal Program Revenues	1,453,397	450,288	9,612
5020	Total Revenues	<u>1,453,397</u>	<u>450,288</u>	<u>9,612</u>
<b>EXPENDITURES:</b>				
Current:				
0011	Instruction	1,149,931	501	429,868
0013	Curriculum and Instructional Staff Development	153,001	-	3,470
0021	Instructional Leadership	4,500	-	1,080
0023	School Leadership	-	-	825
0031	Guidance, Counseling and Evaluation Services	135,122	-	5,064
0034	Student (Pupil) Transportation	-	-	619
0036	Extracurricular Activities	-	-	9,362
0061	Community Services	10,843	-	-
6030	Total Expenditures	<u>1,453,397</u>	<u>501</u>	<u>450,288</u>
1200	Net Change in Fund Balance	-	-	-
0100	Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	274 GEAR UP	401 Optional Extended Year Program	404 Student Success Initiative	410 State Textbook Fund	411 Technology Allotment
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	3,064	61,994
42,770	265,130	50,347	79,648	-	-	-	-
42,770	265,130	50,347	79,648	-	-	3,064	61,994
41,484	174,700	43,844	15,480	-	-	3,064	61,994
1,286	65,930	6,503	63,683	-	-	-	-
-	-	-	-	-	-	-	-
-	24,500	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	485	-	-	-	-
42,770	265,130	50,347	79,648	-	-	3,064	61,994
-	-	-	-	-	-	-	-
-	-	-	-	11,881	2,168	-	2,501
\$ -	\$ -	\$ -	\$ -	\$ 11,881	\$ 2,168	\$ -	\$ 2,501

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

Data Control Codes	414 Texas Reading Initiative	Total Nonmajor Special Revenue Funds	698 Capital Projects Fund	699 Capital Projects Fund	
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ 6
5800	State Program Revenues	1,073	66,131	-	-
5900	Federal Program Revenues	-	2,351,693	-	-
5020	Total Revenues	<u>1,073</u>	<u>2,417,824</u>	<u>-</u>	<u>6</u>
<b>EXPENDITURES:</b>					
Current:					
0011	Instruction	-	1,930,478	-	-
0013	Curriculum and Instructional Staff Development	-	293,873	-	-
0021	Instructional Leadership	-	5,580	-	-
0023	School Leadership	-	25,325	-	-
0031	Guidance, Counseling and Evaluation Services	-	140,186	-	-
0034	Student (Pupil) Transportation	-	619	-	-
0036	Extracurricular Activities	-	9,362	-	-
0061	Community Services	-	11,328	-	-
6030	Total Expenditures	<u>-</u>	<u>2,416,751</u>	<u>-</u>	<u>-</u>
1200	Net Change in Fund Balance	1,073	1,073	-	6
0100	Fund Balance - September 1 (Beginning)	<u>-</u>	<u>16,550</u>	<u>5,351</u>	<u>147,064</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ 1,073</u>	<u>\$ 17,623</u>	<u>\$ 5,351</u>	<u>\$ 147,070</u>

Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
\$ 6	\$ 6
-	66,131
-	2,351,693
<u>6</u>	<u>2,417,830</u>
-	1,930,478
-	293,873
-	5,580
-	25,325
-	140,186
-	619
-	9,362
-	11,328
<u>-</u>	<u>2,416,751</u>
6	1,079
<u>152,415</u>	<u>168,965</u>
<u>\$ 152,421</u>	<u>\$ 170,044</u>

POINT ISABEL INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF NET POSITION  
 INTERNAL SERVICE FUNDS  
 AUGUST 31, 2015

	751	753
	Transport.	Insurance
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 910,194	\$ 1,344,522
Due from Other Funds	-	-
Prepayments	-	108,516
Total Assets	<u>910,194</u>	<u>1,453,038</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Due to Other Funds	236,575	-
Accrued Expenses	-	-
Total Liabilities	<u>236,575</u>	<u>-</u>
<b>NET POSITION</b>		
Unrestricted Net Position	<u>673,619</u>	<u>1,453,038</u>
Total Net Position	<u>\$ 673,619</u>	<u>\$ 1,453,038</u>

754	771	785	798	Total Internal Service Funds
Computer Operations	Catering	Internal Projects	Workers' Compensation	
\$ 300	\$ 57,735	\$ 142,254	\$ 133,398	\$ 2,588,403
628	-	1,000	-	1,628
-	-	-	-	108,516
<u>928</u>	<u>57,735</u>	<u>143,254</u>	<u>133,398</u>	<u>2,698,547</u>
-	-	-	-	236,575
-	-	-	15	15
-	-	-	15	236,590
<u>928</u>	<u>57,735</u>	<u>143,254</u>	<u>133,383</u>	<u>2,461,957</u>
<u>\$ 928</u>	<u>\$ 57,735</u>	<u>\$ 143,254</u>	<u>\$ 133,383</u>	<u>\$ 2,461,957</u>

POINT ISABEL INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
 INTERNAL SERVICE FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2015

	751	753
	Transport.	Insurance
<b>OPERATING REVENUES:</b>		
Local and Intermediate Sources	\$ 170,408	\$ 1,624,409
State Program Revenues	-	-
Total Operating Revenues	170,408	1,624,409
<b>OPERATING EXPENSES:</b>		
Payroll Costs	107,939	-
Professional and Contracted Services	9,575	-
Supplies and Materials	36,506	-
Other Operating Costs	2,247	2,638,396
Total Operating Expenses	156,267	2,638,396
Income (Loss) Before Transfers	14,141	(1,013,987)
Transfer In	-	-
Change in Net Position	14,141	(1,013,987)
Total Net Position - September 1 (Beginning)	659,478	2,467,025
Total Net Position - August 31 (Ending)	\$ 673,619	\$ 1,453,038



754	771	785	798	Total
Computer Operations	Catering	Internal Projects	Workers' Compensation	Internal Service Funds
\$ 628	\$ 5,359	\$ 252,254	\$ 203,467	\$ 2,256,525
-	225	-	-	225
628	5,584	252,254	203,467	2,256,750
-	4,455	-	131,292	243,686
-	-	103,000	-	112,575
612	46	500	-	37,664
-	-	5,500	-	2,646,143
612	4,501	109,000	131,292	3,040,068
16	1,083	143,254	72,175	(783,318)
912	-	-	-	912
928	1,083	143,254	72,175	(782,406)
-	56,652	-	61,208	3,244,363
\$ 928	\$ 57,735	\$ 143,254	\$ 133,383	\$ 2,461,957

POINT ISABEL INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF CASH FLOWS  
 INTERNAL SERVICE FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2015

	751	753
	Transport.	Insurance
<u>Cash Flows from Operating Activities:</u>		
Cash Received from User Charges	\$ 170,409	\$ 1,624,409
Cash Payments to Employees for Services	-	-
Cash Payments to (from) Other Funds	-	-
Cash Payments for Other Operating Expenses	-	(2,769,706)
Net Cash Provided by (Used for) Operating Activities	<u>170,409</u>	<u>(1,145,297)</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>		
Operating Transfer In	-	-
Net Increase (Decrease) in Cash and Cash Equivalents	170,409	(1,145,297)
Cash and Cash Equivalents at Beginning of Year	<u>739,785</u>	<u>2,489,819</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 910,194</u></u>	<u><u>\$ 1,344,522</u></u>
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>		
<u>    Provided By (Used For) Operating Activities:</u>		
Operating Income (Loss):	\$ 14,141	\$ (1,013,987)
Effect of Increases and Decreases in Current Assets and Liabilities:		
Decrease (increase) in Due from Other Funds	-	-
Decrease (increase) in Prepayments	-	(108,516)
Increase (decrease) in Accounts Payable	-	-
Increase (decrease) in Due to Other Funds	156,268	-
Increase (decrease) in Accrued Expenses	-	(22,794)
Net Cash Provided by (Used for) Operating Activities	<u><u>\$ 170,409</u></u>	<u><u>\$ (1,145,297)</u></u>

754	771	785	798	Total
Computer Operations	Catering	Internal Projects	Workers' Compensation	Internal Service Funds
\$ 300	\$ 5,584	\$ 251,254	\$ 203,467	\$ 2,255,423
-	(4,456)	-	-	(4,456)
(912)	-	-	-	(912)
-	(45)	(109,000)	(168,908)	(3,047,659)
(612)	1,083	142,254	34,559	(797,604)
912	-	-	-	912
300	1,083	142,254	34,559	(796,692)
-	56,652	-	98,839	3,385,095
<u>\$ 300</u>	<u>\$ 57,735</u>	<u>\$ 142,254</u>	<u>\$ 133,398</u>	<u>\$ 2,588,403</u>
\$ 16	\$ 1,083	\$ 143,254	\$ 72,175	\$ (783,318)
(628)	-	(1,000)	-	(1,628)
-	-	-	-	(108,516)
-	-	-	(37,616)	(37,616)
-	-	-	-	156,268
-	-	-	-	(22,794)
<u>\$ (612)</u>	<u>\$ 1,083</u>	<u>\$ 142,254</u>	<u>\$ 34,559</u>	<u>\$ (797,604)</u>

POINT ISABEL INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 ALL AGENCY FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2015

	BALANCE SEPTEMBER 1 2014	ADDITIONS	DEDUCTIONS	BALANCE AUGUST 31 2015
<b>AGENCY FUND FOR TAX COLLECTIONS</b>				
Assets:				
Cash and Temporary Investments	\$ 87,068	\$ 178	\$ 1,492	\$ 85,754
Other Receivables	5,152	-	-	5,152
Total Assets	<u>\$ 92,220</u>	<u>\$ 178</u>	<u>\$ 1,492</u>	<u>\$ 90,906</u>
Liabilities:				
Accounts Payable	\$ 2,643	\$ -	\$ 321	\$ 2,322
Due to Other Governments	3,993	-	-	3,993
Accrued Expenses	85,584	-	993	84,591
Total Liabilities	<u>\$ 92,220</u>	<u>\$ -</u>	<u>\$ 1,314</u>	<u>\$ 90,906</u>
<b>STUDENT ACTIVITY ACCOUNT</b>				
Assets:				
Cash and Temporary Investments	\$ 182,578	\$ 391,625	\$ 424,396	\$ 149,807
Liabilities:				
Due to Student Groups	\$ 182,578	\$ 391,625	\$ 424,396	\$ 149,807
<b>TOTAL AGENCY FUNDS</b>				
Assets:				
Cash and Temporary Investments	\$ 269,646	\$ 391,803	\$ 425,888	\$ 235,561
Other Receivables	5,152	-	-	5,152
Total Assets	<u>\$ 274,798</u>	<u>\$ 391,803</u>	<u>\$ 425,888</u>	<u>\$ 240,713</u>
Liabilities:				
Accounts Payable	\$ 2,643	\$ -	\$ 321	\$ 2,322
Due to Other Governments	3,993	-	-	3,993
Due to Student Groups	182,578	391,625	424,396	149,807
Accrued Expenses	85,584	-	993	84,591
Total Liabilities	<u>\$ 274,798</u>	<u>\$ 391,625</u>	<u>\$ 425,710</u>	<u>\$ 240,713</u>

## **REQUIRED TEA SCHEDULES**

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

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2006 and prior years	Various	Various	\$ Various
2007	1.181598	0.118587	2,610,218,760
2008	0.095180	0.109834	3,143,998,835
2009	0.957289	0.104345	3,564,745,406
2010	0.948934	0.112700	3,538,555,214
2011	0.967254	0.114380	3,711,066,791
2012	0.981859	0.099775	3,718,610,445
2013	0.981190	0.100450	3,708,535,983
2014	0.980820	0.100814	3,696,511,368
2015 (School year under audit)	0.980643	0.100991	3,569,938,206
1000 TOTALS			

(10) Beginning Balance 9/1/2014	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2015
\$ 1,302,687	\$ -	\$ 23,661	\$ 1,664	\$ (2,422)	\$ 1,274,940
157,338	-	7,860	789	(549)	148,140
165,043	-	14,053	1,622	(459)	148,909
201,801	-	31,419	3,425	(451)	166,506
333,643	-	111,098	13,194	223	209,574
394,662	-	151,000	17,856	(2,480)	223,326
433,860	-	165,505	16,818	(6,073)	245,464
475,431	-	182,152	18,648	(3,093)	271,538
1,184,466	-	675,424	69,424	5,181	444,799
-	38,041,653	33,764,889	3,477,259	319,324	1,118,829
<u>\$ 4,648,931</u>	<u>\$ 38,041,653</u>	<u>\$ 35,127,061</u>	<u>\$ 3,620,699</u>	<u>\$ 309,201</u>	<u>\$ 4,252,025</u>

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

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP Basis - See Note III A)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 60,100	\$ 60,100	\$ 44,086	\$ (16,014)
5800 State Program Revenues	80,524	80,524	84,929	4,405
5900 Federal Program Revenues	1,871,725	1,871,725	1,946,488	74,763
5020 Total Revenues	2,012,349	2,012,349	2,075,503	63,154
<b>EXPENDITURES:</b>				
0035 Food Services	2,012,349	2,012,349	1,920,016	92,333
6030 Total Expenditures	2,012,349	2,012,349	1,920,016	92,333
1200 Net Change in Fund Balances	-	-	155,487	155,487
0100 Fund Balance - September 1 (Beginning)	166,014	166,014	166,014	-
3000 Fund Balance - August 31 (Ending)	\$ 166,014	\$ 166,014	\$ 321,501	\$ 155,487



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

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP Basis - See Note III A)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 3,533,523	\$ 3,533,523	\$ 3,686,635	\$ 153,112
5020	Total Revenues	3,533,523	3,533,523	3,686,635	153,112
<b>EXPENDITURES:</b>					
Debt Service:					
0071	Principal on Long Term Debt	3,533,523	1,806,216	1,806,215	1
0072	Interest on Long Term Debt	-	1,725,308	1,725,307	1
0073	Bond Issuance Cost and Fees	-	1,999	867	1,132
6030	Total Expenditures	3,533,523	3,533,523	3,532,389	1,134
1200	Net Change in Fund Balances	-	-	154,246	154,246
0100	Fund Balance - September 1 (Beginning)	1,353,637	1,353,637	1,353,637	-
3000	Fund Balance - August 31 (Ending)	\$ 1,353,637	\$ 1,353,637	\$ 1,507,883	\$ 154,246

# **FEDERAL AWARDS SECTION**



PATTILLO, BROWN & HILL, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

**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**

Board of Trustees  
Point Isabel Independent School District  
Port Isabel, Texas

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Point Isabel Independent School District (the "District") as of and for the year ended August 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 19, 2016.

***Internal Control Over Financial Reporting***

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

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

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

***Compliance and Other Matters***

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

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**Governmental Audit  
Quality Center**

**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.

Patullo, Brown & Hill, C.P.A.

Brownsville, Texas  
January 19, 2016



PATTILLO, BROWN & HILL, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

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

Board of Trustees  
Point Isabel Independent School District  
Port Isabel, Texas

**Report on Compliance for Each Major Federal Program**

We have audited the Point Isabel Independent School District's (the "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 auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

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

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

***Opinion on Each Major Federal Program***

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

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## 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.

*Patullo, Brown & Hill, LLP*

Brownsville, Texas  
January 19, 2016

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

**I. Summary of the Auditors' Results:**

The type of auditors' report on financial statements:	Unmodified
Regarding internal control over financial reporting:	
a. Material weakness(es) identified:	None
b. Significant deficiency(ies) identified that are not considered to be material weaknesses:	None reported
c. Noncompliance which is material to the financial statements:	None
d. Regarding internal control over major programs:	
Material weakness(es) identified:	None reported
Significant deficiency(ies) identified that are not considered to be material weaknesses:	None
e. Type of auditors' report on compliance with major programs:	Unmodified
f. Any audit findings which are required to be reported in accordance with OMB Circular A-133, Sec. 510(a):	No
g. Major programs are as follows:	ESEA Title I, Part A – Improving Basic Programs CFDA 84.010A
h. Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
i. Low risk auditee:	Yes

**II. Findings Relating to the Financial Statements Which Are Required To Be Reported in Accordance with *Generally Accepted Government Auditing Standards*.**

None reported

**III. Findings and Questioned Costs for Federal Awards.**

None reported

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

Not Applicable.



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

Not Applicable.

POINT ISABEL INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR FISCAL YEAR ENDED AUGUST 31, 2015

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE/	Federal CFDA Number	Pass Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed Through Region One - ESC:</i>			
GEAR UP	84.334A	P334A990027-03	\$ 79,648
Total Passed Through Region One ESC			<u>79,648</u>
<i>Passed Through State Department of Education:</i>			
ESEA Title I, Part A Improving Basic Programs*	84.010A	15610101031909	<u>1,453,397</u>
ESEA Title I, Part C, - Migratory Children	84.011A	15615001031909	<u>501</u>
IDEA - Part B, Formula*	84.027A	156600010319096600	<u>450,288</u>
IDEA - Part B, Preschool*	84.173A	156610010319096610	<u>9,612</u>
Carl D. Perkins Basic Formula Grant	84.048A	15420006031909	<u>42,770</u>
ESEA Title III-Part A, Language	84.365A	15671001031909	<u>50,347</u>
ESEA Title II-Part A, Teacher/Principal	84.367A	15694501031909	<u>265,130</u>
Total Passed Through State Department of Education			<u>2,272,045</u>
<b>TOTAL DEPARTMENT OF EDUCATION</b>			<u>2,351,693</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<i>Passed Through Texas Department of Health &amp; Human Services:</i>			
Medicaid Administrative Claiming Program (Note A)	93.778	529-07-0157-00273	<u>27,253</u>
Total Passed Through Texas Dept. of Health & Human Services			<u>27,253</u>
<b>TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<u>27,253</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through Texas Education Agency:</i>			
School Breakfast Program* (Note A)	10.553	71400701	698,096
National School Lunch Program* (Note A)	10.555	71300701	1,134,092
Food Distribution* (Note A)	10.555	031-909	<u>114,300</u>
Total Passed Through Texas Education Agency			<u>1,946,488</u>
<i>Passed Through State Dept. of Human Services:</i>			
Summer Feeding Program (Note A)	10.559	031-909	<u>38,903</u>
Total Passed Through State Dept. of Human Services			<u>38,903</u>
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>			<u>1,985,391</u>
<b>TOTAL EXPENDITURE OF FEDERAL AWARDS</b>			<u>\$ 4,364,337</u>

\* Indicates clustered program under OMB Circular A-133 Compliance Supplement

(Note A) \$698,096 of School Breakfast Program, \$1,134,092 of National School Lunch Program, \$38,903 of Summer Feeding Program, \$27,253 of Medicaid Administrative Claiming Program and \$114,300 of Food Distribution is in the General Fund.

POINT ISABEL INDEPENDENT SCHOOL DISTRICT  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED AUGUST 31, 2015

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

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

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

3. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Statement - Provisional 6/97.

SCHOOLS FIRST QUESTIONNAIRE

Point Isabel Independent School District

Fiscal Year 2015

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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?	No
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	61061
SF11	Net Pension Assets (1920) at fiscal year-end.	0
SF12	Net Pension Liabilities (2540) at fiscal year-end.	2252171
SF13	Pension Expense (6147) at fiscal year-end.	208174