

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT  
Nacogdoches, Texas

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2015

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INTRODUCTORY SECTION

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT  
CERTIFICATE OF BOARD  
June 30, 2015

Nacogdoches Independent School District  
Name of School District

Nacogdoches  
County

174904  
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one)  approved  disapproved for the year ended June 30, 2015, at a meeting of the Board of Trustees of such school district on the 19<sup>th</sup> day of November, 2015.

  
Signature of Board Secretary

  
Signature of Board President

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

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Nacogdoches Independent School District  
Nacogdoches, 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 Nacogdoches Independent School District ("the District"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

***Auditor's Responsibility***

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

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2015, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 8-12 and 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and other supplementary information, 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 were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements 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.

The introductory and other supplementary information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report on page 61-62 is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.

Lufkin, Texas  
November 16, 2015

  
CERTIFIED PUBLIC ACCOUNTANTS

MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2015

This discussion and analysis of the Nacogdoches Independent School District's financial performance provides an overview of the District's financial activities for the year ended June 30, 2015. Please read it in conjunction with the District's financial statements, which begin on page 13.

**FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of the District exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$43,781,073. (*Net Position*).
- The District's total Net Position increased by \$6,442,352.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$26,513,756, an increase of \$1,083,246 in comparison with the prior year.
- At the end of the current fiscal year, the General Fund had an unassigned fund balance of \$16,792,296.
- The District recorded deferred outflows of \$2,618,752, deferred inflows of \$2,354,197, and a net pension liability of \$7,695,897 in order to comply with the provisions of the newly enacted Governmental Accounting Standards Board ("GASB") Statement 68 - Accounting and Reporting for Pensions. The District also recognized a prior period adjustment to net position of \$8,719,483 in order to recognize the beginning balance of the net pension liability. Additional information regarding the adoption of GASB Statement 68 can be found in the notes to the financial statements as indicated in the table of contents of this report.

**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 13 and 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 or agent for the benefit of those outside of the government.

The notes to the financial statements (starting on page 23) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for nonmajor funds contain even more information about the District's individual funds. These are not required by 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 operation begins on page 13. Its primary objective is to show whether the District is better off or worse off as a result of period'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 period. These apply the accrual basis of accounting, which is the same method used by most private sector companies.

All of the current 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 from outside the District 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 or by TEA in equalization funding processes (general revenue). All the District's assets are reported whether they serve the current 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 the Net Position.

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:

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

## Reporting the District's Most Significant Funds

**Fund Financial Statements.** The Fund financial statements 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 receipts 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-view of the District's general operations and the basic services it provides. We describe the District's general operations 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. The District has only one proprietary fund type, an internal service fund. 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 Print Shop.

**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 activities.

Net Position of the District's governmental activities increased from \$37,338,541 to \$43,781,073. Unrestricted Net Position - the part of Net Position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements was \$15,737,037 at June 30, 2015.

The District's revenue exceeded the expenses by \$6,442,532.

**Nacogdoches Independent School District  
Summary of Net Position  
Table 1**

	GOVERNMENTAL ACTIVITIES	
	JUNE 30,	
	2015	2014
Current and other assets	\$ 31 767 649	\$ 29 927 790
Capital assets	66 660 355	65 587 205
TOTAL ASSETS	98 428 004	95 514 995
TOTAL DEFERRED OUTFLOWS	2 956 375	357 585
Debt	42 513 998	45 410 667
Other liabilities	12 735 111	13 123 372
TOTAL LIABILITIES	55 249 109	58 534 039
TOTAL DEFERRED INFLOWS	2 354 197	-
Net Position:		
Invested in capital assets net of related debt	24 146 357	20 019 575
Restricted	3 897 680	5 725 484
Unrestricted	15 737 036	11 593 482
TOTAL NET POSITION	\$ 43 781 073	\$ 37 338 541

**Nacogdoches Independent School District**  
**Changes in Net Position**  
**Table 2**

	GOVERNMENTAL ACTIVITIES	
	YEAR ENDED	
	JUNE 30,	
	2015	2014
Revenue:		
Program Revenues:		
Charges for services	\$ 2 114 012	\$ 2 132 912
Operating grants and contributions	9 729 382	9 942 878
Capital grant	-	-
General Revenues:		
Maintenance and operations tax	21 725 243	20 249 205
Debt service taxes	3 587 761	3 363 757
Investment earnings	18 090	14 091
Grants and contributions not restricted	29 306 206	26 163 463
Miscellaneous local and intermediate	168 676	50 867
TOTAL REVENUE	66 649 370	61 917 173
Expenses:		
Instruction	30 427 732	29 728 284
Instructional resources and media services	729 654	812 065
Curriculum and staff development	1 974 203	1 964 096
Instructional leadership	1 063 941	1 056 437
School leadership	2 728 749	2 570 609
Guidance, counseling and evaluation services	1 676 416	1 669 696
Attendance and social services	177 576	146 748
Health services	459 283	489 022
Student transportation	3 264 398	3 350 022
Food services	4 411 443	4 386 979
Co-curricular/extracurricular activities	1 745 227	1 688 095
General administration	2 163 665	1 967 683
Plant maintenance and operations	5 380 874	5 068 480
Security and monitoring services	334 918	474 851
Data processing services	1 053 203	916 520
Community services	130 937	69 823
Debt service	1 550 888	1 495 803
Capital outlay	565 359	49 770
Intergovernmental charges	368 372	349 889
TOTAL EXPENSES	60 206 838	58 254 872
INCREASE IN NET POSITION	\$ 6 442 532	\$ 3 662 301

**THE DISTRICT'S FUNDS**

As the District completed the period, its governmental funds (as presented in the balance sheet on page 15) reported a combined fund balance of \$26,513,756, which is higher than last year's total of \$25,430,510. Included in this change in fund balance is an increase of \$2,923,182 in the District's General Fund.

Over the course of the fiscal year, the Board of Trustees amended the District's budget several times.

The District's General Fund balance of \$22,628,209 reported on page 15 differs from the General Fund's budgeted fund balance of \$14,035,027. This is principally due to expenses for capital items, plant operations and instruction that were not incurred prior to year end.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Asset**

At the end of 2015, the District had \$66.7 million 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. See page 31 for details.

### **Debt**

The District had \$42.51 million in bonds and leases outstanding versus \$45.4 million last year. The decrease in the debt resulted from the payment of \$4.8 million in debt service. See pages 31 - 33 for details.

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

The District's elected and appointed officials considered many factors when setting the fiscal year 2016 budget and tax rates. The District expects tax revenue to increase modestly for fiscal year 2016. Continued growth in the tax base is expected to be the driving force in increased collections. The District also expects expenditures to grow with anticipated increase in primary grade levels and the addition of the Nacogdoches Independent School District Technical Training Center.

If these estimates are realized, the District's budgetary General Fund balance is expected to remain level by the close of 2016.

## **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 Director of Fiscal Services at the District Central Administration Office, at 420 Shawnee Street, Nacogdoches, Texas 75961.

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
June 30, 2015

EXHIBIT A-1

DATA CONTROL CODES		GOVERNMENTAL ACTIVITIES
	<b>ASSETS</b>	
1110	Cash and cash equivalent	\$ 943 198
1120	Current investments	19 888 582
1225	Taxes receivable, net	487 017
1240	Due from other government	9 647 669
1290	Other receivables	65 005
1300	Inventory	736 178
1510	Land	2 331 712
1520	Building, net	56 812 507
1530	Furniture and equipment, net	5 889 572
1580	Construction in progress	1 626 564
1000	<b>TOTAL ASSETS</b>	<u>98 428 004</u>
	<b>DEFERRED OUTFLOWS</b>	
1410	Deferred expenditures	337 623
1705	Deferred Outflows: Pension	2 618 752
	<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<u>101 384 379</u>
	<b>LIABILITIES</b>	
	Current Liabilities:	
2110	Accounts payable	931 058
2140	Interest payable	566 596
2160	Accrued wages payable	4 108 156
2501	Due within one year	2 796 572
2516	Premium and discount on issuance of bonds	1 066 988
	Long Term Liabilities:	
2502	Due in more than one year	38 083 842
2540	Net pension liability	7 695 897
2000	<b>TOTAL LIABILITIES</b>	<u>55 249 109</u>
	<b>DEFERRED INFLOWS</b>	
2300	Deferred Inflows: Pension	2 354 197
	<b>TOTAL LIABILITIES AND DEFERRED INFLOWS</b>	<u>57 603 306</u>
	<b>NET POSITION</b>	
3200	Invested in capital assets, net of related debt	24 146 357
	Restricted Net Assets:	
3800	Restricted for debt service	2 180 801
3800	Restricted for capital projects	50 000
3800	Restricted for food service	1 122 647
3800	Other restrictions of fund balance	544 232
3900	Unrestricted net position	15 737 036
3000	<b>TOTAL NET POSITION</b>	<u>\$ 43 781 073</u>

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

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2015

EXHIBIT B-1

DATA CONTROL CODES	FUNCTIONS/PROGRAMS	1 <u>EXPENSES</u>	3 <u>CHARGES FOR SERVICES</u>	4 <u>OPERATING GRANTS AND CONTRIBUTIONS</u>	5 <u>CAPITAL GRANTS AND CONTRIBUTIONS</u>	<u>NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION GOVERNMENTAL ACTIVITIES</u>
	Governmental Activities:					
0011	Instruction	\$ 30 427 732	\$ 781 976	\$ 3 624 825	\$ -	\$ (26 020 931)
0012	Instructional resources and media services	729 654	-	2 154	-	(727 500)
0013	Curriculum and staff development	1 974 203	-	1 324 085	-	(650 118)
0021	Instructional leadership	1 063 941	-	348 700	-	(715 241)
0023	School leadership	2 728 749	-	1 278	-	(2 727 471)
0031	Guidance, counseling, and evaluation services	1 676 416	-	331 137	-	(1 345 279)
0032	Attendance and social services	177 576	-	26 634	-	(150 942)
0033	Health services	459 283	-	35 587	-	(423 696)
0034	Student transportation	3 264 398	390 767	7 202	-	(2 866 429)
0035	Food services	4 411 443	566 843	3 826 634	-	(17 966)
0036	Co-curricular/extracurricular activities	1 745 227	339 087	-	-	(1 406 140)
0041	General administration	2 163 665	8 803	-	-	(2 154 862)
0051	Plant maintenance and operations	5 380 874	26 536	137 017	-	(5 217 321)
0052	Security and monitoring services	334 918	-	-	-	(334 918)
0053	Data processing services	1 053 203	-	-	-	(1 053 203)
0061	Community services	130 937	-	64 129	-	(66 808)
0071	Debt services	1 550 888	-	-	-	(1 550 888)
0081	Capital outlay	565 359	-	-	-	(565 359)
0099	Intergovernmental payments	368 372	-	-	-	(368 372)
	TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 60 206 838</u>	<u>\$ 2 114 012</u>	<u>\$ 9 729 382</u>	<u>\$ -</u>	<u>(48 363 444)</u>
	General Revenues:					
MT	Property taxes, levied for general purposes					21 725 243
DT	Property taxes, levied for debt service					3 587 761
GC	Grants and contributions not restricted					29 306 206
IE	Investment income					18 090
MI	Miscellaneous local and intermediate revenue					168 676
TR	TOTAL GENERAL REVENUES					<u>54 805 976</u>
CN	CHANGE IN NET POSITION					<u>6 442 532</u>
NB	Net Position - Beginning					46 058 024
PP	Prior period adjustment					(8 719 483)
NB	NET POSITION - BEGINNING, AS RESTATED					<u>37 338 541</u>
NE	NET POSITION - ENDING					<u>\$ 43 781 073</u>

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

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2015

EXHIBIT C-1

DATA CONTROL CODES	10  GENERAL FUND	50  DEBT SERVICE FUND	OTHER GOVERN- MENTAL FUNDS	98  TOTAL GOVERN- MENTAL FUNDS	
ASSETS					
1110	Cash and cash equivalent	\$ 104 408	\$ 36 354	\$ 741 229	\$ 881 991
1120	Current investments	17 780 624	2 107 958	-	19 888 582
1225	Taxes receivable, net	426 613	60 404	-	487 017
1240	Due from other government	7 925 855	-	1 721 814	9 647 669
1260	Due from other funds	730 234	-	896 880	1 627 114
1290	Other receivables	14 345	36 489	14 171	65 005
1300	Inventory	681 571	-	48 154	729 725
1000	TOTAL ASSETS	<u>27 663 650</u>	<u>2 241 205</u>	<u>3 422 248</u>	<u>33 327 103</u>
DEFERRED OUTFLOWS					
1410	Deferred expenses	<u>337 623</u>	-	-	<u>337 623</u>
	TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 28 001 273</u>	<u>\$ 2 241 205</u>	<u>\$ 3 422 248</u>	<u>\$ 33 664 726</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES					
Current Liabilities:					
2110	Accounts payable	\$ 838 295	\$ -	\$ 90 388	\$ 928 683
2160	Accrued wages payable	4 108 156	-	-	4 108 156
2170	Due to other funds	-	-	1 627 114	1 627 114
2000	TOTAL LIABILITIES	<u>4 946 451</u>	<u>-</u>	<u>1 717 502</u>	<u>6 663 953</u>
DEFERRED INFLOWS					
2300	Unavailable revenues - Property taxes	<u>426 613</u>	<u>60 404</u>	-	<u>487 017</u>
	TOTAL DEFERRED INFLOWS	<u>426 613</u>	<u>60 404</u>	<u>-</u>	<u>487 017</u>
Fund Balances:					
3410	Nonspendable	1 019 194	-	48 154	1 067 348
3420	Restricted - Grants	-	-	1 656 592	1 656 592
3450	Restricted - Debt Service	-	2 180 801	-	2 180 801
3490	Assigned - Construction	4 766 719	-	-	4 766 719
3510	Committed - Construction	50 000	-	-	50 000
3600	Unassigned	16 792 296	-	-	16 792 296
3000	TOTAL FUND BALANCES	<u>22 628 209</u>	<u>2 180 801</u>	<u>1 704 746</u>	<u>26 513 756</u>
4000	TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	<u>\$ 28 001 273</u>	<u>\$ 2 241 205</u>	<u>\$ 3 422 248</u>	<u>\$ 33 664 726</u>

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

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
June 30, 2015

EXHIBIT C-2

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 26 513 756
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$111,469,365, and the accumulated depreciation is \$44,809,010.	66 660 355
Property taxes receivable are not available to pay for the current period's expenditures, and therefore are deferred in the funds.	487 017
Long-term liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(42 513 998)
Internal service funds assets and liabilities are included in the Statement of Net Position.	65 285
Some Liabilities, Including Net Pension Obligations, are not Due and Payable in the Current Period and, therefore, are not Reported in the Funds:	
Net pension liability (from pension note)	(7 695 897)
Deferred Outflows and Inflows or Resources Related to Pensions are Applicable to Future Periods and therefore, are not Reported in the Funds:	
Deferred outflows of resources related to pensions of \$2,618,752 = \$619,262 deferred outflows of resources pension expense (from pension note) + \$1,999,490 deferred outflow of 2015 employer contributions related to pensions	2 618 752
Deferred inflows of resources related to pensions (from pension note)	<u>(2 354 197)</u>
TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u><u>43 781 073</u></u>

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



NACOGDOCHES INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2015

EXHIBIT C-3

DATA CONTROL CODES	10  GENERAL FUND	50  DEBT SERVICE FUND	OTHER GOVERN- MENTAL FUNDS	98  TOTAL GOVERN- MENTAL FUNDS	
Revenues:					
5700	Local and intermediate sources	\$ 22 365 109	\$ 3 590 843	\$ 1 373 441	\$ 27 329 393
5800	State program revenues	28 881 828	424 378	442 877	29 749 083
5900	Federal program revenues	522 615	-	8 763 890	9 286 505
5020	TOTAL REVENUES	<u>51 769 552</u>	<u>4 015 221</u>	<u>10 580 208</u>	<u>66 364 981</u>
Expenditures:					
Current:					
0011	Instruction	25 400 284	-	3 672 835	29 073 119
0012	Instructional resources and media services	612 257	-	5 696	617 953
0013	Curriculum and staff development	754 992	-	1 326 885	2 081 877
0021	Instructional leadership	761 331	-	376 100	1 137 431
0023	School leadership	2 791 788	-	75 905	2 867 693
0031	Guidance, counseling and evaluation services	1 371 917	-	374 713	1 746 630
0032	Attendance and social services	155 817	-	26 634	182 451
0033	Health services	462 537	-	7 499	470 036
0034	Student transportation	3 245 789	-	13 326	3 259 115
0035	Food services	86 664	-	4 531 206	4 617 870
0036	Co-curricular/extracurricular activities	1 376 856	-	268 543	1 645 399
0041	General administration	2 108 232	-	4 615	2 112 847
0051	Plant maintenance and operations	5 246 876	-	152 495	5 399 371
0052	Security and monitoring services	507 144	-	-	507 144
0053	Data processing services	2 908 877	-	-	2 908 877
0061	Community services	66 638	-	76 263	142 901
0071	Debt service	894 348	5 465 420	-	6 359 768
0081	Capital outlay	1 892 319	-	17 330	1 909 649
0099	Intergovernmental payments	368 372	-	-	368 372
6030	TOTAL EXPENDITURES	<u>51 013 038</u>	<u>5 465 420</u>	<u>10 930 045</u>	<u>67 408 503</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>756 514</u>	<u>(1 450 199)</u>	<u>(349 837)</u>	<u>(1 043 522)</u>
Other Financing Sources (Uses):					
7910	Other resources	214 555	-	-	214 555
7913	Proceeds from capital lease	1 912 213	-	-	1 912 213
7915	Transfer in	42 406	-	326 914	369 320
8911	Transfer out	(2 506)	-	(366 814)	(369 320)
	TOTAL OTHER FINANCING SOURCES (USES)	<u>2 166 668</u>	<u>-</u>	<u>(39 900)</u>	<u>2 126 768</u>
1200	NET CHANGE IN FUND BALANCES	2 923 182	(1 450 199)	(389 737)	1 083 246
0100	Fund balance - Beginning	19 705 027	3 631 000	2 094 483	25 430 510
3000	FUND BALANCE - ENDING	<u>\$ 22 628 209</u>	<u>\$ 2 180 801</u>	<u>\$ 1 704 746</u>	<u>\$ 26 513 756</u>

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

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES,  
 EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
 For the Year Ended June 30, 2015

EXHIBIT C-4

TOTAL NET CHANGE IN FUND BALANCES GOVERNMENTAL FUNDS      \$    1 083 246

Amounts Reported for Governmental Activities in the Statement of Activities  
 are Different Because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay expenditures to be capitalized \$4,419,608 reduced by depreciation expense of \$3,241,458 in the period.	1 178 150
In the statement of activities, only the gain on the disposal of capital assets is reported, whereas in the governmental funds, the proceeds from a sale increase financial resources. Thus, the change in net assets will differ from the change in fund balance by the cost of the asset removed.	(105 000)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of Net Position.	4 745 764
The issuance of debt is recognized as other financing sources in the funds, however, it is recognized as an increase in long term liabilities in the statement of net assets.	(1 912 213)
Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Unavailable tax revenues changed by this amount this period.	77 162
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. Accrued interest changed by this amount this period.	63 116
Internal service funds are used by the District to charge the costs of the print shop to individual funds.	24 166
Governmental Funds Report District Pension Contributions as Expenditures in the Government Wide Statements the Cost of Pension Benefits Earned Net of Employee Contributions is Reported as Pension Expense:	
District pension contributions	1 999 490
Cost of benefits earned net of employee contributions (pension note)	<u>(711 349)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u><u>6 442 532</u></u>

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

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
June 30, 2015

EXHIBIT D-1

DATA CONTROL CODES		GOVERNMENTAL ACTIVITIES TOTAL INTERNAL SERVICE FUNDS
	ASSETS	
1110	Cash and cash equivalents	\$ 61 207
1300	Inventory	6 453
1000	TOTAL ASSETS	\$ 67 660
	LIABILITIES	
2110	Accounts payable	\$ 2 375
2000	TOTAL LIABILITIES	2 375
	NET POSITION	
3200	Unrestricted	65 285
3000	TOTAL NET POSITION	65 285
4000	TOTAL LIABILITIES AND NET POSITION	\$ 67 660

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

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS

For the Year Ended June 30, 2015

EXHIBIT D-2

DATA CONTROL CODES		GOVERNMENTAL ACTIVITIES
		TOTAL INTERNAL SERVICE FUNDS
	Operating Revenues:	
5700	Local and intermediate sources	\$ <u>97 672</u>
5020	TOTAL OPERATING REVENUES	<u>97 672</u>
	Operating Expenses:	
6100	Payroll costs	28 613
6200	Professional contracted services	32 439
6300	Supplies and materials	<u>12 454</u>
6030	TOTAL OPERATING EXPENSES	<u>73 506</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	24 166
0100	Net position at July 1	<u>41 119</u>
3000	NET POSITION AT JUNE 30	\$ <u><u>65 285</u></u>

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

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended June 30, 2015

EXHIBIT D-3

	GOVERNMENTAL ACTIVITIES
	TOTAL INTERNAL SERVICE FUNDS
Cash Flows from Operating Activities:	
Cash received from user charges	\$ 97 722
Cash payments for suppliers	(72 469)
NET CASH PROVIDED BY OPERATING ACTIVITIES	25 253
NET INCREASE IN CASH AND CASH EQUIVALENTS	25 253
Cash and cash equivalents - Beginning	35 954
CASH AND CASH EQUIVALENTS - ENDING	\$ 61 207
Reconciliation of Operating Income to Net Cash Provided By Operating Activities:	
Operating income	\$ 24 166
(Increase)/decrease in accounts receivable	50
(Increase)/decrease in inventory	958
Increase/(decrease) in accounts payable	79
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 25 253

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

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
June 30, 2015

EXHIBIT E-1

DATA CONTROL CODES		AGENCY FUNDS
	ASSETS	
1110	Cash and cash equivalents	\$ 93 063
1120	Investments - Current	17 434
1290	Other receivable	<u>380</u>
1000	TOTAL ASSETS	<u>\$ 110 877</u>
	LIABILITIES	
2190	Due to student groups	\$ 96 102
2440	Other liabilities	<u>14 775</u>
2000	TOTAL LIABILITIES	<u>\$ 110 877</u>

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

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

The Nacogdoches Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven-member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in *Statement on Auditing Standards No. 69* of the American Institute of Certified Public Accountants, and it complies with the requirements of the appropriate version of 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.

The Board of Trustees (the "Board") is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, "The Financial Reporting Entity." There are no component units included within the reporting entity.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of Net Position and the statement of changes in Net Position) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

Interfund activities between governmental funds and proprietary 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 internal service funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due from on the government-wide Statement of Activities.

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 and enterprise funds major and reports their financial condition and results of operations in a separate column.

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

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

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 claims and judgments are recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within 60 days after year-end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. The District considers them "available" if they will be collected within 60 days of the end of the fiscal year. 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 deferred 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. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Fund Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted Net Position, and unrestricted Net Position.



NACOGDOCHES INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Fund Accounting

The District reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *Capital Projects Fund* accounts for the activity associated with construction and repairs resulting from the 2009 QSCB bond issue.

Additionally, the District reports the following fund types:

The *Special Revenue Funds* account for resources restricted to, or designated for, specific purposes by a grantor. Some federal and state financial assistance is accounted for in a *Special Revenue Fund*, and sometimes unused balances must be returned to the grantor at the close of the specified project periods.

Proprietary Fund Types:

The *Internal Service Fund* accounts for revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis. The District's Internal Service Fund is the Print Shop Fund.

Fiduciary Fund Types:

The *Agency Funds* and *Trust Funds* accounts for resources held for others in a custodial capacity. The District's Agency Funds are the Student Activity Funds.

Amounts reported as *program revenue* include charges to customers or applicants for goods, services, or privileges provided and operating grants and contributions. Internally dedicated resources are reported as *general revenue* rather than as program revenue. Likewise, general revenue include all taxes.

E. Other Accounting Policies

1. For purposes of the statement of cash flows for proprietary funds, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.
2. Supplies are recorded as expenditures when they are purchased. Although commodities are received at no cost, receipts of food commodities are recorded as an expense and as revenue at their fair market value as supplied by the Texas Department of Human Services.
3. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of Net Position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.
4. The District does not permit employees to accumulate earned but unused vacation and sick pay benefits.

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Capital assets, which include land, buildings, furniture and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of 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.

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 are depreciated using the straight line method over the following estimated useful lives:

ASSETS	YEARS
Buildings and improvements	40
Portable buildings	20
Vehicles	5
Furniture and equipment	5-7

6. Since Internal Service Funds support the operations of governmental funds, they are consolidated with the governmental funds in the government-wide financial statements. The expenditures of governmental funds that create the revenues of internal service funds are eliminated to avoid "grossing up" the revenues and expenses of the District as a whole.
7. In the fund financial statements, governmental funds report restricted fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Committed fund balance represents amount established by formal action of the School Board, and may be changed with formal action. Assigned fund balance represents amounts established by the Districts management by authority of the School Board, and may be changed by management.
8. When the District incurs an expense for which it may use either restricted, committed or assigned unrestricted assets, it uses the restricted, committed or assigned assets first whenever they will have to be returned if they are not used.
9. The Data Control Codes refer to the account code structure prescribed by TEA in the Financial Accountability System Resource Guide. Texas Education Agency required school 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.
10. 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 disclosure of contingent assets and 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.
11. GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:
- Nonspendable fund balance - amounts that are not in nonspendable form (such as inventory) or are required to be maintained intact.

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance - amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., School Board). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.
- Assigned fund balance - amounts the District intends to use for a specific purpose. Intent can be expressed by the School Board or by an official or body to which the School Board delegates the authority.
- Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The School Board establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by School Board through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

12. In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

13. Management has evaluated subsequent events through November 16, 2015, the date the financial statements were available to be issued.
14. Accounting Changes - Restatement: Change in Accounting Principles - As the result of implementing GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the District has restated the beginning net position in the Statement of Net Position, effectively decreasing net position as of June 30, 2015 by \$8,719,483. The decrease results from recognizing the long term obligation for pension benefits.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund and the Food Service Fund (which is included in Special Revenue Funds). The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budgeted revenues and expenditures for each of these funds.

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 June 30, 2015

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - CONTINUED

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

1. Prior to June 20, the District prepares a budget for the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least 10 days' public notice of the meeting must be given.
3. Prior to July 1, 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 made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. However, none of these were significant.
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year-end. At year end, the District exceeded the budget by function as indicated:

	<u>GENERAL FUND</u>		<u>EXCEEDED BY</u>
0099	Intergovernmental Payments	\$	18 372
	<u>CHILD NUTRITION</u>		<u>EXCEEDED BY</u>
0051	Plant Maintenance and Operations	\$	17 545

5. Encumbrances for goods or purchased services are documented by purchase orders or contract. Under Texas law, appropriations lapse at June 30, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget. The District had no outstanding encumbrances.

NOTE 3 - DETAILED NOTES ON ALL FUNDS

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

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 June 30, 2015

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Additional contractual provisions governing deposits and investments for the District are as follows:

- a. Custodial Credit Risk - Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. To insure against this risk of loss, the District's contract with its depository bank specifies that the depository bank agrees to cover by corporate surety bond or pledge of approved securities an amount that is equal to funds anticipated to be on deposit from day to day that exceeds the value of FDIC insurance coverage. During the year ended June 30, 2015, the District had \$250,000 of FDIC insurance and pledged securities were adequate at all times to insure the District's deposits.
- b. Custodial Credit Risk - Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the District's investments are held in external investment pools which are not subject to custodial credit risk.

B. The District's investments at June 30, 2015 are shown below:

NAME	FAIR VALUE
TexStar Investment Pool	\$ 3 887 228
Texas CLASS Investment Pool	11 459 003
Lone Star Investment Pool	4 294 351
Certificates of deposit	265 434
TOTAL INVESTMENTS	\$ 19 906 016

The classification on the balance sheet is as follows:

Cash and Cash Equivalent:

Cash on hand	\$ 9 561	
Cash in bank	872 430	
	881 991	(C-1)
Cash in bank	\$ 61 207	(D-1)
Cash in bank	\$ 93 063	(E-1)

Current Investment:

Tex Star Investment Pool	\$ 3 887 228	
Lone Star Investment Pool	4 294 351	
Texas CLASS Investment Pool	11 459 003	
Certificates of deposit	248 000	
	\$ 19 888 582	(C-1)
Certificates of deposit	\$ 17 434	(E-1)

C. 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 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60 day period after the close of the school fiscal year.

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 June 30, 2015

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

D. 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 tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

E. Disaggregation of Receivables and Deferred Revenue

Receivables at June 30, 2015 were as follows:

<u>FUND</u>	<u>PROPERTY TAXES</u>	<u>OTHER GOVERNMENTS</u>	<u>OTHER RECEIVABLES</u>	<u>TOTAL RECEIVABLES</u>
General	\$ 426 613	\$ 7 925 855	\$ 14 345	\$ 8 366 813
Debt service	60 404	-	36 489	96 893
Special revenue	-	1 721 814	14 171	1 735 985
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>487 017</b>	<b>9 647 669</b>	<b>65 005</b>	<b>10 199 691</b>
Amounts not scheduled for collection	-	-	-	-
<b>NET RECEIVABLES</b>	<b>\$ 487 017</b>	<b>\$ 9 647 669</b>	<b>\$ 65 005</b>	<b>\$ 10 199 691</b>

Deferred revenue consisted of the following:

	<u>GENERAL</u>	<u>DEBT SERVICE</u>	<u>TOTAL</u>
Tax revenue	\$ 426 613	\$ 60 404	\$ 487 017

F. Interfund Balances and Activities

Interfund activity at June 30, 2015 consists of:

<u>DUE TO</u>	<u>DUE FROM</u>	<u>AMOUNT</u>	<u>PURPOSE</u>
General	Special Revenue	\$ 699 251	Short term advance
General Revenue	Special Revenue	30 983	Indirect cost
Special Revenue	Special Revenue	896 880	Short term advance
		<u>\$ 1 627 114</u>	
<u>TRANSFER IN</u>	<u>TRANSFER OUT</u>	<u>AMOUNT</u>	<u>PURPOSE</u>
Special Revenue	General	\$ 2 506	Fund transfer
General Revenue	Special Revenue	42 406	Fund transfer
Special Revenue	Special Revenue	326 914	Fund transfer
		<u>\$ 366 814</u>	

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 June 30, 2015

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

G. Capital Assets

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

	<u>BEGINNING BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCE</u>
Government Activities:				
Capital Assets, Not Being Depreciated:				
Land and improvements	\$ 2 436 712	\$ -	\$ 105 000	\$ 2 331 712
Construction in progress	95 913	1 692 131	161 480	1 626 564
TOTAL CAPITAL ASSETS, NOT BEING DEPRECIATED	<u>2 532 625</u>	<u>1 692 131</u>	<u>266 480</u>	<u>3 958 276</u>
Capital Assets, Being Depreciated:				
Buildings	91 565 309	216 665	-	91 781 974
Furniture and equipment	13 091 353	2 672 292	34 530	15 729 115
TOTAL CAPITAL ASSETS, BEING DEPRECIATED	<u>104 656 662</u>	<u>2 888 957</u>	<u>34 530</u>	<u>107 511 089</u>
Less Accumulated Depreciation For:				
Buildings	32 794 842	2 174 625	-	34 969 467
Machinery and equipment	8 807 240	1 066 833	34 530	9 839 543
TOTAL ACCUMULATED DEPRECIATION	<u>41 602 082</u>	<u>3 241 458</u>	<u>34 530</u>	<u>44 809 010</u>
TOTAL CAPITAL ASSETS, BEING DEPRECIATED, NET	<u>63 054 580</u>	<u>(352 501)</u>	<u>-</u>	<u>62 702 079</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 65 587 205</u>	<u>\$ 1 339 630</u>	<u>\$ 266 480</u>	<u>\$ 66 660 355</u>

Depreciation expense was charged to functions/programs of the government as follows:

Governmental Activities:	
Instruction	\$ 1 837 781
Instructional resources and media services	56 468
Curriculum development and instructional staff development	73
Instructional leadership	1 191
School leadership	9 322
Guidance, counseling and evaluation services	15 896
Social work services	1 755
Health services	3 893
Student transportation	463 338
Food services	2 965
Co-curricular/extra curricular	153 876
General administration	107 109
Plant maintenance and operations	190 164
Security and monitoring services	40 474
Data processing services	357 153
TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES	<u>\$ 3 241 458</u>

H. Capital Leases

The Public Property Finance Act gives the District authority to enter into capital leases for the acquisition of personal property. The District has entered into lease agreements as lessee for financing the acquisition of several vehicles and other equipment in accordance with provisions of the Texas Education Code Section 45.109. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 June 30, 2015

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future rental payments as of June 30, 2015 as follows:

DATE OF ISSUE/ MATURITY	INTEREST RATE PAYABLE	AMOUNTS ORIGINAL ISSUE	CURRENT INTEREST	OUT- STANDING 07/01/2014	ISSUED	RETIRED	OUT- STANDING 06/30/2015
01/2005 - 01/2015	4.000%	\$ 298 600	\$ 226	\$ 19 501	\$ -	\$ 19 501	\$ -
04/2005 - 04/2015	4.200%	402 678	830	48 509	-	48 509	-
07/2014 - 10/2020	2.952%	1 912 213	13 979	-	1 912 213	285 817	1 626 396
TOTAL		\$ 2 613 491	\$ 15 035	\$ 68 010	\$ 1 912 213	\$ 353 827	\$ 1 626 396

The District paid the bus capital lease in full this fiscal year but obtained a new lease for technology infrastructure in the amount of \$1,912,213.

YEAR ENDED JUNE 30,	PAYMENT
2016	\$ 299 796
2017	299 796
2018	299 796
2019	299 796
2020	299 796
2021	299 796
Total minimum lease payments	1 798 776
Less: Amounts representing interest	(172 380)
PRESENT VALUE OF MINIMUM LEASE PAYMENTS	\$ 1 626 396

Lease expenditures in 2015 were \$368,862.

The effective interest rate on the capital lease is 2.952%.

I. Long-term Debt

General Obligation Bonds

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities. General obligation bonds are direct obligations and pledge the full faith and credit of the government.

A summary of changes in bonds payable for the year ended June 30 is as follows:

DESCRIPTION	INTEREST RATE PAYABLE	AMOUNTS ORIGINAL ISSUE	CURRENT INTEREST	PAYABLE AMOUNTS OUTSTANDING 07/01/2014	ISSUED	RETIRED	OUT- STANDING 06/30/2015
Unlimited Tax Refunding Bonds, Series 2005	2.5 to 4.0%	\$ 3 825 000	\$ 72 250	\$ 1 840 000	\$ -	\$ (1 840 000)	\$ -
Unlimited Tax Refunding Bonds, Series 2006	3.73 to 4.38%	25 035 000	940 244	22 510 000	-	(1 335 000)	21 175 000
2009 QSCB Bond	1.7%	7 900 000	134 300	5 793 879	-	(389 861)	5 404 018
Unlimited Tax Refunding Bonds, Series 2010	3.07%	14 295 000	529 350	13 420 000	-	(745 000)	12 675 000
Premium on Bond Issue	N/A	1 395 292	-	1 149 064	-	(82 076)	1 066 988
Accrued Interest	N/A	-	-	629 711	-	(63 115)	566 596
TOTAL		\$ 1 676 144	\$ 1 676 144	\$ 45 342 654	\$ -	\$ (4 455 052)	\$ 40 887 602



NACOGDOCHES INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 June 30, 2015

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Debt service requirements are as follows:

YEAR ENDING JUNE 30,	GENERAL OBLIGATIONS		TOTAL REQUIREMENTS
	PRINCIPAL *	INTEREST	
2016	\$ 2 544 861	\$ 1 528 144	\$ 4 073 005
2017	2 639 861	1 441 944	4 081 805
2018	2 714 861	1 351 944	4 066 805
2019	2 819 861	1 258 944	4 078 805
2020	2 914 861	1 161 744	4 076 605
2021-2025	19 944 713	3 919 544	23 864 257
2026-2028	5 675 000	353 106	6 028 106
TOTAL	\$ 39 254 018	\$ 11 015 370	\$ 50 269 388

\* includes payments to QSCB Escrow account.

Changes in long-term liabilities on the Statement of Net Position are as follows:

	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	DUE WITHIN ONE YEAR
General obligation bonds	\$ 43 563 879	\$ -	\$ (4 309 861)	\$ 39 254 018	\$ 2 544 861
Capital leases	68 010	1 912 213	(353 827)	1 626 396	251 711
Accrued interest payable	629 711	-	(63 115)	566 596	-
Premium on bond issue	1 149 064	-	(82 076)	1 066 988	-
TOTAL	\$ 45 410 664	\$ 1 912 213	\$ (4 808 879)	\$ 42 513 998	\$ 2 796 572

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management had indicated that the District is in compliance with all significant limitations and restrictions at June 30, 2015.

At June 30, 2015, the District has deposited \$2,495,982 in an escrow account to be used to repay the 2009 QSCB Bonds when due in 2025.

J. 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, Texas 78701-2698; or by calling 512.542.6592.

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 June 30, 2015

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

**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 Cost of Living Adjustments, "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.

	CONTRIBUTION RATES	
	2014	2015
Member	6.40%	6.70%
Non-Employer Contributing Entity (State)	6.80%	6.80%
Employers	6.80%	6.80%
Employer Contributions	\$	730 448
Member Contributions	\$	679 280
NECE On-behalf Contributions	\$	1 577 004

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).

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 June 30, 2015

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

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

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

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

**Actuarial Assumptions:**

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

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

*\* Includes Inflation of 3%*

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

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 June 30, 2015

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

**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:

<u>ASSET CLASS</u>	<u>TARGET ALLOCATION</u>	<u>REAL RETURN GEOMETRIC BASIS</u>	<u>LONG-TERM EXPECTED PORTFOLIO REAL RATE OF RETURN*</u>
<b>Global Equity</b>			
U.S.	18.0%	7.0%	1.4%
Non-U.S. Developed	13.0%	7.3%	1.1%
Emerging Markets	9.0%	8.1%	0.9%
Directional Hedge Funds	4.0%	5.4%	0.2%
Private Equity	13.0%	9.2%	1.4%
<b>Stable Value</b>			
U.S. Treasuries	11.0%	2.9%	0.3%
Absolute Return	0.0%	4.0%	0.0%
Stable Value Hedge Funds	4.0%	5.2%	0.2%
Cash	1.0%	2.0%	0.0%
<b>Real Return</b>			
Global Inflation Linked Bonds	3.0%	3.1%	0.0%
Real Assets	16.0%	7.3%	1.5%
Energy and Natural Resources	3.0%	8.8%	0.3%
Commodities	0.0%	3.4%	0.0%
<b>Risk Parity</b>			
Risk Parity	5.0%	8.9%	0.4%
Alpha	0.0%		1.0%
<b>Total</b>	<u>100%</u>		<u>8.7%</u>

\* 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.

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 June 30, 2015

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

	1% DECREASE IN DISCOUNT RATE (7.0%)	DISCOUNT RATE (8.0%)	1% INCREASE IN DISCOUNT RATE (9.0%)
District share of the net pension liability	\$ 13 752 101	\$ 7 695 897	\$ 3 166 984

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

At August 31, 2014, the District reported a liability of \$7,695,897 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 proportionate share of the net pension liability	\$ 7 695 897
State's proportionate share that is associated with the District	5 954 030
TOTAL	\$ 13 649 927

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

At August 31, 2014 the District's proportion of the collective net pension liability was 0.0288% which was a decrease of 0.0000% from its 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 District's reporting date. A 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees went into law effective September 1, 2014. The amount of the expected resultant change in the District's proportion cannot be determined at this time.

For the year ended August 31, 2014, the District recognized pension expense of \$711,349 and revenue of \$1,577,004 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:

	DEFERRED OUTFLOWS OF RESOURCES	DEFERRED INFLOWS OF RESOURCES
Differences between expected and actual economic experience	\$ 119 020	\$ -
Changes in actuarial assumptions	500 242	-
Difference between projected and actual investment earnings	-	2 352 180
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	-	2 017
Contributions paid to TRS subsequent to the measurement date (to be calculated by employer)	1 999 490	-
TOTAL	\$ 2 618 752	\$ 2 354 197

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 June 30, 2015

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

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

YEAR ENDED AUGUST 31,	PENSION EXPENSE AMOUNT
2015	\$ (483 916)
2016	\$ (483 916)
2017	\$ (483 916)
2018	\$ (483 916)
2019	\$ 104 129
Thereafter	\$ 96 600

K. School District Retiree Health Plan

**Plan Description.** The Nacogdoches School District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas. TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees 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. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2015, 2014 and 2013. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended August 31, 2015, 2014, and 2013, the State's contributions to TRS-Care were \$327,658, \$396,316, and \$331,308, respectively, the active member contributions were \$212,977, \$349,120, and \$334,080, respectively, and the school district's contributions were \$180,212, \$192,010, and \$182,220, respectively, which equaled the required contributions each year.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2015, 2014 and 2013, the subsidy payments received by TRS-Care on behalf of the District were \$102,936, \$88,261 and \$86,574, respectively.

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 June 30, 2015

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

L. Commitments and Contingencies

The District participates in grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charges 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 collectibility of any related receivable may be impaired.

Lawsuits have been brought against the District for which a prediction regarding the outcome or amount of recovery cannot be made at this time. If the plaintiffs were to prevail in these suits, it is believed that monetary damages should not exceed the limits of the District's insurance coverage. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants or litigation; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

M. Revenue from Local and Intermediate Sources

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

	GENERAL	SPECIAL REVENUE	DEBT SERVICE	TOTAL
Property taxes	\$ 21 400 290	\$ -	\$ 3 547 552	\$ 24 947 842
Penalties, interest and other tax-related income	247 791	-	40 209	288 000
Investment income	15 008	-	3 082	18 090
Shared service arrangements	3 000	517 900	-	520 900
Athletic activities	81 560	-	-	81 560
Food sales	-	566 896	-	566 896
Transportation	390 767	-	-	390 767
Tuition	25 229	-	-	25 229
Gifts and bequest	91 671	53 942	-	145 613
Extracurricular	-	230 014	-	230 014
Other	109 793	4 689	-	114 482
TOTAL	<u>\$ 22 365 109</u>	<u>\$ 1 373 441</u>	<u>\$ 3 590 843</u>	<u>\$ 27 329 393</u>

N. Due From State Agencies

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 June 30 are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from Other Governments.

FUND	STATE ENTITLEMENT	FEDERAL GRANTS	TOTAL
General	\$ 7 925 855	\$ -	\$ 7 925 855
Special revenue	99 584	1 622 230	1 721 814
TOTAL ENTITLEMENTS	<u>\$ 8 025 439</u>	<u>\$ 1 622 230</u>	<u>\$ 9 647 669</u>

O. Risk Management

The District is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 June 30, 2015

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

P. Joint Ventured-Shared Service Arrangements

The District is the fiscal agent for a Shared Services Arrangement ("SSA"), which provides services to the member districts listed below. All services are provided by the fiscal agent. The member districts provide the funds to the fiscal agent. According to guidance provided in TEA's Resource Guide, the District has accounted for the fiscal agent's activities of the SSA in Special Revenue Fund No. 458, Shared Services Arrangements - Special Education and will be accounted for using Model 3 in the SSA section of the Resource Guide. Expenditures of the SSA are summarized below:

Nacogdoches Independent School District	\$	305 673
Cushing Independent School District		14 180
Garrison Independent School District		23 063
Martinsville Independent School District		14 805
Etoile Independent School District		4 589
Chireno Independent School District		12 717
Douglas Independent School District		13 915
Woden Independent School District		30 358
TOTAL	\$	419 300

Shared Services Arrangement - Membership

The District participates in a shared services arrangement for a federal program.

The District does not account for revenue or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to Nacogdoches Independent School District. The fiscal agent manager is responsible for all financial activities of the shared services arrangement.



REQUIRED SUPPLEMENTARY INFORMATION

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - GENERAL FUND  
 For the Year Ended June 30, 2015

EXHIBIT G-1

DATA CONTROL CODES		BUDGETED AMOUNTS		ACTUAL	VARIANCE
		ORIGINAL	FINAL		
Revenues:					
5700	Local and intermediate sources	\$ 21 118 406	\$ 22 599 050	\$ 22 365 109	\$ (233 941)
5800	State program revenues	27 821 743	27 060 477	28 881 828	1 821 351
5900	Federal program revenues	839 000	521 000	522 615	1 615
5020	TOTAL REVENUES	<u>49 779 149</u>	<u>50 180 527</u>	<u>51 769 552</u>	<u>1 589 025</u>
Expenditures:					
Current:					
0011	Instruction	26 575 506	26 562 961	25 400 284	1 162 677
0012	Instructional resources and media services	671 803	644 946	612 257	32 689
0013	Curriculum and staff development	908 909	951 049	754 992	196 057
0021	Instructional leadership	822 703	813 053	761 331	51 722
0023	School leadership	2 750 722	2 797 945	2 791 788	6 157
0031	Guidance, counseling and evaluation services	1 397 768	1 406 885	1 371 917	34 968
0032	Attendance and social services	175 922	160 574	155 817	4 757
0033	Health services	481 631	474 108	462 537	11 571
0034	Student transportation	3 316 330	4 018 753	3 245 789	772 964
0035	Food services	85 326	96 403	86 664	9 739
0036	Co-curricular/extracurricular activities	1 373 161	1 407 539	1 376 856	30 683
0041	General administration	1 951 718	2 142 092	2 108 232	33 860
0051	Plant maintenance and operations	5 448 523	5 599 920	5 246 876	353 044
0052	Security and monitoring services	487 313	535 298	507 144	28 154
0053	Data processing services	1 291 296	3 105 985	2 908 877	197 108
0061	Community service	72 229	94 147	66 638	27 509
0071	Debt service	678 837	978 634	894 348	84 286
0081	Capital outlay	939 452	6 059 037	1 892 319	4 166 718
0099	Intergovernmental payments	350 000	350 000	368 372	(18 372)
6030	TOTAL EXPENDITURES	<u>49 779 149</u>	<u>58 199 329</u>	<u>51 013 038</u>	<u>7 186 291</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(8 018 802)</u>	<u>756 514</u>	<u>8 775 316</u>
Other Financing Sources (Uses):					
7900	Other financing sources	-	2 351 308	2 169 174	(182 134)
8900	Other financing (uses)	-	(2 506)	(2 506)	-
7080	TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>2 348 802</u>	<u>2 166 668</u>	<u>(182 134)</u>
1200	NET CHANGE IN FUND BALANCES	-	(5 670 000)	2 923 182	8 593 182
0100	Fund balance - Beginning	<u>19 705 027</u>	<u>19 705 027</u>	<u>19 705 027</u>	<u>-</u>
3000	FUND BALANCE - ENDING	<u>\$ 19 705 027</u>	<u>\$ 14 035 027</u>	<u>\$ 22 628 209</u>	<u>\$ 8 593 182</u>

See independent auditors' report.

COMBINING STATEMENTS AS  
SUPPLEMENTARY INFORMATION

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 June 30, 2015

DATA CONTROL CODES		211 ESEA TITLE I IMPROVING BASIC SKILLS	212 ESEA TITLE I PART C MIGRANT	224 IDEA- PART B FORMULA	225 IDEA- PART B PRESCHOOL	226 IDEA PART-B HIGH COST
	<b>ASSETS</b>					
1110	Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
1240	Due from other government	766 177	6 497	533 774	8 210	28 636
1260	Due from other funds	-	-	-	-	-
1290	Other receivables	78	-	-	-	-
1310	Inventory	-	-	-	-	-
1000	TOTAL ASSETS	<u>\$ 766 255</u>	<u>\$ 6 497</u>	<u>\$ 533 774</u>	<u>\$ 8 210</u>	<u>\$ 28 636</u>
	<b>LIABILITIES</b>					
	Current Liabilities:					
2110	Accounts payable	\$ 9 670	\$ 280	\$ -	\$ -	\$ -
2170	Due to other funds	756 585	6 217	533 774	8 210	28 636
2000	TOTAL LIABILITIES	<u>766 255</u>	<u>6 497</u>	<u>533 774</u>	<u>8 210</u>	<u>28 636</u>
	<b>FUND BALANCES</b>					
	Fund Balances:					
3450	Nonspendable	-	-	-	-	-
3420	Restricted	-	-	-	-	-
3000	TOTAL FUND BALANCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 766 255</u>	<u>\$ 6 497</u>	<u>\$ 533 774</u>	<u>\$ 8 210</u>	<u>\$ 28 636</u>

See independent auditors' report.

EXHIBIT H-1  
PAGE 1 OF 3

240 NATIONAL BREAKFAST AND LUNCH PROGRAM	242 SUMMER FEEDING PROGRAM	244 VOCATIONAL EDUCATION BASIC GRANT	255 TITLE II, PART A TRAINING AND RECRUITING	263 TITLE III LIMITED ENGLISH PROFICIENCY	274 GEAR UP PROGRAM	289 SUMMER SCHOOL LEP RIDER
\$ 154 462	\$ 31 474	\$ -	\$ -	\$ -	\$ -	\$ 4 790
-	-	30 046	134 907	58 398	33 305	-
896 880	-	-	-	-	-	-
652	-	-	-	442	-	-
48 154	-	-	-	-	-	-
<u>\$ 1 100 148</u>	<u>\$ 31 474</u>	<u>\$ 30 046</u>	<u>\$ 134 907</u>	<u>\$ 58 840</u>	<u>\$ 33 305</u>	<u>\$ 4 790</u>
\$ 2 161	\$ 6 814	\$ -	\$ 7 992	\$ 16 837	\$ 7 300	\$ -
-	-	30 046	125 504	41 721	25 936	-
<u>2 161</u>	<u>6 814</u>	<u>30 046</u>	<u>133 496</u>	<u>58 558</u>	<u>33 236</u>	<u>-</u>
48 154	-	-	-	-	-	-
<u>1 049 833</u>	<u>24 660</u>	<u>-</u>	<u>1 411</u>	<u>282</u>	<u>69</u>	<u>4 790</u>
<u>1 097 987</u>	<u>24 660</u>	<u>-</u>	<u>1 411</u>	<u>282</u>	<u>69</u>	<u>4 790</u>
<u>\$ 1 100 148</u>	<u>\$ 31 474</u>	<u>\$ 30 046</u>	<u>\$ 134 907</u>	<u>\$ 58 840</u>	<u>\$ 33 305</u>	<u>\$ 4 790</u>

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS - CONTINUED  
 June 30, 2015

DATA CONTROL CODES		315 SSA IDEA, PART B DISCRETIONARY	316 SSA IDEA, PART B DEAF	317 SSA - IDEA, B PRESCHOOL DEAF	340 SSA - IDEA C DEAF - EARLY INTERVENTION	385 STATE SUPPL VISUALLY IMPAIRED
ASSETS						
1110	Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 79
1240	Due from other government	9 988	11 067	1 224	-	-
1260	Due from other funds	-	-	-	-	-
1290	Other receivables	-	-	-	-	-
1310	Inventory	-	-	-	-	-
1000	TOTAL ASSETS	<u>\$ 9 988</u>	<u>\$ 11 067</u>	<u>\$ 1 224</u>	<u>\$ -</u>	<u>\$ 79</u>
LIABILITIES						
Current Liabilities:						
2110	Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
2170	Due to other funds	9 988	10 898	1 224	-	-
2000	TOTAL LIABILITIES	<u>9 988</u>	<u>10 898</u>	<u>1 224</u>	<u>-</u>	<u>-</u>
FUND BALANCES						
Fund Balances:						
3450	Nonspendable	-	-	-	-	-
3420	Restricted	-	169	-	-	79
3000	TOTAL FUND BALANCES	<u>-</u>	<u>169</u>	<u>-</u>	<u>-</u>	<u>79</u>
4000	TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 9 988</u>	<u>\$ 11 067</u>	<u>\$ 1 224</u>	<u>\$ -</u>	<u>\$ 79</u>

See independent auditors' report.

397	410	411	435	458	461	498
ADVANCED PLACEMENT INCENTIVES	TEXTBOOK FUND	TECHNOLOGY FUND	SSA REGIONAL DAY SCHOOL- DEAF	NACOGDOCHES CO. ALTERNATIVE EDUCATION CAMPUS	CAMPUS ACTIVITY FUNDS	DRAGON COMMUNITY PARTNERS
\$ 10 263	\$ 30 118	\$ 247 422	\$ 100	\$ 64 795	\$ 170 662	\$ 18 249
-	-	-	99 585	-	-	-
-	-	-	-	-	-	-
-	-	-	-	12 999	-	-
-	-	-	-	-	-	-
<u>\$ 10 263</u>	<u>\$ 30 118</u>	<u>\$ 247 422</u>	<u>\$ 99 685</u>	<u>\$ 77 794</u>	<u>\$ 170 662</u>	<u>\$ 18 249</u>
\$ -	\$ -	\$ -	\$ 322	\$ 311	\$ 38 701	\$ -
-	-	-	48 375	-	-	-
-	-	-	48 697	311	38 701	-
-	-	-	-	-	-	-
<u>10 263</u>	<u>30 118</u>	<u>247 422</u>	<u>50 988</u>	<u>77 483</u>	<u>131 961</u>	<u>18 249</u>
<u>10 263</u>	<u>30 118</u>	<u>247 422</u>	<u>50 988</u>	<u>77 483</u>	<u>131 961</u>	<u>18 249</u>
<u>\$ 10 263</u>	<u>\$ 30 118</u>	<u>\$ 247 422</u>	<u>\$ 99 685</u>	<u>\$ 77 794</u>	<u>\$ 170 662</u>	<u>\$ 18 249</u>

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS - CONTINUED  
 June 30, 2015

EXHIBIT H-1  
 PAGE 3 OF 3

DATA CONTROL CODES		698 COOL SCHOOLS GRANT	TOTAL NONMAJOR GOVERN- MENTAL FUNDS
	ASSETS		
1110	Cash and cash equivalents	\$ 8 815	\$ 741 229
1240	Due from other government	-	1 721 814
1260	Due from other funds	-	896 880
1290	Other receivables	-	14 171
1310	Inventory	-	48 154
1000	TOTAL ASSETS	<u>\$ 8 815</u>	<u>\$ 3 422 248</u>
	LIABILITIES		
	Current Liabilities:		
2110	Accounts payable	\$ -	\$ 90 388
2170	Due to other funds	-	1 627 114
2000	TOTAL LIABILITIES	<u>-</u>	<u>1 717 502</u>
	FUND BALANCES		
	Fund Balances:		
3450	Nonspendable	-	48 154
3420	Restricted	8 815	1 656 592
3000	TOTAL FUND BALANCES	<u>8 815</u>	<u>1 704 746</u>
4000	TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 8 815</u>	<u>\$ 3 422 248</u>

See independent auditors' report.



NACOGDOCHES INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2015

DATA CONTROL CODES		211 ESEA TITLE I IMPROVING BASIC SKILLS	212 ESEA TITLE I PART C MIGRANT	224 IDEA- PART B FORMULA	225 IDEA- PART B PRESCHOOL	226 IDEA PART-B HIGH COST
Revenues:						
5700	Local and intermediate sources	\$ -	\$ -	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-	-	-
5900	Federal program revenues	<u>2 536 799</u>	<u>15 230</u>	<u>1 252 449</u>	<u>30 063</u>	<u>28 636</u>
5020	TOTAL REVENUES	<u>2 536 799</u>	<u>15 230</u>	<u>1 252 449</u>	<u>30 063</u>	<u>28 636</u>
Expenditures:						
Current:						
0011	Instruction	1 420 993	2 811	1 060 907	32 820	27 852
0012	Instructional resources and media services	2 154	-	-	-	-
0013	Curriculum and staff development	844 186	125	-	-	-
0021	Instructional leadership	179 428	10 175	-	-	-
0023	School leadership	1 278	-	-	-	-
0031	Guidance, counseling, and evaluation services	-	-	191 542	-	784
0032	Social work services	26 634	-	-	-	-
0033	Health services	6 414	375	-	-	-
0034	Student transportation	371	-	-	-	-
0035	Food services	-	-	-	-	-
0036	Co-curricular/extracurricular activities	-	-	-	-	-
0041	General administration	-	-	-	-	-
0051	Plant maintenance and operations	-	-	-	-	-
0061	Community services	55 341	1 744	-	-	-
0081	Capital outlay	-	-	-	-	-
6030	TOTAL EXPENDITURES	<u>2 536 799</u>	<u>15 230</u>	<u>1 252 449</u>	<u>32 820</u>	<u>28 636</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2 757)</u>	<u>-</u>
Other Financing Sources (Uses):						
7900	Other financing sources	-	-	-	-	-
8900	Other financing uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200	NET CHANGE IN FUND BALANCES	-	-	-	(2 757)	-
0100	Fund balances - Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>2 757</u>	<u>-</u>
3000	FUND BALANCES - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditors' report.

EXHIBIT H-2  
PAGE 1 OF 3

240 NATIONAL BREAKFAST AND LUNCH PROGRAM	242 SUMMER FEEDING PROGRAM	244 VOCATIONAL EDUCATION BASIC GRANT	255 TITLE II, PART A TRAINING AND RECRUITING	263 TITLE III LIMITED ENGLISH PROFICIENCY	274 GEAR UP PROGRAM	289 SUMMER SCHOOL LEP RIDER
\$ 566 319	\$ 577	\$ -	\$ -	\$ -	\$ -	\$ -
22 625	-	-	-	-	-	-
<u>3 855 002</u>	<u>86 024</u>	<u>81 543</u>	<u>472 351</u>	<u>127 038</u>	<u>187 961</u>	<u>7 746</u>
<u>4 443 946</u>	<u>86 601</u>	<u>81 543</u>	<u>472 351</u>	<u>127 038</u>	<u>187 961</u>	<u>7 746</u>
-	-	81 543	-	71 735	15 642	9 422
-	-	-	-	-	-	-
-	-	-	400 715	46 842	30 827	-
-	-	-	71 636	1 417	-	-
-	-	-	-	-	-	-
-	-	-	-	-	138 742	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	2 681	9 925
4 385 720	145 486	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
136 335	-	-	-	-	-	-
-	-	-	-	7 044	-	-
-	-	-	-	-	-	-
<u>4 522 055</u>	<u>145 486</u>	<u>81 543</u>	<u>472 351</u>	<u>127 038</u>	<u>187 892</u>	<u>19 347</u>
<u>(78 109)</u>	<u>(58 885)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>69</u>	<u>(11 601)</u>
-	109 766	-	-	-	-	8 905
-	<u>(109 766)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8 905)</u>
-	-	-	-	-	-	-
(78 109)	(58 885)	-	-	-	69	(11 601)
<u>1 176 096</u>	<u>83 545</u>	<u>-</u>	<u>1 411</u>	<u>282</u>	<u>-</u>	<u>16 391</u>
<u>\$ 1 097 987</u>	<u>\$ 24 660</u>	<u>\$ -</u>	<u>\$ 1 411</u>	<u>\$ 282</u>	<u>\$ 69</u>	<u>\$ 4 790</u>

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS - CONTINUED  
 For the Year Ended June 30, 2015

DATA CONTROL CODES		315 SSA IDEA, PART B DISCRETIONARY	316 SSA IDEA, PART B DEAF	317 SSA - IDEA, B PRESCHOOL DEAF	340 SSA - IDEA C DEAF - EARLY INTERVENTION	385 STATE SUPPL VISUALLY IMPAIRED
Revenues:						
5700	Local and intermediate sources	\$ -	\$ -	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-	-	-
5900	Federal program revenues	35 763	38 523	2 119	201	4 950
5020	TOTAL REVENUES	<u>35 763</u>	<u>38 523</u>	<u>2 119</u>	<u>201</u>	<u>4 950</u>
Expenditures:						
Current:						
0011	Instruction	35 763	37 818	1 773	201	4 871
0012	Instructional resources and media services	-	-	-	-	-
0013	Curriculum and staff development	-	653	346	-	-
0021	Instructional leadership	-	-	-	-	-
0023	School leadership	-	-	-	-	-
0031	Guidance, counseling, and evaluation services	-	-	-	-	-
0032	Social work services	-	-	-	-	-
0033	Health services	-	52	-	-	-
0034	Student transportation	-	-	-	-	-
0035	Food services	-	-	-	-	-
0036	Cocurricular/extracurricular activities	-	-	-	-	-
0041	General administration	-	-	-	-	-
0051	Plant maintenance and operations	-	-	-	-	-
0061	Community services	-	-	-	-	-
0081	Capital outlay	-	-	-	-	-
6030	TOTAL EXPENDITURES	<u>35 763</u>	<u>38 523</u>	<u>2 119</u>	<u>201</u>	<u>4 871</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>79</u>
Other Financing Sources (Uses):						
7900	Other financing sources	-	-	-	-	-
8900	Other financing uses	-	-	-	-	-
	TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200	NET CHANGE IN FUND BALANCES	-	-	-	-	79
0100	Fund balances - Beginning	-	169	-	-	-
3000	FUND BALANCES - ENDING	<u>\$ -</u>	<u>\$ 169</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 79</u>

See independent auditors' report.

EXHIBIT H-2  
PAGE 2 OF 3

397	410	411	435	458	461	498
ADVANCED PLACEMENT INCENTIVES	TEXTBOOK FUND	TECHNOLOGY FUND	SSA REGIONAL DAY SCHOOL- DEAF	NACOGDOCHES CO. ALTERNATIVE EDUCATION CAMPUS	CAMPUS ACTIVITY FUNDS	DRAGON COMMUNITY PARTNERS
\$ -	\$ 756	\$ -	\$ 98 600	\$ 419 300	\$ 256 506	\$ 31 383
-	20 276	43 135	356 841	-	-	-
-	-	1 492	-	-	-	-
<u>-</u>	<u>21 032</u>	<u>44 627</u>	<u>455 441</u>	<u>419 300</u>	<u>256 506</u>	<u>31 383</u>
-	209 217	-	355 477	299 537	4 453	-
-	-	-	-	-	3 542	-
-	-	-	541	2 650	-	-
-	-	-	113 444	-	-	-
-	-	-	-	74 627	-	-
-	-	-	-	43 645	-	-
-	-	-	-	-	-	-
-	-	-	650	-	-	-
-	-	-	357	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	268 543	-
-	-	-	-	4 615	-	-
-	-	-	-	16 160	-	-
-	-	-	-	-	-	12 134
-	-	-	-	-	-	-
<u>-</u>	<u>209 217</u>	<u>-</u>	<u>470 469</u>	<u>441 234</u>	<u>276 538</u>	<u>12 134</u>
-	(188 185)	44 627	(15 028)	(21 934)	(20 032)	19 249
-	38 255	-	67 315	99 417	3 256	-
-	-	(80 411)	(67 315)	(99 417)	-	(1 000)
-	38 255	(80 411)	-	-	3 256	(1 000)
-	(149 930)	(35 784)	(15 028)	(21 934)	(16 776)	18 249
10 263	180 048	283 206	66 016	99 417	148 737	-
<u>\$ 10 263</u>	<u>\$ 30 118</u>	<u>\$ 247 422</u>	<u>\$ 50 988</u>	<u>\$ 77 483</u>	<u>\$ 131 961</u>	<u>\$ 18 249</u>

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS - CONTINUED  
 For the Year Ended June 30, 2015

EXHIBIT H-2  
 PAGE 3 OF 3

DATA CONTROL CODES		698 COOL SCHOOLS GRANT	TOTAL NONMAJOR GOVERN- MENTAL FUNDS
	Revenues:		
5700	Local and intermediate sources	\$ -	\$ 1 373 441
5800	State program revenues	-	442 877
5900	Federal program revenues	-	8 763 890
5020	TOTAL REVENUES	<u>-</u>	<u>10 580 208</u>
	Expenditures:		
	Current:		
0011	Instruction	-	3 672 835
0012	Instructional resources and media services	-	5 696
0013	Curriculum and staff development	-	1 326 885
0021	Instructional leadership	-	376 100
0023	School leadership	-	75 905
0031	Guidance, counseling, and evaluation services	-	374 713
0032	Social work services	-	26 634
0033	Health services	-	7 499
0034	Student transportation	-	13 326
0035	Food services	-	4 531 206
0036	Cocurricular/extracurricular activities	-	268 543
0041	General administration	-	4 615
0051	Plant maintenance and operations	-	152 495
0061	Community services	-	76 263
0081	Capital outlay	<u>17 330</u>	<u>17 330</u>
6030	TOTAL EXPENDITURES	<u>17 330</u>	<u>10 930 045</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(17 330)</u>	<u>(349 837)</u>
	Other Financing Sources (Uses):		
7900	Other financing sources	-	326 914
8900	Other financing uses	-	(366 814)
	TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(39 900)</u>
1200	NET CHANGE IN FUND BALANCES	(17 330)	(389 737)
0100	Fund balances - Beginning	<u>26 145</u>	<u>2 094 483</u>
3000	FUND BALANCES - ENDING	<u>\$ 8 815</u>	<u>\$ 1 704 746</u>

See independent auditors' report.

OTHER SUPPLEMENTARY INFORMATION

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
For the Year Ended June 30, 2015

YEAR	TAX RATES		APPRAISED VALUE	BEGINNING	BEGINNING	M & O
	MAINTENANCE	DEBT SERVICE		BALANCE M & O	BALANCE I & S	CURRENT LEVY
2006 and prior years	VARIOUS	VARIOUS	VARIOUS	\$ 302 841	\$ 71	\$ -
2007	1.3700	0.2200	\$ 1 444 554 421	55 706	8 900	-
2008	1.1700	0.2000	\$ 1 542 672 508	58 313	10 175	-
2009	1.1700	0.2000	\$ 1 615 666 640	75 555	13 069	-
2010	1.1700	0.2000	\$ 1 721 803 163	107 821	18 357	-
2011	1.1700	0.2000	\$ 1 686 532 186	133 879	23 285	-
2012	1.1700	0.2000	\$ 1 713 622 003	177 386	31 072	-
2013	1.1700	0.2000	\$ 1 793 826 690	260 196	45 338	-
2014	1.1700	0.1875	\$ 1 806 287 700	560 497	91 767	-
2015	1.1700	0.1875	\$ 1 858 297 570	-	-	21 636 762
TOTALS				\$ 1 732 194	\$ 242 034	\$ 21 636 762

See independent auditors' report.

EXHIBIT J-1

I & S CURRENT LEVY	MAINTEN- ANCE COLLECTIONS	DEBT SERVICE COLLECTIONS	M & O ADJUST- MENTS	I & S ADJUST- MENTS	M & O ENDING BALANCE	I & S ENDING BALANCE	TOTAL ENDING BALANCE
\$ -	\$ 10 393	\$ -	\$ (20 249)	\$ -	\$ 272 199	\$ 71	\$ 272 270
-	5 479	837	(2 935)	(471)	47 292	7 592	54 884
-	10 449	1 777	(3 268)	(502)	44 596	7 896	52 492
-	14 920	2 555	(7 858)	(1 343)	52 777	9 171	61 948
-	21 357	3 675	(8 639)	(1 477)	77 825	13 205	91 030
-	28 623	4 954	(4 724)	(808)	100 532	17 523	118 055
-	40 069	6 955	(6 155)	(1 052)	131 162	23 065	154 227
-	66 894	11 647	(8 024)	(1 372)	185 278	32 319	217 597
-	235 678	38 916	(62 201)	(10 004)	262 618	42 847	305 465
<u>3 589 628</u>	<u>20 911 546</u>	<u>3 469 462</u>	<u>(193 042)</u>	<u>(32 239)</u>	<u>532 174</u>	<u>87 927</u>	<u>620 101</u>
<u>\$ 3 589 628</u>	<u>\$ 21 345 408</u>	<u>\$ 3 540 778</u>	<u>\$ (317 095)</u>	<u>\$ (49 268)</u>	<u>\$ 1 706 453</u>	<u>\$ 241 616</u>	<u>\$ 1 948 069</u>



NACOGDOCHES INDEPENDENT SCHOOL DISTRICT  
 FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET  
 GENERAL FUND AS OF JUNE 30, 2015

EXHIBIT J-3

1	Total general fund balance as of 06/30/15 (object 3000 for the general fund only.)		\$ 22 628 209
2	Total non-spendable fund balance (total of object 3400s for the general fund only.)	\$ 1 019 194	
3	Total restricted fund balance (total of object 3500s for the general fund only.)	-	
4	Total committed fund balance (from Exhibit C-1 - Total of object 351X-354X for general fund only.)	50 000	
5	Total assigned fund balance (from Exhibit C-1 - Total of object 355X-359X for general fund only.)	4 766 719	
6	Estimated amount needed to cover fall cash flow deficits in the general fund (net of borrowed funds and funds representing deferred revenues.)	-	
7	Estimate of two month's average cash disbursements during the regular school session (09/01-05/31).	11 336 231	
8	Estimate of delayed payments from state sources (58xx) including August payment delays.	7 924 553	
9	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount.	-	
10	Estimate of delayed payments from federal sources (59xx)	-	
11	Estimate of expenditures to be reimbursed to General Fund from capital projects fund (uses of general fund cash after bond referendum and prior to issuance of bonds.)	-	
12	Optimum fund balance and cash flow (lines 2+3+4+5+6 +7+8+9+10+11.)	<u>25 096 697</u>	
13	Excess (deficit) unassigned general fund balance (line 1 minus line 12.)	<u>\$ (2 468 488)</u>	

See independent auditors' report.

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM  
 For the Year Ended June 30, 2015

EXHIBIT J-4

DATA CONTROL CODES	1 BUDGETED AMOUNTS		3	VARIANCE WITH FINAL BUDGET	
	ORIGINAL	FINAL	ACTUAL AMOUNTS	FAVORABLE (UNFAVORABLE)	
Revenues:					
5700	Total local and intermediate sources	\$ 684 317	\$ 684 317	\$ 566 319	\$ (117 998)
5800	State program revenues	22 000	22 000	22 625	625
5900	Federal program revenues	4 528 771	4 528 771	3 855 002	(673 769)
5020	TOTAL REVENUES	<u>5 235 088</u>	<u>5 235 088</u>	<u>4 443 946</u>	<u>(791 142)</u>
Expenditures:					
0011	Instructional	2 000	2 000	-	2 000
0035	Food services	5 010 423	5 035 448	4 385 720	649 728
0051	Plant maintenance and operations	118 790	118 790	136 335	(17 545)
0052	Security	3 875	3 875	-	3 875
0081	Capital outlay	100 000	100 000	-	100 000
6030	TOTAL EXPENDITURES	<u>5 235 088</u>	<u>5 260 113</u>	<u>4 522 055</u>	<u>738 058</u>
1200	NET CHANGE IN FUND BALANCE	-	(25 025)	(78 109)	(53 084)
0100	Fund balance - July 1 (beginning)	<u>1 176 096</u>	<u>1 176 096</u>	<u>1 176 096</u>	<u>-</u>
3000	FUND BALANCE - JUNE 30 (ENDING)	<u>\$ 1 176 096</u>	<u>\$ 1 151 071</u>	<u>\$ 1 097 987</u>	<u>\$ (53 084)</u>

See independent auditors' report.

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - DEBT SERVICE FUND  
For the Year Ended June 30, 2015

EXHIBIT J-5

DATA CONTROL CODES	1 BUDGETED AMOUNTS		3	VARIANCE WITH FINAL BUDGET	
	ORIGINAL	FINAL	ACTUAL AMOUNTS	FAVORABLE (UNFAVORABLE)	
	Revenues:				
5700	Total local and intermediate sources	\$ 3 040 848	\$ 3 229 452	\$ 3 590 843	\$ 361 391
5800	State program revenues	<u>367 126</u>	<u>183 424</u>	<u>424 378</u>	<u>240 954</u>
5020	TOTAL REVENUES	<u>3 407 974</u>	<u>3 412 876</u>	<u>4 015 221</u>	<u>602 345</u>
	Expenditures:				
0071	Principal on long-term debt	<u>3 897 000</u>	<u>5 467 000</u>	<u>5 465 420</u>	<u>1 580</u>
6030	TOTAL EXPENDITURES	<u>3 897 000</u>	<u>5 467 000</u>	<u>5 465 420</u>	<u>1 580</u>
1200	NET CHANGE IN FUND BALANCE	(489 026)	(2 054 124)	(1 450 199)	603 925
0100	Fund balance - July 1 (beginning)	<u>3 631 000</u>	<u>3 631 000</u>	<u>3 631 000</u>	<u>-</u>
3000	FUND BALANCE - JUNE 30 (ENDING)	\$ <u>3 141 974</u>	\$ <u>1 576 876</u>	\$ <u>2 180 801</u>	\$ <u>603 925</u>

See independent auditors' report.

COMPLIANCE SECTION

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  
Nacogdoches Independent School District  
Nacogdoches, Texas

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Nacogdoches Independent School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the basic financial statements and have issued our report thereon dated November 16, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Nacogdoches Independent School 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 Nacogdoches Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Nacogdoches 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency. See Finding 2015-01.

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

## **Purpose of this Report**

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

Lufkin, Texas  
November 16, 2015

  
CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Trustees  
Nacogdoches Independent School District  
Nacogdoches, Texas

Members of the Board of Trustees:

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

We have audited Nacogdoches Independent School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Nacogdoches Independent School District's major federal programs for the year ended June 30, 2015. Nacogdoches Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

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

In our opinion, Nacogdoches Independent School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

## Report on Internal Control Over Compliance

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

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

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

The 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.

  
CERTIFIED PUBLIC ACCOUNTANTS

Lufkin, Texas  
November 16, 2015



NACOGDOCHES INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 For the Year Ended June 30, 2015

A. Summary of the Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?  Yes  No

Significant deficiency(s) identified that are not considered to be material weaknesses?  Yes  None reported

Noncompliance material to financial statements noted?  Yes  No

2. Federal Awards

Internal control over major programs:

Material control over major programs:

Material weakness(es) identified?  Yes  No

Significant deficiency(s) identified that are not considered to be material weaknesses?  Yes  None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?  Yes  No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.027/84.173	IDEA-B Program
84.010A	ESEA - Title I, Part A
84.365A	ESEA - Title II, Part A

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

Auditee qualified as low-risk auditee?  Yes  No

B. Financial Statement Findings

2015-01:

Condition: The District exceeded budgeted expenditures in two functions.

Criteria: Budgetary controls at the District are established at the function level for each fund. Expenditures over budgeted amounts require board approved budget amendments.

Effect: Actual expenditures exceeded budgeted amounts for these functions.

Cause: Expenditures in excess of the final budgeted amounts were caused by two events. Student Nutrition excess was due to end-of-year allocation of District-wide utilities in excess of anticipated amounts. General fund excess was due to accrual of an invoice to the central appraisal district invoice paid after June 30<sup>th</sup> for services provided in 2015 that was in excess of the anticipated amount. Budget amendments are not permitted after June 30<sup>th</sup>.

Recommendation: We recommend that the District estimate the amount of year-end accruals and allocations prior to year-end. This will enable the District to better determine if budget amendments will be needed before the final deadline of June 30<sup>th</sup>.

C. Federal Award Findings and Questioned Costs

NONE

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Year Ended June 30, 2015

Findings/Recommendation	Current Status
None	

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT  
CORRECTIVE ACTION PLAN  
For the Year Ended June 30, 2015

Financial Statement Findings:

2015-01 - Expenditures Exceeding Budgetary Amounts

District management will evaluate year-end accruals in relation to budgeted amounts to determine whether budget amendments are necessary.

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2015

EXHIBIT K-1  
PAGE 1 OF 2

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE	(2) FEDERAL CFDA NUMBER	(2A) PASS-THROUGH ENTITY IDENTIFYING NUMBER	(3) TOTAL EXPENDITURES	
U.S. Department of Education:				
Passed Through State Department of Education:				
211	ESEA Title I Part A - Improving basic programs	84.010A	15610101174904	\$ 2 223 560
211	ESEA Title I 1003(A) Priority and focus	84.010A	15610112174904	347 328
212	ESEA Title I Part C - Migratory children	84.011	15615001174904	15 431
224	IDEA - Part B, Formula	84.027	156600011749046600	1 252 449
315	SSA - IDEA - Part B, discretionary	84.027	1566001111749046673	35 764
316	SSA - IDEA - Part B, deaf	84.027	156600011749046601	38 524
226	IDEA - Part B, high cost	84.027	1566000061749046680	28 636
244	Vocational education - Basic grant	84.048	15420006174904	82 528
225	IDEA - Part B, preschool	84.173A	156610011749046610	30 063
317	SSA - IDEA - Part B, preschool deaf	84.173	156610011749046611	2 119
340	SSA - IDEA - Part C, def	84.181	143911011749043911	201
274	Gaining education awareness and readiness	84.334	P334A050251	187 961
263	English language acquisitions and language enhancement	84.365A	15671001174904	128 811
255	ESEA Title II - Part A, teacher and principal training	84.367A	15694501174904	478 591
289	Summer school LEP	84.369	69551402	7 746
	TOTAL DIRECT PROGRAMS			<u>4 859 712</u>
Passed Through Regions VII:				
385	State supplemental visually impaired			4 950
	TOTAL DEPARTMENT OF EDUCATION			<u>4 864 662</u>
U.S. Department of Health and Human Services:				
Direct Programs:				
242	Summer feeding program	10.559	174-904	86 024
	TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>86 024</u>
U.S. Department of Agriculture:				
Direct Programs:				
495	Commodities *	10.565	174-904	244 042
	TOTAL DIRECT PROGRAMS			<u>244 042</u>
Passed Through Nacogdoches County:				
305	National forest revenue	10.666	174-904	578
Passed Through State Department of Agriculture:				
240	National school breakfast program *	10.553	71401501	1 112 302
240	National school lunch program *	10.555	71301501	2 498 074
240	Direct certification performance award	10.589	174-904	584
	TOTAL PASSED THROUGH STATE DEPARTMENT OF AGRICULTURE			<u>3 610 960</u>
	TOTAL DEPARTMENT OF AGRICULTURE			<u>3 855 580</u>

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED  
 For the Year Ended June 30, 2015

EXHIBIT K-1  
 PAGE 2 OF 2

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE	(2) FEDERAL CFDA NUMBER	(2A) PASS-THROUGH ENTITY IDENTIFYING NUMBER	(3) TOTAL EXPENDITURES
Federal Communications Commission: E-Rate	32.000	174-904	1 492
TOTAL FEDERAL COMMUNICATIONS COMMISSION			1 492
 TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 8 807 758

\*Clustered programs as required by Compliance Supplement March, 2003.

See independent auditors' report.

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT  
 NOTES TO ACCOUNTING POLICIES FOR FEDERAL AWARDS  
 For the Year Ended June 30, 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 Expendable Trust Funds are accounted for using a current financial resources measurement focus. All Federal grants 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 Expendable 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, except for unmatured interest on General 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.

Total Expenditures for Federal Awards per Exhibit K-1		\$ 8 807 758
General Fund:		
Federal Revenues Excluded:		
School Health Program	93.990	450 509
Medicare Reimbursement Program	93.778	28 238
TOTAL FEDERAL REVENUE PER EXHIBIT C-3		\$ 9 286 505

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REQUIRED RESPONSES TO SELECTED  
SCHOOL FIRST INDICATORS  
As of June 30, 2015

Exhibit L-1

<u>DATA CONTROL CODES</u>		<u>RESPONSES</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year-end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on 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 governmental 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 financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	\$ -
SF11	Net Pension Assets (1920) at fiscal year end.	\$ -
SF12	Net Pension Liabilities (2540) at fiscal year end.	\$ 7 695 897
SF13	Pension expense (6147) at fiscal year end.	\$ 711 349

See independent auditors' report.