

# TORNILLO

---

INDEPENDENT SCHOOL DISTRICT



## Annual Financial Report

FOR THE YEAR ENDED AUGUST 31, 2015

**TORNILLO INDEPENDENT SCHOOL DISTRICT**  
**ANNUAL FINANCIAL AND COMPLIANCE REPORTS**  
**FOR THE YEAR ENDED AUGUST 31, 2015**

**TORNILLO INDEPENDENT SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED AUGUST 31, 2015

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
Certificate of Board . . . . .	1	
FINANCIAL SECTION. . . . .	3	
Independent Auditor's Report . . . . .	5	
Management's Discussion and Analysis . . . . .	9	
<b>Basic Financial Statements:</b> . . . . .	19	
<u>Government-Wide Financial Statements:</u>		
Statement of Net Position . . . . .	21	A-1
Statement of Activities . . . . .	22	B-1
<u>Governmental Fund Financial Statements</u> . . . . .	25	
Balance Sheet Governmental Funds . . . . .	26	C-1
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position . . . . .	27	C-2
Statement of Revenues, Expenditures, and Changes in Fund Balance Governmental Funds . . . . .	28	C-3
Reconciliation of the Governmental Funds Statement of Revenue, and Changes in Fund Balance to the Statement of Activities . . . . .	29	C-4
<u>Proprietary Fund Financial Statements</u> . . . . .	31	
Statement of Net Position . . . . .	32	D-1
Statement of Revenues, Expenses, and Changes in Fund Net Position . . . . .	33	D-2
Statement of Cash Flows . . . . .	34	D-3
<u>Fiduciary Fund Financial Statements</u> . . . . .	35	
Statement of Fiduciary Net Position . . . . .	36	E-1
Statement of Changes in Fiduciary Net Position . . . . .	37	E-2
<u>Notes to the Financial Statements</u> . . . . .	38	
<b>Required Supplementary Information</b> . . . . .	69	
Statement of Revenues, Expenditures, and Changes in Fund Balance Budgetary and Actual - General Fund . . . . .	70	G-1
Schedule of the District's Proportionate Share of the Net Pension Liability - Teacher Retirement System of Texas . . . . .	71	G-2
Schedule of District Contributions - Teacher Retirement System of Texas . . . . .	72	G-3
Notes to Required Supplementary Information . . . . .	73	
<b>Supplementary Information</b> . . . . .	75	
<u>Nonmajor Governmental Funds</u>		
Combining Balance Sheet - Nonmajor Governmental Funds . . . . .	76	H-1
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances . . . . .	80	H-2
<u>Fiduciary Funds</u>		
Statement of Changes in Assets and Liabilities - Agency Funds . . . . .	84	H-3
Combining Statement of Net Position - Private Purpose Trust Fund . . . . .	85	H-4
Combining Statement of Revenues, Expenses and Changes in Fund Net Position - Private Purpose Trust Fund . . . . .	86	H-5

**TORNILLO INDEPENDENT SCHOOL DISTRICT**

TABLE OF CONTENTS (Continued)

	<u>Page</u>	<u>Exhibit</u>
<b>Other Information Required TEA Schedules</b> .....	87	
Schedule of Delinquent Taxes Receivable .....	88	J-1
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual - Child Nutrition Program .....	90	J-2
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual - Debt Service Fund .....	91	J-3
<b>FEDERAL AWARDS SECTION</b> .....	93	
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	95	
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133 .....	97	
Schedule of Findings and Questioned Costs .....	99	
Schedule of Status of Prior Findings .....	103	
Corrective Action Plan .....	104	
Schedule of Expenditures of Federal Awards .....	105	K-1
Notes on Accounting Policies for Federal Awards .....	106	

CERTIFICATE OF BOARD

Tornillo Independent School District  
Name of School District

El Paso County  
County

071-908  
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one)  approved \_\_\_\_\_ disapproved for the year ended August 31, 2015, at a meeting of the board of trustees of such school district on the 20<sup>th</sup> day of Jan 2016.

  
Signature of Board Secretary

  
Signature of Board President

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

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## **FINANCIAL SECTION**

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## Independent Auditor's Report

To the Board of Trustees  
Tornillo Independent School District

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Tornillo Independent School District as of and for the year ended August 31, 2015, and the related notes to the financial statements, which collectively comprise the Tornillo Independent School 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 of 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 risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall preparation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provides 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, business-type activities, each major fund, and the aggregate remaining fund information of the Tornillo Independent School District, as of August 31, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

### *Change in Accounting Principle*

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

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information and pension information on pages 9 through 18 and 70 through 73 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.

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Tornillo Independent School District's basic financial statements. The accompanying combining and individual nonmajor fund financial statements, and the required TEA schedules 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 Organization*, 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 required TEA schedules 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 January 15, 2016, on our consideration of Tornillo Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Tornillo Independent School District's internal control over financial reporting and compliance.

*Gibson, Ruddock, Patterson LLC*

Gibson, Ruddock, Patterson LLC  
El Paso, Texas  
January 15, 2016

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

### **USING THIS 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, which provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund Financial statements report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about the activities for which the District acts solely as a trustee or agent for the benefit of those outside of the district.

The notes to the financial statement provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for non-major 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 in compliance with the terms of grants.

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

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

The primary purpose of the analysis of the District's overall financial condition and operations is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as tuition received from students from outside the District and grants provided by the U.S. Department of Education to assist children with disabilities from disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers or by TEA

in equalization funding processes (general revenues). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

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

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

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

### **Fund Financial Statements**

The fund financial statements provide detailed information about the most significant funds, not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the No Child Left Behind Act from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). The District's Governmental funds use the following accounting approach:

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

### **The District as Trustee**

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

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

## **FINANCIAL HIGHLIGHTS**

Total assets and total deferred outflows and resources of the Tornillo Independent School District exceeded its liabilities and deferred inflows of resources for fiscal year 2015 by \$17,528,942 (net position). Of this amount, \$5,746,831 (unrestricted net position) may be used to meet the District's ongoing obligations to creditors and residents.

Total Net Position of the District increased from \$17,472,694 in fiscal year 2014 to \$17,528,942 at year-end 2015. Of this total amount, unrestricted increased by \$19,110 from \$5,727,721 to \$5,746,831. Total revenues increased \$1,305,262 from \$15,087,492 in fiscal year 2014, to \$15,171,238 in fiscal year 2015. Total expenses increased \$150,733 from \$13,282,601 to \$13,433,334. The District's governmental funds financial statements reported a combined ending fund balance in fiscal year 2015 of \$8.4 million. The combined ending fund balance of the District increased \$1,612,213 million from \$6.8 million in fiscal year 2014. Of this total amount, \$12,103 is Nonspendable, \$1,174,220 is Restricted, \$781,140 is Committed, 1,000,000 is assigned and \$5,448,131 is Unassigned and is available for spending at the District's discretion.

The fund balance in the Debt Service Fund is \$279,826. The Interest and Sinking tax rate for fiscal year 2015 remained the same from year 2014 - 1.0901 for Maintenance and Operations and .2136 for Debt Service. A combined total of 1.3037 per 100 valuation.

During 2015, The Department of Agriculture approved a plan to reduce the excessive operating fund balance for the food service department. The fund balance reduction allowed for the purchase of a food service vehicle as well as other cafeteria equipment.

During Fiscal Year 2014-2015, Tornillo ISD purchased one new school bus. This purchase was made with general operating funds. The purpose of this bus is to facilitate the transportation of the special education students.

As of August 31, 2015 the construction and related expenditures paid out of committed funds total 218,533. The construction of the addition of twelve classrooms is expected to be completed February 2016. The balance in the assigned fund balance is \$1,000,000 During FY 2015, there was no need for the District to spend any of the assigned funds assigned by the Superintendent.

### **Government-Wide Financial Analysis**

Our analysis of comparative balances and changes therein compares both current and prior year data and discuss significant changes in the accounts. Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental and business-type activities.

Net position of the District increased from \$17,472,694 in fiscal year 2014 to \$17,528,942 in 2015. 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 \$5.7 million at August 31, 2015. The increase in governmental net position was the result of several factors. While local revenue remained somewhat constant, the District received increases in state and federal revenue support.

**Table I**  
**The District's Net Position**  
(in thousands)

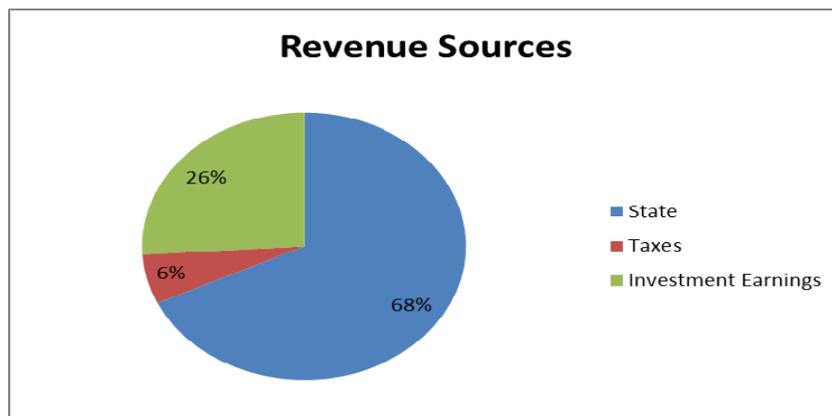
	Governmental & Other Business-Type Activities	
	<u>2014</u>	<u>2015</u>
Current and Other Assets	\$ 8,127	\$9,895
Non-Current Assets	22,750	22,256
Deferred Outflows of Resources	<u>749</u>	<u>1,005</u>
Total Assets and Deferred Outflows	\$31,626	\$33,156
Current Liabilities	1,143	1,343
Long Term Liabilities	13,010	13,831
Deferred Inflows of Resources	<u>-</u>	<u>454</u>
Total Liabilities and Deferred Inflows	14,153	15,628
Net Position:		
Invested in capital assets net of related debt	10,485	10,614
Restricted	1,260	1,168
Unrestricted*	<u>5,728</u>	<u>5,746</u>
Total Net Position	<u>\$17,473</u>	<u>\$17,528</u>

\*Includes \$27 and \$0 of business-type activities for 2014 and 2015, respectively.

### Changes in Net Position

The District's total revenues were \$15.1 million. A significant portion, 68 percent, of the district's revenues comes from state aid formula grants. Approximately 6 percent comes from taxes. The remaining 26 percent comes from investment earnings, federal grants and miscellaneous revenue services. (See figure A-1 below.)

**Figure A-1 Sources of Revenues for Fiscal Year 2015**



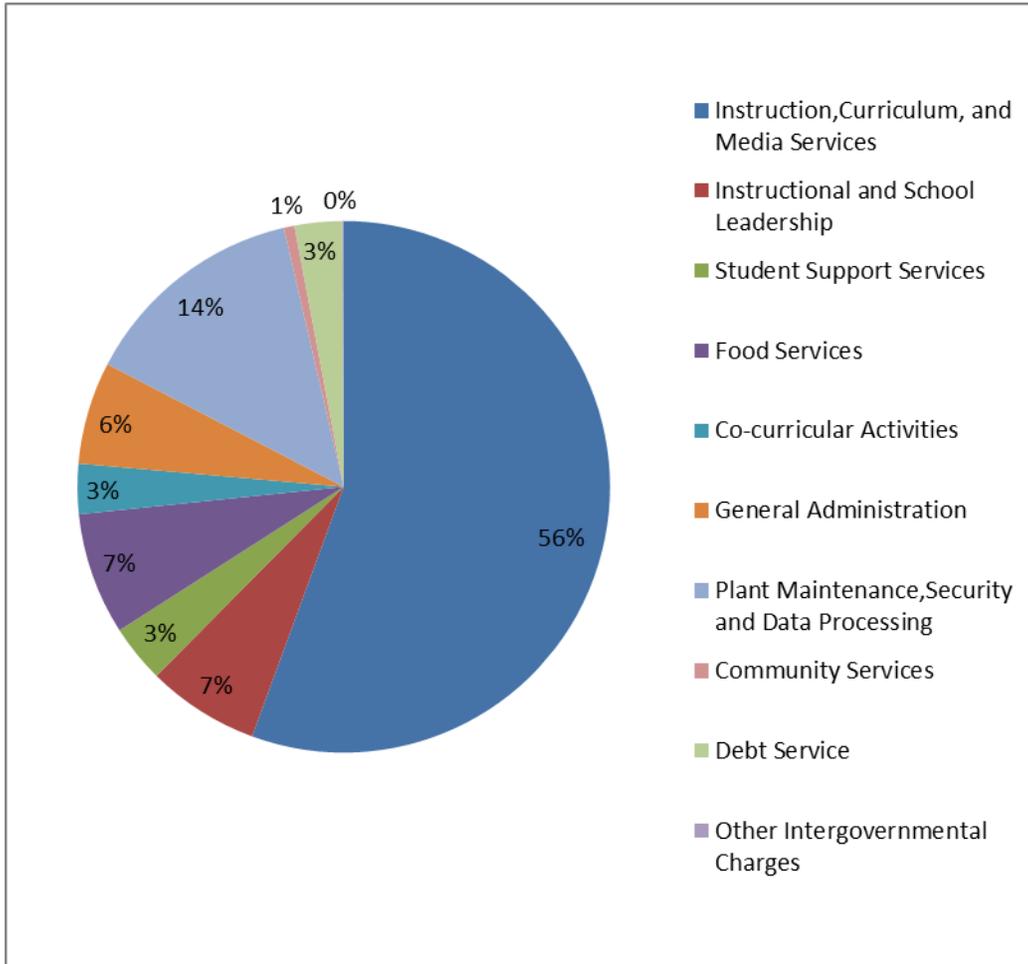
**Table II**  
**Changes In Net Position**  
(in thousands)

Governmental & Other  
Business-Type Activities

	<u>2014</u>	<u>2015</u>
Revenues:		
<u>Program Revenues:</u>		
Charges for Services *	\$ 83	\$ 145
Operating Grants and Contributions	3,975	3,943
<u>General Revenues:</u>		
Maintenance & Operations Taxes	673	678
Debt Service Taxes	129	123
State Aid-Formula Grants	10,196	10,240
Investment Earnings	7	10
Miscellaneous	24	32
Total Revenues	15,087	15,171
Expenses:		
Instruction, curriculum and Media services	7,256	7,467
Instructional and school leadership	785	916
Student support services	779	473
Food Services	863	997
Co-curricular activities	321	410
General Administration	846	837
Plant maintenance, security, and data processing	1,899	1,847
Community services	108	88
Debt service	411	386
Other Intergovernmental Charges	12	12
Facilities acquisition and construction	-	-
Payments to fiscal agent/member district	-	-
Other business-type activities	-	-
Total Expenses	13,283	13,433
Increase in net position	1,804	1,738
Beginning net position	15,960	17,472
Prior Period Adjustment	(292)	(1,681)
Ending net position	\$ 17,472	\$ 17,529

\*Includes \$1 and \$0 of business-type activities for 2014 and 2015, respectively.

The total cost of all programs and services was \$13.4 million. Fifty-six percent of these costs were for instructional student services. Seven percent for all programs and services cost was for instructional and school leadership and fourteen percent was for plant maintenance, security and data processing services.



### THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds reported combined fund balances of \$8.4 million, which is above last year's total of \$6.8 million. Included in this year's total change is an increase of \$1.5 million in the District's General Fund. The General Fund's gained due to the excess of revenues over expenditures compared to last year.

### GASB Statement No. 68

During fiscal year 2015, the District implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for

pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency ("Summary - Statement No. 68," n.d.). In accordance with GASB Statement 68, employers are required to recognize and report certain amounts associated with their participation in the Teachers' Retirement System (TRS). Statement 68 includes requirements to record and report the district's proportionate share of the collective Net Pension Liability, Pension Expense, Deferred Inflows and Deferred Outflows of resources associated with pensions. At August 31, 2015, Tornillo Independent School District recorded a liability of \$1,484,245 for its proportionate share of the Net Pension Liability.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of 2015, the District had \$22,256,349 invested in a broad range of capital assets including landscaping projects at the different campuses, improvements to the Intermediate Annex, and the addition of the High School Cafeteria. The District also acquired one school bus, a scoreboard, two security vehicles, and one cafeteria vehicle.

### **Debt**

At year-end, the District had \$10.8 million in bonds outstanding versus \$11.4 million last year.

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

The District's student population has shown a slight decrease over previous years. – possibly due to the fact that violence in the border has decreased and some families have gone returned to their homes in Mexico. There were also job opportunities in the oil industry which resulted in some families relocating to the Midland area with hopes of landing job in that industry. However, should unexpected growth occur, the district is prepared to accommodate a growing student population.

Our Board always adopts its budget using a conservative growth estimate in ADA. We maintain the local Maintenance & Operations tax rate at \$1.09 in order to maximize the Tier II State Funding. Tornillo ISD currently qualifies for approximately 86% funding by the state for its debt service obligations; with the remaining 14% satisfied through the District's Debt Service Taxes. It has long been the Board's objective to maintain a significant fund balance to make new construction, and/or renovations to existing structures, possible should the need arise.

The District continues to apply for and qualify for various Federal Program Grants that assist in the enhancement of education for students identified with special needs. These funds constitute a significant portion of our operating budget.

## **BUDGETARY HIGHLIGHTS**

GASB Statement 34 required that we provide a discussion on significant variances between the district's original budget, final budget, and actual expenditures, and the impact of these variances on the District's/department's future liquidity.

*Paragraph 11e of GASB Statement No. 34*

*General Fund.* The FY 2015 budget was developed by balancing challenges of an increase in operational cost and maintaining an adequate fund balance reserve to ensure financial stability. The most significant fund for the District is the General Fund, funded primarily through state aide and property tax revenue.

Over the course of the year, the District approved several budget amendments. Budget amendments that increase or decrease the amount in a function are presented to the Tornillo ISD Board of Trustees for approval.

Exhibit G-1 of the financial statements includes a Statement of Revenues, Expenditures, and Changes in Fund Balance report that compares original and final budget amounts to actual amounts as of year-end close. The final column of the report lists of the variance as compared to the final budget.

At the end of the fiscal year, the District's actual revenues exceeded projected revenues by \$1,229,375

The District's expenditures as compared to the final budget include several significant variances. There are three functions listed on the report that contain a significant variance as identified by the District. The functions and variances are as follows:

- Function 11/ Instruction – Actual expenditures were less than the budgeted expenditures by \$117,1003 this is attributed to the tuition for early college with Fabens ISD was significantly lower since no new students were enrolled during the 2015 School Year.
- Function 34 / Transportation – Actual expenditures were less than the budgeted expenditures by \$177,225. Initially, a bus was going to be purchased in FY15, the actual expenditure did not take place until FY16. Also, the district continues to have a vacancy in the manager position for this department.
- Function 35 /Child Nutrition – Actual expenditures were more than the budgeted expenditures by \$149,920. This is attributed to the fund balance reduction plan for this program.
- Function 71/ Interest on Long Term Debt – Actual expenditures were less than the budgeted by \$106,981. Initially, the district budgeted an excess amount in preparation for a possible payback to TEA due to the funding of a M&O note during previous years. Moreover, the amount of interest on long term debt was also budgeted under function 71 instead of function 72.
- Function 81/ Facilities Acquisition and Construction – Actual expenditures were more than the budgeted amount by \$12,324 due to the construction projects of the district resulting from a fund balance reduction.

All functions within the approved budget did not exceed the approved appropriation. The significant variances listed above will not significantly impact future services or liquidity.

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

This financial report is designed to provide our citizens, taxpayers, customers, 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 any questions about this report or need additional financial information, contact the District's business office, at Tornillo Independent School District, 19200 Cobb Avenue, Tornillo, Texas.

## **BASIC FINANCIAL STATEMENTS**

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

EXHIBIT A-1

Data Control Codes	1	2	3
	Primary Government		
	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ 9,101,676	\$ -	\$ 9,101,676
1220 Property Taxes Receivable (Delinquent)	215,716	-	215,716
1230 Allowance for Uncollectible Taxes	(10,786)	-	(10,786)
1240 Due from Other Governments	563,774	-	563,774
1260 Internal Balances	-	-	-
1290 Other Receivables, net	11,015	-	11,015
1300 Inventories	12,966	-	12,966
1410 Prepayments	1,048	-	1,048
Capital Assets:			
1510 Land	7,243	-	7,243
1520 Buildings, Net	21,475,832	-	21,475,832
1530 Furniture and Equipment, Net	601,141	-	601,141
1560 Library Books and Media, Net	19,624	-	19,624
1580 Construction in Progress	152,509	-	152,509
1000 Total Assets	<u>32,151,758</u>	<u>-</u>	<u>32,151,758</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
1701 Deferred Charge for Refunding	705,228	-	705,228
1705 Deferred Outflow Related to TRS	300,691	-	300,691
1700 Total Deferred Outflows of Resources	<u>1,005,919</u>	<u>-</u>	<u>1,005,919</u>
<b>LIABILITIES</b>			
2110 Accounts Payable	154,460	-	154,460
2140 Interest Payable	54,912	-	54,912
2150 Payroll Deductions & Withholdings	77,333	-	77,333
2160 Accrued Wages Payable	322,666	-	322,666
2180 Due to Other Governments	25,986	-	25,986
2300 Unearned Revenue	707,726	-	707,726
Noncurrent Liabilities			
2501 Due Within One Year	643,000	-	643,000
2502 Due in More Than One Year	13,188,617	-	13,188,617
2000 Total Liabilities	<u>15,174,700</u>	<u>-</u>	<u>15,174,700</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
2605 Deferred Inflow Related to TRS	454,035	-	454,035
2600 Total Deferred Inflows of Resources	<u>454,035</u>	<u>-</u>	<u>454,035</u>
<b>NET POSITION</b>			
3200 Net Investment in Capital Assets	10,614,205	-	10,614,205
Restricted:			
3820 Restricted for Federal and State Programs	208,038	-	208,038
3850 Restricted for Debt Service	954,532	-	954,532
3870 Restricted for Campus Activities	5,336	-	5,336
3900 Unrestricted	5,746,831	-	5,746,831
3000 Total Net Position	<u>\$ 17,528,942</u>	<u>\$ -</u>	<u>\$ 17,528,942</u>

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

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

Data Control Codes	1	Program Revenues	
		3	4
	Expenses	Charges for Services	Operating Grants and Contributions
<b>Primary Government:</b>			
GOVERNMENTAL ACTIVITIES:			
11 Instruction	\$ 6,967,607	\$ -	\$ 1,517,615
12 Instructional Resources and Media Services	165,410	-	15,867
13 Curriculum and Staff Development	334,406	-	278,172
21 Instructional Leadership	210,951	-	143,011
23 School Leadership	704,721	-	56,995
31 Guidance, Counseling and Evaluation Services	111,979	-	8,871
33 Health Services	75,100	-	4,307
34 Student (Pupil) Transportation	285,534	-	9,505
35 Food Services	997,367	91,992	780,587
36 Extracurricular Activities	409,945	15,430	2,021
41 General Administration	837,413	36,709	202,342
51 Facilities Maintenance and Operations	1,279,565	375	40,592
52 Security and Monitoring Services	196,466	375	12,310
53 Data Processing Services	370,975	-	16,686
61 Community Services	87,511	-	41,821
72 Debt Service - Interest on Long Term Debt	339,454	-	812,324
73 Debt Service - Bond Issuance Cost and Fees	46,962	-	-
99 Other Intergovernmental Charges	11,968	-	-
[TG] Total Governmental Activities:	<u>13,433,334</u>	<u>144,881</u>	<u>3,943,026</u>
[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 13,433,334</u>	<u>\$ 144,881</u>	<u>\$ 3,943,026</u>

Data Control Codes	General Revenues:
	Taxes:
MT	Property Taxes, Levied for General Purposes
DT	Property Taxes, Levied for Debt Service
SF	State Aid - Formula Grants
IE	Investment Earnings
MI	Miscellaneous Local and Intermediate Revenue
FR	Transfers In (Out)
TR	Total General Revenues & Transfers
CN	Change in Net Position
NB	Net Position - Beginning
PA	Prior Period Adjustment
NE	Net Position--Ending

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

Net (Expense) Revenue and Changes in Net Position		
6	7	8
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (5,449,992)	\$ -	\$ (5,449,992)
(149,543)	-	(149,543)
(56,234)	-	(56,234)
(67,940)	-	(67,940)
(647,726)	-	(647,726)
(103,108)	-	(103,108)
(70,793)	-	(70,793)
(276,029)	-	(276,029)
(124,788)	-	(124,788)
(392,494)	-	(392,494)
(598,362)	-	(598,362)
(1,238,598)	-	(1,238,598)
(183,781)	-	(183,781)
(354,289)	-	(354,289)
(45,690)	-	(45,690)
472,870	-	472,870
(46,962)	-	(46,962)
(11,968)	-	(11,968)
<u>(9,345,427)</u>	<u>-</u>	<u>(9,345,427)</u>
<u>(9,345,427)</u>	<u>-</u>	<u>(9,345,427)</u>
678,441	-	678,441
122,822	-	122,822
10,239,489	-	10,239,489
10,483	-	10,483
32,096	-	32,096
26,640	(26,640)	-
<u>11,109,971</u>	<u>(26,640)</u>	<u>11,083,331</u>
1,764,544	(26,640)	1,737,904
17,446,054	26,640	17,472,694
(1,681,656)	-	(1,681,656)
<u>\$ 17,528,942</u>	<u>\$ -</u>	<u>\$ 17,528,942</u>

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**GOVERNMENTAL FUND FINANCIAL STATEMENTS**

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

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ 8,711,820	\$ 389,856	\$ 9,101,676
1220 Property Taxes - Delinquent	174,836	40,880	215,716
1230 Allowance for Uncollectible Taxes (Credit)	(8,742)	(2,044)	(10,786)
1240 Receivables from Other Governments	383,877	179,897	563,774
1260 Due from Other Funds	561,661	92,020	653,681
1290 Other Receivables	11,015	-	11,015
1300 Inventories	12,966	-	12,966
1000 Total Assets	<u>\$ 9,847,433</u>	<u>\$ 700,609</u>	<u>\$ 10,548,042</u>
<b>LIABILITIES</b>			
2110 Accounts Payable	\$ 127,567	\$ 26,893	\$ 154,460
2150 Payroll Deductions and Withholdings Payable	60,095	17,238	77,333
2160 Accrued Wages Payable	289,403	33,263	322,666
2170 Due to Other Funds	552,568	101,113	653,681
2180 Due to Other Governments	12,238	13,748	25,986
2300 Unearned Revenues	566,681	141,045	707,726
2000 Total Liabilities	<u>1,608,552</u>	<u>333,300</u>	<u>1,941,852</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
2601 Unavailable Revenue - Property Taxes	154,099	36,497	190,596
2600 Total Deferred Inflows of Resources	<u>154,099</u>	<u>36,497</u>	<u>190,596</u>
<b>FUND BALANCES</b>			
Nonspendable Fund Balance:			
3410 Inventories	12,103	-	12,103
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	150,285	45,650	195,935
3480 Retirement of Long-Term Debt	693,123	279,826	972,949
3490 Other Restricted Fund Balance	-	5,336	5,336
Committed Fund Balance:			
3510 Construction	681,467	-	681,467
3520 Claims and Judgements	68,650	-	68,650
3545 Other Committed Fund Balance	31,023	-	31,023
Assigned Fund Balance:			
3550 Construction	1,000,000	-	1,000,000
3600 Unassigned Fund Balance	5,448,131	-	5,448,131
3000 Total Fund Balances	<u>8,084,782</u>	<u>330,812</u>	<u>8,415,594</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 9,847,433</u>	<u>\$ 700,609</u>	<u>\$ 10,548,042</u>

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

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

<b>Total Fund Balances - Governmental Funds</b>	\$	8,415,594
<b>1</b> Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$32,450,449 and the accumulated depreciation was (\$9,699,806). In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to decrease net position.		12,093,579
<b>2</b> Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2015 capital outlays and debt principal payments is to decrease net position.		(741,147)
<b>3</b> Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of \$1,484,245, a Deferred Resource Inflow related to TRS in the amount of \$454,035 and a Deferred Resource Outflow related to TRS in the amount of \$300,691. This amounted to a decrease in Net Position in the amount of \$1,637,589.		(1,637,589)
<b>4</b> The 2015 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(769,595)
<b>5</b> Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.		168,100
<b>19 Net Position of Governmental Activities</b>	\$	17,528,942

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

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

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds	
<b>REVENUES:</b>				
5700	Total Local and Intermediate Sources	\$ 847,250	\$ 136,999	\$ 984,249
5800	State Program Revenues	10,758,705	1,106,206	11,864,911
5900	Federal Program Revenues	912,812	1,404,792	2,317,604
5020	Total Revenues	<u>12,518,767</u>	<u>2,647,997</u>	<u>15,166,764</u>
<b>EXPENDITURES:</b>				
Current:				
0011	Instruction	5,267,530	1,198,238	6,465,768
0012	Instructional Resources and Media Services	138,162	7,999	146,161
0013	Curriculum and Instructional Staff Development	60,635	275,776	336,411
0021	Instructional Leadership	74,727	136,816	211,543
0023	School Leadership	684,597	16,602	701,199
0031	Guidance, Counseling and Evaluation Services	109,870	1,270	111,140
0033	Health Services	72,412	-	72,412
0034	Student (Pupil) Transportation	221,044	-	221,044
0035	Food Services	990,321	23,107	1,013,428
0036	Extracurricular Activities	410,060	-	410,060
0041	General Administration	807,983	4,144	812,127
0051	Facilities Maintenance and Operations	1,250,222	-	1,250,222
0052	Security and Monitoring Services	223,743	-	223,743
0053	Data Processing Services	379,782	-	379,782
0061	Community Services	43,765	41,537	85,302
Debt Service:				
0071	Principal on Long Term Debt	70,000	545,000	615,000
0072	Interest on Long Term Debt	24,981	364,476	389,457
0073	Bond Issuance Cost and Fees	-	3,100	3,100
Capital Outlay:				
0081	Facilities Acquisition and Construction	121,324	-	121,324
Intergovernmental:				
0099	Other Intergovernmental Charges	11,968	-	11,968
6030	Total Expenditures	<u>10,963,126</u>	<u>2,618,065</u>	<u>13,581,191</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,555,641</u>	<u>29,932</u>	<u>1,585,573</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
7915	Transfers In	455,182	4,266	459,448
8911	Transfers Out (Use)	(432,808)	-	(432,808)
7080	Total Other Financing Sources (Uses)	<u>22,374</u>	<u>4,266</u>	<u>26,640</u>
1200	Net Change in Fund Balances	1,578,015	34,198	1,612,213
0100	Fund Balance - September 1 (Beginning)	<u>6,506,767</u>	<u>296,614</u>	<u>6,803,381</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ 8,084,782</u>	<u>\$ 330,812</u>	<u>\$ 8,415,594</u>

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

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

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	1,612,213
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2015 capital outlays and debt principal payments is to increase net position.		984,576
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.		(769,595)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position.		(18,583)
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 8/31/2014 caused the change in the ending net position to increase in the amount of \$181,259. The District recorded their proportionate share of the pension expense during the measurement period as part of the net pension liability. The amounts expensed for FY2015 were \$230,564 for pension expense columns 6 - 12 from TRS data and the amounts de-expended for the net deferred resource inflow recognized by TRS in the measurement period were \$93,372. This caused a net decrease in the change in net position of \$137,192. The impact of all of these is to increase the change in net position by \$44,067.		(44,067)
<b>Change in Net Position of Governmental Activities</b>	<u>\$</u>	<u>1,764,544</u>

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

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**PROPRIETARY FUND FINANCIAL STATEMENTS**

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

	Business-Type Activities
	Total Enterprise Funds
<hr/>	
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ -
Due from Other Funds	-
	-
Total Assets	-
NET POSITION	
Unrestricted Net Position	-
Total Net Position	\$ -

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

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

	Business-Type Activities
	Total Enterprise Funds
Transfers Out	\$ (26,640)
Change in Net Position	(26,640)
Total Net Position - September 1 (Beginning)	26,640
Total Net Position - August 31 (Ending)	\$ -

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

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

	Business-Type Activities
	Total Enterprise Funds
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 24,150
<u>Cash Flows from Non-Capital Financing Activities:</u>	
Operating Transfer Out	(26,640)
Net Decrease in Cash and Cash Equivalents	(2,490)
Cash and Cash Equivalents at Beginning of Year	2,490
Cash and Cash Equivalents at End of Year	\$ -
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>    Provided by Operating Activities:</u>	
Operating Income (Loss):	\$ -
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (increase) in Due from Other Funds	24,150
Net Cash Provided by Operating Activities	\$ 24,150

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

**FIDUCIARY FUND FINANCIAL STATEMENTS**

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

	Private Purpose Trust Funds	Agency Fund
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ -	\$ 33,101
Restricted Assets	-	-
Total Assets	<u>-</u>	<u>\$ 33,101</u>
<b>LIABILITIES</b>		
Accounts Payable	-	\$ 793
Due to Student Groups	-	32,308
Total Liabilities	<u>-</u>	<u>\$ 33,101</u>
<b>NET POSITION</b>		
Restricted for Scholarships	-	
Total Net Position	<u>\$ -</u>	

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

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

	Private Purpose Trust Funds
<hr/>	
ADDITIONS:	
Local and Intermediate Sources	\$ 40
Total Additions	<u>40</u>
DEDUCTIONS:	
Other Operating Costs	<u>600</u>
Total Deductions	<u>600</u>
Change in Net Position	(560)
Total Net Position - September 1 (Beginning)	<u>560</u>
Total Net Position - August 31 (Ending)	<u><u>\$ -</u></u>

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

# TORNILLO INDEPENDENT SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Tornillo 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 (GAAP) promulgated by the Governmental Accounting Standards Board and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

#### A. Reporting Entity

Because the Board of Trustees (the "Board") is elected by the public; has the authority to make decisions, appoint administrators and managers, and significantly influence operations; and has the primary accountability for fiscal matters; the District is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board ("GASB"). There are no component units included within the reporting entity.

#### B. Government-Wide and Fund Financial Statements

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

In addition to assets, the statement of net financial position may report a separate section of deferred outflows of resources. This separate financial statement category represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. For pensions, this outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of differences between expected and actual actuarial experiences. The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The other pension related deferred outflows will be amortized over a systematic and rational method over a closed period.

In addition to liabilities, the statement of net financial position may report a separate section of deferred inflows of resources. This separate financial statement category represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. For pensions, these deferred inflows result primarily from differences between projected and actual earnings on pension plan investments. These amounts will be amortized over a systematic and rational method over a closed period.

(Continued)

# TORNILLO INDEPENDENT SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015

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### **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The "Charges for Services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include teacher certification, staff development, media production, etc. The "Grants and Contributions" column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If a revenue is not a program revenue, it is a general revenue used to support all of the District's functions.

Interfund activities between governmental funds and between governmental and proprietary funds appear as due to/due froms 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 Net Position. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due froms on the government-wide Statement of Net Position.

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

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

(Continued)

# TORNILLO INDEPENDENT SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 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 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, deferred outflows of resources, current liabilities, deferred inflows of resources, and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

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

Revenues from local sources consist primarily of property taxes. Revenues received from the State are recognized under the susceptible-to-accrual concept. The District considers property tax revenue available if they expect the revenue to 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.

Unavailable revenue from property taxes arises only under modified accrual basis of accounting. The governmental funds report this unavailable revenue as deferred inflow of resources, which is recognized revenue in the period that the amounts become 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.

(Continued)

# TORNILLO INDEPENDENT SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Within this measurement focus, assets, deferred outflows of resources, liabilities, and deferred inflows of resources 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, and unrestricted.

### D. Fund Accounting

The District reports the following major governmental fund:

1. General Fund - The General Fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

Additionally, the District reports the following fund types:

#### GOVERNMENTAL FUNDS:

1. Special Revenue Funds - The District accounts for resources restricted for specific purposes by the District or a grantor in a special revenue fund. Most federal and state financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances are returned to the grantor at the close of specified project periods.
2. Debt Service Funds - The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.
3. Capital Projects Funds - The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.
4. Permanent Funds - Account for donations for which the donor has stipulated that the principal may not be expended and where the income may only be used for purposes that support the District's programs. The District has no permanent funds.

(Continued)

# TORNILLO INDEPENDENT SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### PROPRIETARY FUNDS:

5. Enterprise Funds - The District's activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities are accounted for in an enterprise fund. The District's enterprise fund is the Tornillo I.S.D. Enterprise Fund, which accounts for internet usage fees. This fund was closed during fiscal year ending August 31, 2015.
6. Internal Service Funds - Revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis are accounted for in an internal service fund. The District has no internal service funds.

#### FIDUCIARY FUNDS:

7. Private Purpose Trust Funds - The District accounts donations for which the donor has stipulated that both the principal and the income may be used for purposes that benefit parties outside the District. The District's private purpose trust funds are the Sarah Culver Scholarship Fund and the United Blood Service Scholarship Fund. Both funds were closed during fiscal year ending August 31, 2015.
8. Pension (and Other Employee Benefit) Trust Funds - These funds are used to account for local pension and other employee benefit funds that are provided by the District in lieu of or in addition to the Teacher Retirement System of Texas. The District has no pension trust funds.
9. Investment Trust Fund - This fund is one in which the District holds assets in trust for other entities participating in an investment program managed by the district. The District has no investment trust funds.
10. Agency Funds - The District accounts for resources held for others in a custodial capacity in agency funds. The District's agency fund is the Student Activity Account.

### E. Other Accounting Policies

1. For the purposes of the statement of cash flows for proprietary and similar fund-types, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.
2. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(Continued)

# TORNILLO INDEPENDENT SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. The District reports inventories of supplies at weighted average cost including consumable maintenance, instructional, office, athletic, and transportation items. Supplies are recorded as expenditures when they are consumed. Inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded as inventory and deferred revenue when received. When requisitioned, inventory and deferred revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount.
4. The funds of the District must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.
5. 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. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The district is in substantial compliance with the requirements of the Act and with local policies.
6. Additional policies and contractual provisions governing deposits and investments for the District are specified below:

***Credit Risk:***

Deposits - The District is not exposed to credit risk.

Temporary Investments - To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations, the District limits investments in public funds investment pools to those that have received top ratings issued by nationally recognized statistical rating organizations (NRSROs). As of August 31, 2015, the District's investments in LoneStar Investment Pool was rated AAAM by Standard & Poors.

(Continued)

**TORNILLO INDEPENDENT SCHOOL DISTRICT**

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015

---

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Custodial Credit Risk:***

Deposits - State law required governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. Since the District complies with this law, it has minimal custodial credit risk for deposits.

Temporary Investments - To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party, the District requires counterparties to register the securities in the name of the District and hand them over to the District or its designated agent. This includes securities in securities lending transactions. Investment pools are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book-entry form.

***Concentration of Credit Risk:***

Deposits - The District is not exposed to concentration of credit risk.

Temporary Investments - To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District's policy states that the portfolio must be diversified. Concentration of Credit Risk is not applicable to investment pools since the purpose of these pools is to diversify the District's investment portfolio.

***Interest Rate Risk:***

Deposits - The District is not exposed to interest rate risk

Temporary Investments - To limit the risk that changes in interest rates will adversely affect the fair value of the investments, the District requires its investment portfolio to have maturities of less than one year on a weighted average maturity (WAM) basis. All of the District's investment pools qualify as a 2a7-like pools and are excluded from the interest rate risk disclosure. See Note IV for further details.

***Foreign Currency Risk:***

Deposits - The District attempts to limit the risk that changes in exchange rates will adversely affect a deposit by avoiding deposits denominated in a foreign currency.

Temporary Investments - The District attempts to limit the risk that changes in exchange rates will adversely affect the fair value of an investment by avoiding investment pools which are denominated in a foreign currency.

(Continued)

**TORNILLO INDEPENDENT SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

AUGUST 31, 2015

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

7. 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 or proprietary fund type Statement of Net Position. Premiums and discounts are presented as a component of liabilities while deferred charges on refundings are presented as deferred outflows of resources. Both items are deferred and amortized over the life of the related debt using the straight line method. Long-term debt is reported net of the applicable bond premium or discount.

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

8. It is the District's policy to permit some employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the government.
9. 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 one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Buildings, furniture and equipment of the District is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	25 to 50
Vehicles	7 to 10
Other Equipment	5 to 15
Computer Equipment	5

(Continued)

**TORNILLO INDEPENDENT SCHOOL DISTRICT**

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

10. Net Position on the Statement of Net Position include the following:

*Net investment in capital assets* - this component of net position consists of capital assets, net accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt will be included in this component of net position.

*Restricted for federal and state programs* - this component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets, which are restricted by federal and state granting agency(s).

*Restricted for Debt Service* - this component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. The assets arise from bond issuance which have constraints placed on them by the bond covenant(s) for the purpose of future debt service payments.

*Restricted for Campus Activities* - this component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets, which are restricted transactions related to a principal's activity fund.

*Unrestricted* - this component of net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

11. The District reports the following fund balance categories which describe the nature and the relative strength of the spending constraints:

*Nonspendable Fund Balance* - Represents amounts that are not in spendable form or are legally or contractually required to be maintained intact, such as inventories.

*Restricted Fund Balance* - Represents amounts that are restricted to specific purposes, with constraints placed on the use of resources by (a) external creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation

*Committed Fund Balance* - Represents amounts that are restricted for purposes which the Board of Trustees, the District's highest level of decision-making authority, has designated their use. These amounts are committed through a formal resolution, requiring funds to be used only for specific purposes. These amounts can only be re-allocated by the same formal action that was take to originally commit those amounts. The Board of Trustees shall take action to commit funds for a specific purpose prior to the end of the fiscal year.

(Continued)

# TORNILLO INDEPENDENT SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

*Assigned Fund Balance* - Represents amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The governing body has delegated authority to the Superintendent or designated managers. Should the Board opt not to commit any balances, it will implicitly defer to the designees to make appropriate assignments.

*Unassigned Fund Balance* - Represents amounts that are available for any purpose and have not been restricted, committed, or assigned for specific purposes. Positive amounts are reported only in the general fund.

The Board of Trustees establishes (and modifies or rescinds) fund balance commitments by passage of a formal resolution. Assigned fund balance is established by the Superintendent or designated managers through adoption or amendment of the budget as intended for specific purpose.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed amounts, followed by assigned amounts, and then unassigned amounts when balance classifications could be used, unless the Board of Trustees or designee's have provided otherwise in its commitment or assignment actions.

12. The Data Control Codes refer to the account code structure prescribed by TEA in the *Financial Accountability System Resource Guide*. Texas Education Agency requires to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a state-wide data base for policy development and funding plans.
13. The District receives substantial amounts of funding from special revenue sources. The majority of this money is cost reimbursement to the District by the federal government or Texas Education Agency. The portion of revenue allowable for indirect cost is credited as revenue to the General Fund and as a reduction to revenue in the Special Revenue Fund, as appropriate. These indirect costs are then fully allocated to function 41.
14. Specifically, the District's accounting system uses codes and the code structure presented in the Resource Guide. Mandatory codes are recorded in the order provided in the Resource Guide.
15. 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.

(Continued)

# TORNILLO INDEPENDENT SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

16. 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.
- F. The District has implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* which establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. In addition, the District implemented GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68* which requires, at transition, that a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of GASB Statement No. 71 are required to be applied simultaneously with the provisions of GASB Statement No. 68. The District's financial statements as of August 31, 2015 are presented in accordance with the guidance provided by these Statements. See Note S, Prior Period Adjustment, for more information regarding implementation of these new pronouncements.

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

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the Net Position for governmental activities as reported in the government-wide Statement of Net Position. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bond payable, and the District's proportionate share of the net pension liability are not due and payable in the current period and are not reported as liabilities in the funds.

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

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

(Continued)

# TORNILLO INDEPENDENT SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015

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

Another element of the reconciliation on exhibit C-4 is described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This adjustment is the result of several items. With the implementation of GASB 68, certain pension expenditures were de-expended and the District recorded their proportionate share of the pension expense.

### III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

#### A. Budgetary Data

The Board adopts an "appropriated budget" for the General Fund, Debt Service Fund, and the Food Service Fund. The District is required to present the adopted and final amended budgeted revenues and expenditures for these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1 and the other two reports are in Exhibit J2 and J3. The Board does not adopt a budget for special revenue funds since the budgets are designated by the grantor.

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

1. Prior to August 20 the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
3. Prior to September 1, the budget was legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end.
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.

(Continued)

**TORNILLO INDEPENDENT SCHOOL DISTRICT**

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015

**IV. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

At August 31, 2015, the carrying amount of the District’s deposits (cash, and interest-bearing savings accounts including business-type and fiduciary funds) was \$423,927 and the bank balance was \$637,949. The District’s cash deposits at August 31, 2015 and during the year ended August 31, 2015 were entirely covered by FDIC insurance or by pledged collateral held by the District’s agent bank in the District’s name.

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

- a. Depository: First National Bank of Fabens - Fabens, Texas.
- b. The market value of bonds and securities pledged as of the date of the highest combined balance on deposit was \$4,715,838.
- c. The highest combined balances of cash, savings, and time deposit accounts amounted to \$4,661,804 and occurred during the month of November 2014.
- d. Total amount of FDIC coverage at the time of the largest combined balance was \$250,000.

Due to the immediate availability of the funds, the District’s temporary investments are presented as cash and cash equivalents as of August 31, 2015 and, include the following:

	Amortized Cost	Fair Value	WAM (In Days)
Lone Star - Government Overnight Fund	\$8,710,850	\$ 8,710,850	27
	\$8,710,850	\$ 8,710,850	

The Lone Star Investment Pool is a member owned, member-governed public funds investment pool. It is managed by an eleven member Board of Trustees and the Board is authorized to adopt and maintain bylaws. There is also an Advisory Board composed of participants that gathers and exchanges information from participants relating to the operation of the Pool. Each fund within the Pool has received the highest rating, that of AAAM, from Standard & Poor’s as required by the Public Fund’s Investment Act.

**B. Receivable from Other Governments**

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. A majority of the federal grants are passed through the TEA.

(Continued)

**TORNILLO INDEPENDENT SCHOOL DISTRICT**

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015

**IV. DETAILED NOTES ON ALL FUNDS (Continued)**

Amounts due from federal and state governments as of August 31, 2015 are summarized below.

	General Fund	Nonmajor Governmental Funds	Total
Federal Grants	\$ 25,727	\$ 152,836	\$ 178,563
State Grants	-	27061	27061
State Support	358,150	-	358,150
Total	\$ 383,877	\$ 179,897	\$ 563,774

**C. Interfund Balances and Transfers**

Interfund balances are a result of normal operations and are eliminated periodically. Management intends to pay out these balances within one year.

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

	Due From Other Funds	Due To Other Funds
General Fund		
General Fund	\$ 460,548	\$ 460,548
Nonmajor Governmental Funds	101,113	92,020
Total General Fund	561,661	552,568
Non Major Governmental Funds		
General Fund	92,020	101,113
Total	\$ 653,681	\$ 653,681

Interfund transfers are generally to cover operating expenditures/deficits in accordance with District policy or legal requirements.

(Continued)

**TORNILLO INDEPENDENT SCHOOL DISTRICT**

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015

**IV. DETAILED NOTES ON ALL FUNDS (Continued)**

Interfund transfers for the year ended August 30, 2015, consisted of the following amounts:

	Transfers In	Transfers Out
General Fund:		
General Fund	\$ 428,542	\$ 428,542
Nonmajor Governmental Funds	0	4,266
Enterprise Fund	26,640	
	455,182	432,808
Nonmajor Governmental Funds:		
General Fund	4,266	-
Enterprise Fund:		
General Fund	-	26,640
Total	\$ 459,448	\$ 459,448

**D. Capital Asset Activity**

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

	Primary Governments			
	Beginning Balance	Additions	Deletion, Reclassification and Adjustment	Ending Balance
<u>Governmental activities:</u>				
Land	\$ 7,243	\$ -	\$ -	\$ 7,243
Buildings and Improvements	30,347,470	-	-	30,347,470
Furniture and Equipment	2,031,845	153,977	(58,946)	2,126,876
Construction in Progress	31,185	121,324	-	152,509
Library Books & Media	32,706	-	-	32,706
Totals at Historic Cost	32,450,449	275,301	(58,946)	32,666,804
Less Accumulated Depreciation for:				
Buildings and Improvements	8,288,210	583,428	-	8,871,638
Furniture and Equipment	1,405,055	179,626	(58,946)	1,525,735
Library Books and Media	6,541	6,541	-	13,082
Total Accumulated Depreciation	9,699,806	769,595	(58,946)	10,410,455
Governmental Activities Capital Assets, net	\$ 22,750,643	\$ (494,294)	\$ -	\$ 22,256,349

A portion of the buildings are located on leased land. See Note P.

(Continued)

**TORNILLO INDEPENDENT SCHOOL DISTRICT**

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015

**IV. DETAILED NOTES ON ALL FUNDS (Continued)**

Depreciation expense was charged to governmental functions as follows:

Instruction	\$	530,554
Instructional resources and media services		19,360
Instructional leadership		1,943
School leadership		6,522
Guidance, counseling and evaluation services		1,591
Health services		2,747
Student (pupil) transportation		64,653
Food services		87,088
Cocurricular/extracurricular activities		9,863
General administration		4,826
Facilities maintenance and operations		29,921
Security and monitoring services		4,236
Data processing services		3,639
Community services		2,652
		2,652
Total depreciation expense	\$	769,595

**E. Deferred Outflows of Resources**

Deferred charge on Refunded Bonds for the year ended August 31, 2015 were as follows:

	Beginning Balance	New Issues	Amortization	Ending Balance
Series 2012	\$ 305,908	\$ -	\$ 19,823	\$ 286,085
Series 2013	443,182	-	24,039	419,143
	\$ 749,090	\$ -	\$ 43,862	\$ 705,228

**F. Unearned Revenue**

Unearned revenue at year end consisted of the following:

	General Fund	Non Major Governmental Funds	Total
Foundation	\$ 565,818	\$ -	\$ 565,818
EDA and IFA	-	112,369	112,369
Federal Grants	-	14,857	14,857
State Grants	-	13,819	13,819
USDA Commodities	863	-	863
	\$ 566,681	\$ 141,045	\$ 707,726

**G. Changes in Long-Term Liabilities**

(Continued)

**TORNILLO INDEPENDENT SCHOOL DISTRICT**

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015

**IV. DETAILED NOTES ON ALL FUNDS (Continued)**

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
<b>Bonds Payable:</b>					
School Building Unlimited Tax Bonds	\$ 290,000	\$ -	\$ 140,000	\$ 150,000	\$ 150,000
Unlimited Tax Refunding Bonds	10,444,996	-	405,000	10,039,996	420,000
Limited Tax Refunding Bond	727,000	-	70,000	657,000	73,000
<b>Total Bonds Payable</b>	<b>11,461,996</b>	<b>-</b>	<b>615,000</b>	<b>10,846,996</b>	<b>643,000</b>
Accretion Payable	555,280	16,340	-	571,620	-
Unamortized Premium and Discount on Issuance of Debt	993,197	-	64,441	928,756	-
<b>Total Governmental Long-term Liabilities</b>	<b>\$ 13,010,473</b>	<b>\$ 16,340</b>	<b>\$ 679,441</b>	<b>\$ 12,347,372</b>	<b>\$ 643,000</b>
Net Pension Liability Restated (see Note I)				\$ 1,484,245	
				<u>\$ 13,831,617</u>	

**H. General Long-Term Debt**

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

Description	Interest Rate Payable	Amounts Original Issue	Interest Current Year	Outstanding 08/31/14	Issued	Retired	Outstanding 8/31/15	Due Within One Year
Refunding Series 2005								
Current interest bonds	3% - 4.8%	\$ 4,225,000	\$ 22,980	\$ 575,000	\$ -	\$ 180,000	\$ 395,000	\$ 190,000
Refunding Series 2005A								
Current interest bonds	3.5% - 4.5%	3,840,000	141,590	3,360,000	-	150,000	3,210,000	155,000
Bond Series 2006	4 - 5%	5,000,000	17,875	290,000	-	140,000	150,000	150,000
Bond Series 2011	3.619%	918,000	27,472	727,000	-	70,000	657,000	73,000
Refunding Series 2012								
Current interest bonds	2% - 3.75%	1,940,000	79,469	1,940,000	-	-	1,940,000	-
Current interest term bonds	2% - 3.75%	860,000	-	745,000	-	45,000	700,000	45,000
Capital appreciation bonds		114,998	-	114,998	-	-	114,998	-
Refunding Series 2013								
Current interest bonds	2% - 3.5%	2,740,000	117,375	2,665,000	-	30,000	2,635,000	30,000
Current interest term bonds	2% - 3.5%	910,000	-	910,000	-	-	910,000	-
Capital appreciation bonds		134,998	-	134,998	-	-	134,998	-
		<u>\$ 20,682,996</u>	<u>\$ 406,761</u>	<u>\$ 11,461,996</u>	<u>\$ -</u>	<u>\$ 615,000</u>	<u>\$ 10,846,996</u>	<u>\$ 643,000</u>

Accretion payable for the year ended August 31, 2015 is as follows:

(Continued)

**TORNILLO INDEPENDENT SCHOOL DISTRICT**

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015

**IV. DETAILED NOTES ON ALL FUNDS (Continued)**

Description	Accretion Outstanding 08/31/14	Accrual of Accretion	Accretion Retired	Accretion Outstanding 8/31/15	Due Within One Year
Refunding Series 2012	\$ 334,424	\$ 11,757	\$ -	\$ 346,181	\$ -
Refunding Series 2014	220,856	4,583	-	225,439	-
	<u>\$ 555,280</u>	<u>\$ 16,340</u>	<u>\$ -</u>	<u>\$ 571,620</u>	<u>\$ -</u>

Debt service requirements are as follows:

<u>GENERAL OBLIGATIONS</u>			
<u>Year Ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2016	\$ 643,000	\$ 364,739	\$ 1,007,739
2017	570,457	452,159	1,022,616
2018	577,542	451,009	1,028,551
2019	710,000	307,374	1,017,374
2020	530,657	485,949	1,016,606
2021 - 2025	3,605,340	1,330,831	4,936,171
2026 - 2030	3,145,000	486,278	3,631,278
2031 - 2033	1,065,000	49,988	1,114,988
	<u>\$ 10,846,996</u>	<u>\$ 3,928,327</u>	<u>\$ 14,775,323</u>

As of August 31, 2015 the District paid \$389,456 in interest costs.

On May 3, 2005, the District issued Unlimited Tax Refunding Bonds, Series 2005 in the amount of \$4,339,997. The bonds and interest are payable February 1 and August 1 of each year, commencing August 1, 2005 and ending on February 1, 2030. The bond issuance was used to partially defease the 1996, 1997, 1999, and 2000 general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements.

On December 15, 2005, the District issued Unlimited Tax Refunding Bonds, Series 2005A in the amount of \$3,919,997. The bonds and interest are payable February 1 and August 1 of each year, commencing February 1, 2006 and ending on February 1, 2031. The bond issuance was used to partially defease the 1996 and 2001 general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements.

(Continued)

# TORNILLO INDEPENDENT SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015

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### IV. DETAILED NOTES ON ALL FUNDS (Continued)

On September 19, 2006, the District issued Unlimited Tax School Building Bonds, Series 2006 in the amount of \$5,000,000. The bonds and interest are payable February 1 and August 1 of each year, commencing February 1, 2007 and ending on August 1, 2033. The bond issuance was used to pay for construction, renovation, acquisition and equipment of school buildings, the purchase of the necessary sites for school buildings and the costs of issuing bonds.

On June 23, 2011, the District issued Limited Tax Refunding Bonds, Series 2011 in the amount of \$918,000. The bonds and interest are payable February 15 and August 15 of each year, commencing February 15, 2014 and ending on February 15, 2023. The bond issuance was used to retire the District's Maintenance Tax Note, Series 2008.

On December 6, 2012 the District issued Unlimited Tax Refunding Bonds, Series 2012 in the amount of \$2,914,998. The bonds were issued in part a current interest bonds, and in part as premium capital appreciation bonds. The bonds are payable February 1 and August 1 of each year, commencing February 1, 2014 and ending February 1, 2030. The 2012 bonds were issued to refund portions of the Unlimited Tax Refunding Bonds, Series 2005 and to pay the costs associated with the issuance and sale of the Bonds. As a result, \$2,915,000 of the 2005 Series bonds are considered to be defeased and not presented in these financial statements. The amount of defeased debt still outstanding at August 31, 2015 was \$2,915,000.

On April 18, 2013 the District issued Unlimited Tax Refunding Bonds, Series 2013 in the amount of \$3,784,998. The bonds were issued in part a current interest bonds, and in part as capital appreciation bonds and collectively with the Current interest bonds. The bonds are payable February 1 and August 1 of each year, commencing August 1, 2013 and ending February 1, 2033. The 2013 bonds were issued to refund portions of the Unlimited Tax Refunding Bonds, Series 2006 and to pay the costs associated with the issuance and sale of the Bonds. As a result, \$3,785,000 of the 2006 Series bonds are considered to be defeased and not presented in these financial statements. The amount of defeased debt still outstanding at August 31, 2015 was \$3,785,000.

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions at August 31, 2015.

#### I. Defined Benefit Pension Plan

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

(Continued)

**TORNILLO INDEPENDENT SCHOOL DISTRICT**

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015

**IV. DETAILED NOTES ON ALL FUNDS (Continued)**

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

**Pension Plan Fiduciary Net Position:** Detailed information about the Teacher Retirement System’s fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592. The information provided in the Notes to the Financial Statements in the 2014 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2014:

Net Pension Liability	Total
Total Pension Liability	\$ 159,496,075,866
Less: Fiduciary Net Position	<u>(132,779,243,085)</u>
Net Pension Liability	<u>\$ 26,716,832,781</u>
Net Pension as percentage of Total Pension Liability	<u>83.25%</u>

**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 grand fathered, 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 grand fathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic colas. Ad hoc post-employment benefit changes, including ad hoc colas can be granted by the Texas Legislature as noted in the Plan description above.

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

(Continued)

**TORNILLO INDEPENDENT SCHOOL DISTRICT**

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015

**IV. DETAILED NOTES ON ALL FUNDS (Continued)**

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.

	<u>Contribution Rates</u>	
	<u>Plan Fiscal Year</u>	
	<u>2014</u>	<u>2015</u>
Member	6.4%	6.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%

Contributions Required and Made

Tornillo ISD 2014 Employer Contributions	\$	140,876
Tornillo ISD 2014 Member Contributions (Employee)		446,275
Tornillo ISD 2014 NECE On-Behalf Contributions (State)		345,130

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

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

On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.

- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources or privately sponsored sources from non-educational and general or local funds.

(Continued)

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015

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IV. DETAILED NOTES ON ALL FUNDS (Continued)

- 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 Rat 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.

(Continued)

**TORNILLO INDEPENDENT SCHOOL DISTRICT**

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015

**IV. 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:

Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return*
<b>Global Equity</b>			
U.S.	18%	7.0%	1.4%
Non-U.S. Developed	13%	7.3%	1.1%
Emerging Markets	9%	8.1%	0.9%
Directional Hedge Funds	4%	5.4%	0.2%
Private Equity	13%	9.2%	1.4%
<b>Stable Value</b>			
U.S. Treasuries	11%	2.9%	0.3%
Absolute Return	0%	4.0%	0.0%
Stable Value Hedge Funds	4%	5.2%	0.2%
Cash	1%	2.0%	0.0%
<b>Real Return</b>			
Global Inflation Linked Bonds	3%	3.1%	0.0%
Real Assets	16%	7.3%	1.5%
Energy and Natural Resources	3%	8.8%	0.3%
Commodities	0%	3.4%	0.0%
<b>Risk Parity</b>			
Risk Parity	5%	8.9%	0.4%
Alpha	-		1.0%
<b>Total</b>	<b>100%</b>		<b>8.7%</b>

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

(Continued)

**TORNILLO INDEPENDENT SCHOOL DISTRICT**

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015

**IV. DETAILED NOTES ON ALL FUNDS (Continued)**

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

	1% Decrease in Discount Rate (7%)	Current Discount Rate 8%	1% Increase in Discount Rate ( 9%)
District's Proportionate share of the net pension liability	\$ 2,652,256	\$ 1,484,245	\$ 610,791

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

At August 31, 2015, the District reported a liability of \$1,484,245 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:

The District's Proportionate share of the collective net pension liability	\$ 1,484,245
State's proportionate share of the net pension liability associated with the District	3,644,005
Total	\$ 5,128,250

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

At August 31, 2014 the employer's proportion of the collective net pension liability was 0.0055566%. Since this is the first year of implementation, the District does not have the proportion measured as of August 31, 2013. The Notes to the Financial Statements for August 31, 2014 for TRS stated that the change in proportion was immaterial and therefore disregarded this year.

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

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

(Continued)

**TORNILLO INDEPENDENT SCHOOL DISTRICT**

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015

**IV. DETAILED NOTES ON ALL FUNDS (Continued)**

There was a change in employer contribution requirements that occurred after the measurement date of the net pension liability and the employer's reporting date. A 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees went into law effective 09/01/2014. The amount of the expected resultant change in the employer's proportion cannot be determined at this time.

For the year ended August 31, 2015 the District recognized pension expense of \$336,881 and revenue of \$336,881 representing pension expense incurred by the State on behalf of the District. The amount of pension expense recognized by the District in the reporting period was \$ 137,192.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experience	\$ 22,954	\$ -
Changes in assumptions	96,478	-
Net difference between projected and actual earnings on pension plan investments	-	453,646
Changes in proportion and differences between District contributions and proportionate share of contributions	-	389
District contributions subsequent to the measurement date	181,259	-
Total	\$ 300,691	\$ 454,035

The \$181,259 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended August 31, 2016. The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended August 31	Amount
2016	(93,329)
2017	(93,329)
2018	(93,329)
2019	(93,329)
2020	20,082
thereafter	18,631

**Payable to the Pension Plan:** At August 31, 2015, the District reported a payable of \$27,359 for the

(Continued)

**TORNILLO INDEPENDENT SCHOOL DISTRICT**

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015

**IV. DETAILED NOTES ON ALL FUNDS (Continued)**

outstanding amount of contributions to the pension plan contractually required for the year ended August 31, 2015.

**J. School District Retiree Health Plan**

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

**Funding Policy:** Contribution requirements are not actuarially determined but are legally established each biennium by the Texas legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the school. Funding for optional coverage is provided by those participants selecting the optional coverage. Contribution rates and amounts are equal to the required contributions for each year and are shown in the table below for fiscal years 2015, 2014, and 2013.

**Contribution Rates**

Year	Active Member		State		School District	
	Rate	Amount	Rate	Amount	Rate	Amount
2015	.65%	\$ 46,791	1.0%	\$ 63,096	.55%	\$ 48,482
2014	.65%	\$ 45,216	1.0%	\$ 61,079	.55%	\$ 46,744
2013	.65%	\$ 45,026	1.0%	\$ 69,265	.55%	\$ 46,556

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 provision 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.

Medicare Part D contributions made on behalf of the District's employees for the years ended August  
(Continued)

# TORNILLO INDEPENDENT SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015

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### IV. DETAILED NOTES ON ALL FUNDS (Continued)

31, 2013, 2014, and 2015 were \$18,238, \$19,111, and \$29,603, respectively. These amounts are recorded as equal revenues and expenditures in the governmental fund financial statements of the District.

#### K. Health Care Coverage

During the year ended August 31, 2015, Tornillo Independent School District participated in the TRS - Active Care Health Insurance Program. During the year ended August 31, 2015, employees of the District were covered by the District's insurance Plan (the "Plan"). Under this plan, the District and State (Teacher Retirement System of Texas) contribute approximately \$225 and \$75, respectively to the employee's premium. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement. There were no other liabilities associated with the Plan.

#### L. Unemployment Compensation Pool

During the year ended August 31, 2015, Tornillo ISD met its statutory unemployment compensation obligations by participation as a self-funded member of the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and Chapter 504, Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

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

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is approved by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2015, are available at the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

(Continued)

**TORNILLO INDEPENDENT SCHOOL DISTRICT**

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015

**IV. DETAILED NOTES ON ALL FUNDS (Continued)**

**M. Fund Balance**

As of August 31, 2015, fund balances are composed of the following:

	General Fund	Non Major Governmental Funds	Total
Nonspendable:			
Inventories	\$ 12,103	\$ -	\$ 12,103
Restricted:			
Food Service	150,285	-	150,285
Summer Feeding Program	-	44,050	44,050
Advanced Placement Incentives		1,600	1,600
Debt Service	693,123	279,826	972,949
Campus Activities	-	5,336	5,336
Committed:			
Construction	681,467	-	681,467
Claims and Judgements	68,650	-	68,650
Athletic Program	31,023		31,023
Assigned:			
Construction	1,000,000	-	1,000,000
Unassigned	5,448,131	-	5,448,131
Total	\$ 8,084,782	\$ 330,812	\$ 8,415,594

There were no significant or material encumbrances at year end.

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

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

	General Fund	Non Major Governmental Funds	Total
Property Taxes	\$ 669,675	\$ 131,297	\$ 800,972
Penalties and Interest on Taxes	23,308	4,606	27,914
Investment Income	10,330	153	10,483
Food Sales	91,048	943	91,991
Co-curricular Student Activities	15,430	-	15,430
Other	37,459	-	37,459
Total	\$ 847,250	\$ 136,999	\$ 984,249

(Continued)

# TORNILLO INDEPENDENT SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015

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### IV. DETAILED NOTES ON ALL FUNDS (Continued)

#### O. Litigation

During the normal course of business the District is subject to various legal claims. As of August 31, 2015, management is not aware of any such claim which would have a material adverse effect on the financial statements.

#### P. Other Significant Commitments and Contingencies

##### Federal and State Funding

Tornillo Independent School District participates in numerous state and federal grant programs that are subject to audit by the Texas Education Agency and various Federal and/or State audit agencies. These programs have complex compliance requirements, and should State or Federal auditors discover areas of material noncompliance, those District funds may be subject to refund if so determined by administrative audit review. In the opinion of administration, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

##### Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board maintains insurance policies acquired from independent insurance carriers covering all structural property, automobiles, dishonesty, errors and omissions, boiler and machinery, personal property, and general liability. There have been no significant reductions in insurance coverage from prior years and settlements have not exceeded insurance coverage.

For the year ended August 31, 2015, Tornillo Independent School District carried insurance for building and contents in the amount of \$48,579,739 with a deductible for property of \$5,000 for direct physical loss and \$10,000 for wind and hail. Automobile liability is limited to \$1,000,000 per occurrence with a \$1,000 deductible.

##### Commitments Under Lease

Tornillo Independent School District leases 300 acres (13,068,000 square feet) of land in El Paso County, Texas from the University of Texas System Board of Regents. The term of this lease agreement is for a period of ten years which commenced October 1, 2006. This lease provides for rent of \$5,000 for the entire lease term. The land is only permitted to be used for the purpose of public education facilities and for necessary and desirable purposes incidental thereto, and for no other purpose. The District constructed a new high school facility on this land.

(Continued)

**TORNILLO INDEPENDENT SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

AUGUST 31, 2015

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**IV. DETAILED NOTES ON ALL FUNDS (Continued)**

The District entered into an interlocal agreement with County of El Paso on December 14, 2009 for the improvement of facilities and services at Coyote Park playground and baseball park located within the bounds of the Tornillo Independent School District. The County will design, purchase, and install all playground equipment, canopies, basketball equipment and grass for the park and softball field. The District will be responsible for the management, maintenance and security of said park areas including maintenance of all County provided equipment. The agreement remains in effect until September 30, 2029.

Construction Commitments - The District has active construction projects as of August 31, 2015 including renovations and site improvements. All accumulated resources for capital projects are either committed or assigned. Construction commitments as of August 31, 2015 are as follows:

<u>Project Name</u>	<u>Spent To Date</u>	<u>Remaining Commitment</u>
High School Classroom Project	\$ 152,509	\$ 947,491

**Q. Related Party Transactions**

From time to time, the District may enter into transactions with related parties through the normal course of business. If a Board member has a conflict of interest, proper documentation is completed and he/she is required to abstain from any discussion or voting regarding the matter. Management is not aware of any significant related party transactions that occurred during the 2014-2015 fiscal year.

**R. Budget Overages**

The general fund experienced budget overages in functions 13 - Curriculum and Instructional Staff Development, and 21 - Instructional Leadership, as a result of unexpected instructional related transactions. Functions 35 - Food Services and 81 - Facilities Acquisition and Construction present budget overages as a result of the fund balance reduction plan for both the child nutrition program and the general fund.

(Continued)

# TORNILLO INDEPENDENT SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015

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### IV. DETAILED NOTES ON ALL FUNDS (Continued)

#### S. Prior Period Adjustment

During fiscal year 2015, the District adopted GASB Statement No. 68, *Accounting and Reporting for Pensions - an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. With GASB 68 and 71, the District must assume their proportionate share of the Net Pension Liability of the Teacher Retirement System of Texas. Adoption of GASB 68 and 71 required a prior period adjustment to report the effect of GASB 68 and 71 retroactively. The amount of the prior period adjustment is \$1,681,656. The restated beginning net position is \$15,791,038.

#### T. New Accounting Pronouncements

The District has not completed the process of evaluating the impact on its financial position that will result from adopting Governmental Accounting Standards Board (GASB) Statements No. 72, *Fair Value Measurement and Application*, effective for fiscal years beginning after June 15, 2015, No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, effective for fiscal years beginning after June 15, 2017, and No. 77, *Tax Abatement Disclosures*, effective for fiscal years beginning after December 15, 2015. GASB 72 addresses accounting and financial reporting issues related to fair value measurements. GASB No. 75 addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. GASB No. 77 requires disclosures of certain information about tax abatements.

#### U. Worker's Compensation Program

As required by law the District has acquired adequate worker's compensation insurance coverage contracted through Claims Administrative Services, Inc. The District has chosen to participate in a political subdivision risk pool, which means that the District shares its exposure with other school districts and public entities with similar employee populations. Currently, the District employs more than 180 full-time and part-time employees, and pays about \$45,000 in worker's compensation premium annually. This premium is considered sufficient by Claims Administrative Services, Inc. and no contingent liability is required to be reported. This total amount paid for worker's compensation costs is less than 1% of annual payroll.

#### V. Subsequent Events

On October 6, 2015 the District purchased a school bus for the amount of \$99,795. The related expenditure and asset are not reflected in these financial statements.

On November 1, 2015 the District issued Unlimited Tax Refunding Bond Series 2015 in the amount of \$2,925,000. This liability is not reflected in these financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

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

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 735,926	\$ 735,926	\$ 847,250	\$ 111,324
5800	State Program Revenues	9,776,467	9,776,467	10,758,705	982,238
5900	Federal Program Revenues	777,000	777,000	912,812	135,812
5020	Total Revenues	11,289,393	11,289,392	12,518,767	1,229,375
<b>EXPENDITURES:</b>					
Current:					
0011	Instruction	5,536,070	5,385,232	5,267,530	117,702
0012	Instructional Resources and Media Services	181,346	177,846	138,162	39,684
0013	Curriculum and Instructional Staff Development	27,863	45,005	60,635	(15,630)
0021	Instructional Leadership	2,750	67,737	74,727	(6,990)
0023	School Leadership	683,391	686,891	684,597	2,294
0031	Guidance, Counseling and Evaluation Services	119,807	114,807	109,870	4,937
0033	Health Services	123,557	123,557	72,412	51,145
0034	Student (Pupil) Transportation	398,269	398,269	221,044	177,225
0035	Food Services	840,401	840,401	990,321	(149,920)
0036	Extracurricular Activities	407,236	412,236	410,060	2,176
0041	General Administration	886,634	886,634	807,983	78,651
0051	Facilities Maintenance and Operations	1,309,238	1,306,238	1,250,222	56,016
0052	Security and Monitoring Services	183,609	211,609	223,743	(12,134)
0053	Data Processing Services	391,241	391,241	379,782	11,459
0061	Community Services	-	44,010	43,765	245
Debt Service:					
0071	Principal on Long Term Debt	176,981	176,981	70,000	106,981
0072	Interest on Long Term Debt	-	-	24,981	(24,981)
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	-	121,324	(121,324)
Intergovernmental:					
0099	Other Intergovernmental Charges	13,000	13,000	11,968	1,032
6030	Total Expenditures	11,281,393	11,281,694	10,963,126	318,568
1100	Excess of Revenues Over Expenditures	8,000	7,698	1,555,641	1,547,943
<b>OTHER FINANCING SOURCES (USES):</b>					
7915	Transfers In	407,236	407,236	455,182	47,947
8911	Transfers Out (Use)	(407,236)	(407,236)	(432,808)	(25,573)
7080	Total Other Financing Sources (Uses)	-	-	22,374	22,374
1200	Net Change in Fund Balances	8,000	7,698	1,578,015	1,570,317
0100	Fund Balance - September 1 (Beginning)	6,506,767	6,506,767	6,506,767	-
3000	Fund Balance - August 31 (Ending)	\$ 6,514,767	\$ 6,514,465	\$ 8,084,782	\$ 1,570,317

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

EXHIBIT G-2

	2015
District's Proportion of the Net Pension Liability (Asset)	0.0055566%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 1,484,245
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	3,644,005
Total	\$ 5,128,250
District's Covered-Employee Payroll	\$ 6,956,232
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	21.34%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.25%

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

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

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

EXHIBIT G-3

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		2015
Contractually Required Contribution	\$	188,781
Contribution in Relation to the Contractually Required Contribution		(188,781)
		-
Contribution Deficiency (Excess)	\$	-0-
District's Covered-Employee Payroll	\$	7,198,540
Contributions as a Percentage of Covered-Employee Payroll		2.62%

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

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

**TORNILLO INDEPENDENT SCHOOL DISTRICT**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED AUGUST 31, 2015**

*Changes of benefit terms.*

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

*Changes of assumptions.*

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

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**SUPPLEMENTARY INFORMATION**

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

Data Control Codes	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
<b>ASSETS</b>				
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -
1220	Property Taxes - Delinquent	-	-	-
1230	Allowance for Uncollectible Taxes (Credit)	-	-	-
1240	Receivables from Other Governments	43,249	4,050	19,354
1260	Due from Other Funds	-	-	-
1000	<b>Total Assets</b>	<u>\$ 43,249</u>	<u>\$ 4,050</u>	<u>\$ 19,354</u>
<b>LIABILITIES</b>				
2110	Accounts Payable	\$ 29	\$ -	\$ -
2150	Payroll Deductions and Withholdings Payable	6,632	854	2,780
2160	Accrued Wages Payable	14,778	1,503	4,440
2170	Due to Other Funds	21,810	1,693	12,134
2180	Due to Other Governments	-	-	-
2300	Unearned Revenues	-	-	-
2000	<b>Total Liabilities</b>	<u>43,249</u>	<u>4,050</u>	<u>19,354</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
2601	Unavailable Revenue - Property Taxes	-	-	-
2600	<b>Total Deferred Inflows of Resources</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Restricted Fund Balance:				
3450	Federal or State Funds Grant Restriction	-	-	-
3480	Retirement of Long-Term Debt	-	-	-
3490	Other Restricted Fund Balance	-	-	-
3000	<b>Total Fund Balances</b>	<u>-</u>	<u>-</u>	<u>-</u>
4000	<b>Total Liabilities, Deferred Inflows &amp; Fund Balances</b>	<u>\$ 43,249</u>	<u>\$ 4,050</u>	<u>\$ 19,354</u>

242 Summer Feeding Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	256 ESEA, I, F Comprehensive School Reform	263 Title III, A English Lang. Acquisition	270 ESEA VI, Pt B Rural & Low Income	272 Medicaid Admin. Claim MAC	289 Texas Literacy Initiative
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	35,861	-	3,078	-	-	47,243
44,050	-	-	13,235	-	-	1,375	-
<u>\$ 44,050</u>	<u>\$ -</u>	<u>\$ 35,861</u>	<u>\$ 13,235</u>	<u>\$ 3,078</u>	<u>\$ -</u>	<u>\$ 1,375</u>	<u>\$ 47,243</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 945
-	-	1,090	-	521	-	-	5,361
-	-	-	-	1,271	-	-	11,271
-	-	34,771	-	1,286	-	-	29,419
-	-	-	-	-	-	-	-
-	-	-	13,235	-	-	1,375	247
-	-	35,861	13,235	3,078	-	1,375	47,243
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
44,050	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>44,050</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 44,050</u>	<u>\$ -</u>	<u>\$ 35,861</u>	<u>\$ 13,235</u>	<u>\$ 3,078</u>	<u>\$ -</u>	<u>\$ 1,375</u>	<u>\$ 47,243</u>

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

Data Control Codes	397 Advanced Placement Incentives	404 Student Success Initiative	410 State Textbook Fund	461 Campus Activity Funds	
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
1220	Property Taxes - Delinquent	-	-	-	-
1230	Allowance for Uncollectible Taxes (Credit)	-	-	-	-
1240	Receivables from Other Governments	-	-	27,062	-
1260	Due from Other Funds	1,600	13,748	12,676	5,336
1000	<b>Total Assets</b>	<u>\$ 1,600</u>	<u>\$ 13,748</u>	<u>\$ 39,738</u>	<u>\$ 5,336</u>
<b>LIABILITIES</b>					
2110	Accounts Payable	\$ -	\$ -	\$ 25,919	\$ -
2150	Payroll Deductions and Withholdings Payable	-	-	-	-
2160	Accrued Wages Payable	-	-	-	-
2170	Due to Other Funds	-	-	-	-
2180	Due to Other Governments	-	13,748	-	-
2300	Unearned Revenues	-	-	13,819	-
2000	<b>Total Liabilities</b>	<u>-</u>	<u>13,748</u>	<u>39,738</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
2601	Unavailable Revenue - Property Taxes	-	-	-	-
2600	<b>Total Deferred Inflows of Resources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	1,600	-	-	-
3480	Retirement of Long-Term Debt	-	-	-	-
3490	Other Restricted Fund Balance	-	-	-	5,336
3000	<b>Total Fund Balances</b>	<u>1,600</u>	<u>-</u>	<u>-</u>	<u>5,336</u>
4000	<b>Total Liabilities, Deferred Inflows &amp; Fund Balances</b>	<u>\$ 1,600</u>	<u>\$ 13,748</u>	<u>\$ 39,738</u>	<u>\$ 5,336</u>

Total Nonmajor Special Revenue Funds	599 Debt Service Fund	698 Capital Projects Fund	Total Nonmajor Governmental Funds
\$ -	\$ 389,856	\$ -	\$ 389,856
-	40,880	-	40,880
-	(2,044)	-	(2,044)
179,897	-	-	179,897
92,020	-	-	92,020
<u>\$ 271,917</u>	<u>\$ 428,692</u>	<u>\$ -</u>	<u>\$ 700,609</u>
\$ 26,893	\$ -	\$ -	\$ 26,893
17,238	-	-	17,238
33,263	-	-	33,263
101,113	-	-	101,113
13,748	-	-	13,748
28,676	112,369	-	141,045
<u>220,931</u>	<u>112,369</u>	<u>-</u>	<u>333,300</u>
-	36,497	-	36,497
<u>-</u>	<u>36,497</u>	<u>-</u>	<u>36,497</u>
45,650	-	-	45,650
-	279,826	-	279,826
5,336	-	-	5,336
<u>50,986</u>	<u>279,826</u>	<u>-</u>	<u>330,812</u>
<u>\$ 271,917</u>	<u>\$ 428,692</u>	<u>\$ -</u>	<u>\$ 700,609</u>

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

Data Control Codes	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	503,035	53,328	179,082	318
5020 Total Revenues	<u>503,035</u>	<u>53,328</u>	<u>179,082</u>	<u>318</u>
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	453,206	14,236	104,705	318
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	15,601	-	10	-
0021 Instructional Leadership	-	35,865	74,367	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	-	-	-
0035 Food Services	-	-	-	-
0041 General Administration	-	-	-	-
0061 Community Services	34,228	3,227	-	-
Debt Service:				
0071 Principal on Long Term Debt	-	-	-	-
0072 Interest on Long Term Debt	-	-	-	-
0073 Bond Issuance Cost and Fees	-	-	-	-
6030 Total Expenditures	<u>503,035</u>	<u>53,328</u>	<u>179,082</u>	<u>318</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	-	-	-	-
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

242 Summer Feeding Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	256 ESEA, I, F Comprehensive School Reform	263 Title III, A English Lang. Acquisition	270 ESEA VI, Pt B Rural & Low Income	272 Medicaid Admin. Claim MAC	289 Texas Literacy Initiative
\$ 943	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
20,865	18,166	72,738	-	37,107	4,050	-	516,103
21,808	18,166	72,738	-	37,107	4,050	-	516,103
-	18,166	-	-	31,153	-	-	282,667
-	-	-	-	-	-	-	7,999
-	-	70,147	-	4,337	-	-	185,681
-	-	-	-	1,585	-	-	24,999
-	-	2,591	-	-	-	-	9,343
-	-	-	-	-	-	-	1,270
23,107	-	-	-	-	-	-	-
-	-	-	-	-	-	-	4,144
-	-	-	-	32	4,050	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
23,107	18,166	72,738	-	37,107	4,050	-	516,103
(1,299)	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
(1,299)	-	-	-	-	-	-	-
45,349	-	-	-	-	-	-	-
\$ 44,050	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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

Data Control Codes	397 Advanced Placement Incentives	404 Student Success Initiative	410 State Textbook Fund	461 Campus Activity Funds
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	293,882	-
5900 Federal Program Revenues	-	-	-	-
5020 Total Revenues	<u>-</u>	<u>-</u>	<u>293,882</u>	<u>-</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
0011 Instruction	-	-	293,787	-
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	-	-	-	-
0021 Instructional Leadership	-	-	-	-
0023 School Leadership	-	-	95	4,573
0031 Guidance, Counseling and Evaluation Services	-	-	-	-
0035 Food Services	-	-	-	-
0041 General Administration	-	-	-	-
0061 Community Services	-	-	-	-
<b>Debt Service:</b>				
0071 Principal on Long Term Debt	-	-	-	-
0072 Interest on Long Term Debt	-	-	-	-
0073 Bond Issuance Cost and Fees	-	-	-	-
6030 Total Expenditures	<u>-</u>	<u>-</u>	<u>293,882</u>	<u>4,573</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	(4,573)
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	-	-	-	(4,573)
0100 Fund Balance - September 1 (Beginning)	<u>1,600</u>	<u>-</u>	<u>-</u>	<u>9,909</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 1,600</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,336</u>

Total Nonmajor Special Revenue Funds	599 Debt Service Fund	698 Capital Projects Fund	Total Nonmajor Governmental Funds
\$ 943	\$ 136,056	\$ -	\$ 136,999
293,882	812,324	-	1,106,206
1,404,792	-	-	1,404,792
<u>1,699,617</u>	<u>948,380</u>	<u>-</u>	<u>2,647,997</u>
1,198,238	-	-	1,198,238
7,999	-	-	7,999
275,776	-	-	275,776
136,816	-	-	136,816
16,602	-	-	16,602
1,270	-	-	1,270
23,107	-	-	23,107
4,144	-	-	4,144
41,537	-	-	41,537
-	545,000	-	545,000
-	364,476	-	364,476
-	3,100	-	3,100
<u>1,705,489</u>	<u>912,576</u>	<u>-</u>	<u>2,618,065</u>
(5,872)	35,804	-	29,932
-	-	4,266	4,266
(5,872)	35,804	4,266	34,198
<u>56,858</u>	<u>244,022</u>	<u>(4,266)</u>	<u>296,614</u>
<u>\$ 50,986</u>	<u>\$ 279,826</u>	<u>\$ -</u>	<u>\$ 330,812</u>

TORNILLO INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUND  
FOR THE YEAR ENDED AUGUST 31, 2015

	BALANCE SEPTEMBER 1 2014	ADDITIONS	DEDUCTIONS	BALANCE AUGUST 31 2015
<b>STUDENT ACTIVITY ACCOUNT</b>				
Assets:				
Cash and Temporary Investments	\$ 28,545	\$ 64,480	\$ 59,924	\$ 33,101
Liabilities:				
Accounts Payable	\$ -	\$ 793	\$ -	\$ 793
Due to Student Groups	28,545	63,687	59,924	32,308
Total Liabilities	\$ 28,545	\$ 64,480	\$ 59,924	\$ 33,101

TORNILLO INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF NET POSITION  
 PRIVATE PURPOSE TRUST FUNDS  
 AUGUST 31, 2015

	826 Sarah Culver Scholarship	829 United Blood Service Scholarship	Total Private Purpose Trust Funds
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ -	\$ -	\$ -
Restricted Assets	-	-	-
<b>Total Assets</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>			
Restricted for Scholarships	-	-	-
<b>Total Net Position</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TORNILLO INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
 PRIVATE PURPOSE TRUST FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2015

	826 Sarah Culver Scholarship	829 United Blood Service Scholarship	Total Private Purpose Trust Funds
ADDITIONS:			
Local and Intermediate Sources	\$ 40	\$ -	\$ 40
Total Additions	<u>40</u>	<u>-</u>	<u>40</u>
DEDUCTIONS:			
Other Operating Costs	<u>500</u>	<u>100</u>	<u>600</u>
Total Deductions	<u>500</u>	<u>100</u>	<u>600</u>
Change in Net Position	(460)	(100)	(560)
Total Net Position - September 1 (Beginning)	<u>460</u>	<u>100</u>	<u>560</u>
Total Net Position - August 31 (Ending)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**OTHER INFORMATION - REQUIRED TEA SCHEDULES**

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

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2006 and prior years	Various	Various	\$ Various
2007	1.370100	0.265200	41,163,715
2008	1.090000	0.249600	41,596,737
2009	1.090000	0.261600	42,688,246
2010	1.090000	0.249000	47,183,284
2011	1.090100	0.246000	51,720,943
2012	1.090100	0.218700	52,230,579
2013	1.090100	0.213600	55,057,509
2014	1.090100	0.213600	57,985,327
2015 (School year under audit)	1.090100	0.213600	62,229,604
1000 TOTALS			

(10) Beginning Balance 9/1/2014	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2015
\$ 75,597	\$ -	\$ 1,029	\$ 162	\$ (297)	\$ 74,109
8,097	-	122	24	-	7,951
7,375	-	179	41	-	7,155
6,823	-	316	76	-	6,431
8,124	-	367	84	(65)	7,608
10,584	-	2,163	488	-	7,933
17,483	-	4,992	1,002	(310)	11,179
23,304	-	4,626	906	(308)	17,464
46,512	-	13,627	2,670	(1,701)	28,514
-	811,287	638,754	125,161	-	47,372
<u>\$ 203,899</u>	<u>\$ 811,287</u>	<u>\$ 666,175</u>	<u>\$ 130,614</u>	<u>\$ (2,681)</u>	<u>\$ 215,716</u>

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

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 58,164	\$ 58,164	\$ 91,048	\$ 32,884
5800 State Program Revenues	5,237	5,237	3,819	(1,418)
5900 Federal Program Revenues	777,000	777,000	752,454	(24,546)
5020 Total Revenues	840,401	840,401	847,321	6,920
<b>EXPENDITURES:</b>				
0035 Food Services	840,401	840,401	990,060	(149,659)
6030 Total Expenditures	840,401	840,401	990,060	(149,659)
1200 Net Change in Fund Balances	-	-	(142,739)	(142,739)
0100 Fund Balance - September 1 (Beginning)	305,127	305,127	305,127	-
3000 Fund Balance - August 31 (Ending)	\$ 305,127	\$ 305,127	\$ 162,388	\$ (142,739)

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

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 126,111	\$ 126,111	\$ 136,056	\$ 9,945
5800 State Program Revenues	783,865	783,865	812,324	28,459
5020 Total Revenues	909,976	909,976	948,380	38,404
<b>EXPENDITURES:</b>				
Debt Service:				
0071 Principal on Long Term Debt	545,000	545,000	545,000	-
0072 Interest on Long Term Debt	364,476	364,476	364,476	-
0073 Bond Issuance Cost and Fees	500	500	3,100	(2,600)
6030 Total Expenditures	909,976	909,976	912,576	(2,600)
1200 Net Change in Fund Balances	-	-	35,804	35,804
0100 Fund Balance - September 1 (Beginning)	244,022	244,022	244,022	-
3000 Fund Balance - August 31 (Ending)	\$ 244,022	\$ 244,022	\$ 279,826	\$ 35,804

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**FEDERAL AWARDS SECTION**

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

To the Board of Trustees  
Tornillo Independent School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Tornillo Independent School District as of and for the year ended August 31, 2015, and the related notes to the financial statements, which collectively comprise Tornillo Independent School District's basic financial statements, and have issued our report thereon dated January 15, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Tornillo 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 the Tornillo Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Tornillo 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.

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 weakness or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weakness.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Tornillo 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2015-001 and 2015-002.

## **Tornillo Independent School District's Response to Findings**

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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing 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.

*Gibson, Ruddock, Patterson LLC*

Gibson, Ruddock, Patterson LLC  
El Paso, Texas  
January 15, 2016

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

To the Board of Trustees  
Tornillo Independent School District

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

We have audited Tornillo Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Tornillo Independent School District's major federal programs for the year ended August 31, 2015. Tornillo 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 Tornillo 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 about Tornillo 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 Tornillo Independent School District's compliance.

**Opinion on Each Major Federal Program**

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

Management of the Tornillo 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 Tornillo 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 Tornillo 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.

*Gibson, Ruddock, Patterson LLC*

Gibson, Ruddock, Patterson LLC  
El Paso, Texas  
January 15, 2016

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

Schedule Reference Number	PROGRAM	DESCRIPTION
<b><u>SUMMARY OF AUDITOR'S RESULTS</u></b>		
<b><u>Financial Statements</u></b>		
	<b>Type of Auditor's Report issued:</b>	Unmodified
	<b>Internal control over financial reporting:</b>	
	<b>Material weaknesses identified?</b>	No
	<b>Significant deficiencies identified that are not considered to be material weaknesses?</b>	None Reported
	<b>Noncompliance material to the financial statements:</b>	Yes, finding 2015-001 and 2015-002
<b><u>Federal Awards</u></b>		
	<b>Internal control over major programs:</b>	
	<b>Material weaknesses identified?</b>	No
	<b>Significant deficiencies identified that are not considered to be material weaknesses?</b>	None Reported
	<b>Type of auditor's report issued on compliance for major programs:</b>	Unmodified
	<b>Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?</b>	No
	<b>Major Federal Programs:</b>	<b><u>Child Nutrition Cluster:</u></b> CFDA 10.553 - School Breakfast program; CFDA 10.555 - National School Lunch Program; CFDA 10.559 - Summer Feeding Program.

(Continued)

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

<b>Schedule Reference Number</b>	<b>PROGRAM</b>	<b>DESCRIPTION</b>
	<b>Dollar threshold used to distinguish between type A and type B programs:</b>	\$300,000
	<b>Auditee qualified as low-risk auditee?</b>	Yes

(Continued)

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

<b>Schedule Reference Number</b>	<b>PROGRAM</b>	<b>DESCRIPTION</b>
	<b><u>FINANCIAL STATEMENT FINDINGS</u></b>	
<b>2015-001</b>	<b>State Program Compliance</b>	State Compensatory Education Program
	<b>Criteria:</b>	The District is required to spend at least 52% of the revenue allotment for the State Compensatory Education Program on direct program expenditures.
	<b>Condition Found:</b>	The District only spent 46% of the State Compensatory Education Program allotment. The District needed to spend an additional \$93,994 in order to be in compliance with State laws.
	<b>Effect:</b>	The District did not spend the required allotment in accordance with TEA guidelines and may eventually need to return a portion of the allotment to TEA.
	<b>Cause:</b>	The shortage in the required amount of expenditures resulted in lack of budget planning and monitoring by management and budget authority at the campus level.
	<b>Recommendation:</b>	The District should budget the State Mandated Programs appropriately, and continually monitor expenditures of the programs to ensure compliance with the allocations presented on the Summary of Finances.
	<b>Management Response:</b>	See corrective action plan.

**TORNILLO INDEPENDENT SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

FOR THE YEAR ENDED AUGUST 31, 2015

<b>Schedule Reference Number</b>	<b>PROGRAM</b>	<b>DESCRIPTION</b>
<b>2015-002</b>	<b>Financial Reporting</b>	<b>Budget Overages</b>
	<b>Criteria:</b>	State law requires each District to adopt a budget prior to any funds being expended. This budget gives administration the legal authority to expend funds accordingly.
	<b>Condition Found:</b>	Expenditures in the Child Nutrition Program exceeded budgeted amounts by \$149,659.
	<b>Effect:</b>	The budgets were not amended to reflect additional expenditures that had been approved to decrease fund balance in the program.
	<b>Cause:</b>	As part of the corrective action related to a prior year management point for excess fund balance in the Child Nutrition Program, the District implemented a plan to spend down their fund balance. The expenditures incurred were properly approved by both the Board of Trustees and the Texas Department of Agriculture; however, the budget was not amended to reflect these decisions. The District was under the understanding that the approval for the reduction of fund balance by both entities was sufficient and that a budget amendment was not necessary.
	<b>Recommendation:</b>	Once the budget is approved, Management should ensure any additional spending decisions approved by the Board of Trustees are reflected in the budget through approved budget amendments.
	<b>Management Response:</b>	See corrective action plan.

**TORNILLO INDEPENDENT SCHOOL DISTRICT**

**SCHEDULE OF STATUS OF PRIOR FINDINGS**

**FOR THE YEAR ENDED AUGUST 31, 2015**

<b>Schedule Reference Number</b>	<b>PRIOR YEAR FINDING/NONCOMPLIANCE</b>	<b>STATUS OF PRIOR YEAR'S FINDINGS/NONCOMPLIANCE</b>
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**FINANCIAL STATEMENT FINDINGS**

There were no prior year findings or questioned costs.

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There were no prior year findings or questioned costs.

**TORNILLO INDEPENDENT SCHOOL DISTRICT**

CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED AUGUST 31, 2015

Schedule Reference Number	PROGRAM	Description
<b>2015-001</b>	<b>State Program Compliance</b>	Mandated Program Expenditures
	<b>Corrective Action:</b>	The budget authorities will continue to receive training regarding budget monitoring and allowable expenditures for this program. Moreover, administration has already identified the need for four campus aides in order to offer additional instructional support for all of struggling students. In addition, campus principals have already developed tutoring plans for the 2015-2016 school year.
	<b>Responsible Party:</b>	Budget Authorities, Finance Personnel
	<b>Anticipated Completion Date:</b>	End of 2015-2016 school year.
<b>2015-002</b>	<b>Budget Overages</b>	Budget overages in the Child Nutrition Program
	<b>Corrective Action:</b>	The budget variance was due to the fund balance reduction in this fund which addressed a prior year management point. As a result of misinterpretation of guidance, these expenditures were not budgeted. Management has obtained further clarification of guidance and will process budget amendments for all fund balance reduction transactions in order to budget for all expenditures and avoid negative budget variances.
	<b>Responsible Party:</b>	Executive Director of Finance and Finance Personnel
	<b>Anticipated Completion Date:</b>	Immediately and on-going.

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

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	14610101071908	\$ 37,386
ESEA, Title I, Part A - Improving Basic Programs	84.010A	15610101071908	488,499
Total CFDA Number 84.010A			525,885
Texas Literacy Initiative	84.371C	136460037110030	151,115
Texas Literacy Initiative	84.371C	146460037110030	338,978
Texas Literacy Initiative	84.371C	156460037110030	40,982
Total CFDA Number 84.371C			531,075
ESEA, Title I, Part C - Migratory Children	84.011	15615001071908	54,609
*IDEA - Part B, Formula	84.027	146600010719086600	3,287
*IDEA - Part B, Formula	84.027	156600010719086600	184,588
Total CFDA Number 84.027			187,875
*IDEA - Part B, Preschool	84.173	156610010719086610	334
Total Special Education Cluster (IDEA)			188,209
Career and Technical - Basic Grant	84.048	15420006071908	18,166
ESEA, Title VI, Part B - Rural & Low Income Prog.	84.358B	14696001071908	4,218
Title III, Part A - English Language Acquisition	84.365A	14671001071908	2,925
Title III, Part A - English Language Acquisition	84.365A	15671001071908	34,924
Total CFDA Number 84.365A			37,849
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	15694501071908	75,994
Summer School LEP	84.369A	69551402	3,073
Total Passed Through State Department of Education			\$ 1,439,078
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<b>\$ 1,439,078</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Passed Through the State Department of Agriculture</u>			
**School Breakfast Program	10.553	71401001	\$ 140,043
**National School Lunch Program - Cash Assistance	10.555	71301001	641,976
**National School Lunch Prog.- Non-Cash Assistance	10.555	71301001	38,276
Total CFDA Number 10.555			680,252
**Summer Feeding Program - Cash Assistance	10.559	0711018	20,865
Total Child Nutrition Cluster			841,160
Fresh Fruit and Vegetable Program	10.582	071908	37,366
Total Passed Through the State Department of Agriculture			\$ 878,526
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<b>\$ 878,526</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 2,317,604</b>

\*, \*\* Clustered Programs

**TORNILLO INDEPENDENT SCHOOL DISTRICT**

NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS

YEAR ENDED AUGUST 31, 2015

1. For all Federal programs, the District uses the fund types specified in the Texas Education Agency’s Financial Accountability System Resource Guide. Special Revenue Funds are used to account for resources restricted or committed for specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund. Generally, unused balances are returned to the grantor at the close of specified projects periods.
  
2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All federal grant funds were accounted for in the Special Revenue Fund or in the General Fund. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for the Governmental Fund Types and Agency Funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences, 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 performance 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 90 days beyond the federal project period ending date, in accordance with provisions in Section H. Period of Performance, Part 3, OMB Compliance Supplement - June 2015.
  
4. Of the federal expenditures presented in schedule K-1, the District accounted for certain funds in the General Fund as follows:

Program Title	Federal CFDA Number	Amount
National School Breakfast & Lunch - Non-Cash Assistance	10.555	\$ 38,276
National School Breakfast & Lunch	10.555	641,976
School Breakfast Program	10.553	140,043
Fresh Fruit and Vegetable Program	10.582	37,366
Indirect Costs - Other	84.XXX	55,151
Total General Fund federal revenue per Exhibit C-3		\$ 912,812

(Continued)

**TORNILLO INDEPENDENT SCHOOL DISTRICT**

**NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS**

**YEAR ENDED AUGUST 31, 2015**

- 
5. The District accounted for federally funded indirect costs in the General Fund as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount</u>
ESEA, Title I, Part A - Impounding Basic Programs	84.010A	\$ 22,850
ESEA, Title I, Part C - Migratory Children	84.011	1,281
IDEA - Part B, Formula	84.027	8,793
IDEA - Part B, Preschool	84.173	16
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	3,256
Title III, Part A, English Language Acquisition	84.365A	742
Title VI, Rural and Low Income Schools	84.358B	168
Texas Literacy Initiative	84.371C	<u>18,045</u>
Total Indirect Costs		<u>\$ 55,151</u>