

SOMERVILLE
INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2015

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Somerville Independent School District
Annual Financial Report
For The Year Ended August 31, 2015

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Introductory Section

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CERTIFICATE OF BOARD

Somerville Independent School District
Name of School District

Burleson
County

026-902
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 ____ day of _____, _____.

Signature of Board Secretary

Signature of Board President

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

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Financial Section

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Independent Auditors' Report

To the Board of Trustees of the
Somerville Independent School District:

Report on the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

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Governmental
Audit Quality Center

Emphasis of Matter

Change in Accounting Principle

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedule of the District's proportionate share of the net pension liability, and schedule of District contributions, identified as Required Supplementary Information in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Somerville Independent School District's basic financial statements. The introductory section and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and other supplementary information 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 other supplementary information are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2016 on our consideration of Somerville 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 Somerville Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,

 BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Bellville, Texas
January 20, 2016

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Management's Discussion and Analysis

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SOMERVILLE INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended August 31, 2015

This discussion and analysis of the Somerville Independent School District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended August 31, 2015. It should be read in conjunction with the District's financial statements.

FINANCIAL HIGHLIGHTS

- The District's total combined net position at August 31, 2015 was \$3,078,187.
- For the fiscal year ended August 31, 2015, the District's general fund reported a total fund balance of \$1,362,880, of which \$71,352 was committed for self-insurance, \$26,664 was committed for other purposes, and \$1,264,864 is unassigned.
- At the end of the fiscal year, the District's governmental funds (the general fund plus all state and federal grant funds and the debt service fund) reported combined ending fund balances of \$1,738,120.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of three parts – *Management's Discussion and Analysis* (this section), the *Basic Financial Statements*, and *Required Supplementary Information*. The basic statements include two kinds of statements that present different views of the District.

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in more detail than the government-wide statements.
- The *governmental funds* statements tell how *general government* services were financed in the *short-term* as well as what remains for future spending.
- *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the fiduciary resources belong. This fund includes student activity funds.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The notes to the financial statements are followed by a section entitled *Required Supplementary Information* that further explains and supports the information in the financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets and liabilities. All of the current period's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The government-wide statements report the District's net position and how it has changed. Net position is the difference between the District's assets and liabilities and is one way to measure the District's financial health or position.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended August 31, 2015

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, one needs to consider additional non-financial factors such as changes in the District's tax base, staffing patterns, enrollment, and attendance.

The government-wide financial statements of the District include the *governmental activities*. Most of the District's basic services such as instruction, extracurricular activities, curriculum and staff development, health services, general administration, and plant operation and maintenance are included in *governmental activities*. Locally assessed property taxes, together with State foundation program entitlements, which are based upon student enrollment and attendance, finance most of the governmental activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are simply accounting devices that are used to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and other funds are mandated by bond agreements or bond covenants.
- The Board of Trustees establishes other funds to control and manage money set aside for particular purposes or to show that the District is properly using certain taxes and grants.
- Other funds are used to account for assets held by the District in a custodial capacity – these assets do not belong to the District, but the District is responsible to properly account for them.

The District has the following kinds of funds:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.
- *Fiduciary funds* – the District serves as the trustee, or fiduciary, for certain funds such as student activity funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities that are reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its governmental operations.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended August 31, 2015

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's combined net position was \$3,078,187 at August 31, 2015. *Table 1* focuses on net position while *Table 2* shows the revenues and expenses that changed the net position balance during the fiscal year ended August 31, 2015. *Table 1* indicates the overall condition of the District slightly decreased, which was the result of a decrease in revenue received from the state foundation program and operating grants and contributions. *Table 2* reflects the District reporting a slight increase in revenue combined with a decrease in expenses. The District had an increase in revenue received from property taxes, investment earnings, and miscellaneous sources when compared to the prior year. Additionally, the District expensed less during the year mainly for expenses related to instruction, food services, co-curricular/extracurricular activities, and payments related to shared service arrangements.

Table 1
Net Position

| Description | Governmental Activities | | Total Change |
|---|----------------------------|---------------------|--------------------|
| | 2015 | 2014 | 2015-2014 |
| Current assets | \$ 2,260,604 | \$ 2,141,246 | \$ 119,358 |
| Capital assets | 3,827,315 | 3,930,365 | (103,050) |
| Total Assets | 6,087,919 | 6,071,612 | 16,307 |
| Deferred charges on refunding | 104,260 | 112,948 | (8,688) |
| Deferred outflow related to pensions | 88,175 | - | 88,175 |
| Total Deferred Outflows of Resources | 192,435 | 112,948 | 79,487 |
| Current liabilities | 328,235 | 182,044 | 146,191 |
| Long-term liabilities | 2,760,771 | 2,887,600 | (126,829) |
| Total Liabilities | 3,089,006 | 3,069,644 | 19,362 |
| Deferred inflow related to pensions | 113,161 | - | 113,161 |
| Total Deferred Inflows of Resources | 113,161 | - | 113,161 |
| Net Position: | | | |
| Net investment in capital assets | 1,357,579 | 1,461,657 | (104,078) |
| Restricted | 375,240 | 338,972 | 36,268 |
| Unrestricted | 1,345,368 | 1,314,287 | 31,081 |
| Total Net Position | \$ 3,078,187 | \$ 3,114,916 | \$ (36,729) |

SOMERVILLE INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended August 31, 2015

Table 2
Changes in Net Position

| | Governmental Activities | | Total Change |
|---|----------------------------|---------------------|--------------------|
| | 2015 | 2014 | 2015-2014 |
| Revenues | | | |
| Program revenues: | | | |
| Charges for services | \$ 126,403 | \$ 133,830 | \$ (7,427) |
| Operating grants and contributions | 737,413 | 978,407 | (240,994) |
| General revenues: | | | |
| Property taxes | 2,497,819 | 2,356,436 | 141,383 |
| State foundation program | 2,113,606 | 2,169,281 | (55,675) |
| Investment earnings | 16,632 | 7,689 | 8,943 |
| Miscellaneous | 202,447 | 45,834 | 156,613 |
| Total Revenue | <u>5,694,320</u> | <u>5,691,477</u> | <u>2,843</u> |
| Expenses | | | |
| Instruction | 2,777,917 | 3,105,387 | (327,470) |
| Instructional resources and media services | 40,306 | 69,026 | (28,720) |
| Curriculum and staff development | 23,439 | 28,551 | (5,112) |
| Instructional leadership | 12,901 | - | 12,901 |
| School leadership | 309,695 | 292,125 | 17,570 |
| Guidance, counseling, and evaluation services | 63,057 | 56,281 | 6,776 |
| Health services | 33,064 | 30,015 | 3,049 |
| Student (pupil) transportation | 239,835 | 205,925 | 33,910 |
| Food services | 356,669 | 378,776 | (22,107) |
| Co-curricular/extracurricular activities | 387,153 | 401,527 | (14,374) |
| General administration | 400,249 | 369,800 | 30,449 |
| Plant maintenance and operations | 807,879 | 705,955 | 101,924 |
| Security and monitoring | 3,941 | 3,681 | 260 |
| Data processing services | 81,581 | 114,293 | (32,712) |
| Interest on long-term debt | 73,635 | 70,554 | 3,081 |
| Bond issuance costs and fees | 500 | 500 | - |
| Payments related to shared service arrangements | 47,003 | 111,669 | (64,666) |
| Other intergovernmental charges | 72,225 | 63,570 | 8,655 |
| Total Expenses | <u>5,731,049</u> | <u>6,007,636</u> | <u>(276,587)</u> |
| Change in Net Position | <u>(36,729)</u> | <u>(316,159)</u> | <u>279,430</u> |
| Beginning net position, as restated | 3,114,916 | 3,431,075 | (316,159) |
| Ending Net Position | <u>\$ 3,078,187</u> | <u>\$ 3,114,916</u> | <u>\$ (36,729)</u> |

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At the close of the fiscal year ending August 31, 2015, the District's governmental funds reported a combined fund balance of \$1,738,120. This compares to a combined fund balance of \$1,732,832 at August 31, 2014. The fund balance in the general fund decreased due to an increase in expenditures as compared to the prior year.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended August 31, 2015

GENERAL FUND BUDGETARY HIGHLIGHTS

In accordance with State law and generally accepted accounting standards, the District prepares an annual budget for the general fund, the food service special revenue fund, and the debt service fund. The District budgets the capital projects fund for each *project*, which normally covers multiple years. Special revenue funds have budgets approved by the funding agency and are amended throughout the year as required.

During the period ended August 31, 2015, the District amended its budget as required by State law and to reflect current levels of revenue and anticipated expenses. There were no material changes between the original budget and the final amended budget. The general fund's actual revenues were less than budgeted revenues by \$123,270 and the actual expenditures less than budgeted expenditures by \$5,069.

CAPITAL ASSETS

Capital assets are generally defined as those items that have useful lives of two years or more and have an initial cost or value (if donated) of an amount determined by the Board. During the fiscal year ended August 31, 2015, the District used a capitalization threshold of \$5,000, which means that all capital type assets, including library books, with a cost or initial value of less than \$5,000 were not included in the capital assets inventory.

At August 31, 2015, the District had a total of \$13,048,682 invested in capital assets such as land, buildings, and District equipment. This total includes \$211,848 invested during the fiscal year ended August 31, 2015.

More detailed information about the District's capital assets can be found in the notes to the financial statements.

LONG-TERM DEBT

At year end, the District had \$2,298,399 in general obligation bonds and capital leases outstanding versus \$2,326,598 last year. The net decrease is due to principal payments paid this year totaling \$168,505, combined with a new loan for the purchase of school buses in the amount of \$140,306.

More detailed information about the District's long-term liabilities is presented in the notes to the financial statements.

ECONOMIC FACTORS AND THE NEXT YEAR'S BUDGETS

The following factors were considered in establishing the District's budget for 2015-2016:

- Student enrollment for 2015-2016 is expected to remain approximately the same when compared to 2014-2015. District officials anticipate no significant change in the rate of attendance for the 2016 school year compared to the year 2015; therefore, the refined daily attendance, which is a significant component of the formula upon which State Foundation Program entitlements are based, is not projected to change significantly for 2015-2016.
- The District's total tax rate decreased slightly from the previous year at \$1.11266 per \$100 valuation with the Maintenance and Operations tax rate at \$1.04 and the Interest and Sinking tax rate at \$0.072660. The entire decrease in tax rate was in the Interest and Sinking portion.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended August 31, 2015

- No new programs were added and no significant changes to existing programs occurred during the current year. No significant changes are planned for 2015-2016.
- District officials anticipate that the fund balance for the general fund will not materially change for 2015-2016 compared to 2014-2015.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and creditors with a general overview of the District's finances and to demonstrate the District's commitment to accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Somerville Independent School District Administration office at (979) 596-2154.

Basic Financial Statements

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SOMERVILLE INDEPENDENT SCHOOL DISTRICT**STATEMENT OF NET POSITION**

AUGUST 31, 2015

1

| Data Control Codes | | Governmental Activities |
|--|--|----------------------------|
| ASSETS: | | |
| 1110 | Cash and Cash Equivalents | \$ 1,833,557 |
| 1120 | Current Investments | 130,047 |
| 1220 | Property Taxes Receivable (Delinquent) | 475,781 |
| 1230 | Allowance for Uncollectible Taxes | (198,197) |
| 1240 | Due from Other Governments | 19,263 |
| 1410 | Prepaid Items | 153 |
| | Capital Assets: | |
| 1510 | Land | 153,935 |
| 1520 | Buildings and Improvements, Net | 3,134,912 |
| 1530 | Furniture and Equipment, Net | 538,468 |
| 1000 | Total Assets | <u>6,087,919</u> |
| DEFERRED OUTFLOWS OF RESOURCES: | | |
| 1700 | Deferred Charges on Refunding | 104,260 |
| 1705 | Deferred Outflow Related to Pensions | 88,175 |
| 1700 | Total Deferred Outflows of Resources | <u>192,435</u> |
| LIABILITIES: | | |
| 2120 | Short-Term Debt Payable | 78,891 |
| 2140 | Interest Payable | 4,444 |
| 2165 | Accrued Liabilities | 113,624 |
| 2180 | Due to Other Governments | 131,276 |
| | Noncurrent Liabilities: | |
| 2501 | Due Within One Year | 130,000 |
| 2502 | Due in More Than One Year | 2,260,845 |
| 2540 | Net Pension Liability | 369,926 |
| 2000 | Total Liabilities | <u>3,089,006</u> |
| DEFERRED INFLOWS OF RESOURCES: | | |
| 2605 | Deferred Inflow Related to Pensions | 113,161 |
| 2600 | Total Deferred Inflows of Resources | <u>113,161</u> |
| NET POSITION: | | |
| 3200 | Net Investment in Capital Assets | 1,357,579 |
| | Restricted For: | |
| 3820 | Federal and State Programs | 15,482 |
| 3850 | Debt Service | 165,268 |
| 3890 | Other Purposes | 194,490 |
| 3900 | Unrestricted | 1,345,368 |
| 3000 | Total Net Position | <u>\$ 3,078,187</u> |

The accompanying notes are an integral part of this statement.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2015

| Data Control Codes | Functions/Programs | 1 | 3 | 4 | Net (Expense) Revenue and Changes in Net Position |
|--------------------------|--|--------------|-------------------------|--|--|
| | | Expenses | Charges for Services | Program Revenues Operating Grants and Contributions | Governmental Activities |
| | Governmental Activities: | | | | |
| 11 | Instruction | \$ 2,777,917 | \$ 815 | \$ 332,645 | \$ (2,444,457) |
| 12 | Instructional Resources and Media Services | 40,306 | -- | 2,017 | (38,289) |
| 13 | Curriculum and Staff Development | 23,439 | -- | 22,511 | (928) |
| 21 | Instructional Leadership | 12,901 | -- | 689 | (12,212) |
| 23 | School Leadership | 309,695 | -- | 20,219 | (289,476) |
| 31 | Guidance, Counseling, & Evaluation Services | 63,057 | -- | 3,345 | (59,712) |
| 33 | Health Services | 33,064 | -- | 1,762 | (31,302) |
| 34 | Student Transportation | 239,835 | -- | 10,753 | (229,082) |
| 35 | Food Service | 356,669 | 53,796 | 259,168 | (43,705) |
| 36 | Cocurricular/Extracurricular Activities | 387,153 | 71,192 | 14,859 | (301,102) |
| 41 | General Administration | 400,249 | -- | 21,293 | (378,956) |
| 51 | Facilities Maintenance and Operations | 807,879 | 600 | 41,080 | (766,199) |
| 52 | Security and Monitoring Services | 3,941 | -- | 204 | (3,737) |
| 53 | Data Processing Services | 81,581 | -- | 4,340 | (77,241) |
| 72 | Interest on Long-term Debt | 73,635 | -- | -- | (73,635) |
| 73 | Bond Issuance Costs and Fees | 500 | -- | -- | (500) |
| 93 | Payments Related to Shared Services Arrangements | 47,003 | -- | 2,528 | (44,475) |
| 99 | Other Intergovernmental Charges | 72,225 | -- | -- | (72,225) |
| TG | Total Governmental Activities | 5,731,049 | 126,403 | 737,413 | (4,867,233) |
| TP | Total Primary Government | \$ 5,731,049 | \$ 126,403 | \$ 737,413 | (4,867,233) |
| | General Revenues: | | | | |
| MT | Property Taxes, Levied for General Purposes | | | | 2,289,216 |
| DT | Property Taxes, Levied for Debt Service | | | | 208,603 |
| IE | Investment Earnings | | | | 16,632 |
| GC | Grants and Contributions Not Restricted to Specific Programs | | | | 2,113,606 |
| MI | Miscellaneous | | | | 202,447 |
| TR | Total General Revenues | | | | 4,830,504 |
| CN | Change in Net Position | | | | (36,729) |
| NB | Net Position - Beginning, as Reported | | | | 3,533,808 |
| PA | Prior Period Adjustment | | | | (418,892) |
| | Net Position - Beginning, as Restated | | | | 3,114,916 |
| NE | Net Position - Ending | | | | \$ 3,078,187 |

The accompanying notes are an integral part of this statement.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT**BALANCE SHEET - GOVERNMENTAL FUNDS**

AUGUST 31, 2015

| Data Control Codes | 10 General Fund | Other Governmental Funds | 98 Total Governmental Funds |
|--|-----------------------|--------------------------------|--------------------------------------|
| ASSETS: | | | |
| 1110 <i>Cash and Cash Equivalents</i> | \$ 1,454,106 | \$ 379,451 | \$ 1,833,557 |
| 1120 <i>Current Investments</i> | 130,047 | -- | 130,047 |
| 1220 <i>Taxes Receivable, Delinquent</i> | 434,958 | 40,823 | 475,781 |
| 1230 <i>Allowance for Uncollectible Taxes</i> | (181,323) | (16,874) | (198,197) |
| 1240 <i>Due from Other Governments</i> | -- | 19,263 | 19,263 |
| 1260 <i>Due from Other Funds</i> | 19,263 | -- | 19,263 |
| 1410 <i>Prepaid Items</i> | 153 | -- | 153 |
| 1000 Total Assets | <u>1,857,204</u> | <u>422,663</u> | <u>2,279,867</u> |
| LIABILITIES: | | | |
| Current Liabilities: | | | |
| 2160 <i>Accrued Wages Payable</i> | \$ 102,320 | \$ 4,211 | \$ 106,531 |
| 2170 <i>Due to Other Funds</i> | -- | 19,263 | 19,263 |
| 2180 <i>Due to Other Governments</i> | 131,276 | -- | 131,276 |
| 2200 <i>Accrued Expenditures</i> | 7,093 | -- | 7,093 |
| 2000 Total Liabilities | <u>240,689</u> | <u>23,474</u> | <u>264,163</u> |
| DEFERRED INFLOWS OF RESOURCES: | | | |
| <i>Deferred Revenue</i> | 253,635 | 23,949 | 277,584 |
| 2600 Total Deferred Inflows of Resources | <u>253,635</u> | <u>23,949</u> | <u>277,584</u> |
| FUND BALANCES: | | | |
| Nonspendable Fund Balances: | | | |
| 3430 <i>Prepaid Items</i> | 153 | -- | 153 |
| Restricted Fund Balances: | | | |
| 3450 <i>Federal/State Funds Grant Restrictions</i> | -- | 15,482 | 15,482 |
| 3480 <i>Retirement of Long-Term Debt</i> | -- | 165,268 | 165,268 |
| 3490 <i>Other Restrictions of Fund Balance</i> | -- | 194,490 | 194,490 |
| Committed Fund Balances: | | | |
| 3540 <i>Self-Insurance</i> | 71,352 | -- | 71,352 |
| Assigned Fund Balances: | | | |
| 3590 <i>Other Assigned Fund Balance</i> | 26,511 | -- | 26,511 |
| 3600 Unassigned | <u>1,264,864</u> | <u>--</u> | <u>1,264,864</u> |
| 3000 Total Fund Balances | <u>1,362,880</u> | <u>375,240</u> | <u>1,738,120</u> |
| Total Liabilities, Deferred Inflow of Resources and Fund Balances | | | |
| 4000 | <u>\$ 1,857,204</u> | <u>\$ 422,663</u> | <u>\$ 2,279,867</u> |

The accompanying notes are an integral part of this statement.

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

| | |
|--|---------------------|
| Total fund balances - governmental funds balance sheet | \$ 1,738,120 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | |
| Capital assets used in governmental activities are not reported in the funds. | 3,827,315 |
| Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds. | 277,584 |
| Payables for bond principal which are not due in the current period are not reported in the funds. | (1,942,077) |
| Payables for bond interest which are not due in the current period are not reported in the funds. | (1,703) |
| Payables for notes which are not due in the current period are not reported in the funds. | (423,399) |
| Recognition of the District's proportionate share of the net pension liability is not reported in the funds. | (418,892) |
| Deferred resource inflows related to Teacher Retirement System of Texas (TRS) are not reported in the funds. | (113,161) |
| Deferred resource outflows related to TRS are not reported in the funds. | 134,400 |
| Net position of governmental activities - Statement of Net Position | \$ <u>3,078,187</u> |

The accompanying notes are an integral part of this statement.

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

| Data Control Codes | 10 General Fund | Other Governmental Funds | 98 Total Governmental Funds |
|---|-----------------------|--------------------------------|--------------------------------------|
| REVENUES: | | | |
| 5700 <i>Local and Intermediate Sources</i> | \$ 2,345,669 | \$ 326,663 | \$ 2,672,332 |
| 5800 <i>State Program Revenues</i> | 2,348,524 | 17,424 | 2,365,948 |
| 5900 <i>Federal Program Revenues</i> | 20,397 | 464,674 | 485,071 |
| 5020 Total Revenues | <u>4,714,590</u> | <u>808,761</u> | <u>5,523,351</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| 0011 <i>Instruction</i> | 2,367,037 | 195,590 | 2,562,627 |
| 0012 <i>Instructional Resources and Media Services</i> | 31,581 | -- | 31,581 |
| 0013 <i>Curriculum and Staff Development</i> | -- | 22,511 | 22,511 |
| 0021 <i>Instructional Leadership</i> | 12,901 | -- | 12,901 |
| 0023 <i>School Leadership</i> | 292,285 | 3,827 | 296,112 |
| 0031 <i>Guidance, Counseling, & Evaluation Services</i> | 60,414 | -- | 60,414 |
| 0033 <i>Health Services</i> | 30,549 | -- | 30,549 |
| 0034 <i>Student Transportation</i> | 356,773 | 1,130 | 357,903 |
| 0035 <i>Food Service</i> | -- | 345,929 | 345,929 |
| 0036 <i>Cocurricular/Extracurricular Activities</i> | 271,371 | 44,344 | 315,715 |
| 0041 <i>General Administration</i> | 382,788 | 657 | 383,445 |
| 0051 <i>Facilities Maintenance and Operations</i> | 767,442 | -- | 767,442 |
| 0052 <i>Security and Monitoring Services</i> | 3,941 | -- | 3,941 |
| 0053 <i>Data Processing Services</i> | 93,210 | -- | 93,210 |
| 0071 <i>Principal on Long-term Debt</i> | 43,505 | 125,000 | 168,505 |
| 0072 <i>Interest on Long-term Debt</i> | 12,991 | 66,800 | 79,791 |
| 0073 <i>Bond Issuance Costs and Fees</i> | -- | 500 | 500 |
| 0081 <i>Capital Outlay</i> | 6,067 | -- | 6,067 |
| 0093 <i>Payments to Shared Service Arrangements</i> | 47,003 | -- | 47,003 |
| 0099 <i>Other Intergovernmental Charges</i> | 72,225 | -- | 72,225 |
| 6030 Total Expenditures | <u>4,852,083</u> | <u>806,288</u> | <u>5,658,371</u> |
| 1100 Excess (Deficiency) of Revenues Over (Under) | | | |
| 1100 Expenditures | <u>(137,493)</u> | <u>2,473</u> | <u>(135,020)</u> |
| Other Financing Sources and (Uses): | | | |
| 7914 <i>Issuance of Non-Current Debt</i> | 140,306 | -- | 140,306 |
| 7915 <i>Transfers In</i> | -- | 33,794 | 33,794 |
| 8911 <i>Transfers Out</i> | (33,794) | -- | (33,794) |
| 7080 Total Other Financing Sources and (Uses) | <u>106,512</u> | <u>33,794</u> | <u>140,306</u> |
| 1200 Net Change in Fund Balances | <u>(30,981)</u> | <u>36,267</u> | <u>5,286</u> |
| 0100 Fund Balances - Beginning | <u>1,393,861</u> | <u>338,973</u> | <u>1,732,834</u> |
| 3000 Fund Balances - Ending | <u>\$ 1,362,880</u> | <u>\$ 375,240</u> | <u>\$ 1,738,120</u> |

The accompanying notes are an integral part of this statement.

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

| | | |
|--|----|-----------------|
| Net change in fund balances - total governmental funds | \$ | 5,286 |
| Amounts reported for governmental activities in the Statement of Activities (SOA) are different because: | | |
| Capital outlays are not reported as expenses in the SOA. | | 211,848 |
| The depreciation of capital assets used in governmental activities is not reported in the funds. | | (311,677) |
| Certain property tax revenues are deferred in the funds. This is the change in these amounts this year. | | 2,701 |
| Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA. | | 125,000 |
| Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA. | | 43,505 |
| Bond issuance costs and similar items are amortized in the SOA but not in the funds. | | 5,590 |
| (Increase) decrease in accrued interest from beginning of period to end of period. | | 3,307 |
| Proceeds of notes do not provide revenue in the SOA, but are reported as current resources in the funds. | | (140,306) |
| Implementing GASB 68 required certain expenditures to be de-expended and recorded as deferred revenue. | | 168,269 |
| District's share of the unrecognized deferred inflows and outflows related to TRS had to be amortized. | | (150,252) |
| Change in net position of governmental activities - Statement of Activities | \$ | <u>(36,729)</u> |

The accompanying notes are an integral part of this statement.

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

| Data Control Codes | | Agency Funds |
|--------------------------|----------------------------------|-----------------|
| | ASSETS: | |
| 1110 | <i>Cash and Cash Equivalents</i> | \$ 40,519 |
| 1000 | Total Assets | <u>40,519</u> |
| | LIABILITIES: | |
| | Current Liabilities: | |
| 2190 | <i>Due to Student Groups</i> | \$ 40,519 |
| 2000 | Total Liabilities | <u>40,519</u> |
| | NET POSITION: | |
| 3000 | Total Net Position | <u>\$ --</u> |

The accompanying notes are an integral part of this statement.

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SOMERVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2015

A. Summary of Significant Accounting Policies

The basic financial statements of Somerville Independent School District (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide ("Resource Guide"). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

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

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Financial Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

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

In addition, the District reports the following fund types:

Special Revenue Funds: These funds are used to account for revenues and expenditures related to grant awards and entitlements from federal, state, and local agencies. These funds are primarily on a reimbursement basis and have a program year that does not always coincide with the District's fiscal year. Nearly all of these funds cannot carry a fund balance and, other than the food service fund, none of these funds are legally required to have an adopted budget.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2015

Debt Service Fund: This fund is used to account for tax revenues and for the payment of principal, interest, and related costs on long-term debt for which a tax has been dedicated. This is a budgeted fund and a separate bank account is maintained for this fund. Any unused sinking fund balances are transferred to the General Fund after all the related debt obligations have been met.

Agency Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

b. Measurement Focus, Basis of Accounting

Government-wide and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

3. Financial Statement Amounts

a. Property Taxes

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

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon 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.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2015

b. Inventories and Prepaid Items

The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory in accordance with the Resource Guide.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

| <u>Asset Class</u> | <u>Estimated Useful Lives</u> |
|-----------------------|-----------------------------------|
| Buildings | 50 |
| Building Improvements | 20 |
| Vehicles | 2-15 |
| Equipment | 3-15 |

d. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has four items that qualify for reporting in this category. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred charges have been recognized as a result of differences between the actuarial expectations and the actual economic experience and for the changes in actuarial assumptions related to the District's defined benefit pension plan. These amounts are deferred and amortized over the average of the expected service lives of the pension plan members. A deferred charge has been recognized for employer pension plan contributions that were made subsequent to the measurement date through the end of the District's fiscal year. This amount is deferred and recognized as a reduction to the net pension liability during the measurement period in which the contributions were made.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category in the government-wide Statement of Net Position. Deferred inflows of resources are recognized for the difference between the projected and actual investment earnings on the pension plan assets. This amount is deferred and amortized over a period of five years. Another deferral is recognized for changes in proportion and the difference between the employer's contributions and the proportionate share of contributions related to the District's defined benefit pension plan. This amount is deferred and amortized over the average of the expected service lives of pension plan members. At the fund level, the District has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2015

e. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

f. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

g. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

h. Data Control Codes

Data Control Codes appear in the rows and above the columns of certain financial statements. The TEA requires the display of these codes in the financial statements filed with TEA in order to insure accuracy in building a statewide database for policy development and funding plans.

i. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's Board of Trustees. Committed amounts cannot be used for any other purpose unless the Board of Trustees removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Board of Trustees. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board of Trustees or by an official or body to which the Board of Trustees delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2015

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

j. Net Position Flow Assumption

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

k. Fund Balance Flow Assumptions

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

l. Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

4. Pensions

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

At August 31, 2015, the District reported the following:

| | | |
|-----------------------|----|---------|
| Net Pension Asset | \$ | -- |
| Net Pension Liability | \$ | 369,926 |

SOMERVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2015

5. New Accounting Standards Adopted

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

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

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

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

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

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

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

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

SOMERVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2015

The adoption of Statement No. 68 has no impact on the District's governmental fund financial statements, which continue to report expenditures in the contribution amount determined legislatively for the TRS plan. The calculation of pension contributions is unaffected by the change. However, the adoption has resulted in the restatement of the District's beginning net position for the fiscal year 2014 government-wide financial statements to reflect the reporting of net pension liability and deferred inflows of resources and deferred outflows of resources for its qualified pension plan and the recognition of pension expense in accordance with the provisions of the Statement.

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

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

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

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

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

- e. Statement No. 71 amends Statement No. 68 to require that, at transition, 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. Since the measurement date of the pension plan was different than the District's final year end, the effects from the District's reported contributions to the plan subsequent to the respective measurement date of the plan was an increase in deferred outflow of resources and a decrease in net position.

B. Deposits and Investments

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities 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.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2015

1. Cash Deposits:

At August 31, 2015, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$1,874,078 and the bank balance was \$1,966,036. 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.

2. Investments:

The District is required by Government Code Chapter 2256, The Public Funds Investment Act (the "Act"), 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, and (9) bid solicitation preferences for certificates of deposit.

The Act requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers' acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

The District's investment at August 31, 2015 is shown below.

| <u>Investment or Investment Type</u> | <u>Maturity</u> | <u>Fair Value</u> |
|--------------------------------------|-----------------|-------------------|
| TexPool Investment Pool | N/A | \$ 130,047 |

3. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.

At August 31, 2015, the District's investments, other than those which are obligations of or guaranteed by the U. S. Government, are rated as to credit quality as follows:

| <u>Investment or Investment Type</u> | <u>Administrator</u> | <u>Rating</u> |
|--------------------------------------|---------------------------|---------------|
| TexPool Investment Pool | Federated Investors, Inc. | AAAm* |

*Rated by Standard and Poor's Investor Services

SOMERVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2015

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

At year end, the District was not exposed to custodial credit risk.

c. Concentration of Credit Risk

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

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

Investment Accounting Policy

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the Pool and other persons who do not have a business relationship with the Pool and are qualified to advise the Pool; 2) maintain a continuous rating of no lower than 'AAA' or 'AAA-m' or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The District's investments in Pools are reported at an amount determined by the fair value per share of the Pool's underlying portfolio, unless the Pool is 2a7-like, in which case they are reported at share value. A 2a7-like Pool is one which is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2015

TexPool Investment Pool

The District invests in the Texas Local Government Investment Pool ("TexPool"), which is a local government investment pool that was established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Local Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The State Comptroller of Public Accounts oversees TexPool. Federated Investors, Inc. is the administrator and investment manager of TexPool under a contract with the State Comptroller. In accordance with the Public Funds Investment Act, the State Comptroller has appointed the TexPool Investment Advisory Board to advise with respect to TexPool. The Board is composed equally of participants in TexPool and others persons who do not have a business relationship with TexPool and are qualified to advise in respect to TexPool. The Advisory Board members review the investment policy and management fee structure. TexPool is rated 'AAAm' by Standard & Poor's and operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. All investments are stated at amortized cost, which usually approximates the market value; however, the \$1.00 net asset value is not guaranteed or insured. The financial statements can be obtained from the Texas Trust Safekeeping Trust Company website at www.ttsc.org.

C. Capital Assets

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

| | Beginning Balances | Increases | Decreases | Ending Balances |
|--|-----------------------|-------------|-----------|--------------------|
| Governmental activities: | | | | |
| <i>Capital assets not being depreciated:</i> | | | | |
| Land | \$ 153,935 | \$ -- | \$ -- | \$ 153,935 |
| Total capital assets not being depreciated | 153,935 | -- | -- | 153,935 |
| <i>Capital assets being depreciated:</i> | | | | |
| Buildings and improvements | 11,171,691 | 17,802 | -- | 11,189,493 |
| Equipment | 830,819 | 12,964 | 7,159 | 836,624 |
| Vehicles | 835,874 | 181,082 | 148,326 | 868,630 |
| Total capital assets being depreciated | 12,838,384 | 211,848 | 155,485 | 12,894,747 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (7,843,912) | (210,669) | -- | (8,054,581) |
| Equipment | (664,167) | (41,177) | (3,938) | (701,406) |
| Vehicles | (553,875) | (59,831) | (148,326) | (465,380) |
| Total accumulated depreciation | (9,061,954) | (311,677) | (152,264) | (9,221,367) |
| Total capital assets being depreciated, net | 3,776,430 | (99,829) | 3,221 | 3,673,380 |
| Governmental activities capital assets, net | \$ 3,930,365 | \$ (99,829) | \$ 3,221 | \$ 3,827,315 |

Depreciation was charged to functions as follows:

| | |
|---|-------------------|
| Instruction | \$ 121,033 |
| Instructional Resources and Media Services | 2,983 |
| Curriculum and Staff Development | 928 |
| School Leadership | 1,194 |
| Guidance, Counseling, & Evaluation Services | 715 |
| Health Services | 557 |
| Student Transportation | 59,636 |
| Food Services | 8,342 |
| Extracurricular Activities | 66,512 |
| General Administration | 4,139 |
| Plant Maintenance and Operations | 44,632 |
| Data Processing Services | 1,006 |
| | <u>\$ 311,677</u> |

SOMERVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2015

D. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2015 consisted of the following:

| Due To Fund | Due From Fund | Amount | Purpose |
|--------------|-----------------------|-----------|------------------|
| General Fund | Special Revenue Funds | \$ 19,263 | Short-term loans |

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

2. Transfers To and From Other Funds

Transfers to and from other funds at August 31, 2015 consisted of the following:

| Transfers From | Transfers To | Amount | Reason |
|----------------|----------------------|-----------|--------------------------------|
| General fund | Child Nutrition Fund | \$ 33,794 | Supplement other funds sources |

E. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2015 are as follows:

| | Original Issue | Beginning Balance | Net Change | Ending Balance | Amounts Due Within One Year |
|---|---------------------|----------------------|-------------------|---------------------|-----------------------------------|
| Governmental activities: | | | | | |
| Bonds, notes and other payables: | | | | | |
| Tax refunding bonds, 2010 | \$ 2,165,000 | \$ 2,000,000 | \$ (125,000) | \$ 1,875,000 | \$ 130,000 |
| Maintenance Tax Note, 2007 | 430,000 | 270,000 | (30,000) | 240,000 | 30,000 |
| Maintenance Loan | 71,550 | 56,598 | (13,505) | 43,093 | 13,939 |
| Maintenance Loan | 140,306 | -- | 140,306 | 140,306 | 34,952 |
| | <u>2,806,856</u> | <u>2,326,598</u> | <u>(28,199)</u> | <u>2,298,399</u> | <u>208,891</u> |
| Other liabilities: | | | | | |
| Bond premium | -- | 185,615 | (14,278) | 171,337 | -- |
| Net pension liability | -- | -- | 369,926 | 369,926 | -- |
| Total governmental activities | <u>\$ 2,806,856</u> | <u>\$ 2,512,213</u> | <u>\$ 327,449</u> | <u>\$ 2,839,662</u> | <u>\$ 208,891</u> |
| Long-term liabilities due in more than one year | | | | <u>\$ 2,630,771</u> | |

Bonded indebtedness of the District reflected in the general long-term debt and current requirements for principal and interest expenditures are accounted for in the Debt Service Fund. These bonds were issued as school tax refunding bonds and the interest rates on the bonds ranged from zero to four percent. Interest expense was \$66,800 for the year ended August 31, 2015.

Notes payable of the District reflected in the general long-term debt and current requirements for principal and interest expenditures are accounted for in the General Fund. The District approved the maintenance tax note at an interest rate of 4.410 percent for the acquisition and maintenance of facilities and equipment. Interest expense was \$11,246 for the year ended August 31, 2015.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2015

Loans payable of the District reflected in the general long-term debt and current requirements for principal and interest expenditures are accounted for in the General Fund. The District approved the maintenance loans at interest rates of three percent for the acquisition and maintenance of facilities, vehicles, and equipment. Interest expense was \$1,745 for the year ended August 31, 2015.

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2015, are as follows:

| <u>Year Ending August 31,</u> | Bonds Payable | | |
|-------------------------------|---------------------|-------------------|---------------------|
| | Principal | Interest | Total |
| 2016 | \$ 130,000 | \$ 64,250 | \$ 194,250 |
| 2017 | 130,000 | 61,650 | 191,650 |
| 2018 | 140,000 | 58,250 | 198,250 |
| 2019 | 140,000 | 54,050 | 194,050 |
| 2020 | 145,000 | 49,775 | 194,775 |
| 2021-2025 | 815,000 | 159,100 | 974,100 |
| 2026-2030 | 375,000 | 15,100 | 390,100 |
| Totals | <u>\$ 1,875,000</u> | <u>\$ 462,175</u> | <u>\$ 2,337,175</u> |

| <u>Year Ending August 31,</u> | Notes Payable | | |
|-------------------------------|-------------------|------------------|-------------------|
| | Principal | Interest | Total |
| 2016 | \$ 30,000 | \$ 9,923 | \$ 39,923 |
| 2017 | 30,000 | 8,600 | 38,600 |
| 2018 | 35,000 | 7,166 | 42,166 |
| 2019 | 35,000 | 5,623 | 40,623 |
| 2020 | 35,000 | 4,079 | 39,079 |
| 2021-2025 | 75,000 | 3,418 | 78,418 |
| Totals | <u>\$ 240,000</u> | <u>\$ 38,808</u> | <u>\$ 278,808</u> |

| <u>Year Ending August 31,</u> | Loans Payable | | |
|-------------------------------|-------------------|------------------|-------------------|
| | Principal | Interest | Total |
| 2016 | \$ 48,891 | \$ 3,637 | \$ 52,529 |
| 2017 | 48,426 | 4,102 | 52,529 |
| 2018 | 49,903 | 2,618 | 52,521 |
| 2019 | 36,178 | 1,100 | 37,279 |
| Totals | <u>\$ 183,399</u> | <u>\$ 11,459</u> | <u>\$ 194,858</u> |

F. Commitments Under Noncapitalized Leases

The District had no future commitments under operating (noncapitalized) lease agreements for facilities and equipment as of August 31, 2015.

Rental Expenditures in 2015 \$ 16,728

G. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2015, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2015

H. Pension Plan

1. Plan Description

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

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

2. Pension Plan Fiduciary Net Position

Detailed information about the TRS' 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 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.

3. Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes, including automatic cost-of-living adjustments (COLAs). Ad hoc post-employment benefit changes, including ad hoc COLAs, can be granted by the Texas Legislature, as noted in the plan description in (1.) above.

4. 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.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2015

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

| <u>Contribution Rates</u> | | |
|---|-------------|-------------|
| | <u>2014</u> | <u>2015</u> |
| Member | 6.4% | 6.7% |
| Non-Employer Contributing Entity (NECE - State) | 6.8% | 6.8% |
| Employers | 6.8% | 6.8% |
| | | |
| District's 2014 Employer Contributions | \$ 35,110 | |
| District's 2014 Member Contributions | \$ 32,652 | |
| NECE 2014 On-Behalf Contributions to District | \$ 172,389 | |

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 TRS pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

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

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

SOMERVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2015

5. Actuarial Assumptions

The total pension liability in the August 31, 2014 actuarial evaluation 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% |
| Long-term Expected Rate of Return* | 8% |
| Salary Increases* | 4.25% to 7.25% |
| Weighted-Average at Valuation Date | 5.55% |
| Payroll Growth Rate | 3.5% |

* 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 significant margin for possible future mortality improvements. 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 Practice No. 35.

6. Discount Rate

The discount rate used to measure the total pension liability was 8%. There was no change in the discount rate since the previous fiscal 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.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2015

The long-term expected 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 System's target asset allocation as of August 31, 2014 are summarized below:

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

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

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the net pension liability if the discount rate used was 1 percentage point less and 1 percentage point greater than the discount rate that was used (8%) in measuring the 2014 net pension liability.

| | 1% Decrease 7% | Current Discount Rate 8% | 1% Increase 9% |
|---|-------------------|-----------------------------|-------------------|
| District's proportionate share of the net pension liability | \$ 661,036 | \$ 369,926 | \$ 152,231 |
| Plan net pension liability (in millions from TRS CAFR) | \$ 47,737 | \$ 26,717 | \$ 10,998 |

SOMERVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2015

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

At August 31, 2014, the District reported a liability of \$369,926 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

| | |
|---|---------------------|
| District's proportionate share of the collective net pension liability | \$ 369,926 |
| State's proportionate share of the net pension liability associated with the District | <u>1,820,146</u> |
| Total | <u>\$ 2,190,072</u> |

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

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

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

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

For the year ended August 31, 2014, the District recognized pension expense of \$168,269 and revenue of \$168,269 for support provided by the State.

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

| | Deferred Outflows | Deferred Inflows |
|---|----------------------|---------------------|
| Differences between expected and actual economic experience | \$ 5,721 | \$ -- |
| Changes in actuarial assumptions | 24,046 | -- |
| Difference between projected and actual investment earnings | -- | 113,064 |
| Changes in proportion and differences between the District's contributions and the proportionate share of contributions | -- | 97 |
| District contributions paid to TRS subsequent to the measurement date | <u>58,408</u> | <u>--</u> |
| Total | <u>\$ 88,175</u> | <u>\$ 113,161</u> |

SOMERVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2015

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

| Year Ended August 31 | | |
|-------------------------|----|----------|
| 2016 | \$ | (23,261) |
| 2017 | \$ | (23,261) |
| 2018 | \$ | (23,261) |
| 2019 | \$ | (23,261) |
| 2020 | \$ | 5,005 |
| Thereafter | \$ | 4,645 |

I. Retiree Health Care Plans

1. TRS-Care

a. Plan Description

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

b. Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. The State of Texas contribution rate was 1% for fiscal years 2015 and 2014 and 0.5% for fiscal year 2013. The active public school employee contributions rates were 0.65% of public school payroll, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2015, 2014 and 2013. For the years ended August 31, 2015, 2014, and 2013, the State's contributions to TRS-Care were \$1,852, \$2,480, and \$1,366, respectively; the active member contributions were \$20,173, \$19,665, and \$18,871, respectively; and the District's contributions were \$17,070, \$16,639, and \$15,968, respectively; which equaled the required contributions each year.

2. Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2015, 2014, and 2013, the subsidy payments received by TRS-Care on behalf of the District were \$12,316, \$8,148, and \$7,685, respectively.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2015

J. Employee Health Care Coverage

During the year ended August 31, 2015, employees of the District were covered by a health insurance plan (the "Plan"). The District paid premiums of \$225 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third-party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

The contract between the District and the third-party administrator is renewable September 1, 2015, and terms of coverage and premium costs are included in the contractual provisions.

K. Commitments and Contingencies

1. Contingencies

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

2. Litigation

No reportable litigation was pending against the District at August 31, 2015.

L. Shared Service Arrangements

The District participates in a shared service arrangement (SSA) for resource education with other participating independent school districts. The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Rockdale Independent School District, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

The District participates in an SSA for migrant services under the Title I, Part C grant with other participating independent school districts. The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Education Service Center, Region VI, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

The District participates in an SSA for a regional program for the deaf with other participating independent school districts. The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Bryan Independent School District, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2015

M. Workers' Compensation

Claims Administrative Services

During the year ended August 31, 2015, employees of the District were covered by a Workers' Compensation Plan (the "Plan"). The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

The contract between the District and the third-party administrator, Claims Administrative Services (CAS), acting on behalf of the self-funded pool, is renewable September 1, 2015, and terms, as well as costs of coverage, are included in the contractual provisions.

In accordance with state statutes, the District was protected against unanticipated catastrophic individual or aggregate loss by reinsurance coverage carried through Midwest Employers Casualty, a commercial insurer licensed or eligible to do business in the state of Texas in accordance with Texas Insurance Code. Reinsurance coverage was in effect for individual claims exceeding \$750,000 and for aggregate claims with a statutory limit of \$3,000,000. According to CAS, the unfunded claim benefit obligation of \$7,093 included \$1,491 in estimated claims incurred, but not reported.

The claims liability is based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate of claims in which have been incurred, but not reported based on historical experience. Changes in the claims liability for workers' compensation benefits for the current and prior fiscal year are summarized below:

| | Fiscal Year | |
|---|-----------------|-----------------|
| | 2015 | 2014 |
| Claims liability at beginning of year | \$ 8,323 | \$ 9,329 |
| Current year claims and estimated changes | (116) | 178 |
| Claims payments | (1,114) | (1,184) |
| Claims liability at year end | <u>\$ 7,093</u> | <u>\$ 8,323</u> |

TASB Risk Management Fund

During the year ended August 31, 2015, the District met its statutory workers' compensation obligations through participation in the TASB Risk Management Fund (the "Fund"). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Workers' Compensation Program is authorized by Chapter 504, Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members' injured employees.

The District participates in the Fund's reimbursable aggregate deductible program. As such, the member is responsible for a certain amount of claims liability as outlined on the member's Contribution and Coverage Summary document. After the member's deductible has been met, the Fund is responsible for additional claims liability.

The Fund and its members are protected against higher than expected costs through the purchase of stop loss coverage for any claim in excess of the Fund's self-insured retention of \$1.5 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2014, the Fund carries a discounted reserve of \$56,905,750 for future development on reported claims and claims that have been incurred but not yet reported. For the year ended August 31, 2015, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions and reimbursable aggregate deductibles.

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

SOMERVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2015

N. Unemployment Compensation

During the year ended August 31, 2015, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the "Fund"). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly 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 the Unemployment Compensation Pool. For the year ended August 31, 2015, the Fund anticipates that the District has no additional liability beyond the contractual obligations for payment of contribution.

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

O. Prior Period Adjustment

Beginning net position for the governmental activities was restated to recognize pension liability per GASB 68.

| | Governmental Activities |
|---|----------------------------|
| Beginning net position - as reported | \$ 3,533,808 |
| Change in net pension liability and contributions | (418,892) |
| Beginning net position - as restated | <u>\$ 3,114,916</u> |

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Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2015

EXHIBIT G-1

Page 1 of 2

| Data Control Codes | | 1 | 2 | 3 | Variance with |
|--------------------------|---|------------------|--------------|--------------|--|
| | | Budgeted Amounts | | Actual | Final Budget Positive (Negative) |
| | | Original | Final | | |
| | REVENUES: | | | | |
| 5700 | Local and Intermediate Sources | \$ 2,199,018 | \$ 2,339,018 | \$ 2,345,669 | \$ 6,651 |
| 5800 | State Program Revenues | 2,488,842 | 2,488,842 | 2,348,524 | (140,318) |
| 5900 | Federal Program Revenues | 10,000 | 10,000 | 20,397 | 10,397 |
| 5020 | Total Revenues | 4,697,860 | 4,837,860 | 4,714,590 | (123,270) |
| | EXPENDITURES: | | | | |
| | Current: | | | | |
| | Instruction & Instructional Related Services: | | | | |
| 0011 | Instruction | 2,553,841 | 2,367,618 | 2,367,037 | 581 |
| 0012 | Instructional Resources and Media Services | 42,494 | 31,582 | 31,581 | 1 |
| | Total Instruction & Instr. Related Services | 2,596,335 | 2,399,200 | 2,398,618 | 582 |
| | Instructional and School Leadership: | | | | |
| 0021 | Instructional Leadership | -- | 13,500 | 12,901 | 599 |
| 0023 | School Leadership | 295,285 | 292,285 | 292,285 | -- |
| | Total Instructional & School Leadership | 295,285 | 305,785 | 305,186 | 599 |
| | Support Services - Student (Pupil): | | | | |
| 0031 | Guidance, Counseling and Evaluation Services | 57,701 | 60,415 | 60,414 | 1 |
| 0033 | Health Services | 33,767 | 30,567 | 30,549 | 18 |
| 0034 | Student (Pupil) Transportation | 129,922 | 358,648 | 356,773 | 1,875 |
| 0036 | Cocurricular/Extracurricular Activities | 301,866 | 271,371 | 271,371 | -- |
| | Total Support Services - Student (Pupil) | 523,256 | 721,001 | 719,107 | 1,894 |
| | Administrative Support Services: | | | | |
| 0041 | General Administration | 374,779 | 383,769 | 382,788 | 981 |
| | Total Administrative Support Services | 374,779 | 383,769 | 382,788 | 981 |
| | Support Services - Nonstudent Based: | | | | |
| 0051 | Plant Maintenance and Operations | 554,520 | 768,453 | 767,442 | 1,011 |
| 0052 | Security and Monitoring Services | 5,600 | 3,942 | 3,941 | 1 |
| 0053 | Data Processing Services | 110,765 | 93,210 | 93,210 | -- |
| | Total Support Services - Nonstudent Based | 670,885 | 865,605 | 864,593 | 1,012 |
| | Debt Service: | | | | |
| 0071 | Principal on Long-Term Debt | 56,497 | 43,506 | 43,505 | 1 |
| 0072 | Interest on Long-Term Debt | -- | 12,991 | 12,991 | -- |
| | Total Debt Service | 56,497 | 56,497 | 56,496 | 1 |
| | Capital Outlay: | | | | |
| 0081 | Capital Outlay | 75,000 | 6,067 | 6,067 | -- |
| | Total Capital Outlay | 75,000 | 6,067 | 6,067 | -- |
| | Intergovernmental Charges: | | | | |
| 0093 | Payments to Fiscal Agent/Member Dist.-SSA | 49,147 | 47,003 | 47,003 | -- |
| 0099 | Other Intergovernmental Charges | 71,708 | 72,225 | 72,225 | -- |
| | Total Intergovernmental Charges | 120,855 | 119,228 | 119,228 | -- |
| 6030 | Total Expenditures | 4,712,892 | 4,857,152 | 4,852,083 | 5,069 |
| 1100 | Excess (Deficiency) of Revenues Over (Under) | | | | |
| 1100 | Expenditures | (15,032) | (19,292) | (137,493) | (118,201) |

SOMERVILLE INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2015

EXHIBIT G-1

Page 2 of 2

| Data Control Codes | | 1 | 2 | 3 | Variance with Final Budget |
|--------------------------|--|------------------|--------------|--------------|-------------------------------|
| | | Budgeted Amounts | | Actual | Positive |
| | | Original | Final | | (Negative) |
| | Other Financing Sources (Uses): | | | | |
| 7914 | <i>Issuance of Non-Current Debt</i> | -- | -- | 140,306 | 140,306 |
| 8911 | <i>Transfers Out</i> | (16,000) | (36,000) | (33,794) | 2,206 |
| 7080 | Total Other Financing Sources and (Uses) | (16,000) | (36,000) | 106,512 | 142,512 |
| 1200 | Net Change in Fund Balance | (31,032) | (55,292) | (30,981) | 24,311 |
| 0100 | Fund Balance - Beginning | 1,393,861 | 1,393,861 | 1,393,861 | -- |
| 3000 | Fund Balance - Ending | \$ 1,362,829 | \$ 1,338,569 | \$ 1,362,880 | \$ 24,311 |

Notes to Required Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

SOMERVILLE INDEPENDENT SCHOOL DISTRICT**EXHIBIT G-2**

*SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS (TRS)
For the Year Ended August 31, 2015*

| | Fiscal Year* <u>2015</u> |
|--|-----------------------------|
| District's proportion of the net pension liability (asset) | 0.0013849% |
| District's proportionate share of the net pension liability (asset) | \$ 369,926 |
| State's proportionate share of the net pension liability (asset) associated with the District | 1,820,146 |
| Total | \$ <u>2,190,072</u> |
| District's covered-employee payroll ** | \$ 3,025,331 |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 12.23% |
| Plan fiduciary net position as a percentage of the total pension liability | 83.25% |

* Only one year's worth of information is currently available.

** As of measurement date

Notes to Required Supplementary Information:

Changes in benefit terms

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

Changes in assumptions

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

SOMERVILLE INDEPENDENT SCHOOL DISTRICT**SCHEDULE OF DISTRICT CONTRIBUTIONS****TEACHER RETIREMENT SYSTEM OF TEXAS (TRS)***For the Year Ended August 31, 2015***EXHIBIT G-3**

| | Fiscal Year* | |
|--|--------------|--------------|
| | 2015 | 2014 |
| Contractually required contribution | \$ 58,171 | \$ 35,110 |
| Contributions in relation to the contractually required contribution | 58,171 | 35,110 |
| Contribution deficiency (excess) | <u>\$ --</u> | <u>\$ --</u> |
| District's covered-employee payroll | \$ 3,103,562 | \$ 3,025,331 |
| Contributions as a percentage of covered-employee payroll | 1.87% | 1.16% |

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

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Combining Statements as Supplementary Information

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

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

| Data Control Codes | Special Revenue Funds | Debt Service Fund | Permanent Funds | Total Nonmajor Governmental Funds (See Exhibit C-1) |
|--|-----------------------------|-------------------------|--------------------|---|
| ASSETS: | | | | |
| 1110 <i>Cash and Cash Equivalents</i> | \$ 55,598 | \$ 165,268 | \$ 158,585 | \$ 379,451 |
| 1220 <i>Taxes Receivable, Delinquent</i> | -- | 40,823 | -- | 40,823 |
| 1230 <i>Allowance for Uncollectible Taxes</i> | -- | (16,874) | -- | (16,874) |
| 1240 <i>Due from Other Governments</i> | 19,263 | -- | -- | 19,263 |
| 1000 Total Assets | <u>74,861</u> | <u>189,217</u> | <u>158,585</u> | <u>422,663</u> |
| LIABILITIES: | | | | |
| Current Liabilities: | | | | |
| 2160 <i>Accrued Wages Payable</i> | \$ 4,211 | \$ -- | \$ -- | \$ 4,211 |
| 2170 <i>Due to Other Funds</i> | 19,263 | -- | -- | 19,263 |
| 2000 Total Liabilities | <u>23,474</u> | <u>--</u> | <u>--</u> | <u>23,474</u> |
| DEFERRED INFLOWS OF RESOURCES: | | | | |
| <i>Unavailable Revenue- Property Taxes</i> | | | | |
| | -- | 23,949 | -- | 23,949 |
| 2600 Total Deferred Inflows of Resources | <u>--</u> | <u>23,949</u> | <u>--</u> | <u>23,949</u> |
| FUND BALANCES: | | | | |
| Restricted Fund Balances: | | | | |
| 3450 <i>Federal/State Funds Grant Restrictions</i> | 15,482 | -- | -- | 15,482 |
| 3480 <i>Retirement of Long-Term Debt</i> | -- | 165,268 | -- | 165,268 |
| 3490 <i>Other Restrictions of Fund Balance</i> | 35,905 | -- | 158,585 | 194,490 |
| 3000 Total Fund Balances | <u>51,387</u> | <u>165,268</u> | <u>158,585</u> | <u>375,240</u> |
| 4000 Total Liabilities, Deferred Inflows of Resources and Fund Balances | <u>\$ 74,861</u> | <u>\$ 189,217</u> | <u>\$ 158,585</u> | <u>\$ 422,663</u> |

SOMERVILLE 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 | Special Revenue Funds | Debt Service Fund | Permanent Funds | Total Nonmajor Governmental Funds (See Exhibit C-2) |
|--|-----------------------------|-------------------------|--------------------|---|
| REVENUES: | | | | |
| 5700 <i>Local and Intermediate Sources</i> | \$ 104,638 | \$ 208,923 | \$ 13,102 | \$ 326,663 |
| 5800 <i>State Program Revenues</i> | 17,424 | -- | -- | 17,424 |
| 5900 <i>Federal Program Revenues</i> | 464,674 | -- | -- | 464,674 |
| 5020 Total Revenues | <u>586,736</u> | <u>208,923</u> | <u>13,102</u> | <u>808,761</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| 0011 <i>Instruction</i> | 195,590 | -- | -- | 195,590 |
| 0013 <i>Curriculum and Staff Development</i> | 22,511 | -- | -- | 22,511 |
| 0023 <i>School Leadership</i> | 3,827 | -- | -- | 3,827 |
| 0034 <i>Student Transportation</i> | 1,130 | -- | -- | 1,130 |
| 0035 <i>Food Service</i> | 345,929 | -- | -- | 345,929 |
| 0036 <i>Cocurricular/Extracurricular Activities</i> | 40,542 | -- | 3,802 | 44,344 |
| 0041 <i>General Administration</i> | 657 | -- | -- | 657 |
| 0071 <i>Principal on Long-term Debt</i> | -- | 125,000 | -- | 125,000 |
| 0072 <i>Interest on Long-term Debt</i> | -- | 66,800 | -- | 66,800 |
| 0073 <i>Bond Issuance Costs and Fees</i> | -- | 500 | -- | 500 |
| 6030 Total Expenditures | <u>610,186</u> | <u>192,300</u> | <u>3,802</u> | <u>806,288</u> |
| 1100 Excess (Deficiency) of Revenues Over (Under) | | | | |
| 1100 Expenditures | <u>(23,450)</u> | <u>16,623</u> | <u>9,300</u> | <u>2,473</u> |
| Other Financing Sources and (Uses): | | | | |
| 7915 <i>Transfers In</i> | 33,794 | -- | -- | 33,794 |
| 7080 Total Other Financing Sources and (Uses) | <u>33,794</u> | <u>--</u> | <u>--</u> | <u>33,794</u> |
| 1200 Net Change in Fund Balances | <u>10,344</u> | <u>16,623</u> | <u>9,300</u> | <u>36,267</u> |
| 0100 Fund Balances - Beginning | <u>41,043</u> | <u>148,645</u> | <u>149,285</u> | <u>338,973</u> |
| 3000 Fund Balances - Ending | <u>\$ 51,387</u> | <u>\$ 165,268</u> | <u>\$ 158,585</u> | <u>\$ 375,240</u> |

SOMERVILLE INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2015

| Data Control Codes | 211 ESEA Title I Improving Basic Programs | 212 ESEA Title I, Part C Migrant Children | 240 National School Breakfast/Lunch Program |
|--|--|--|--|
| ASSETS: | | | |
| 1110 <i>Cash and Cash Equivalents</i> | \$ -- | \$ -- | \$ 19,693 |
| 1240 <i>Due from Other Governments</i> | 17,160 | -- | -- |
| 1000 <i>Total Assets</i> | <u>17,160</u> | <u>--</u> | <u>19,693</u> |
| LIABILITIES: | | | |
| Current Liabilities: | | | |
| 2160 <i>Accrued Wages Payable</i> | \$ -- | \$ -- | \$ 4,211 |
| 2170 <i>Due to Other Funds</i> | 17,160 | -- | -- |
| 2000 <i>Total Liabilities</i> | <u>17,160</u> | <u>--</u> | <u>4,211</u> |
| FUND BALANCES: | | | |
| Restricted Fund Balances: | | | |
| 3450 <i>Federal/State Funds Grant Restrictions</i> | -- | -- | 15,482 |
| 3490 <i>Other Restrictions of Fund Balance</i> | -- | -- | -- |
| 3000 <i>Total Fund Balances</i> | <u>--</u> | <u>--</u> | <u>15,482</u> |
| 4000 <i>Total Liabilities and Fund Balances</i> | <u>\$ 17,160</u> | <u>\$ --</u> | <u>\$ 19,693</u> |

| 242 Summer Feeding Program | 255 ESEA Title II Training & Recruiting | 410 State Textbook Fund | 461 Campus Activity Funds | Total Nonmajor Special Revenue Funds (See Exhibit H-1) |
|-------------------------------------|--|----------------------------------|------------------------------------|---|
| \$ -- | \$ -- | \$ -- | \$ 35,905 | \$ 55,598 |
| -- | 2,103 | -- | -- | 19,263 |
| -- | 2,103 | -- | 35,905 | 74,861 |
| <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| \$ -- | \$ -- | \$ -- | \$ -- | \$ 4,211 |
| -- | 2,103 | -- | -- | 19,263 |
| -- | 2,103 | -- | -- | 23,474 |
| <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| -- | -- | -- | -- | 15,482 |
| -- | -- | -- | 35,905 | 35,905 |
| -- | -- | -- | 35,905 | 51,387 |
| <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| \$ -- | \$ 2,103 | \$ -- | \$ 35,905 | \$ 74,861 |

SOMERVILLE INDEPENDENT SCHOOL DISTRICT

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

| Data Control Codes | 211 ESEA Title I Improving Basic Programs | 212 ESEA Title I, Part C Migrant Children | 240 National School Breakfast/Lunch Program |
|--|--|--|--|
| REVENUES: | | | |
| 5700 <i>Local and Intermediate Sources</i> | \$ -- | \$ -- | \$ 54,088 |
| 5800 <i>State Program Revenues</i> | -- | -- | 9,987 |
| 5900 <i>Federal Program Revenues</i> | 176,289 | 5,461 | 244,134 |
| 5020 Total Revenues | <u>176,289</u> | <u>5,461</u> | <u>308,209</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| 0011 <i>Instruction</i> | 175,159 | 5,461 | -- |
| 0013 <i>Curriculum and Staff Development</i> | -- | -- | -- |
| 0023 <i>School Leadership</i> | -- | -- | -- |
| 0034 <i>Student Transportation</i> | 1,130 | -- | -- |
| 0035 <i>Food Service</i> | -- | -- | 341,010 |
| 0036 <i>Cocurricular/Extracurricular Activities</i> | -- | -- | -- |
| 0041 <i>General Administration</i> | -- | -- | -- |
| 6030 Total Expenditures | <u>176,289</u> | <u>5,461</u> | <u>341,010</u> |
| 1100 Excess (Deficiency) of Revenues Over (Under) | | | |
| 1100 Expenditures | <u>--</u> | <u>--</u> | <u>(32,801)</u> |
| Other Financing Sources and (Uses): | | | |
| 7915 <i>Transfers In</i> | -- | -- | 33,794 |
| 7080 Total Other Financing Sources and (Uses) | <u>--</u> | <u>--</u> | <u>33,794</u> |
| 1200 Net Change in Fund Balances | <u>--</u> | <u>--</u> | <u>993</u> |
| 0100 Fund Balances - Beginning | <u>--</u> | <u>--</u> | <u>14,489</u> |
| 3000 Fund Balances - Ending | <u>\$ --</u> | <u>\$ --</u> | <u>\$ 15,482</u> |

EXHIBIT H-4

| 242 Summer Feeding Program | 255 ESEA Title II Training & Recruiting | 410 State Textbook Fund | 461 Campus Activity Funds | Total Nonmajor Special Revenue Funds (See Exhibit H-2) |
|-------------------------------------|--|----------------------------------|------------------------------------|---|
| \$ -- | \$ -- | \$ -- | \$ 50,550 | \$ 104,638 |
| 93 | -- | 7,344 | -- | 17,424 |
| 4,826 | 33,964 | -- | -- | 464,674 |
| <u>4,919</u> | <u>33,964</u> | <u>7,344</u> | <u>50,550</u> | <u>586,736</u> |
| -- | 7,626 | 7,344 | -- | 195,590 |
| -- | 22,511 | -- | -- | 22,511 |
| -- | 3,827 | -- | -- | 3,827 |
| -- | -- | -- | -- | 1,130 |
| 4,919 | -- | -- | -- | 345,929 |
| -- | -- | -- | 40,542 | 40,542 |
| -- | -- | -- | 657 | 657 |
| <u>4,919</u> | <u>33,964</u> | <u>7,344</u> | <u>41,199</u> | <u>610,186</u> |
| -- | -- | -- | 9,351 | (23,450) |
| -- | -- | -- | -- | 33,794 |
| -- | -- | -- | -- | 33,794 |
| -- | -- | -- | 9,351 | 10,344 |
| -- | -- | -- | 26,554 | 41,043 |
| <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ 35,905</u> | <u>\$ 51,387</u> |

SOMERVILLE INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR PERMANENT FUNDS

AUGUST 31, 2015

| Data Control Codes | | 477 Trust Scholarship Fund | 478 Senior Scholarships | 806 Junior High Benevolence | Total Nonmajor Permanent Funds (See Exhibit H-1) |
|---------------------------|---|-------------------------------------|-------------------------------|--------------------------------------|--|
| ASSETS: | | | | | |
| 1110 | <i>Cash and Cash Equivalents</i> | \$ 157,654 | \$ 521 | \$ 410 | \$ 158,585 |
| 1000 | Total Assets | <u>157,654</u> | <u>521</u> | <u>410</u> | <u>158,585</u> |
| LIABILITIES: | | | | | |
| 2000 | Total Liabilities | <u>--</u> | <u>--</u> | <u>--</u> | <u>--</u> |
| FUND BALANCES: | | | | | |
| Restricted Fund Balances: | | | | | |
| 3490 | <i>Other Restrictions of Fund Balance</i> | \$ 157,654 | \$ 521 | \$ 410 | \$ 158,585 |
| 3000 | Total Fund Balances | <u>157,654</u> | <u>521</u> | <u>410</u> | <u>158,585</u> |
| 4000 | Total Liabilities and Fund Balances | <u>\$ 157,654</u> | <u>\$ 521</u> | <u>\$ 410</u> | <u>\$ 158,585</u> |

SOMERVILLE INDEPENDENT SCHOOL DISTRICT

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

| Data Control Codes | | 477 Trust Scholarship Fund | 478 Senior Scholarships | 806 Junior High Benevolence | Total Nonmajor Permanent Funds (See Exhibit H-2) |
|--------------------------|--|-------------------------------------|-------------------------------|--------------------------------------|--|
| REVENUES: | | | | | |
| 5700 | Local and Intermediate Sources | \$ 13,102 | \$ -- | \$ -- | \$ 13,102 |
| 5020 | Total Revenues | <u>13,102</u> | <u>--</u> | <u>--</u> | <u>13,102</u> |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| 0036 | Cocurricular/Extracurricular Activities | 3,542 | 260 | -- | 3,802 |
| 6030 | Total Expenditures | <u>3,542</u> | <u>260</u> | <u>--</u> | <u>3,802</u> |
| 1100 | Excess (Deficiency) of Revenues Over (Under) | | | | |
| 1100 | Expenditures | 9,560 | (260) | -- | 9,300 |
| 1200 | Net Change in Fund Balances | <u>9,560</u> | <u>(260)</u> | <u>--</u> | <u>9,300</u> |
| 0100 | Fund Balances - Beginning | 148,094 | 781 | 410 | 149,285 |
| 3000 | Fund Balances - Ending | <u>\$ 157,654</u> | <u>\$ 521</u> | <u>\$ 410</u> | <u>\$ 158,585</u> |

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Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT

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

| Year 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 | \$ 1.36 | \$.0945 | | \$ 172,043,354 | |
| 2008 | \$ 1.04 | \$.1139 | | \$ 184,213,174 | |
| 2009 | \$ 1.04 | \$.1039 | | \$ 195,175,807 | |
| 2010 | \$ 1.04 | \$.1065 | | \$ 194,255,037 | |
| 2011 | \$ 1.04 | \$.1023 | | \$ 209,132,975 | |
| 2012 | \$ 1.04 | \$.1005 | | \$ 202,477,298 | |
| 2013 | \$ 1.04 | \$.0997 | | \$ 202,162,606 | |
| 2014 | \$ 1.04 | \$.0997 | | \$ 204,909,582 | |
| 2015 (School Year Under Audit) | \$ 1.04 | \$.0944 | | \$ 216,610,950 | |

1000 Totals

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

| 10 Beginning Balance 9/1/14 | 20 Current Year's Total Levy | 31 Maintenance Collections | 32 Debt Service Collections | 40 Entire Year's Adjustments | 50 Ending Balance 8/31/15 |
|--------------------------------------|---------------------------------------|----------------------------------|-----------------------------------|---------------------------------------|------------------------------------|
| \$ 157,964 | \$ -- | \$ 2,311 | \$ 215 | \$ 238 | \$ 155,676 |
| 16,717 | -- | 704 | 49 | (382) | 15,583 |
| 18,071 | -- | 1,544 | 169 | (79) | 16,278 |
| 18,211 | -- | 1,790 | 179 | (126) | 16,116 |
| 20,518 | -- | 2,318 | 237 | (153) | 17,809 |
| 25,852 | -- | 4,415 | 434 | (497) | 20,506 |
| 35,151 | -- | 6,726 | 650 | (587) | 27,188 |
| 57,317 | -- | 15,424 | 1,479 | (434) | 39,980 |
| 110,740 | -- | 42,503 | 4,076 | (2,275) | 61,886 |
| -- | 2,457,191 | 2,156,712 | 195,722 | -- | 104,758 |
| <u>\$ 460,542</u> | <u>\$ 2,457,191</u> | <u>\$ 2,234,448</u> | <u>\$ 203,209</u> | <u>\$ (4,295)</u> | <u>\$ 475,781</u> |
| \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- |

SOMERVILLE INDEPENDENT SCHOOL DISTRICT

NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2015

EXHIBIT J-2

| Data Control Codes | 1 | 2 | 3 |
|---|------------------|------------------|------------------------------------|
| | Budget | Actual | Variance Positive (Negative) |
| REVENUES: | | | |
| 5700 <i>Local and Intermediate Sources</i> | \$ 63,068 | \$ 54,088 | \$ (8,980) |
| 5800 <i>State Program Revenues</i> | 11,000 | 9,987 | (1,013) |
| 5900 <i>Federal Program Revenues</i> | 273,000 | 244,134 | (28,866) |
| 5020 Total Revenues | <u>347,068</u> | <u>308,209</u> | <u>(38,859)</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| Support Services - Student (Pupil): | | | |
| 0035 <i>Food Services</i> | 363,068 | 341,010 | 22,058 |
| Total Support Services - Student (Pupil) | <u>363,068</u> | <u>341,010</u> | <u>22,058</u> |
| 6030 Total Expenditures | <u>363,068</u> | <u>341,010</u> | <u>22,058</u> |
| 1100 Excess (Deficiency) of Revenues Over (Under) | | | |
| 1100 Expenditures | <u>(16,000)</u> | <u>(32,801)</u> | <u>(16,801)</u> |
| Other Financing Sources (Uses): | | | |
| 7915 <i>Transfers In</i> | 36,000 | 33,794 | (2,206) |
| 7080 Total Other Financing Sources and (Uses) | <u>36,000</u> | <u>33,794</u> | <u>(2,206)</u> |
| 1200 Net Change in Fund Balance | 20,000 | 993 | (19,007) |
| 0100 Fund Balance - Beginning | 14,489 | 14,489 | -- |
| 3000 Fund Balance - Ending | <u>\$ 34,489</u> | <u>\$ 15,482</u> | <u>\$ (19,007)</u> |

Notes to Other Supplementary Information:

1.) Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

SOMERVILLE INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-3

DEBT SERVICE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2015

| Data Control Codes | | 1 | 2 | 3 Variance Positive (Negative) |
|--------------------------|--|------------|------------|---|
| | | Budget | Actual | |
| REVENUES: | | | | |
| 5700 | Local and Intermediate Sources | \$ 202,107 | \$ 208,923 | \$ 6,816 |
| 5020 | Total Revenues | 202,107 | 208,923 | 6,816 |
| EXPENDITURES: | | | | |
| Debt Service: | | | | |
| 0071 | Principal on Long-Term Debt | 125,000 | 125,000 | -- |
| 0072 | Interest on Long-Term Debt | 66,800 | 66,800 | -- |
| 0073 | Bond Issuance Costs and Fees | 500 | 500 | -- |
| | Total Debt Service | 192,300 | 192,300 | -- |
| 6030 | Total Expenditures | 192,300 | 192,300 | -- |
| 1100 | Excess (Deficiency) of Revenues Over (Under) | | | |
| 1100 | Expenditures | 9,807 | 16,623 | 6,816 |
| 1200 | Net Change in Fund Balance | 9,807 | 16,623 | 6,816 |
| 0100 | Fund Balance - Beginning | 148,645 | 148,645 | -- |
| 3000 | Fund Balance - Ending | \$ 158,452 | \$ 165,268 | \$ 6,816 |

Notes to Other Supplementary Information:

1) Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

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Independent Auditors' Report on Internal Control over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed In Accordance With *Government Auditing Standards*

To the Board of Trustees of the
Somerville 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, each major fund, and the aggregate remaining fund information of Somerville Independent School District, as of and for the year ended August 31, 2015, and the related notes to the financial statements, which collectively comprise Somerville Independent School District's basic financial statements, and have issued our report thereon dated January 20, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Somerville 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 Somerville Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Somerville 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 weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Somerville Independent School District
Independent Auditors' Report on Internal Control over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed In Accordance With Government Auditing Standards
Page 2 of 2

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.

Respectfully submitted,

BELT HARRIS PECHACEK, LLP

Belt Harris Pechacek, LLP
Certified Public Accountants
Bellville, Texas
January 20, 2016

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

A. Summary of Auditors' Results

1. Financial Statements

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

One or more material weaknesses identified?

____ Yes X No

One or more significant deficiencies identified that
are not considered to be material weaknesses?

____ Yes X None Reported

Noncompliance material to financial
statements noted?

____ Yes X No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

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

| <u>Finding/Recommendation</u> | <u>Current Status</u> | <u>Management's Explanation If Not Implemented</u> |
|-------------------------------|-----------------------|--|
| <i>NONE NOTED</i> | | |

SOMERVILLE INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2015*

| <u>Data Control Codes</u> | | <u>Responses</u> |
|-----------------------------------|--|------------------|
| SF2 | Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end? | No |
| SF4 | Was there an unmodified opinion in the Annual Financial Report? | Yes |
| SF5 | Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds? | No |
| SF6 | Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts and laws related to local, state or federal funds? | No |
| SF7 | Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other governmental agencies? | Yes |
| SF8 | Did the school district <u>not</u> receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship? | Yes |
| SF10 | What was the total accumulated accretion on capital appreciation bonds (CABs) included in government-wide financial statements at fiscal year-end? | \$ -- |
| SF11 | Net Pension Assets (object 1920) at fiscal year-end. | \$ -- |
| SF12 | Net Pension Liabilities (object 2540) at fiscal year-end. | \$ 369,926 |
| SF13 | Pension Expense (object 6147) at fiscal year-end. | \$ 144,290 |

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