

**CEDAR HILL INDEPENDENT SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2015**

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CERTIFICATE OF THE BOARD

Cedar Hill Independent School District

Dallas

057-904

Name of School District

County

County-District No.

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and 6 approved 0 disapproved for the year ended June 30, 2015 at a meeting of the Board of Trustees of such school district on the 7 day of December, 2015.



Signature of Board President



Signature of Board Secretary

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

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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Cedar Hill Independent School District  
Cedar Hill, Texas

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Cedar Hill Independent School District (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

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

### **Opinions**

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

### **Change in Accounting Principles**

As discussed in Note 15 to the financial statements, in 2015 the District adopted new accounting guidance, GASB Statement No. 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date". Our opinion is not modified with respect to this matter.

### **Emphasis of Matters**

As discussed in Note 16 to the financial statements, beginning net position of the governmental activities and beginning fund balance of the general fund have been restated to correct an error in accounting for amounts due from the State relative to the School Foundation program. 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, and TRS pension schedules on pages 5–10, 47 and 48, and 49 and 50, respectively, 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.

Cedar Hill Independent School District  
November 18, 2015

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#### Other Information

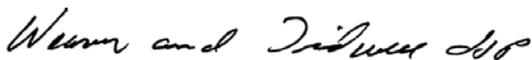
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual fund statements and schedules and the required Texas Education Agency schedules are presented for purposes of additional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

The combining and individual fund statements and schedules, the required Texas Education Agency schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2015 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



WEAVER AND TIDWELL, L.L.P.

Dallas, Texas  
November 18, 2015

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## Management's Discussion and Analysis (Unaudited)

As management of the District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which follow this section.

### Financial Highlights

- The liabilities of the District exceeded its assets at the close of the most recent period by \$39,463,969. Of this amount, a deficit of \$11,482,564 is reported as unrestricted net position. Overall, net position increased by \$7,464,306 during the fiscal year ended June 30, 2015, exclusive of the change in accounting for pension obligations.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$27,955,382. Approximately 41 percent of this total amount, \$11,433,904, is *available for spending* at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$11,437,049 or 21 percent of the total general fund expenditures.
- The District's net bonded debt decreased by \$2,534,845 (2%) during the current fiscal year.

### Overview of the Financial Statements

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

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

The *statement of net position* presents information on all of the District's assets, liabilities, deferred outflows and deferred inflows, with the difference between the sum of the assets and deferred outflows and the sum of the liabilities and deferred inflows reported as *Net Position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information for all of the current year's revenues and expenses regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Both of the District's government-wide financial statements distinguish the functions of the District as being principally supported by taxes and intergovernmental revenues (*governmental activities*) as opposed to *business-type activities* that are intended to recover all or a significant portion of their costs through user fees and charges. The District has no component units for which it is financially accountable. The government-wide financial statements can be found on pages 11-13 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. The fund financial statements provide more detailed information about the District's most significant funds-not the District as a whole.

- Some funds are required by State law and/or bond covenants.
- Other funds may be established by the Board to control and manage money for particular purposes or to show that it is properly using certain taxes or grants.

All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- **Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. The District adopts an annual appropriated budget for its general fund, debt service fund and child nutrition fund. Budgetary comparison schedules have been presented to demonstrate compliance with these budgets. The basic governmental fund financial statements can be found on pages 14-19 of this report.

- **Proprietary funds.** *Proprietary funds* provide the same type of information as the government wide financial statements, only in more detail. The District maintains one proprietary fund type: enterprise funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The District has *business-type activities* or *enterprise funds* that operate similar to a private business. The District uses the enterprise fund to account for its extended day program activities. The basic proprietary fund financial statements can be found on pages 20-22 of this report.

- **Fiduciary funds.** *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The District is the trustee, or *fiduciary*, for these funds and is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The District's fiduciary fund statements can be found on pages 23-24.

- **Notes to the basic financial statements.** The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25-46 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that further explains and supports the information in the financial statements. Required supplementary information can be found on page 47-50 of this report. The District also presents additional supplementary information in the form of combining and individual fund statements and schedules beginning on page 51 of this report.

### **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The sum of the District's liabilities and deferred inflows exceeded the sum of its assets and deferred outflows by \$39,463,969 at June 30, 2015. Although the District reports a deficit, the deficit is primarily due to the previous issuance of debt, a portion of which is financed by capital appreciation bonds (CAB). The CAB's accreted interest is reported as incurred in the governmental activities, however, the taxes are not levied in the debt service fund until the payments are due, which creates a timing difference.

**Cedar Hill Independent School District's Net Position**

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Assets:						
Current assets	\$ 36,141,091	\$ 41,965,372	\$ 143,034	\$ 69,610	\$ 36,284,125	\$ 42,034,982
Capital assets, net of accumulated depreciation	133,451,655	128,591,995	-	-	133,451,655	128,591,995
Total assets	<u>169,592,746</u>	<u>170,557,367</u>	<u>143,034</u>	<u>69,610</u>	<u>169,735,780</u>	<u>170,626,977</u>
Deferred outflows of resources	<u>1,550,363</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,550,363</u>	<u>-</u>
Liabilities						
Current liabilities	9,008,266	11,596,350	4,267	8,228	9,012,533	11,604,578
Long-term liabilities	<u>198,213,673</u>	<u>195,462,649</u>	<u>2,395</u>	<u>-</u>	<u>198,216,068</u>	<u>195,462,649</u>
Total liabilities	<u>207,221,939</u>	<u>207,058,999</u>	<u>6,662</u>	<u>8,228</u>	<u>207,228,601</u>	<u>207,067,227</u>
Deferred inflows of resources	<u>3,521,511</u>	<u>1,065,719</u>	<u>-</u>	<u>-</u>	<u>3,521,511</u>	<u>1,065,719</u>
Net position (deficit):						
Net investment in capital assets	(36,393,498)	(33,984,982)	-	-	(36,393,498)	(33,984,982)
Restricted	8,412,093	8,771,381	-	-	8,412,093	8,771,381
Unrestricted	<u>(11,618,936)</u>	<u>(12,353,750)</u>	<u>136,372</u>	<u>61,382</u>	<u>(11,482,564)</u>	<u>(12,292,368)</u>
Total net position (deficit)	<u>\$ (39,600,341)</u>	<u>\$ (37,567,351)</u>	<u>\$ 136,372</u>	<u>\$ 61,382</u>	<u>\$ (39,463,969)</u>	<u>\$ (37,505,969)</u>

Net investment in capital assets of (\$36.4) million reflects the District's investment of \$133 million in capital assets (e.g. land, buildings and improvements, furniture and equipment, and construction in progress), less any outstanding related debt used to acquire those assets. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's net position, \$8,412,093 represents resources that are subject to external restrictions on how they may be used. The remaining balance, an \$11,482,564 deficit, is reported as unrestricted net position. This deficit is not an indication that the District does not have sufficient resources available to meet financial obligations next year, but rather the result of having long-term liabilities that are greater than current resources.

**Changes in the Cedar Hill Independent School District's Net Position**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Program revenues:						
Charges for services	\$ 1,048,577	\$ 1,033,578	\$ 372,076	\$ 311,985	\$ 1,420,653	\$ 1,345,563
Operating grants and contributions	9,179,761	9,343,860	-	-	9,179,761	9,343,860
General revenues:						
Property taxes	40,464,059	38,237,272	-	-	40,464,059	38,237,272
State grants	29,368,425	27,235,330	-	-	29,368,425	27,235,330
Other	1,593,769	1,451,473	-	-	1,593,769	1,451,473
<b>Total revenues</b>	<b>\$ 81,654,591</b>	<b>\$ 77,301,513</b>	<b>\$ 372,076</b>	<b>\$ 311,985</b>	<b>\$ 82,026,667</b>	<b>\$ 77,613,498</b>
Expenses:						
Instruction	\$ 36,803,975	\$ 37,081,334	\$ -	\$ -	\$ 36,803,975	\$ 37,081,334
Instructional resources and media services	767,117	799,833	-	-	767,117	799,833
Curriculum and staff development	765,241	1,069,365	-	-	765,241	1,069,365
Instructional leadership	498,291	552,335	-	-	498,291	552,335
School leadership	3,952,875	3,870,189	-	-	3,952,875	3,870,189
Guidance, counseling and evaluation services	2,207,683	2,492,099	-	-	2,207,683	2,492,099
Social work services	-	36,692	-	-	-	36,692
Health services	673,346	666,630	-	-	673,346	666,630
Student (pupil) transportation	1,491,620	1,536,129	-	-	1,491,620	1,536,129
Food services	4,808,624	4,605,355	-	-	4,808,624	4,605,355
Extracurricular activities	2,570,963	2,148,575	-	-	2,570,963	2,148,575
General administration	2,484,386	2,497,810	-	-	2,484,386	2,497,810
Facilities maintenance and operations	7,043,740	7,684,861	-	-	7,043,740	7,684,861
Security and monitoring services	1,204,816	1,191,225	-	-	1,204,816	1,191,225
Data processing services	1,177,453	1,084,901	-	-	1,177,453	1,084,901
Community services	144,639	203,521	-	-	144,639	203,521
Debt service - Interest on long-term debt	7,074,203	6,929,489	-	-	7,074,203	6,929,489
Debt service - Bond issuance cost and fees	259,590	2,603	-	-	259,590	2,603
Payments related to shared service arrangements	69,461	59,538	-	-	69,461	59,538
Payments to Juvenile Justice Alt. Educ. Prg.	27,396	39,672	-	-	27,396	39,672
Payments to tac increment fund	86,666	84,612	-	-	86,666	84,612
Other intergovernmental charges	153,190	146,344	-	-	153,190	146,344
Enterprise funds - locally defined	-	-	297,086	295,113	297,086	295,113
<b>Total expenses</b>	<b>74,265,275</b>	<b>74,783,112</b>	<b>297,086</b>	<b>295,113</b>	<b>74,562,361</b>	<b>75,078,225</b>
Change in net position	7,389,316	2,518,401	74,990	16,872	7,464,306	2,535,273
Net position - beginning (July 1), as restated	(37,567,351)	(40,085,752)	61,382	44,510	(37,505,969)	(40,041,242)
Cumulative effect of change in accounting principle	(9,422,306)	-	-	-	(9,422,306)	-
<b>Net position - ending (June 30)</b>	<b>\$ (39,600,341)</b>	<b>\$ (37,567,351)</b>	<b>\$ 136,372</b>	<b>\$ 61,382</b>	<b>\$ (39,463,969)</b>	<b>\$ (37,505,969)</b>

**Financial Analysis of the District's Funds**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, bond covenants, and segregation for particular purposes.

**Governmental funds.** The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of the District's net resources available for spending at the end of a fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$27,955,382, a decrease of \$3,042,877. Approximately 41 percent of this total amount, \$11,433,904, constitutes *unassigned fund balance*. The remainder of fund balance is *non-spendable, restricted, committed, or assigned* to indicate that it is not available for new spending.

The general fund is the primary operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$11,437,049, out of a total fund balance of \$13,414,838. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to the total fund expenditures. Unassigned fund balance represents 21 percent of the total general fund expenditures. Total fund balance represents 24 percent of the total general fund expenditures.

The fund balance of the District's general fund increased by \$5,746,903 during the current fiscal year, primarily the result of increased property tax revenues, exclusive of the reduction of \$3,721,995 to correct beginning fund balance.

The District reported a debt service fund balance of \$9,624,473 as of June 30, 2015, an increase of \$448,134. The increase is due to an effort to maintain a sufficient balance to pay the August 15 debt payments before property tax is collected in December.

The District reported a capital projects fund balance of \$4,199,482 as of June 30, 2015, a decrease of \$8,584,513. The decrease is due primarily to the planned spend down of bond proceeds issued in prior years.

### General Fund Budgetary Highlights

Actual revenues were above budgetary estimates by \$529,823, primarily due to increases in state revenue.

### Capital Asset and Debt Administration

**Capital assets.** The District's investment in capital assets for its governmental activities as of June 30, 2015, amounts to \$133,451,655 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and furniture and equipment.

Current year capital assets additions include Bond Renovations at Plummer Elementary, Cedar Hill Ninth Grade Center, Performing Arts Center and Cedar Hill High School. Other building and improvements include carpet, playground, exterior lighting, sprinkler system, bleacher seats and elevator repair at various campuses. Furniture and Equipment were added as needed for grounds equipment, security vehicles, Food Service equipment, classroom computers and furniture.

### Cedar Hill Independent School District's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 8,113,983	\$ 8,113,983	\$ -	\$ -	\$ 8,113,983	\$ 8,113,983
Buildings and improvements	162,860,467	136,768,635	-	-	162,860,467	136,768,635
Furniture and Equipment	10,586,582	9,112,090	-	-	10,586,582	9,112,090
Construction in progress	233,804	18,514,215	-	-	233,804	18,514,215
<b>Totals at historical cost</b>	<u>181,794,836</u>	<u>172,508,923</u>	<u>-</u>	<u>-</u>	<u>181,794,836</u>	<u>172,508,923</u>
Less accumulated depreciation	(48,343,181)	(43,916,928)	-	-	(48,343,181)	(43,916,928)
<b>Net capital assets</b>	<u>\$ 133,451,655</u>	<u>\$ 128,591,995</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 133,451,655</u>	<u>\$ 128,591,995</u>

Additional information on the District's capital assets can be found in Note 6. on page 35 of this report.

**Long-term debt.** As of June 30, 2015, the District had total general obligation bonded debt outstanding of \$164,715,479 a decrease of \$2,534,845 over the prior year. Accretion on capital appreciation bonds was \$2,972,997 for fiscal year 2015, resulting in an ending balance of \$16,979,921. Unamortized bond premium was \$8,316,570 at June 30, 2015. The District's net pension liability was \$8,201,703 at June 30, 2015, a decrease of \$1,869,267 over the prior year.

The District maintains an underlying bond rating of "AA-" from Standard and Poor's Rating Services and has also received an underlying bond rating of "AA-" from Fitch Ratings on the District's outstanding debt. Additionally, the District has received a AAA financial bond rating from Standard & Poor's and Fitch Ratings. Key drivers for the District's rating are: (1) stable financial operations, (2) strong economy of the Dallas-Fort Worth metro area and (3) local and regional home price indicators.

Additional information on the District's long-term debt can be found in Note 7. on pages 36-37 of this report.

### **Economic Factors and Next Year's Budgets and Rates**

In the spring of 2006 the state legislation allowed the District to lower its Maintenance and Operations (M&O) tax rate by \$0.33, which reflected a tax rate of \$1.04. The Maintenance and Operations (M&O) tax rate for 2015-2016 is \$1.04 and the Interest and Sinking (I&S) rate in the 2015-2016 school year is \$0.485. Additional debt funding will be provided by an annual Qualified School Construction Bond subsidy through 2035.

The 2015 Certified Taxable Value for Cedar Hill Independent School District is \$2,785,174,262 which reflects a 3% increase over prior year values. The increase in taxable value may result in a slight decrease in state funding for the 2015-2016 school year due to the inverse relationship between state aid and taxes.

The District has seen an increase in enrollment from the prior year. Administration presented an estimate of Refined ADA of 7426 for the 2015-2016 budget year. The average daily attendance will be monitored after every marking period and evaluated for future planning.

### **Requests for Information**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances as well as demonstrate accountability for funds the District receives.

Questions concerning any of the information provided in this report or requests for additional information should be addressed to the District's Financial Services Office:

Cedar Hill Independent School District  
Business Services Office  
285 Uptown Blvd. PO Box 248  
Cedar Hill, TX 75104

## **BASIC FINANCIAL STATEMENTS**

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**CEDAR HILL INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2015**

Data Control Codes	1	2	3
	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
1110 Cash and cash equivalents	\$ 33,036,682	\$ 143,034	\$ 33,179,716
1220 Property taxes receivables (delinquent)	1,502,892	-	1,502,892
1230 Allowance for uncollectible taxes (credit)	(165,774)	-	(165,774)
1240 Due from other governments	1,525,310	-	1,525,310
1290 Other receivables, net	116,183	-	116,183
1410 Deferred expenses	125,798	-	125,798
Capital assets:			
1510 Land	8,113,983	-	8,113,983
1520 Buildings, net	120,055,512	-	120,055,512
1530 Furniture and equipment, net	5,048,356	-	5,048,356
1580 Construction in progress	233,804	-	233,804
<b>1000 Total assets</b>	<b>169,592,746</b>	<b>143,034</b>	<b>169,735,780</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
1705 Deferred outflows of resources -pensions	1,550,363	-	1,550,363
<b>1700 Total deferred outflows of resources</b>	<b>1,550,363</b>	<b>-</b>	<b>1,550,363</b>
<b>LIABILITIES</b>			
2110 Accounts payable	1,337,311	-	1,337,311
2140 Interest payable	2,000,903	-	2,000,903
2150 Payroll deductions and withholdings	557,787	263	558,050
2160 Accrued wages payable	5,077,399	4,004	5,081,403
2180 Due to other governments	34,866	-	34,866
2300 Unearned revenue	-	2,395	2,395
Noncurrent liabilities:			
2501 Due within one year	3,986,597	-	3,986,597
2502 Due in more than one year	186,025,373	-	186,025,373
2540 Net pension liability	8,201,703	-	8,201,703
<b>2000 Total liabilities</b>	<b>207,221,939</b>	<b>6,662</b>	<b>207,228,601</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
2602 Deferred gain on refunding	1,012,586	-	1,012,586
2605 Deferred inflows of resources - pensions	2,508,925	-	2,508,925
<b>2600 Total deferred inflows of resources</b>	<b>3,521,511</b>	<b>-</b>	<b>3,521,511</b>
<b>NET POSITION (DEFICIT)</b>			
3200 Net investment in capital assets	(36,393,498)	-	(36,393,498)
Restricted for:			
3820 Restricted for federal and state programs	455,659	-	455,659
3850 Restricted for debt service	7,956,434	-	7,956,434
3900 Unrestricted (deficit)	(11,618,936)	136,372	(11,482,564)
<b>3000 Total net position (deficit)</b>	<b>\$ (39,600,341)</b>	<b>\$ 136,372</b>	<b>\$ (39,463,969)</b>

The Notes to Financial Statements are an integral part of this statement.

**CEDAR HILL INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015**

Data Control Codes	1 Expenses	Program Revenues		
		3 Charges for Services	4 Operating Grants and Contributions	
<b>GOVERNMENTAL ACTIVITIES:</b>				
11	Instruction	\$ 36,803,975	\$ 24,775	\$ 3,959,647
12	Instructional resources and media services	767,117	-	30,068
13	Curriculum and staff development	765,241	-	246,416
21	Instructional leadership	498,291	-	25,053
23	School leadership	3,952,875	-	178,864
31	Guidance, counseling, and evaluation services	2,207,683	-	149,163
33	Health services	673,346	-	30,763
34	Student (pupil) transportation	1,491,620	-	166,976
35	Food services	4,808,624	740,148	3,624,714
36	Extracurricular activities	2,570,963	259,866	97,176
41	General administration	2,484,386	-	102,974
51	Facilities maintenance and operations	7,043,740	23,788	330,412
52	Security and monitoring services	1,204,816	-	59,694
53	Data processing services	1,177,453	-	47,387
61	Community services	144,639	-	60,993
72	Debt service - interest on long-term debt	7,074,203	-	-
73	Debt service - bond issuance cost and fees	259,590	-	-
93	Payments related to shared service arrangements	69,461	-	69,461
95	Payments to Juvenile Justice Alternative Ed. Prg.	27,396	-	-
97	Payments to Tax Increment Fund	86,666	-	-
99	Other intergovernmental charges	153,190	-	-
	Total governmental activities	<u>74,265,275</u>	<u>1,048,577</u>	<u>9,179,761</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>				
01	Extended Day	<u>297,086</u>	<u>372,076</u>	<u>-</u>
	Total business-type activities	<u>297,086</u>	<u>372,076</u>	<u>-</u>
	<b>[TP] TOTAL PRIMARY GOVERNMENT:</b>	<u><u>\$ 74,562,361</u></u>	<u><u>\$ 1,420,653</u></u>	<u><u>\$ 9,179,761</u></u>

Data	General Revenues:
Control	
Codes	Taxes
MT	Property taxes, levied for general purposes
DT	Property taxes, levied for debt service
SF	State aid - formula grants
GC	Grants and contributions not restricted
IE	Investment earnings
MI	Miscellaneous local and intermediate revenue
TR	Total general revenues
CN	Change in net position
NB	Net position (deficit)- beginning, as restated
PA	Cumulative effect of change in accounting principle
NE	Net position (Deficit)- ending

The Notes to Financial Statements are an integral part of this statement.

<b>Net (Expense) Revenue and Changes in Net Position</b>		
<b>Primary Government</b>		
<b>6</b>	<b>7</b>	<b>8</b>
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (32,819,553)	\$ -	\$ (32,819,553)
(737,049)	-	(737,049)
(518,825)	-	(518,825)
(473,238)	-	(473,238)
(3,774,011)	-	(3,774,011)
(2,058,520)	-	(2,058,520)
(642,583)	-	(642,583)
(1,324,644)	-	(1,324,644)
(443,762)	-	(443,762)
(2,213,921)	-	(2,213,921)
(2,381,412)	-	(2,381,412)
(6,689,540)	-	(6,689,540)
(1,145,122)	-	(1,145,122)
(1,130,066)	-	(1,130,066)
(83,646)	-	(83,646)
(7,074,203)	-	(7,074,203)
(259,590)	-	(259,590)
-	-	-
(27,396)	-	(27,396)
(86,666)	-	(86,666)
(153,190)	-	(153,190)
<u>(64,036,937)</u>	<u>-</u>	<u>(64,036,937)</u>
<u>-</u>	<u>74,990</u>	<u>74,990</u>
<u>-</u>	<u>74,990</u>	<u>74,990</u>
<u>(64,036,937)</u>	<u>74,990</u>	<u>(63,961,947)</u>
27,597,833	-	27,597,833
12,866,226	-	12,866,226
29,368,425	-	29,368,425
870,116	-	870,116
33,921	-	33,921
689,732	-	689,732
<u>71,426,253</u>	<u>-</u>	<u>71,426,253</u>
7,389,316	74,990	7,464,306
(37,567,351)	61,382	(37,505,969)
(9,422,306)	-	(9,422,306)
<u>\$ (39,600,341)</u>	<u>\$ 136,372</u>	<u>\$ (39,463,969)</u>

**CEDAR HILL INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015**

Data Control Codes		10  General Fund	50 Debt Service Fund
<b>ASSETS</b>			
1110	Cash and cash equivalents	\$ 18,651,457	\$ 9,290,344
1220	Property taxes delinquent	1,075,815	427,077
1230	Allowance for uncollectable taxes (credit)	(121,445)	(44,329)
1240	Receivables from other governments	146,578	273,536
1260	Due from other funds	366,656	-
1290	Other receivables	73,404	10,709
1410	Prepaid items	117,539	-
1000	Total assets	<u>\$ 20,310,004</u>	<u>\$ 9,957,337</u>
<b>LIABILITIES</b>			
2110	Accounts payable	\$ 646,456	\$ -
2150	Payroll deductions and withholdings payables	543,039	-
2160	Accrued wages payable	4,825,502	-
2170	Due to other funds	-	-
2180	Due to other governments	34,687	-
2000	Total liabilities	<u>6,049,684</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
2601	Unavailable revenue - property taxes	845,482	332,864
2600	Total deferred inflows of resources	<u>845,482</u>	<u>332,864</u>
<b>FUND BALANCES</b>			
Nonspendable Fund Balance:			
3430	Prepaid items	117,539	-
Restricted Fund Balance:			
3450	Federal or state funds grant restrictions	-	-
3470	Capital acquisitions and contractual obligations	-	-
3480	Retirement of long-term debt	-	9,624,473
Committed Fund Balance:			
3530	Capital projects	1,860,250	-
3545	Campus activities	-	-
3600	Unassigned fund balance (deficit)	11,437,049	-
3000	Total fund balances	<u>13,414,838</u>	<u>9,624,473</u>
4000	<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>\$ 20,310,004</u>	<u>\$ 9,957,337</u>

The Notes to Financial Statements are an integral part of this statement.

EXHIBIT C-1

60		
Capital Projects	Non-major Governmental Funds	Total Governmental Funds
\$ 4,766,542	\$ 328,339	\$ 33,036,682
-	-	1,502,892
-	-	(165,774)
-	1,105,196	1,525,310
-	-	366,656
-	32,070	116,183
-	8,259	125,798
<u>\$ 4,766,542</u>	<u>\$ 1,473,864</u>	<u>\$ 36,507,747</u>
\$ 567,060	\$ 123,795	\$ 1,337,311
-	14,748	557,787
-	251,897	5,077,399
-	366,656	366,656
-	179	34,866
<u>567,060</u>	<u>757,275</u>	<u>7,374,019</u>
-	-	1,178,346
<u>-</u>	<u>-</u>	<u>1,178,346</u>
-	8,259	125,798
-	455,659	455,659
4,199,482	-	4,199,482
-	-	9,624,473
-	-	1,860,250
-	255,816	255,816
-	(3,145)	11,433,904
<u>4,199,482</u>	<u>716,589</u>	<u>27,955,382</u>
<u>\$ 4,766,542</u>	<u>\$ 1,473,864</u>	<u>\$ 36,507,747</u>

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**CEDAR HILL INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION  
JUNE 30, 2015**

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<b>TOTAL FUND BALANCES - GOVERNMENTAL FUNDS</b>	\$ 27,955,382
<b>1</b> Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund financial statements.	181,794,836
<b>2</b> Accumulated depreciation is not reported in the governmental fund financial statements.	(48,343,181)
<b>3</b> Bonded debt is not reported in the governmental funds financial statements. This amount is the sum of bonds payable (\$125,831,985) and premium on capital appreciation bonds (\$38,883,494).	(164,715,479)
<b>4</b> Accreted interest for capital appreciation bonds is not reported as a liability in the governmental fund financial statements, but it is reported as part of non-current liabilities in the government-wide statement of net position.	(16,979,921)
<b>5</b> Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the governmental fund financial statements, interest expenditures are reported when due.	(2,000,903)
<b>6</b> Receipts reported as deferred inflows in the governmental fund financial statements are recognized as revenue in the government-wide financial statements.	1,178,346
<b>7</b> Premiums and discounts on the issuance of current interest bonds are reflected in the statement of net position in the government-wide financial statements, net of amortization.	(8,316,570)
<b>8</b> Included in the items related to debt is the recognition of the District's proportionate share of the TRS net pension liability in the amount of \$8,201,703, a deferred resource inflow of \$2,508,925 and a deferred resource outflow of \$1,550,363. The result is a decrease in net position.	(9,160,265)
<b>9</b> Deferred gain on refunding amount is reflected in the statement of net position of government-wide financial statements, net of amortization.	<u>(1,012,586)</u>
<b>19 NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES</b>	<u><u>\$ (39,600,341)</u></u>

**CEDAR HILL INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015**

Data Control Codes		10 General Fund	50 Debt Service Fund
<b>REVENUES</b>			
5700	Total local and intermediate sources	\$ 28,246,045	\$ 12,878,577
5800	State program revenues	31,595,350	263,828
5900	Federal program revenues	870,116	-
5020	Total revenues	<u>60,711,511</u>	<u>13,142,405</u>
<b>EXPENDITURES</b>			
CURRENT:			
0011	Instruction	30,828,051	-
0012	Instructional resources and media services	661,677	-
0013	Curriculum and staff development	544,812	-
0021	Instructional leadership	497,414	-
0023	School leadership	3,931,771	-
0031	Guidance, counseling, and evaluation services	2,169,708	-
0033	Health services	676,956	-
0034	Student (pupil) transportation	1,267,206	-
0035	Food services	-	-
0036	Extracurricular activities	2,138,451	-
0041	General administration	2,266,042	-
0051	Facilities maintenance and operations	7,271,046	-
0052	Security and monitoring services	1,313,619	-
0053	Data processing services	1,042,809	-
0061	Community services	87,794	-
DEBT SERVICE:			
0071	Principal on long-term debt	-	3,797,664
0072	Interest on long-term debt	-	8,894,500
0073	Bond issuance costs and fees	-	259,590
CAPITAL OUTLAY:			
0081	Facilities acquisition and construction	-	-
INTERGOVERNMENTAL:			
0093	Payments to Member Districts of SSA	-	-
0095	Payments to Juvenile Justice Alternative Ed. Prog.	27,396	-
0097	Payments to Tax Increment Fund	86,666	-
0099	Other intergovernmental charges	153,190	-
6030	Total expenditures	<u>54,964,608</u>	<u>12,951,754</u>
1100	Excess (deficiency) of revenues over (under) expenditures	<u>5,746,903</u>	<u>190,651</u>
<b>OTHER FINANCING SOURCES (USES) :</b>			
7901	Refunding bonds issued	-	11,819,352
7916	Premium or discount on issuance of bonds	-	8,131,117
8949	Payments to refunded bond escrow agent	-	(19,692,986)
7080	Total other financing sources (uses)	<u>-</u>	<u>257,483</u>
1200	Net change in fund balances	5,746,903	448,134
0100	Fund balance - July 1 (beginning), as restated	<u>7,667,935</u>	<u>9,176,339</u>
3000	Fund balances - June 30 (ending)	<u>\$ 13,414,838</u>	<u>\$ 9,624,473</u>

The Notes to Financial Statements are an integral part of this statement.

EXHIBIT C-3

60 Capital Projects	Non-major Governmental Funds	Total Governmental Funds
\$ 7,696	\$ 1,153,957	\$ 42,286,275
-	642,327	32,501,505
-	6,046,681	6,916,797
<u>7,696</u>	<u>7,842,965</u>	<u>81,704,577</u>
-	3,410,977	34,239,028
-	19,578	681,255
-	221,658	766,470
-	2,450	499,864
-	195	3,931,966
-	50,567	2,220,275
-	7	676,963
-	109,392	1,376,598
-	4,551,226	4,551,226
-	-	2,138,451
-	-	2,266,042
-	-	7,271,046
-	3,852	1,317,471
-	-	1,042,809
-	57,003	144,797
-	-	3,797,664
-	-	8,894,500
-	-	259,590
8,592,209	-	8,592,209
-	69,461	69,461
-	-	27,396
-	-	86,666
-	-	153,190
<u>8,592,209</u>	<u>8,496,366</u>	<u>85,004,937</u>
<u>(8,584,513)</u>	<u>(653,401)</u>	<u>(3,300,360)</u>
-	-	11,819,352
-	-	8,131,117
-	-	(19,692,986)
-	-	257,483
<u>(8,584,513)</u>	<u>(653,401)</u>	<u>(3,042,877)</u>
<u>12,783,995</u>	<u>1,369,990</u>	<u>30,998,259</u>
<u>\$ 4,199,482</u>	<u>\$ 716,589</u>	<u>\$ 27,955,382</u>

**CEDAR HILL INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND  
BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015**

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<b>TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS</b>	<b>\$ (3,042,877)</b>
Current year capital outlays are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. The effect of removing the capital outlay is to increase net assets.	9,285,913
Current year long-term debt principal payments on bonded debt are expenditures in the fund financial statements, but are shown as reductions in long-term debt in the government-wide financial statements. This amount represents the sum of principal payments on bonds payable, \$3,797,664, and the retirement of premium on capital appreciation bonds, \$2,832,455.	6,630,119
Interest on capital appreciation bonds is recognized as an expense when incurred in the government-wide financial statements; whereas in the fund financial statements, interest expenditures are reported when due. This amount represents the net effect of current year accretion of interest, (\$2,972,997), and payment of accreted interest, \$1,459,882.	(1,513,115)
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements an interest expenditure is reported when due. This amount represents the current year increase in interest payable.	(143,334)
Depreciation is not recognized as an expenditure in governmental funds since it does not require the use of current financial resources. The effect of recording the current year's depreciation is to decrease net position in the government-wide financial statements.	(4,426,253)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(49,986)
The implementation of GASB 68 requires that certain expenditures be de-expended and recorded as deferred resource inflows. Contributions made after the measurement date caused the change in the ending net position to increase in the amount of \$1,020,145. Contributions before the measurement date also caused an increase in the change in net position of \$648,713. The net share of the District's amount of deferred inflows and outflows of resources decreased the change in net position by \$1,406,817.	262,041
Amortization of deferred gain on refunding, \$126,184, and premium on issuance of bonds, \$518,107 are not recognized on the governmental fund financial statements.	644,291
Proceeds from debt issued through bond proceeds are reflected as other financing sources on the governmental fund financial statements, but are shown as increases in long term liabilities in the government-wide financial statements.	(11,819,352)
Current year payment to escrow agent for refunded debt (\$19,692,986) is an other financing use in the fund financial statements.	19,692,986
Premium on issuance of bonds is recognized in the fund financial statements as other financing sources, but it reported as and increase in long-term liabilities in the government-wide financial statements.	(8,131,117)
<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ 7,389,316</b>

The Notes to Financial Statements are an integral part of this statement.

**CEDAR HILL INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2015**

---

	<b>Business-Type Activities</b>
	<b>Total</b>
	<b>Enterprise Funds</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 143,034
<b>Total assets</b>	<b>\$ 143,034</b>
<b>LIABILITIES</b>	
Current liabilities:	
Payroll deductions and withholdings	\$ 263
Accrued wages payable	4,004
Unearned revenue	2,395
<b>Total liabilities</b>	<b>6,662</b>
<b>NET POSITION</b>	
Unrestricted net position	136,372
<b>Total net position</b>	<b>\$ 136,372</b>

**CEDAR HILL INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015**

---

	<b>Business-Type Activities</b>
	<b>Total</b>
	<b>Enterprise Funds</b>
<b>OPERATING REVENUES</b>	
Total local and intermediate sources	\$ 372,076
Total operating revenues	<u>372,076</u>
<b>OPERATING EXPENSES</b>	
Payroll costs	284,096
Supplies and materials	11,499
Other operating costs	1,491
Total operating expenses	<u>297,086</u>
Operating income	74,990
Total net position, beginning (July 1)	<u>61,382</u>
Total net position, ending (June 30)	<u>\$ 136,372</u>

**CEDAR HILL INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Business-Type Activities</b>
	<b>Total</b>
	<b>Enterprise Funds</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash received from user charges	\$ 374,471
Payments to employees for services	(288,057)
Payments to suppliers	(11,499)
Payments for other operating expenses	(2,981)
Net cash provided by operating activities	<u>71,934</u>
Net increase in cash and cash equivalents	71,934
Cash and cash equivalents, beginning of year	71,100
Cash and cash equivalents, end of year	<u>\$ 143,034</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>	
Operating income:	\$ 74,990
Effect of increases and decreases in current assets and liabilities:	
Decrease in accrued wages payable	(4,224)
Increase in payroll deductions and withholdings	263
Decrease in due to other funds	(1,490)
Increase in unearned revenue	2,395
Net cash provided by operating activities	<u>\$ 71,934</u>

**CEDAR HILL INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
TRUST AND AGENCY FUNDS  
JUNE 30, 2015**

---

	<b>Private Purpose Trust Fund</b>	<b>Agency Funds</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 36,046	\$ 439,816
Total assets	<u>36,046</u>	<u>439,816</u>
<b>LIABILITIES</b>		
Accounts payable		41,180
Due to student groups	-	<u>398,636</u>
Total liabilities	<u>-</u>	<u>\$ 439,816</u>
<b>NET POSITION</b>		
Restricted for scholarships	<u>36,046</u>	
Total Net Position	<u>\$ 36,046</u>	

**CEDAR HILL INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015**

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	<b>Private Purpose Trust Fund</b>
	<u>                    </u>
<b>ADDITIONS:</b>	
Local and intermediate sources	\$ 1,047
Total additions	<u>1,047</u>
Change in Net Position	1,047
Total Net Position - July 1 (Beginning)	<u>34,999</u>
Total Net Position - June 30 (Ending)	<u><u>\$ 36,046</u></u>

**CEDAR HILL INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Cedar Hill Independent School District (the District) is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the Board) elected by registered voters of the District. The District prepares its basic financial statements in conformity with accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the Resource Guide) and the requirements of contracts and grants of agencies from which it receives funds.

**Reporting Entity**

The Board is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) in its Statement No. 14, "The Financial Reporting Entity", as amended by Statements No. 39, "Determining Whether Certain Organizations are Component Units", and No. 61, "The Financial Reporting Entity: Omnibus - an Amendment of GASB Statements No. 14 and No. 34". There are no component units included within the reporting entity.

**Government-Wide and Fund Financial Statements**

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

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**CEDAR HILL INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

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

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

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible to accrual concept, that is, when they are both measurable and available. The District considers them “available” if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

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

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into net investment in capital assets, restricted net position, and unrestricted net position.

**CEDAR HILL INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation – Continued**

**Fund Accounting**

The District reports the following major governmental funds:

**Governmental Funds:**

1. **The General Fund** – The general fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
2. **Debt Service Fund** – The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.
3. **Capital Projects Funds** – The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in the capital projects funds.

Additionally, the District reports the following non-major governmental funds:

1. **Special Revenue Funds** – The District accounts for specific revenue sources legally restricted or committed for a specific purpose in a special revenue fund. Most federal and some state financial assistance is accounted for in a special revenue fund and sometimes unused balances must be returned to the grantor at the close of specified project periods.

**Proprietary Funds:**

2. **Enterprise Funds** – The District accounts for activities for which outside users are charged a fee roughly equal to the cost of providing goods or services of those activities in an enterprise fund. The District's enterprise fund provides extended days services for students at elementary campuses.

**Fiduciary Funds:**

3. **Private Purpose Trust Fund** - The District accounts for donations for which the donor has stipulated that the income may be used for purposes that benefit parties outside the District. The District's private purpose trust fund is for a scholarship fund.
4. **Agency Funds** – The District accounts for resources held for others in a custodial capacity in agency funds. The District's agency fund is for student activities.

**CEDAR HILL INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2015**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Assets, Liabilities, and Net Position or Equity**

**1. Deposits and Investments**

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

**2. Due From (To) Other Funds**

Inter-fund receivables and payables arise from inter-fund transactions and are recorded in all affected funds in the period in which transactions are executed in the normal course of operations.

**3. Capital Assets**

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

<u>Assets Class</u>	<u>Estimated Useful Lives</u>
Buildings	50
Buildings Improvements	15
Vehicles	7
Office Equipment	5
Computer Equipment	5

**CEDAR HILL INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Assets, Liabilities, and Net Position or Equity – Continued**

**4. Vacation and Sick Leave**

Vacations are to be taken within the same year they are earned, and any unused days at the end of the year are forfeited. Therefore, no liability has been accrued in the accompanying basic financial statements. Employees of the District are entitled to sick leave based on category/class of employment. Sick leave is allowed to be accumulated but does not vest. Therefore, a liability for unused sick leave has not been recorded in the accompanying basic financial statements.

**5. Long-term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenses when incurred.

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

**6. Fund Equity**

**Fund Balance Classification:** The governmental fund financial statements present fund balance classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation

**CEDAR HILL INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Assets, Liabilities, and Net Position or Equity – Continued**

**6. Fund Equity – Continued**

- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Trustees. These amounts cannot be used for any other purpose unless the Board of Trustees removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned:** This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by an official to which the Board of Trustees delegates this authority.
- **Unassigned:** This classification includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

**7. Data Control Codes**

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

**8. Encumbrance Accounting**

The District employs encumbrance accounting, whereby encumbrances for goods or purchased services are documented by purchase orders and contracts. An encumbrance represents a commitment or Board appropriation related to unperformed contracts for goods and services. The issuance of a purchase order or the signing of a contract creates an encumbrance but does not represent an expenditure for the period; only a commitment to expend resources. Appropriations lapse at June 30 and encumbrances outstanding at that time are either canceled or appropriately provided for in the subsequent year's budget. There were no outstanding encumbrances at year end.

**CEDAR HILL INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Assets, Liabilities, and Net Position or Equity – Continued**

**9. Management’s Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

The amount of state foundation revenue a school district earns for a year can and does vary until the time when final values for each of the factors in the formula become available. Availability can be as late as midway into the next fiscal year. It is possible that the foundation revenue estimate as of June 30, 2015 will change.

**NOTE 2. DEPOSITS AND INVESTMENTS**

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

At June 30, 2015, the carrying amount of the District's cash, savings, and time deposits was \$1,257,907 (excluding \$36,046 certificates of deposit) and the bank balance was \$2,235,889. With the exception of the date of highest deposits, the District's combined deposit at June 30, 2015, and during the year ending June 30, 2015, were fully insured by federal depository insurance or collateralized with securities pledged to the District and held by the District's agent. In addition the following is disclosed regarding coverage of combined balances on the date of highest deposit:

- a. Name of bank: Prosperity Bank, Cedar Hill, Texas.
- b. The market value of securities pledged as of the date of the highest combined balance on deposit was \$8,771,204.
- c. The highest combined balances of cash, savings, and time deposit accounts amounted to \$5,912,148 and occurred on November 19, 2014.
- d. Total amount of FDIC coverage at the time of highest combined balance was \$250,000.

**CEDAR HILL INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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**NOTE 2 DEPOSITS AND INVESTMENTS – CONTINUED**

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

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy. That policy addresses the following risks:

- a. Custodial Credit Risk - Deposits: In the case of deposits, this is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District's policy regarding types of deposits allowed and collateral requirements is: the depository may be a state bank authorized and regulated under Texas law; a national bank, savings and loan association, or savings bank authorized and regulated by federal law; or a savings and loan association or savings bank organized under Texas law; but shall not be any bank the deposits of which are not insured by the Federal Deposit Insurance Corporation (FDIC). The District is not exposed to custodial credit risk for its deposits, as all are covered by depository insurance and pledged securities.
- b. Custodial Credit Risk - Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District investments are with the Texas Local Government Investment Pool (TexPool), and the Logic Investment Pool (Logic). The pools are public funds investment pools created to provide a safe environment for the placement of local government funds in authorized short-term investments. Local investment pools operate in a manner consistent with the Security and Exchange Commission's Rule 2a7 of the Investment Company Act of 1940. The Texas Comptroller of Public Accounts exercises oversight responsibility over TexPool. Administration of Logic is performed by a Board of Directors, which is an administrative agency created under the Interlocal Act. The District is not exposed to custodial credit risk for its investments.
- c. Credit Risk - This is the risk that an issuer of an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. The credit quality rating for TexPool at year end was AAAM by Standard & Poor's. The credit quality rating for Logic at year end was AAAM by Moody's Investor Service.

**CEDAR HILL INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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**NOTE 2 DEPOSITS AND INVESTMENTS – CONTINUED**

- d. Interest Rate Risk - This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The weighted average maturity for the District's investment in external investment pools is less than 60 days.
- e. Foreign Currency Risk - This is the risk that exchange rates will adversely affect the fair value of an investment. The District is not exposed to foreign currency risk.
- f. Concentration of Credit Risk - This is the risk of loss attributed to the magnitude of the District's investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 % or more in the securities of a single issuer. Investments issued by the U. S. Government and investments in investment pools are excluded from the 5% disclosure requirement. The District is not exposed to concentration of credit risk.

The District's temporary investments at June 30, 2015, were as follows:

<u>Investment Type:</u>	<u>Fair Value</u>
Logic investment pool	\$ 32,200,156
TexPool investment pool	161,469
Certificates of deposit	36,046
Total	<u>\$ 32,397,671</u>

**NOTE 3. PROPERTY TAXES**

Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The District levies its taxes on October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the period following the October 1 levy date. The assessed value of the property tax roll on August 1, 2014, upon which the levy for the 2014-15 fiscal years was based, was \$2,682,829,588. Taxes are delinquent if not paid by January 31. Delinquent taxes are subject to both penalty and interest charges plus 15% delinquent collection fees for attorney costs after June 30.

The tax rates assessed for the year ended June 30, 2015, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.040 and \$0.485 per \$100 valuation, respectively, for the total of \$1.525 per \$100 valuation.

Total tax collections for the year ended June 30, 2015 were 99% of the year end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting 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. As of June 30, 2015, property taxes receivable, net of estimated uncollectible taxes, totaled \$954,370 and \$382,748 for the General and Debt Service Funds, respectively.

**CEDAR HILL INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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**NOTE 4. DUE FROM OTHER GOVERNMENTS**

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of June 30, 2015, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from Other Governments.

<u>Fund</u>	<u>Local</u>	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>Total</u>
General	\$ 146,578	\$ -	\$ -	\$ 146,578
Debt Service	-	273,536	-	273,536
Non-major Governmental	-	380,220	724,976	1,105,196
	<u>\$ 146,578</u>	<u>\$ 653,756</u>	<u>\$ 724,976</u>	<u>\$ 1,525,310</u>

**NOTE 5. INTERFUND RECEIVABLES AND PAYABLES**

The composition of interfund balances in the fund financial statements was as follows as of June 30, 2015:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 366,656	\$ -
Nonmajor Governmental Funds	-	366,656
Totals	<u>\$ 366,656</u>	<u>\$ 366,656</u>

Interfund transactions at year-end consisted of amounts due to the General Fund from nonmajor governmental funds for expenditures made by the funds prior to receiving reimbursement from federal or state sources.

**CEDAR HILL INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**NOTE 6. CAPITAL ASSETS**

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

	Beginning Balance	Additions	Transfers	Ending Balance
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 8,113,983	\$ -	\$ -	\$ 8,113,983
Construction in progress	18,514,215	7,811,421	(26,091,832)	233,804
Total capital assets not being depreciated	<u>26,628,198</u>	<u>7,811,421</u>	<u>(26,091,832)</u>	<u>8,347,787</u>
Capital assets being depreciated:				
Buildings and improvements	136,768,635	-	26,091,832	162,860,467
Furniture and equipment	9,112,090	1,474,492	-	10,586,582
Total capital assets being depreciated	<u>145,880,725</u>	<u>1,474,492</u>	<u>26,091,832</u>	<u>173,447,049</u>
Less accumulated depreciation for:				
Buildings and improvements	(39,452,788)	(3,352,167)	-	(42,804,955)
Furniture and equipment	(4,464,140)	(1,074,086)	-	(5,538,226)
Total accumulated depreciation	<u>(43,916,928)</u>	<u>(4,426,253)</u>	<u>-</u>	<u>(48,343,181)</u>
Total capital assets being depreciated, net	<u>101,963,797</u>	<u>(2,951,761)</u>	<u>26,091,832</u>	<u>125,103,868</u>
Governmental activities capital assets, net	<u>\$ 128,591,995</u>	<u>\$ 4,859,660</u>	<u>\$ -</u>	<u>\$ 133,451,655</u>

Depreciation expense was charged to governmental functions as follows:

Governmental Function	Depreciation
Instruction	\$ 2,746,690
Instructional Resources & Media	88,732
School Leadership	43,621
Student Transportation	115,035
Food Services	418,025
Extracurricular Activities	449,337
General Administration	226,382
Plant Maintenance & Operations	159,790
Security & Monitoring	1,486
Data Processing Services	177,155
Total depreciation expense	<u>\$ 4,426,253</u>

**CEDAR HILL INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**NOTE 7. LONG-TERM DEBT**

The District's long-term debt activity for the year ended June 30, 2015 was as follows:

	Obligations Outstanding 7/1/2014	Additions	Reductions	Obligations Outstanding 6/30/2015	Obligations Due Within One Year
Bonds Payable-Par Value	\$ 129,629,899	\$ 11,819,352	\$ (15,617,266)	\$ 125,831,985	\$ 2,067,400
Bonds Payable-CAB Premium	37,620,425	7,240,508	(5,977,439)	38,883,494	1,724,188
Total Bonds Payable	167,250,324	19,059,860	(21,594,705)	164,715,479	3,791,588
Accreted Interest	20,101,677	2,972,997	(6,094,753)	16,979,921	195,009
Premium on Bonds	8,110,648	890,609	(684,687)	8,316,570	-
Total Bonded Indebtedness	195,462,649	22,923,466	(28,374,145)	190,011,970	3,986,597
Net Pension Liability	10,070,970	2,045,171	(3,914,438)	8,201,703	-
Total long-term debt	<u>\$ 205,533,619</u>	<u>\$ 24,968,637</u>	<u>\$ (32,288,583)</u>	<u>\$ 198,213,673</u>	<u>\$ 3,986,597</u>

The District's governmental activities' bonds payable at June 30, 2015 consist of the following:

Description	Interest Rate	Amount of Original Issue	Principal Balance 6/30/2015	CAB Premium	Total Outstanding 6/30/2015
2002 School Bldg & Refunding	6.00%	\$ 34,298,816	\$ 3,189,837	\$ 6,130,599	\$ 9,320,436
2005 School Bldg & Refunding	5.42%	31,742,827	372,997	-	372,997
2007 School Refunding	4.00%	11,468,762	10,806,718	9,152,958	19,959,676
2009 School Refunding	4.50%	5,203,810	4,771,535	4,534,023	9,305,558
2011 School Refunding	3.50%	8,744,384	8,699,890	679,015	9,378,905
2012 School Refunding	3.15%	6,229,999	2,175,000	-	2,175,000
2012-A School Refunding	3.15%	18,717,683	18,717,683	1,516,262	20,233,945
2013 School Building	4.20%	32,270,000	29,420,000	-	29,420,000
2013-A School Refunding	3.63%	27,053,973	26,918,973	9,630,129	36,549,102
2013 Qualified School Building	4.19%	8,940,000	8,940,000	-	8,940,000
2015 Unlimited Tax Refunding	3.30%	11,819,352	11,819,352	7,240,508	19,059,860
Total Bonds payable			<u>\$ 125,831,985</u>	<u>\$ 38,883,494</u>	<u>\$ 164,715,479</u>

Debt service requirements for the general obligation bonds are as follows:

Year Ending June 30	Principal Requirements	Interest Requirements	Total Requirements
2016	\$ 2,067,400	\$ 7,052,893	\$ 9,120,293
2017	2,580,340	10,587,058	13,167,398
2018	1,743,558	10,965,964	12,709,522
2019	1,322,895	11,170,324	12,493,219
2020	1,139,394	11,376,730	12,516,124
2021-2025	21,772,987	42,211,956	63,984,943
2026-2030	27,926,382	39,679,119	67,605,501
2031-2035	44,139,029	28,820,836	72,959,865
2036-2040	13,095,000	4,558,500	17,653,500
2041-2044	10,045,000	1,025,000	11,070,000
	125,831,985	167,448,380	<u>\$ 293,280,365</u>
Reclass of CAB Premium	38,883,494	(38,883,494)	
	<u>\$ 164,715,479</u>	<u>\$ 128,564,886</u>	

**CEDAR HILL INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2015**

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**NOTE 7. LONG-TERM DEBT - CONTINUED**

A capital appreciation bond (CAB) is a bond bearing no interest that is sold at a significant discount but matures at its stated value. Accreted interest is the obligation associated with capital appreciation bonds (CABs) and reflects periodic increases in the obligation to reflect it at stated value at maturity. Premium on CABs represents premium received on the issuance of these bonds.

There are a number of limitations and restrictions contained in the various general obligation bonds indentures. The District is in compliance with all significant limitations and restrictions at June 30, 2015.

During 2015, the District issued \$11,819,352 Unlimited Tax Refunding Bonds, Series 2015. Proceeds of \$19,950,469, including \$8,131,116 of net reoffering premium, were used to refund \$7,975,000 of Series 2005 Current Interest Bonds, \$3,445,350 of Series 2005 Premium Capital Appreciation Bonds (and an additional \$10,784,650 of accreted interest) and \$399,252 of Series 2005 Capital Appreciation Bonds (and an additional \$910,748 of accreted interest). Of these proceeds, \$19,692,986 was placed in an irrevocable trust to provide for future debt service payments on the defeased bonds. The refunding resulted in a decrease in the District's debt service payments of \$3,926,108 which resulted in an economic gain (difference between present value of debt service payments on old and new debt) of \$2,872,921

**Defeasance of Debt**

In prior years, the District defeased certain previously issued and outstanding bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. As of June 30, 2015, \$27,728,376 of bonds outstanding are considered defeased.

**NOTE 8. DEFERRED INFLOWS OF RESOURCES**

Governmental funds report *deferred inflow of resources* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of *deferred inflow of resources* reported in the governmental funds were as follows:

	General Fund	Debt Service Fund	Total
Unavailable revenue - property taxes	\$ 845,482	\$ 332,864	\$ 1,178,346

**CEDAR HILL INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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**NOTE 9. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES**

During the current period, governmental funds revenues from local and intermediate sources consisted of the following:

	General Fund	Debt Service Fund	Capital Projects Fund	Non-major Governmental Funds	Total
Property Taxes	\$ 27,447,849	\$ 12,787,556	\$ -	\$ -	\$ 40,235,405
Food Sales	-	-	-	740,148	740,148
Investment Income	18,011	8,214	7,696	-	33,921
Penalties, Interest and Other Tax Related Income	195,833	82,807	-	-	278,640
Co-curricular Student Activities	259,866	-	-	407,229	667,095
Other	324,486	-	-	6,580	331,066
Total	<u>\$ 28,246,045</u>	<u>\$ 12,878,577</u>	<u>\$ 7,696</u>	<u>\$ 1,153,957</u>	<u>\$ 42,286,275</u>

**NOTE 10. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal 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.

**Litigation and Contingencies**

The District is a party to various legal actions none of which is believed by administration to have a material effect on the financial condition of the District. Accordingly, no provision for losses has been recorded in the accompanying combined financial statements for such contingencies.

The District participates in numerous state and federal 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, if any, refunds of any money received may be required and the collectability of any related receivable at June 30, 2015 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

**Health Care Coverage**

For the year ended June 30, 2015, employees of the District were covered through TRS-Active Care which is the statewide health plan for public education employees established by the 77th Texas Legislature and is a fully insured plan administered by Blue Cross and Blue Shield of Texas. The District paid premiums of \$225, per month per employee to the plan; and employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents.

Financial statements for Blue Cross Blue Shield for the year ended December 31, 2014 are available, filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

**CEDAR HILL INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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**NOTE 11. EMPLOYEES' RETIREMENT PLAN**

**Plan Description**

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

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

**Pension Plan Fiduciary Net Position**

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

**Benefits Provided**

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

**CEDAR HILL INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2015**

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**NOTE 11. EMPLOYEES' RETIREMENT PLAN – CONTINUED**

**Contributions**

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

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

Contribution Rates

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

2014 Employer Contributions	\$778,456
2014 Member Contributions	\$2,661,039
2014 NECE On-behalf Contributions	\$ 2,467,128

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

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- 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.

**CEDAR HILL INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2015**

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**NOTE 11. EMPLOYEES' RETIREMENT PLAN – CONTINUED**

**Contributions – Continued**

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

**Actuarial Assumptions**

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

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

*\*Includes Inflation of 3%*

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

**Discount Rate**

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

**CEDAR HILL INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**NOTE 11. EMPLOYEES' RETIREMENT PLAN – CONTINUED**

**Discount Rate – Continued**

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

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

**Discount Rate Sensitivity Analysis**

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

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
District's proportionate share of the net pension liability:	\$14,655,947	\$8,201,703	\$3,375,131

**CEDAR HILL INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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**NOTE 11. EMPLOYEES' RETIREMENT PLAN – CONTINUED**

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

At August 31, 2014, the District reported a liability of \$8,201,703 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	\$ 8,201,703
State's proportionate share that is associated with District	<u>22,079,559</u>
Total	<u><u>\$ 30,281,262</u></u>

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

At August 31, 2014 the District's proportion of the collective net pension liability was 0.0307049%. Since this is the first year of implementation, the District does not have the proportion measured as of August, 31, 2013. The Notes to the Financial Statements for August 31, 2014 for TRS stated that the change in proportion was immaterial and, therefore, disregarded this year.

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

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

There was a change in employer contribution requirements that occurred after the measurement date of the net pension liability and the employer's reporting date. A 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees went into law effective 09/01/2013. 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 \$2,041,214 and revenue of \$2,041,214 for support provided by the State.

**CEDAR HILL INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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**NOTE 11. EMPLOYEES' RETIREMENT PLAN – CONTINUED**

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 126,842	\$ -
Changes in actuarial assumptions	533,120	-
Difference between projected and actual investment earnings	-	(2,506,775)
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	-	(2,150)
Contributions paid to TRS subsequent to the measurement date	890,401	-
	<u>1,550,363</u>	<u>(2,508,925)</u>
Total	<u>\$ 1,550,363</u>	<u>\$ (2,508,925)</u>

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

	Pension Expense (Income)
Year ended August 31:	
2016	\$ 374,680
2017	(515,721)
2018	(515,721)
2019	(515,721)
2020	110,973
Thereafter	102,948
	<u>102,948</u>
Total	<u>\$ (958,562)</u>

**NOTE 12. RETIREE HEALTH PLAN**

Plan Description - The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas.

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

**CEDAR HILL INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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**NOTE 12. RETIREE HEALTH PLAN – CONTINUED**

Funding Policy - Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2013, 2014, and 2015. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended June 30, 2013, 2014, and 2015, the State's contributions to TRS-Care were \$424,893, \$417,392, and \$397,992, respectively, the active member contributions were \$276,181, \$271,305, and \$258,695, respectively, and the school district's contributions were \$233,688, \$229,566, and \$218,896, respectively, which equaled the required contributions each year. In addition to the pension plan and TRS-Care on behalf, the District is allocated a portion of the Medicare Part D retiree drug subsidy that TRS-Care receives. The amount allocated on behalf for the year ended June 30, 2015 is estimated by TRS at \$115,518.

**NOTE 13. EVALUATION OF SUBSEQUENT EVENTS**

The District has evaluated subsequent events through November 18, 2015, the date which the financial statements were available to be issued.

**NOTE 14. NEW ACCOUNTING PRONOUNCEMENTS**

The GASB issued Statement No. 72, Fair Value Measurement, which will be effective for periods beginning after June 15, 2015. The objective of this Statement is to improve accounting and financial reporting related to fair value measurements. This Statement applies to all state and governmental entities. The District will evaluate the impact of the standard on its Financial Statements and will take the necessary steps to implement it.

The GASB issued Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, which will be effective for periods beginning after December 15, 2015. The objective of this Statement is to identify the hierarchy of generally accepted accounting principles (GAAP). This Statement applies to all state and governmental entities. The District will evaluate the impact of the standard on its Financial Statements and will take the necessary steps to implement it.

**NOTE 15. CUMULATIVE EFFECTIVE OF ADOPTION OF GASB STATEMENTS**

As a result of the implementation of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date", an adjustment has been made to record the District's net pension liability as of July 1, 2014. As a result, beginning net position of the governmental activities has been decreased by \$9,422,306, the net effect of the beginning net pension liability of \$10,070,970 and employer contributions made prior to the measurement date in the amount of \$648,664.

**CEDAR HILL INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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**NOTE 16. RESTATEMENT OF BEGINNING NET POSITION AND FUND BALANCE**

During 2015, the District discovered an error in accounting for amounts due from the State related to the School Foundation program that occurred in previous years. As a result, the Due From Other Governments balance as of June 30, 2014 was overstated by \$3,721,995.

The beginning net position of the governmental activities and the beginning fund balance of the general fund have been restated as follows to reflect correction of the error.

	<u>Governmental Activities</u>
Net position, July 1, 2014, as previously presented	\$ (33,845,356)
To correct amount due from State	<u>(3,721,995)</u>
Net position, July 1, 2014, as restated	<u><u>\$ (37,567,351)</u></u>
	 <u>General Fund</u>
Fund balance, July 1, 2014, as previously presented	\$ 11,389,930
To correct amount due from State	<u>(3,721,995)</u>
Fund balance, July 1, 2014, as restated	<u><u>\$ 7,667,935</u></u>

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**CEDAR HILL INDEPENDENT SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2015**

Data Control Codes		Budgeted Amounts		Actual Amounts	Variance With
		Original	Final	GAAP BASIS Fund	Final Budget Positive or (Negative)
<b>REVENUES</b>					
5700	Total local and intermediate sources	\$ 27,905,778	\$ 28,080,778	\$ 28,246,045	\$ 165,267
5800	State program revenues	29,759,410	31,283,410	31,595,350	311,940
5900	Federal program revenues	489,000	817,500	870,116	52,616
5020	Total revenues	<u>58,154,188</u>	<u>60,181,688</u>	<u>60,711,511</u>	<u>529,823</u>
<b>EXPENDITURES</b>					
CURRENT:					
0011	Instruction	31,615,822	31,540,373	30,828,051	712,322
0012	Instructional resources and media services	743,356	739,356	661,677	77,679
0013	Curriculum and instructional staff development	550,431	604,119	544,812	59,307
0021	Instructional leadership	528,869	547,721	497,414	50,307
0023	School leadership	4,170,635	4,172,335	3,931,771	240,564
0031	Guidance, counseling, and evaluation services	2,516,019	2,476,614	2,169,708	306,906
0032	Social work services	33,445	6,445	-	6,445
0033	Health services	756,694	756,694	676,956	79,738
0034	Student (pupil) transportation	1,355,161	1,480,472	1,267,206	213,266
0036	Extracurricular activities	2,154,062	2,204,512	2,138,451	66,061
0041	General administration	2,473,982	2,492,835	2,266,042	226,793
0051	Plant maintenance and operations	8,408,183	8,058,183	7,271,046	787,137
0052	Security and monitoring services	1,307,955	1,407,955	1,313,619	94,336
0053	Data processing services	1,025,783	1,052,783	1,042,809	9,974
0061	Community services	90,809	190,809	87,794	103,015
0095	Payments to member districts of SSA	50,000	50,000	27,396	22,604
0097	Payments to member districts of SSA	100,000	100,000	86,666	13,334
0099	Other intergovernmental charges	160,000	160,000	153,190	6,810
6030	Total expenditures	<u>58,041,206</u>	<u>58,041,206</u>	<u>54,964,608</u>	<u>3,076,598</u>
1200	Net change in fund balances	112,982	2,140,482	5,746,903	3,606,421
0100	Fund balance - July 1 (beginning), as restated	<u>7,667,935</u>	<u>7,667,935</u>	<u>7,667,935</u>	-
3000	Fund balance - June 30 (ending)	<u>\$ 7,780,917</u>	<u>\$ 9,808,417</u>	<u>\$ 13,414,838</u>	<u>\$ 3,606,421</u>

**CEDAR HILL INDEPENDENT SCHOOL DISTRICT  
NOTES TO BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2015**

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**NOTE 1. BUDGETS**

The Board of Trustees adopts an “appropriated budget” for the General Fund, Debt Service Fund and the Child Nutrition Program, which is reported as a nonmajor governmental fund. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit F- 1 and the other two reports are in Exhibits G-1 and G-4.

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

1. Prior to June 29, the District prepared a budget for the next succeeding fiscal year beginning July 1. The operating budget included proposed expenditures and the means of financing them.
2. A meeting of the Board was then called for the purpose of adopting the proposed budget. At least ten days’ public notice of the meeting must be given.
3. Prior to July 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board and are not made after fiscal year end. The budget was properly amended throughout the period by the Board of Trustees.

Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

**CEDAR HILL INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 TEACHER RETIREMENT SYSTEM  
 FOR THE YEAR ENDED JUNE 30, 2015**

---

	<u>2014</u>
District's Proportion of the Net Pension Liability (Asset)	0.0307049%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 8,201,703
States Proportionate Share of the Net Pension Liability (Asset) associated with the District	<u>22,079,559</u>
Total	<u>\$ 30,281,262</u>
District's Covered Employee Payroll	\$ 41,758,584
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Employee Payroll	52.87%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	83.25%

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

**CEDAR HILL INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF DISTRICT'S CONTRIBUTIONS  
 TEACHER RETIREMENT SYSTEM  
 FOR THE YEAR ENDED JUNE 30, 2015**

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	<u>2015</u>
Contractually Required Contribution	\$ 1,020,145
Contribution in Relation to the Contractually Required Contribution	<u>1,020,145</u>
Contribution Deficiency (Excess)	<u>\$ -</u>
District's Covered Employee Payroll	\$ 39,833,270
Contributions as a percentage of Covered Employee Payroll	2.56%

Note: GASB 68, Paragraph 81.2.b requires that the data in this schedule be presented as of the District's

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

**COMBINING AND INDIVIDUAL  
FUND STATEMENTS AND SCHEDULES**

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**CEDAR HILL INDEPENDENT SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND  
FOR THE YEAR ENDED JUNE 30, 2015**

**EXHIBIT G-1**

Data Control Codes		Budgeted Amounts		Actual Amounts GAAP BASIS Fund	Variance With Final Budget Positive or (Negative)
		Original	Final		
<b>REVENUES</b>					
5700	Total local and intermediate sources	\$ 12,045,184	\$ 12,845,184	\$ 12,878,577	\$ 33,393
5800	State program revenues	8,645	264,645	263,828	(817)
5020	Total revenues	<u>12,053,829</u>	<u>13,109,829</u>	<u>13,142,405</u>	<u>32,576</u>
<b>EXPENDITURES</b>					
<b>Debt Service:</b>					
0071	Principal on long-term debt	3,797,664	3,797,664	3,797,664	-
0072	Interest on long-term debt	8,894,314	8,894,501	8,894,500	1
0073	Bond issuance costs and fees	5,000	5,813	259,590	(253,777)
6030	Total expenditures	<u>12,696,978</u>	<u>12,697,978</u>	<u>12,951,754</u>	<u>(253,776)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
7911	Refunding bonds issued	-	-	11,819,352	11,819,352
7916	Premium or discount on issuance of bonds	-	-	8,131,117	8,131,117
8949	Payment to refunded bonds escrow agent	-	-	(19,692,986)	(19,692,986)
7080	Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>257,483</u>	<u>257,483</u>
1200	Net change in fund balances	(643,149)	411,851	448,134	36,283
0100	Fund balance - July 1 (beginning)	9,176,339	9,176,339	9,176,339	-
3000	Fund balance - June 30 (ending)	<u>\$ 8,533,190</u>	<u>\$ 9,588,190</u>	<u>\$ 9,624,473</u>	<u>\$ 36,283</u>

**CEDAR HILL INDEPENDENT SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2015**

Data Control Codes	211 ESEA I,A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA-Part B Preschool	240 Child Nutrition Program	
<b>ASSETS</b>					
1110	Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 38,374
1240	Receivables from other governments	217,840	322,777	6,923	117,289
1290	Other receivables	-	-	-	32,070
1410	Prepaid items	-	-	-	5,114
1000	Total assets	<u>\$ 217,840</u>	<u>\$ 322,777</u>	<u>\$ 6,923</u>	<u>\$ 192,847</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
2110	Accounts payable	\$ 2,820	\$ 22,797	\$ -	\$ 83,758
2150	Payroll deductions and withholdings payable	5,384	8,831	533	-
2160	Accrued wages payable	88,647	111,371	3,768	48,111
2170	Due to other funds	120,989	179,778	2,622	-
2180	Due to other governments	-	-	-	-
2000	Total liabilities	<u>217,840</u>	<u>322,777</u>	<u>6,923</u>	<u>131,869</u>
<b>Fund balances:</b>					
Nonspendable Fund Balance:					
3430	Prepaid Items	-	-	-	5,114
Restricted Fund Balance:					
3450	Federal and State Fund Grant Restrictions	-	-	-	55,864
Committed Fund Balance:					
3545	Campus Activities	-	-	-	-
3600	Unassigned Fund Balance (Deficit)	-	-	-	-
3000	Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,978</u>
4000	Total liabilities and fund balances	<u>\$ 217,840</u>	<u>\$ 322,777</u>	<u>\$ 6,923</u>	<u>\$ 192,847</u>

EXHIBIT G-2 (CON'T)

244 Career and Technical Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	289 Other Federal Special Revenue Funds	385 SSVI Fund
\$ -	\$ -	\$ -	\$ -	\$ -
705	21,331	38,111	-	-
-	-	-	-	-
3,145	-	-	-	-
<u>\$ 3,850</u>	<u>\$ 21,331</u>	<u>\$ 38,111</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 25	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
3,825	21,331	38,111	-	-
-	-	-	-	-
<u>3,850</u>	<u>21,331</u>	<u>38,111</u>	<u>-</u>	<u>-</u>
3,145	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>(3,145)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 3,850</u>	<u>\$ 21,331</u>	<u>\$ 38,111</u>	<u>\$ -</u>	<u>\$ -</u>

**CEDAR HILL INDEPENDENT SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2015**

**EXHIBIT G-2 (CONCLUDED)**

Data Control Codes	410 State Texbook Fund	429 Other State Special Revenue Funds	461 Campus Activity Funds	Total Nonmajor Governmental Funds	
<b>ASSETS</b>					
1110	Cash and cash equivalents	\$ 19,689	\$ 65	\$ 270,211	328,339
1240	Receivables from other governments	380,106	114	-	1,105,196
1290	Other receivables	-	-	-	32,070
1410	Prepaid items	-	-	-	8,259
1000	Total assets	<u>\$ 399,795</u>	<u>\$ 179</u>	<u>\$ 270,211</u>	<u>1,473,864</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
2110	Accounts payable	\$ -	\$ -	\$ 14,395	123,795
2150	Payroll deductions and withholdings payable	-	-	-	14,748
2160	Accrued wages payable	-	-	-	251,897
2170	Due to other funds	-	-	-	366,656
2180	Due to other governments	-	179	-	179
2000	Total liabilities	<u>-</u>	<u>179</u>	<u>14,395</u>	<u>757,275</u>
<b>Fund balances:</b>					
Nonspendable Fund Balance:					
3430	Prepaid Items	-	-	-	8,259
Restricted Fund Balance:					
3450	Federal and State Fund Grant Restrictions	399,795	-	-	455,659
Committed Fund Balance:					
3545	Campus Activities	-	-	255,816	255,816
3600	Unassigned Fund Balance (Deficit)	-	-	-	(3,145)
3000	Total fund balances	<u>399,795</u>	<u>-</u>	<u>255,816</u>	<u>716,589</u>
4000	Total liabilities and fund balances	<u>\$ 399,795</u>	<u>\$ 179</u>	<u>\$ 270,211</u>	<u>\$ 1,473,864</u>

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**CEDAR HILL INDEPENDENT SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015**

Data Control Codes	211 ESEA I,A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA-Part B Preschool	240 Child Nutrition Program	
<b>REVENUES</b>					
5700	Total local and intermediate sources	\$ -	\$ -	\$ -	\$ 746,728
5800	State program revenues	-	-	-	25,712
5900	Federal program revenues	1,111,852	1,092,105	27,784	3,599,002
5020	Total revenues	1,111,852	1,092,105	27,784	4,371,442
<b>EXPENDITURES</b>					
Current:					
0011	Instruction	872,570	860,235	27,784	-
0012	Instructional resources and media services	-	-	-	-
0013	Curriculum and instructional staff development	182,484	-	-	-
0021	Instructional leadership	-	2,450	-	-
0023	School leadership	195	-	-	-
0031	Guidance, counseling, and evaluation services	-	50,567	-	-
0033	Health services	-	-	-	-
0034	Student (pupil) transportation	-	109,392	-	-
0035	Food services	-	-	-	4,551,226
0052	Security and monitoring services	-	-	-	-
0061	Community services	56,603	-	-	-
Intergovernmental:					
0093	Payments to Member Districts of SSA	-	69,461	-	-
6030	Total expenditures	1,111,852	1,092,105	27,784	4,551,226
1200	Net change in fund balances	-	-	-	(179,784)
0100	Fund balance - July 1 (beginning)	-	-	-	240,762
3000	Fund balance - June 30 (ending)	\$ -	\$ -	\$ -	\$ 60,978

EXHIBIT G-3(CON'T)

244 Career and Technical Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	289 Other Federal Special Revenue Funds	385 SSVI Fund
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	1,359
<u>87,711</u>	<u>62,657</u>	<u>63,357</u>	<u>2,213</u>	<u>-</u>
<u>87,711</u>	<u>62,657</u>	<u>63,357</u>	<u>2,213</u>	<u>1,359</u>
82,949	53,873	37,329	2,213	1,359
-	-	-	-	-
4,762	8,784	25,628	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	400	-	-
-	-	-	-	-
<u>87,711</u>	<u>62,657</u>	<u>63,357</u>	<u>2,213</u>	<u>1,359</u>
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



**CEDAR HILL INDEPENDENT SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE  
 CHILD NUTRITION PROGRAM  
 FOR THE YEAR ENDED JUNE 30, 2015**

**EXHIBIT G-4**

Data Control Codes		Budgeted Amounts		Actual Amounts GAAP BASIS Fund	Variance With Final Budget Positive or (Negative)
		Original	Final		
<b>REVENUES</b>					
5700	Total local and intermediate sources	\$ 823,743	\$ 743,743	\$ 746,728	\$ 2,985
5800	State program revenues	28,500	28,500	25,712	(2,788)
5900	Federal program revenues	3,538,889	3,590,889	3,599,002	8,113
5020	Total revenues	4,391,132	4,363,132	4,371,442	8,310
<b>EXPENDITURES</b>					
0035	Food services	4,462,803	4,597,803	4,551,226	46,577
6030	Total expenditures	4,462,803	4,597,803	4,551,226	46,577
1200	Net change in fund balances	(71,671)	(234,671)	(179,784)	54,887
0100	Fund balance - July 1 (beginning)	240,762	240,762	240,762	-
3000	Fund balance - June 30 (ending)	\$ 169,091	\$ 6,091	\$ 60,978	\$ 54,887

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**REQUIRED TEXAS EDUCATION AGENCY SCHEDULES**

**CEDAR HILL INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FISCAL YEAR ENDED JUNE 30, 2015**

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Last Ten Years Ended June 30	Tax Rates		Net Assessed/Appraised Value For School Tax Purposes
	1 Maintenance	2 Debt Service	
2006 and prior years	Various	Various	\$ Various
2007	1.3700	0.3733	2,560,483,910
2008	1.0400	0.3600	2,829,331,571
2009	1.0400	0.4600	2,902,967,662
2010	1.0400	0.3600	2,722,945,214
2011	1.0400	0.4000	2,582,617,083
2012	1.0400	0.4000	2,549,024,931
2013	1.0400	0.4000	2,511,815,764
2014	1.0400	0.4850	2,547,691,918
2015 (School year under audit)	1.0400	0.4850	3,204,244,520

**1000 TOTALS**

**EXHIBIT H-1**

<b>10</b>	<b>20</b>	<b>31</b>	<b>32</b>	<b>40</b>	<b>50</b>
Beginning Balance 07/01/14	Current Year's Total Levy	Maintenance Collections	Debt Service Collections	Entire Year's Adjustments	Ending Balance 06/30/15
\$ 119,969	\$ -	\$ 5,650	\$ 1,098	\$ -	\$ 113,221
35,165	-	5,346	1,457	-	28,362
39,864	-	6,490	2,247	-	31,127
72,624	-	8,105	3,585	-	60,934
111,159	-	13,581	4,701	-	92,877
125,746	-	17,046	6,556	-	102,144
208,677	-	30,846	11,864	-	165,967
432,456	-	56,793	21,843	-	353,820
333,306	-	143,616	66,975	-	122,715
-	40,696,097	27,108,156	12,641,785	(514,431)	431,725
<u>\$ 1,478,966</u>	<u>\$ 40,696,097</u>	<u>\$ 27,395,629</u>	<u>\$ 12,762,111</u>	<u>\$ (514,431)</u>	<u>\$ 1,502,892</u>

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**REPORTS ON INTERNAL CONTROL, COMPLIANCE,  
AND FEDERAL AWARDS**

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

Board of Trustees  
Cedar Hill Independent School District  
285 Uptown Boulevard  
Cedar Hill, TX 75104

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Cedar Hill Independent School District (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 18, 2015.

**Internal Control over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 identify a deficiency in internal control that we consider to be a material weakness, described in the accompanying schedule of findings and questioned costs as Finding 2015-01.

### **Compliance and Other Matters**

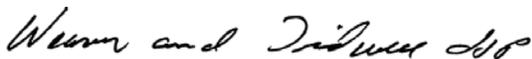
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

### **The District's Response to Findings**

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

### **Purpose of this Report**

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



WEAVER AND TIDWELL, L.L.P.

Dallas, Texas  
November 18, 2015



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

Board of Trustees  
Cedar Hill Independent School District  
285 Uptown Boulevard  
Cedar Hill, TX 75104

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

We have audited Cedar Hill Independent School District's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2015. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

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

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

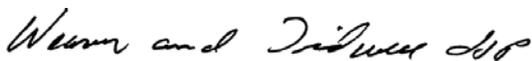
## Report on Internal Control over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



WEAVER AND TIDWELL, L.L.P.

Dallas, Texas  
November 18, 2015

**CEDAR HILL INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED JUNE 30, 2015**

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**I. Summary of the Auditor's Results:**

Financial Statements

- a. An unmodified opinion was issued on the financial statements.
- b. Internal control over financial reporting:
- Material weakness(es) identified?  Yes  No
  - Significant deficiency(ies) identified that are not considered a material weakness?  Yes  None reported
- c. Noncompliance material to financial statements noted.  Yes  No

Major Programs

- d. Internal control over major programs:
- Material weakness(es) identified?  Yes  No
  - Significant deficiency(ies) identified that are not considered a material weakness?  Yes  None reported
- e. An unmodified opinion was issued on compliance for major programs.
- f. Any audit findings disclosed that were required to be reported under Section 510(a) of OMB Circular A-133.  Yes  No
- g. Identification of major programs:
- |                         |        |
|-------------------------|--------|
| Child Nutrition Cluster | 10.555 |
|-------------------------|--------|
- h. The dollar threshold used to distinguish between Type A and Type B programs. \$300,000
- i. Auditee qualified as a low-risk auditee.  Yes  No

**CEDAR HILL INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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

**Finding 2015-01 Overstatement of Due from State**

**Type of Finding:** Material Weakness in Internal Control Over Financial Reporting

**Criteria:** Establish controls over the reporting of amounts due from or to state for foundation and per capita state revenue.

**Condition and Context:** Due to errors relating to the recording of state revenue occurring prior to July 1, 2013, the District's amount due from state was overstated at June 30, 2014 by \$3,721,995.

**Cause:** The District did not have a process to substantiate the amount reported as due from/to state for state funding. Unpaid or over paid amounts were added to or subtracted from the balance at the beginning of the year to determine the amounts reported. As the beginning of year balances were overstated, the errors were carried forward.

**Effect:** The District overstated the amount due from state.

**Recommendation:** The District should develop and document a process to substantiate amounts due from/to state for foundation and state per capita independently of its calculation of state revenue. This will help ensure the accuracy of amount due from/to state reported by the District.

**Management's Response:** The CFO will ensure the reconciliation of the general ledger to the most current TEA payment ledger for foundation and state per capita for year-end processing to substantiate any amounts offset by revenue calculations. Adjustments for due from/to state will be made as needed to reflect the remaining payments due from TEA.

**CEDAR HILL INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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

None

**IV. Summary of Prior Year Audit Findings**

2014-01: During our audit, we noted that the District delegated responsibility for the preparation of "GASB-34" entries in the prior year, including entries to record debt-related transactions to its independent auditor, but did not provide appropriate oversight and review of the GASB-34 entries and related support.

As a result, the District's June 30, 2013 government-wide governmental activities liabilities were understated and net position, overstated by \$6,988,493 due to errors in calculations of accreted interest on capital appreciation bonds, accrued interest on current interest bonds, and misapplication of lives and amortization of premium on debt issues and of deferred refunding amount.

We recommended the District designate an individual with suitable skill, knowledge and/or experience to oversee and evaluate the adequacy and results of such entries in the future.

Current Year Status: The District designated its new Chief Financial Officer to make the above calculations and, as a result, the issue has been resolved.

**CEDAR HILL INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015**

(1) Federal and State/ Pass-Through Grantor/ Program Title	(2) Federal CFDA Number	(2A) Pass-Through Entity Identifying Number	(3) Federal Expenditures
<b><u>U.S. DEPARTMENT OF EDUCATION:</u></b>			
<u>Passed Through the State Department of Education</u>			
ESEA Title I Part A- Improving Basic Programs	84.010A	15610101057904	\$ 1,111,852
Special Education Cluster (IDEA):			
IDEA- Part B, Fomula	84.027	15660001057904	1,092,105
IDEA- Part B, Preschool	84.173	15661001057904	<u>27,784</u>
Total Special Education Cluster (IDEA)			<u>1,119,889</u>
Career and Technical- Basic Grant	84.048	15420006057904	87,711
ESEA Title III, Part A, English Language Acquisition	84.365A	15671001057950	63,357
ESEA Title II, Part A, Teacher Principal Training	84.367A	15694501057950	62,657
Summer School LEP	84.369A	69551402	2,213
Total Passed Through State Department of Education			<u>2,447,679</u>
Total U.S. Department of Education			<u>2,447,679</u>
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>			
<u>Passed Through Texas Department Of Human Services</u>			
Medicaid Administrative Claiming Program - MAC	93.778	529-07-0157-00236	<u>14,250</u>
			<u>14,250</u>
Total U.S. Department of Health and Human Services			<u>14,250</u>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
<u>Passed Through the State Department of Agriculture</u>			
Child Nutrition Cluster:			
National School Breakfast & Lunch Program	10.555 *	71401501/71301501	3,330,846
Donated Commodities	10.555 *	NA	<u>268,156</u>
Total Child Nutrition Cluster			<u>3,599,002</u>
Total U.S. Department of Agriculture			<u>3,599,002</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 6,060,931</u>

\* Denotes Major Federal Program - Child Nutrition Cluster

**CEDAR HILL INDEPENDENT SCHOOL DISTRICT  
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2015**

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

The modified accrual basis of accounting is used for the Governmental Fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred.

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

3. The District participates in numerous Federal grant programs that 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, in any, refunds of any money received may be required and the collectability of any related receivable at June 30, 2015, 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 provisions have been recorded in the accompanying financial statements for such contingencies.
4. The following table reconciles total expenditures per the Schedule of Expenditures of Federal Awards (Exhibit I-1) to Federal Program Revenues per Exhibit C-3:

Total Expenditures of Federal Awards per Exhibit I-1	\$ 6,060,931
Reimbursements received from the Federal School Health and Related Services	855,866
Total Federal Program Revenues per Exhibit C-3	<u>\$ 6,916,797</u>